2022

Guide to **Next.**

2022

Guide to **Next.**

Our outlook on what's next and how
retailers can strategically plan for changing
customer demands.

Table of **Contents**.

Store Experiences.

3 Ways Retailers are **Transforming Stores for the Digital Customer**
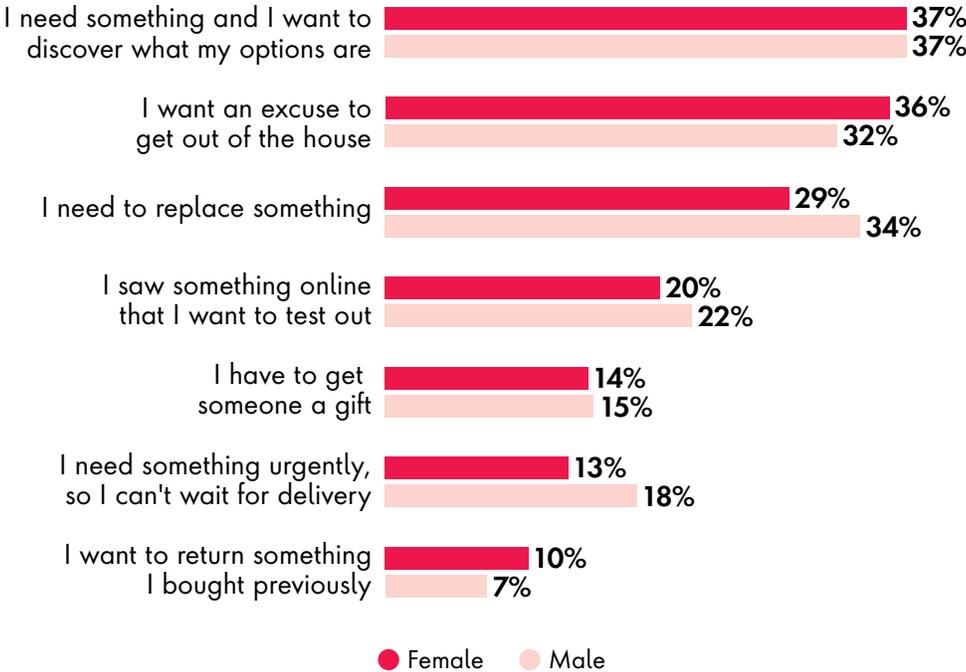
For nearly two years, retailers have faced COVID-19 lockdowns and restrictions, with e-commerce changing consumer expectations and the role of physical stores and online channels.

The desire to return to physical retail can be seen in pockets of the world where lockdowns have eased. When stores in the United Kingdom reopened in April 2021, sales rose 9.2 percent month-over-month, with a 218 percent jump in foot traffic in the first week after reopening. In the United States, retailers like TJ Maxx have credited consumers' desire for "treasure-hunting" experiences for strong post-lockdown sales.

Why do you want to shop in a physical store?

	Female	Male
I need something and I want to discover what my options are	37%	37%
I want an excuse to get out of the house	36%	32%
I need to replace something	29%	34%
I saw something online that I want to test out	20%	22%
I have to get someone a gift	14%	15%
I need something urgently, so I can't wait for delivery	13%	18%
I want to return something I bought previously	10%	7%

● Female ● Male

(Source: Publicis Sapient research, United Kingdom, 2021)

"Even with the massive shift towards online shopping, the physical store is not going away. In 15 years, brick-and-mortar stores will still be relevant, and they will be the best place for consumers to experience a brand," said Hilding Anderson, head of retail strategy, Publicis Sapient.

Making a memorable and meaningful brick-and-mortar experience requires a modern-day take—one that combines the convenience of the digital tools and services consumers have become accustomed to with an inherently unique experience. Here, we explore how retailers are evolving their store footprint to bring new experiences to digital-first shoppers, using data and technology to connect online and offline journeys.

1 Brick-and-mortar locations will **get more strategic**

The pandemic has changed everyday life. The realized potential of remote work has led to an exodus from city centers that once thrived from a commuting workforce, with populations of shoppers swapping rituals of the road for at-home comforts.

According to consumer location data from Publicis Sapient AI Labs, U.S. traffic to coffee shops and bakeries – a staple of a typical morning commute – plunged at the height of lockdowns in April 2020, with some uptick as physical locations began to reopen. Convenience stores and service stations, frequented by those who may drive to work, saw a similar trajectory.

Activity Index (7d. Avg., 100 = Jan+Feb 2020)

● Traffic to coffee shops and bakeries
● Traffic to convenience stores and service stations

⬊ Traffic plunged at the height of lockdowns

(Source: Publicis Sapient Digital Life Index, 2020)

January   April   July
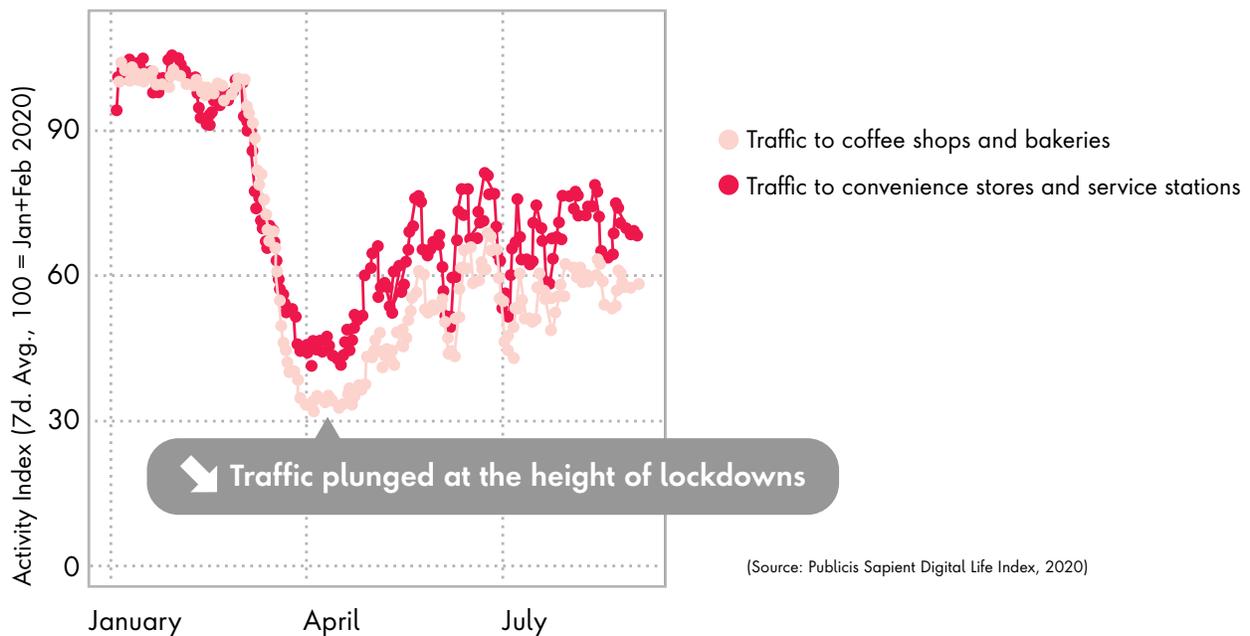
"People have relocated, and a lot of people are working from home—they don't come to the office as often," said Thierry Elmalem, senior managing director, management consulting, Publicis Sapient. "Retailers will have to change the number of stores they have or relocate stores to where new demand is."

In 2020, an estimated 12,200 store locations closed throughout the United States, up from nearly 10,000 in 2019. Coresight Research estimates that another 10,000 stores will shut down in 2021, with 4,000 new store openings in the U.S.

COVID-19 restrictions were a catalyst for companies already struggling to maintain profitability at low-performing retail locations. These closures also created space for new entrants into the brick-and-mortar market, with digital natives like Netflix, TikTok, and Amazon announcing plans to expand their physical footprint. Other retailers are using this period to repurpose existing stores to increase profitability, either as dark stores, click-and-collect outposts or experiential spaces.

"This is demonstrating how companies are re-evaluating the business case for their retail footprint," said Andy Halliwell, international retail strategy lead, Publicis Sapient. "It's no longer just about sales, but looking at stores as a very large investment in out-of-home media to create brand awareness."

Organizations must understand how stores fit into the broader needs of the business and the consumer to create a competitive attack plan and gain market share.

"Combined, this intelligence will help retailers make the right decisions on how to evolve their footprint," Elmalem said.

Click + Collect waiting area

LEADING THE CHANGE

Loblaw has been changing the way Canadians shop since 1919, and it was the first grocer to offer click-and-collect to shoppers in Canada. The strategic rollout of express click-and-collect pickup has put 75 percent of Canadians within 10 minutes of a Loblaw location, making order collection easy while expanding the grocer's footprint. **Learn more here.**

2

Store layouts will adapt to **digital-first consumer demands**

The environment a retailer creates within the storefront is paramount when meeting consumer demand for new types of digitally integrated shopping experiences.

"The store environment has to align with what your shoppers are expecting, but most companies are targeting more than one type of shopper," Halliwell said. "So, how do you build an environment that supports the different kinds of experiences that your audiences want? More experiential stores, with more inventive and unusual décor, and better support for omnichannel consumers are key."
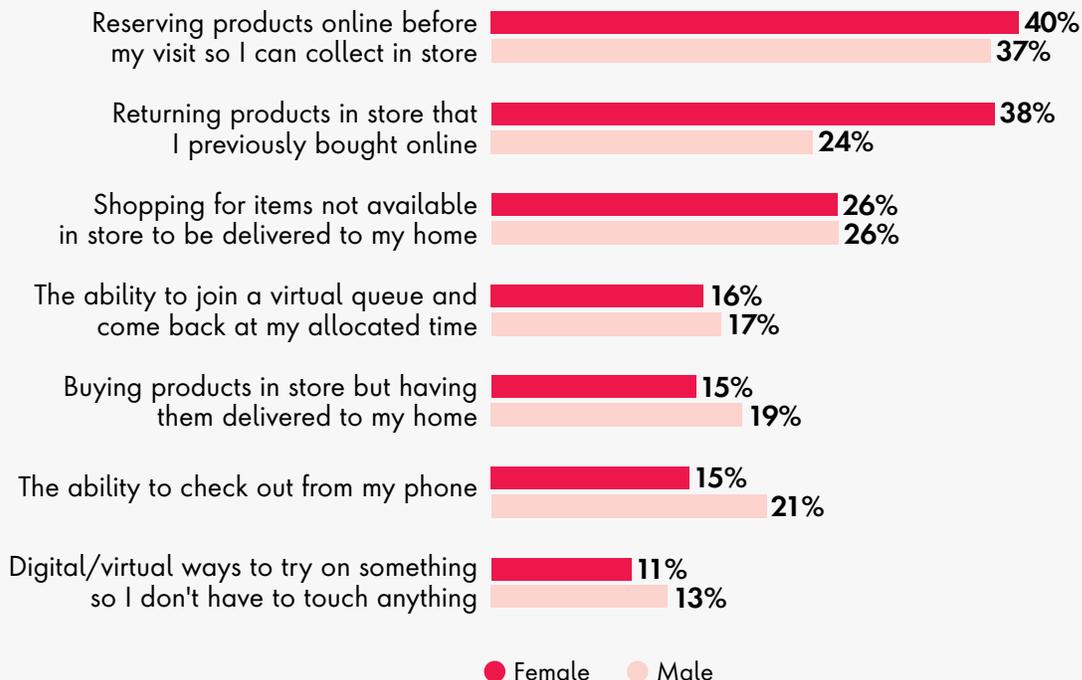
The e-commerce **shopper**

Click-and-collect and buy-online-pickup-in-store (BOPIS) give consumers a hybrid approach to shopping and returns. Insider Intelligence estimates that U.S. shoppers will spend up to $83.4 billion on click-and-collect purchases in 2021, up from $72.4 billion in 2020.

Directing shoppers to retail locations cuts down on delivery costs and boosts in-store traffic. Retailers should consider how to adapt their store model to elevate these experiences.
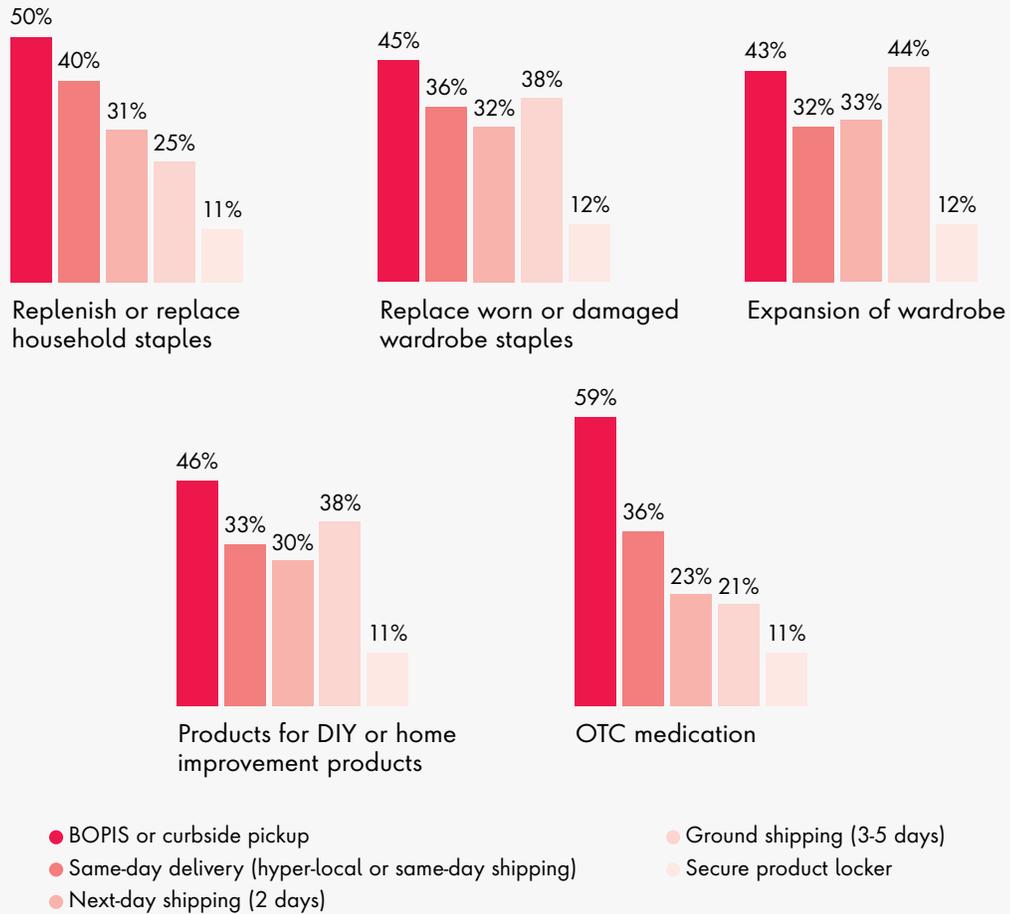
What kinds of digital screens or tools do you expect physical stores to have?

Consumers expect connected experiences when managing BOPIS purchases and returns.

	Female	Male
Reserving products online before my visit so I can collect in store	40%	37%
Returning products in store that I previously bought online	38%	24%
Shopping for items not available in store to be delivered to my home	26%	26%
The ability to join a virtual queue and come back at my allocated time	16%	17%
Buying products in store but having them delivered to my home	15%	19%
The ability to check out from my phone	15%	21%
Digital/virtual ways to try on something so I don't have to touch anything	11%	13%

● Female ● Male

(Source: Publicis Sapient research, United Kingdom, 2021)

BOPIS and curbside fulfillment are a preferred method for shoppers across several key categories.

Replenish or replace household staples
- 50%
- 40%
- 31%
- 25%
- 11%

Replace worn or damaged wardrobe staples
- 45%
- 36%
- 32%
- 38%
- 12%

Expansion of wardrobe
- 43%
- 32%
- 33%
- 44%
- 12%

Products for DIY or home improvement products
- 46%
- 33%
- 30%
- 38%
- 11%

OTC medication
- 59%
- 36%
- 23%
- 21%
- 11%

- ● BOPIS or curbside pickup
- ● Same-day delivery (hyper-local or same-day shipping)
- ● Next-day shipping (2 days)
- ● Ground shipping (3-5 days)
- ● Secure product locker

(Source: Publicis Sapient Digital Life Index, 2020)

"If you're driving people to the store, you must have dedicated space so people can come and collect the things they purchased," Halliwell said. "If you don't, then you get a lot of people standing in the way of those who are at the location to buy. It adds complexity to the layout and how traffic is going to flow."

Some retailers, like Nordstrom, are adding amenities like coffee shops or restaurants close to pickup and return areas, giving shoppers a comfortable place to wait for their turn, while also encouraging transactions. Other brands leverage digital queues that let shoppers schedule pickup times or offer product lockers for contactless collection—all managed on a mobile device.

"Little things like this are a nice way to build the environment to manage different kinds of customer journeys coming into stores," Halliwell said.

Fulfillment and **inventory**

Retailers are also converting existing retail floor space into fulfillment centers with increasing levels of automation, using smaller spaces to prepare orders at scale with limited human intervention. Retailers can use micro-fulfillment to manage order preparation for curated SKUs, allowing them to quickly move products that may be in high demand.

As consumer habits continue to move toward click-and-collect, retailers are implementing new models to manage demand, provide better customer experiences and improve profitability.

	Manual Picking In-Store	Hybrid Picking In-Store	Standalone Click-and-Collect	Micro-Fulfillment Centers (MFCs)	Automated Click-and-Collect Warehouse
Picking model	100% in-store	50% in-store / 50% backroom	100% dark store / mini-warehouse	100% backroom (90%+automated)	100% automated + warehouse picking
Picks per hour	80	120	150	500+	250–500
Order quality before substitution	50%	55%	90%	99%	96%+
Orders per day	60–150	250–450	Up to 500	700+	5,000–7,000
Size	–	–	2,500m²	2,000m²	25,000m²
Range	25,000+ SKUs	25,000+ SKUs	8–10,000+ SKUs	20,000+ SKUs	15,000 SKUs

(Source: Publicis Sapient benchmarks)

Creating one-of-a-kind **brand moments**

Retailers should view stores as an opportunity to provide experiences that differentiate their brand from the rest. Digital-first concepts that move beyond the transactional are a way to keep shoppers engaged while strengthening brand awareness.

"Delivering experiences that shoppers want is as much art as it is science, as those experiences need to balance convenience with branding and marketing, connecting them more closely with the retailer for the long term," said Guy Elliott, senior vice president, retail, Publicis Sapient.

LEADING THE CHANGE

When Audi wanted to bring their showrooms to crowded city centers, they introduced Audi City, the first all-digital vehicle showroom. An experience powered by seamless gesture control and one-to-one rendering of life-size vehicles, combined with real-time pricing and availability gives buyers a completely new, transformative approach to car buying. **Learn more here.**

3 Store experiences will be **digital and data-driven**

Technology and data will serve as the backbone of these new store experiences. By seamlessly integrating data across web, mobile, storefront and inventory channels, retailers can digitally expand their physical footprint while providing the connected, personalized experiences that shoppers want.

"It's about using data to maximize the experience of the customer through personalization, using techniques like employee awareness of customer preferences and history, personalized promotions, and discounts for genuinely high-value customers," Elliott said. "Getting to a true understanding of customer profitability across all channels is becoming increasingly important."

What informs the modern algorithm?

By combining data from an array of sources, retailers can make more intelligent business decisions across the entire organization.

Transactional	Contextual	Customer	Retailer Processes
• Historical sales data • Seasonal purchases • Returns • Pre-orders	• Weather • Holidays • Sporting and cultural events • Competitor events and promotions • Gas prices • Traffic • Economic outlook	• Biographical data • Demographic data • Behavioral data (including clickstream and browsing data, social media activity, as well as in-store data) • Attitudinal data	• Demand forecasting • Shipping • Offers and conversion rates • Additional operations

Retailers can use data to provide elevated digital services across every point of the in-store journey:

- **Planning a visit:** Before heading to a store, shoppers can plan how and when they will make their purchases, build a shopping list, explore real-time inventory and schedule pickup. Retailers can use this data to inform demand planning or direct consumers to the best place to purchase in case an item is out of stock.

- **Digital shelf and inventory visibility:** The digital shelf can be used to provide product reviews, detailed information, and promotions that help shoppers make informed purchase decisions. It can also be used for inventory management, automatically notifying associates when restocking is needed.

- **Digital store layouts:** Digital store layouts let shoppers navigate physical stores, reducing friction. Wayfinding tools and digital signage can be combined with in-store offers to direct people to the best deals.

- **Point-of-sale and payment:** Mobile technology puts point-of-sale everywhere the customer goes, enabling associates to quickly close a sale, pull up customer information, manage customer service and offer suggestions for upselling. Contactless payment options at the register give shoppers more choices in how they want to manage checkout.

LEADING THE CHANGE

Gas retailer Pilot Flying J used data to reimagine the customer journey for drivers headed to their service stations, developing a new app that delivers unique recommendations based on the type of vehicle a driver operates, geolocation, traffic patterns and loyalty program information. **Learn more here.**

In the future, the store experience will certainly feel a bit different than it does now. Through a combination of new store models, brand initiatives and digital integrations, retailers will increase their existing footprints by creating seamless experiences shoppers will remember.

Returns **Optimization**.

A Two-Step Approach to **Managing E-Commerce Returns**

STRATEGIC RETURNS MANAGEMENT LETS RETAILERS GET AHEAD OF RETURNS IN A WAY THAT'S COST-EFFECTIVE AND APPEALING TO CONSUMERS.

Let's face it—returns aren't great for anyone. For shoppers, it's a moment of dissatisfaction and another process to go through. For retailers, it's a burden—one with costs that go beyond the initial sticker price.

In 2020, $428 billion in merchandise was returned, approximately 10.6 percent of total U.S. retail sales. According to the National Retail Federation, the rate of online returns more than doubled when compared to 2019, with $102 billion in e-commerce returns alone.

In some cases, returned items are unable to be resold or are resold at a lower price, cutting into profits. Additional shipping places the onus on logistics, ensuring items get routed to the right destination, whether that be a warehouse, a physical store, or a landfill. These last-mile hurdles result in greenhouse gas emissions from increased delivery traffic and packaging waste, with the e-commerce market projected to produce upwards of 4 billion pounds of plastics by 2025—a different type of cost entirely.

An estimated
5 billion pounds
of returned goods end up in
U.S. landfills annually.

It's estimated returns volume will grow to more than $1 trillion in merchandise annually over the next several years. Considering that an estimated 15 to 40 percent of e-commerce orders are returned (nearly three times the rate of brick-and-mortar-returns), retailers risk leaving even more on the table if returns aren't managed efficiently.

Today's shopper expects online returns to be seamless and preferably free. A profitable returns management system requires retailers to consider how they can use data to improve customer experience alongside operational efficiency.

The returns process is critical to the overall customer experience, so if you focus only on minimizing costs you could create a big issue from a sales perspective. Retailers must balance cost impact with sales impact and brand impact as they're thinking about optimizing the return process.

GUY ELLIOTT
Retail Lead, EMEA & APAC, Publicis Sapient

1

Get Ahead of Returns by **Knowing the Customer**

One of the biggest differences between e-commerce and brick-and-mortar is the ability for consumers to try on or try out products. Consumer research from Publicis Sapient finds that retailers struggle to replicate this process digitally.

Sixty-two percent of shoppers aren't satisfied with the ability to try on and try out products online. And when people don't feel confident in what they're buying, it can lead to returns that retailers could have prevented with improved customer experience.

The ability to try on or try out products online, manage returns and resolve customer service issues are rated the lowest among satisfaction across the digital customer journey.
Nearly half of consumers look for an easy way to manage returns when choosing online retailers.

Percent Satisfied or Very Satisfied with doing the following activities online

38% TRYING ON OR TRYING OUT A PRODUCT VIRTUALLY

61% DISCOVERING NEW PRODUCTS OR BRANDS

45% RETURNING AN ITEM

63% RESEARCHING OR COMPARING PRODUCTS

48% RESOLVING A CUSTOMER SERVICE ISSUE

63% CHOOSING DELIVERY METHOD

54% USING OR APPLYING DISCOUNTS

66% FINDING THE PRODUCT I'M LOOKING FOR

56% GETTING IDEAS OR FINDING INSPIRATION

70% PAYING FOR A PURCHASE

In apparel, nearly half of U.S. shoppers will buy multiple sizes of a product online with the intention of returning items that don't fit. This behavior, known as "bracketing," is a way for shoppers to ensure they get the right product through trial and error–something that could be perceived as low-risk when returns are free.

"Providing as much information about products as possible can help generate consumer confidence," Elliott said. "You can actually start to drive down costs by not having to ship three items and take two back, which is going to cause you a loss in almost every case."

Data is key to helping customers make better purchase decisions, says Andy Halliwell, senior client partner, Publicis Sapient. That starts on the product page.

"You need data about the product, the product information, the data around how people are buying it and how people are returning it so that you can feed that into the customer experience," Halliwell said. In the case of apparel, "use data to your advantage and help make sure that from the start it fits, so a shopper doesn't actually need to return it."

Customer data can also be used to identify shoppers with a high likelihood to return. Retailers can then incentivize these customers toward cost-effective return methods, like returning in store or at a click-and-collect location.

"Retailers can segment customers and products based on returns history and promote or suppress marketing efforts based on the customer profile and product attributes," said Nitin Dsouza, director, strategy and transformation, Publicis Sapient.

Limiting the number of items a customer can buy in different sizes helps avoid the need to discount unwanted products. Adding dynamic pricing on shipping in these cases can incentivize customers to choose the best option while also covering potential losses on returns. For seasonal items, incentivizing customers to return quickly could also be effective.

"Some of the investments that we've started to see have been around using artificial intelligence and machine learning to make better predictions based on where shoppers are returning from, and some of their options, like where retailers need that product and how quickly they can have it ready for the next customer. All of this plays a role in driving higher profitability," said Hilding Anderson, head of retail strategy, North America, Publicis Sapient.

And then there's the in-store experience. According to Halliwell, "retailers are going to have to start thinking about having a dedicated space where digital sales can be brought back into stores, designed with transactions in mind." This could be by implementing new experiences, like strategically placing a café near queues where customers can wait comfortably or equipping associates with the right digital tools to manage customer returns on the floor. Digitally, retailers can offer personalized in-store deals to incentivize consumers who choose to return or exchange at their local retail location.

"If you can take the return and immediately sell them the right product, you both minimize your cost of the return and keep the sale," Elliott said.

Retailers are already using data to get smarter about helping their customers. AI-driven personalization tools like TrueFit ask shoppers to enter basic information about height and weight, along with brands they've shopped with before, where they know their size. The tool then recommends similar sizes, so shoppers understand how different sizing translates across brands. Other retailers use a combination of user reviews and personalization to make recommendations by matching past preferences to what similar shoppers have purchased.

Augmented reality lets shoppers "place" an item in their home virtually or "try on" products through photo or video. Livestream demos and chatbots allow shoppers to interact directly with staff and ask questions before they buy.

"The ability to field questions backs up performance promises, delivering the assurance users need to make a big-ticket purchase online, and ultimately reduces costly returns for the retailer," said Britta Alexander, director of experience, retail, Publicis Sapient.
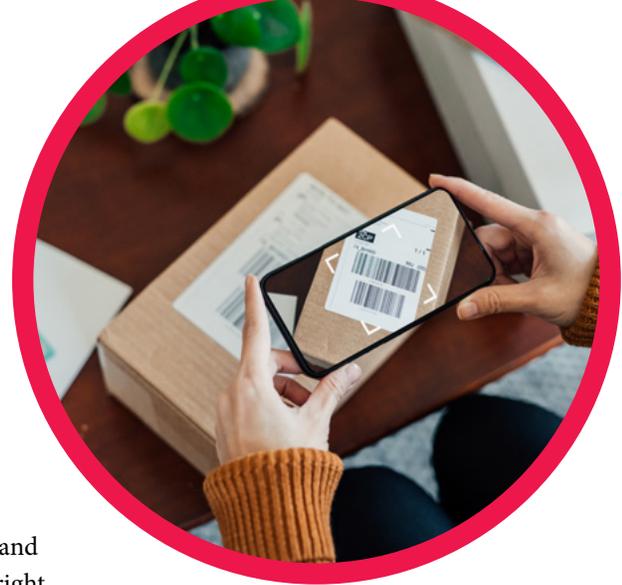
2

Mitigate the cost of returns with **operational efficiency**

Although an improved customer experience may prevent unnecessary returns, operational efficiency is what will ultimately mitigate cost when returns do inevitably happen. Visibility and predictability into the supply chain across vendors, transport providers, distribution, stores, and dealers are key to unlocking actionable insights.

"If your reverse logistics are not up to scratch, then it's going to be tough to hit the levels of profitability that most retailers are used to," Halliwell said.

Speed to resale on returned items is critical to maximize margins. Improved inventory visibility lets retailers effectively streamline distribution by routing products to the right place at the right time. This requires a de-siloed data system, with information shared across the supply chain to determine the best economic opportunity for redistribution.

Retailers can also get ahead of mail-in returns by dynamically printing shipping labels that route the return to the best distribution point and providing them to the consumer—streamlining shipping while also reducing packaging waste.

"There are retailers who are spending huge amounts of money flying product between warehouses to try to get product into the right space," Halliwell said. "But if you've got 1,000 returns, and it goes directly to the warehouse that doesn't have any in stock, you can eliminate that step."

Optimizing returns requires blending cost-effective measures with customer-centric experiences. With data and a modernized, digitally forward supply chain, retailers can make intelligent decisions on how to manage returns seamlessly and effectively.

Data **Monetization.**

Four Ways Retailers Can **Monetize Their Data**

RECENT DISRUPTIONS TO THE DIGITAL MEDIA LANDSCAPE LEAVE CHALLENGES AND OPPORTUNITIES FOR RETAILERS, EMPHASIZING THE ACCELERATION OF DATA CAPABILITIES TO FUTURE-PROOF THEIR BUSINESSES FOR A COOKIELESS WORLD.

Although digital ad spending is projected to top $586 billion globally by 2023, ongoing deprecation of third-party cookies and evolving global data privacy regulations will make it increasingly difficult for companies to collect actionable customer data from platforms like Google, Apple and Facebook. In response, brands are strengthening their first-party data collection, establishing direct, consent-based relationships with customers.

A first-party data strategy decreases reliance on third-party data. But a wealth of owned data also positions retailers to create their own media platforms, partnering directly with suppliers or other brands to deliver highly personalized communications and engagements across owned channels. These relationships are inherently symbiotic, with partners and retailers exchanging direct insights on targeted audiences (ultimately strengthening their first-party data over time) and retailers benefiting from new revenue through data monetization.

A brand acting as an advertiser gives the brand more impressions in front of customers and prospects. When you create your own advertising network, you're getting the same types of signals that the walled gardens are getting without having to depend on the walled garden—you're decoupling dependencies.

RAY VELEZ
Global Chief Technology Officer, Publicis Sapient

Data Privacy and Consumer Trust

60% OF SHOPPERS PREFER TO
REMAIN ANONYMOUS ONLINE

45% OF SHOPPERS AGREE THAT THEY
FEEL IN CONTROL OF THEIR
PERSONAL INFORMATION ONLINE

51% OF ORGANIZATIONS ARE TRYING
TO IMPROVE TRANSPARENCY
FOR CUSTOMERS

(Source: Publicis Sapient Digital Life Index, Publicis Sapient/WBR Report)

In 2019, Amazon netted nearly $13 billion in advertising revenue—representing 11 percent of additional income. In 2021, that number is expected to top $26 billion, with Amazon representing around 5 percent of the worldwide digital ad market.

Data independence can be a driving force for retailers looking to stay ahead while increasing e-commerce profitability, improving customer relationships, and driving better business decisions. Here, we explore four ways retailers can build a data strategy that delivers.

1

Identify new business opportunities across owned channels

There are so many ways a shopper can engage with a brand and each avenue is an opportunity to deliver personalized communications. By creating a single view of the customer, retailers can use data to create unique shopping experiences that lead to new revenue opportunities.

The more connected data a retailer has from point-of-sale transactions, mobile or internet traffic, email engagement and media impressions, the greater chance it has to create targeted campaigns or new products and services. For example, retailers can combine loyalty program data and transactional data to present personalized credit card offers, auto-replenishment or subscription services based on past purchase history and preferences.

"To go across these channels to orchestrate a personalized experience is going to get harder unless you're a first-party brand who has a consent-based relationship that can link back to customers," Velez said.

1P Data

Loyalty Engagement Earning & Redeeming
Provides market basket and purchase history data

Promotions
Captures usage, consumer behavior, demographics, and incremental sales

Digital Platform Partners
Provides data through third-party agreements

Experience Hubs
Captures brand preferences and provides opportunity to test products with target consumers

Company Brand Store
Captures consumer, sales and purchase data

Member Acquisition Touchpoint
Display advertising, search (paid and organic), and brand.com callouts
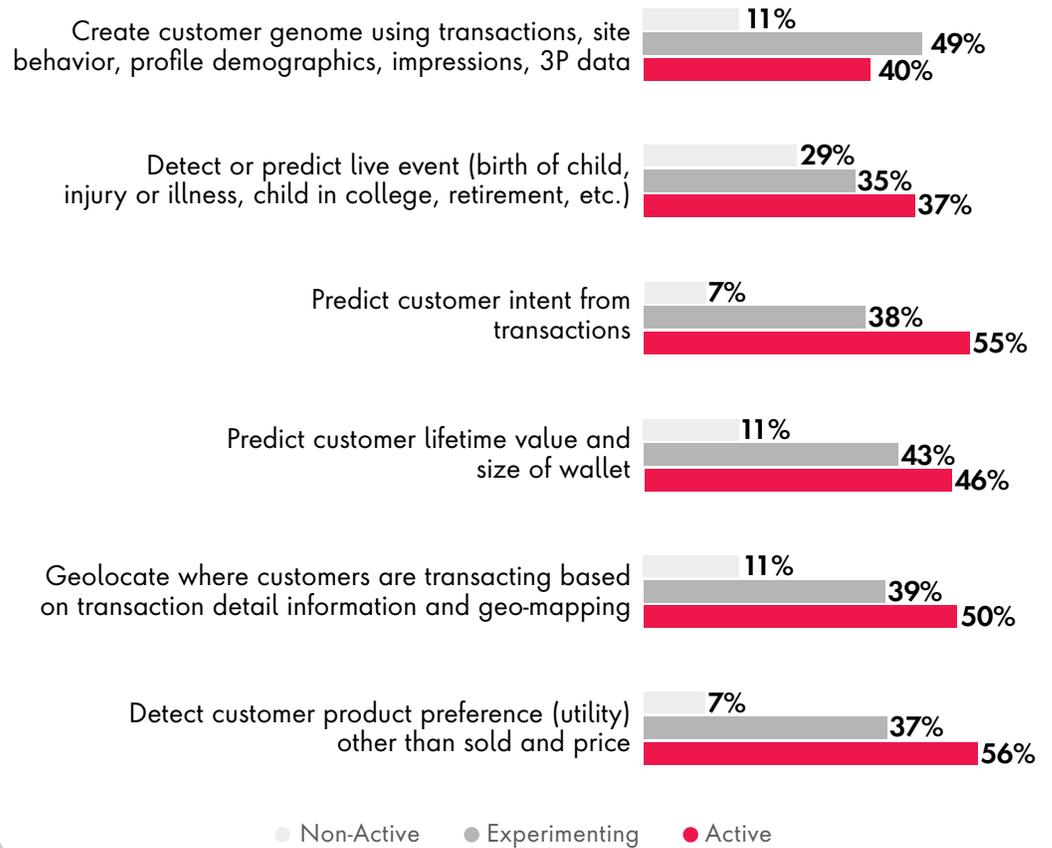
Meta-tagged Email Campaigns
Captures every click and open for brand, content and placement preference
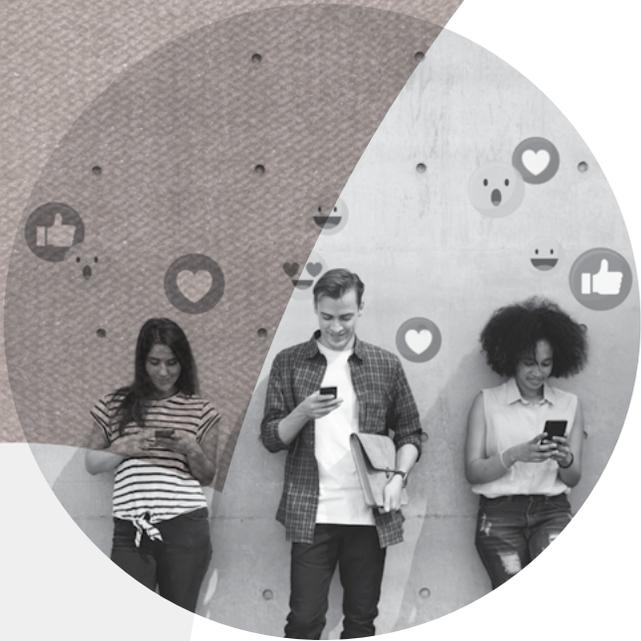
A connected customer data platform allows retailers to easily share data with partners, suppliers, publishers and advertisers in a cleanroom environment, creating the foundation for a media network while remaining fully compliant with regulatory guidelines.

How active is your company in using data to…?

Create customer genome using transactions, site behavior, profile demographics, impressions, 3P data
- 11%
- 49%
- 40%

Detect or predict live event (birth of child, injury or illness, child in college, retirement, etc.)
- 29%
- 35%
- 37%

Predict customer intent from transactions
- 7%
- 38%
- 55%

Predict customer lifetime value and size of wallet
- 11%
- 43%
- 46%

Geolocate where customers are transacting based on transaction detail information and geo-mapping
- 11%
- 39%
- 50%

Detect customer product preference (utility) other than sold and price
- 7%
- 37%
- 56%

● Non-Active   ● Experimenting   ● Active

(Source: Publicis Sapient/Adobe Research, 2020)

2 Build a **media network**

With a media network, retailers and brands can work together to create joint marketing campaigns that benefit both companies. Let's say a consumer technology brand wants to advertise its latest smartphone or desktop computer. The brand could partner with a big-box retailer to run a campaign on the retailer's website or marketplace, leveraging the retailer's customer data to target look-alike customers. In turn, both companies receive direct data on how customers engaged with an ad, what products people were most interested in, and which promotions led to a conversion.

66% **OF SHOPPERS SAY THEY'VE BOUGHT SOMETHING ONLINE THEY'VE SEEN ADVERTISED**

"By creating joint campaigns, you're increasing traffic without having to buy those advertisements yourself," Velez said.
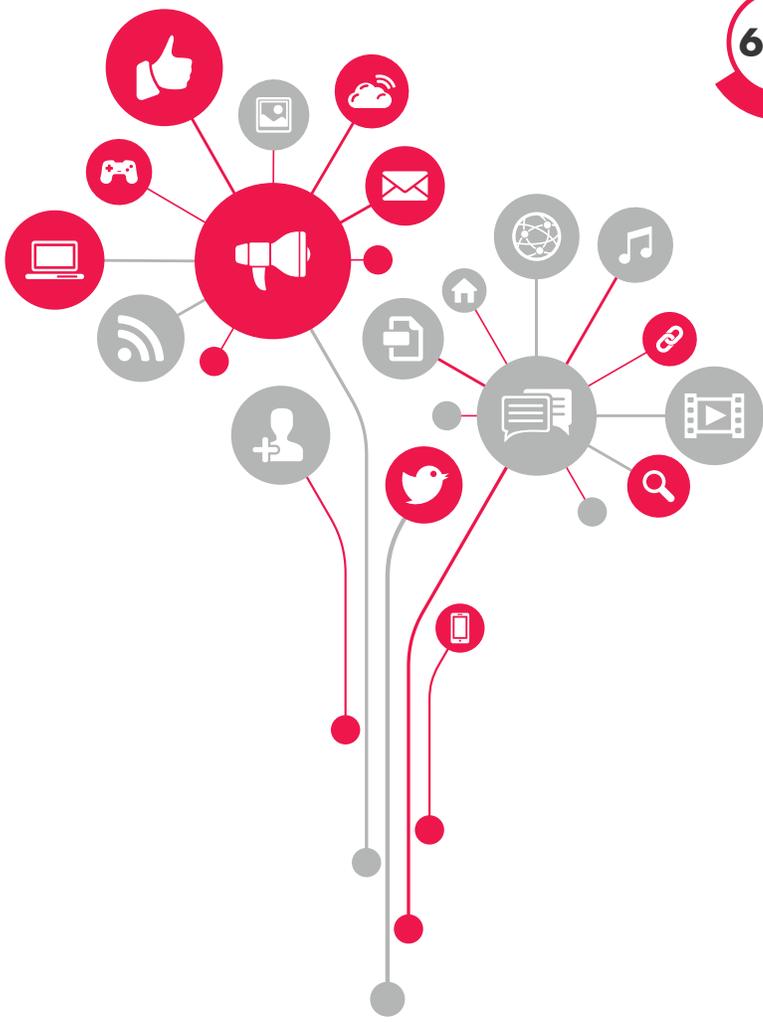
3 Invest in personalized experiences

As retailers begin to build out a media network, they must also think about how native advertisements fit into the shopping experience. People are easily frustrated by poor ad experiences—in fact, one study from adtech firm Blockthrough suggests that 81 percent of shoppers use ad blockers just to silence the noise of interruptive or annoying promotions.

According to Velez, retailers should never introduce anything that distracts a customer from making a purchase. "You're personalizing experiences, not distracting from them," he said.

Promotions should occur naturally within a shopper's journey, with experiences that are personalized, contextual and add to a customer's interaction with the brand. Retailers must also remain transparent, making clear distinctions between paid promotions and organic results as people browse for the products they need.

"Amazon sells ads in such a way that it does not distract you from one-click purchasing," Velez said. "It's enabling a shopper's ability to get to a conversion and get through checkout without any friction."

39% OF SHOPPERS SAY THEY WANT RETAILERS TO PROVIDE MORE CASHBACK OPTIONS

37% OF SHOPPERS SAY THEY WANT RETAILERS TO PROVIDE PERSONALIZED OFFERS BASED ON SPENDING PREFERENCES

(Source: Publicis Sapient Digital Life Index)

4 Break down data silos

Data monetization brings new revenue to a business and strengthens the quality of first- and second-party data collection. Once data is collected in a connected ecosystem that is compliant with regulatory conditions, retailers can use the data to improve other areas of the business.

For example, understanding which target audiences are interested in buying a product and where they are located can inform inventory optimization and demand planning, with retailers able to make intelligent decisions on how they stock distribution centers or arrange store layouts to meet local demand. Data can also be used to continuously test and learn when implementing new marketing campaigns and partnerships, improving the quality of customer experiences over time.

"Retailers are getting more information about people who have interest in buying a product," Velez said. "Now retailers have advertising signals they could use to test new imagery that drives more conversions. All of these things are improved because retailers have more signals to gauge intent."

MAKE THE MOST OUT OF CUSTOMER DATA

Many retailers already have the capabilities in place to better understand their customers. Looking holistically at the customer journey and advertising experiences in a safe, compliant way enables retailers to expand their offerings, improve the quality of personalized experiences and make their data go the extra mile.
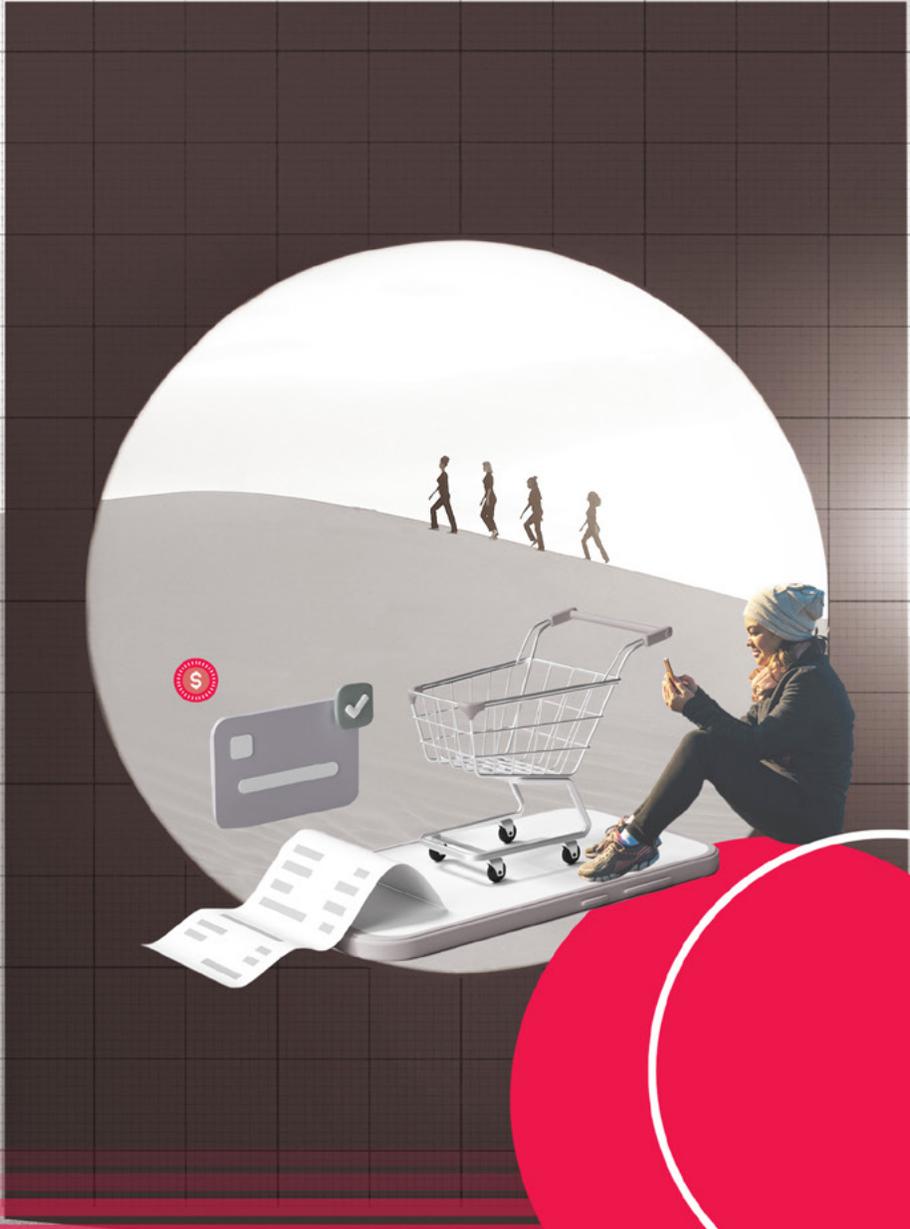
Retailers as **Platforms**.

The Rise of the
Retail Platform

Shoppers want to interact with retail brands that offer convenient experiences. Business ecosystems, a network of companies connected by data, products and services, have evolved in response to this demand, focusing on minimizing the number of steps a person must take to get the products they need.

Platforms that connect business ecosystems with consumers deliver amazing results because they integrate a range of products and services into a centralized location. Instead of bouncing around from website to website, shoppers can manage multiple needs in one place, with a retailer or brand becoming the go-to destination for both owned products and ancillary services.

Retailers and their partners also benefit from direct data partnerships, with the ability to share meaningful customer insights, create joint marketing campaigns and scale their businesses with a common goal that ultimately improves the quality of their products and services.

The future winners of retail will be those who own the market by building a connected ecosystem of related services that customers can engage with through one seamless experience.

Benefits of becoming a platform-based business

Create and shape the market	Create ongoing value	Scale with profitability
Platforms cut across and connect different industries, establishing a presence in markets they previously could not permeate.	Platforms grow by building their network of users and partners, enabling continuous growth of new commercial products, services and partnerships.	For businesses that can connect with their customers to create a true network, the potential for value creation is incredible, with partners sharing costs of scaling alongside customer demand.

Marketplaces are the way to expand on different types of things that people buy. But an ecosystem touches every part of what a consumer would be looking for.

SUDIP MAZUMDER
Retail Lead, North America, Publicis Sapient

Building a **Network**

Ecosystems offer unique value for both specialty retailers and big-box stores.

Specialty retailers are typically focused on selling within one product category. However, the products they sell are ultimately part of a larger experience in a person's life. For specialty retailers, building a platform is about understanding how to expand their brand, becoming a destination where people can go not just to buy, but learn, explore and grow as they manage this facet of their everyday lives.

"You're trying to offer something really unique based on what you do," said Sudip Mazumder, industry lead, retail, Publicis Sapient. "And that's what will differentiate you in the market."

Partnerships with other companies or services that are complementary and align with a retailer's mission give brands the ability to build a network that spans an entire product category.

Take Petco, for example. The pet care retailer offers a wide selection of products, its own pet food line and a robust loyalty program with auto-replenishment and subscription services. Outside of products, Petco's reach expands into a suite of pet hotels, grooming services, adoption events in partnership with local shelters and its own pet health care coverage. As a marketplace, Petco allows partners to advertise on its website, exponentially expanding their network to accommodate a growing number of vendors and affiliates. The breadth of reach achieved through strategic partnerships has established Petco as a place for shoppers to find everything they are looking for as pet owners, from adopting a pet to ongoing pet care and beyond.

In the first half of 2021, shoppers purchased across a variety of channels, with retailer websites and marketplaces to be the most popular destinations.

Online Retailer Website	Online Marketplace	Online Retailer App	Individual Brand Website	Social Media	Individual Brand Apps	Subscription Services
70	49	41	40	27	18	8

● Global Percentage
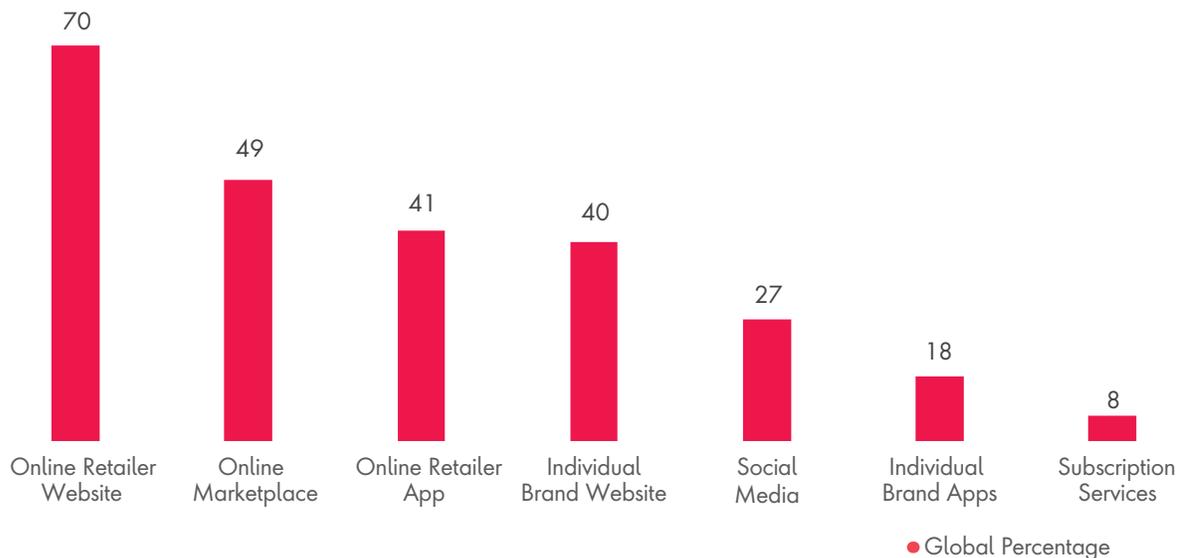
(Source: Publicis Sapient Digital Life Index, 2021)

Growth in the platform trend can be found in the health and wellness sector because the COVID-19 pandemic accelerated the need for digitally connected health care services. More people used telehealth for the first time in 2020, introducing a new audience to the market. More than one-fifth of consumers shopped online at a drug store for the first time during the pandemic, and 70 percent of consumers used a mobile app to manage a part of their health and wellness experience in 2021.

In 2021, consumers turned to mobile apps to manage parts of their health care journey at home.
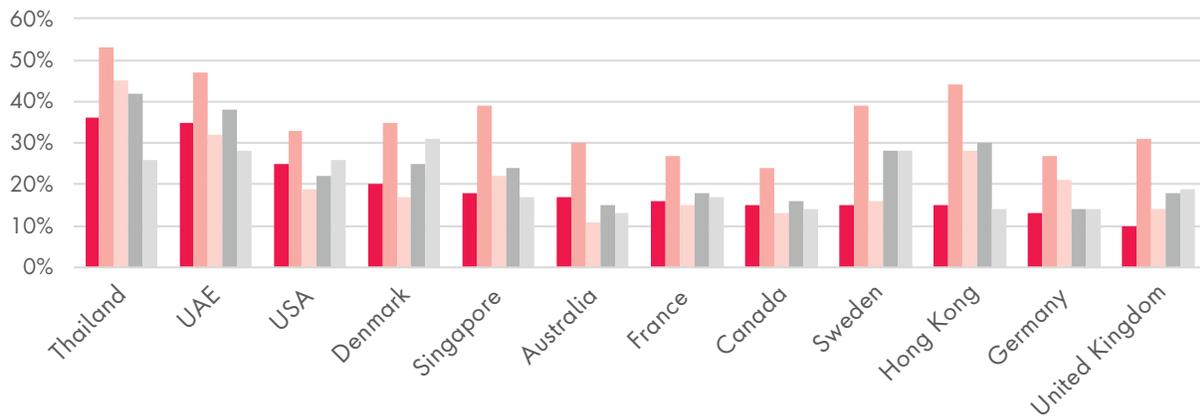
Activities Completed via Mobile Applications

- Have a Telehealth Appointment
- Track Fitness Goals
- Monitor Health Conditions
- Learn about Medical Condition
- Manage Medication

(Source: Publicis Sapient Digital Life Index, 2021)

This shift opened new doors for brands to expand their presence in the health care market by introducing new products and services that make it easier for people to manage their health and wellness in new and innovative ways. Pharmacy retailer Walgreens partnered with VillageMD to offer full-service doctor's offices across the United States that offer in-person and telehealth care. This expansion complements Walgreen's suite of online tools that help patients find local providers for specific health needs, manage prescriptions and loyalty program benefits, get alerts or reminders and set pickup or delivery preferences. Apparel retailer Nike's Training Club app offers personalized workouts, weekly challenges and nutrition tips. In grocery, Carrefour introduced a digital tool that helps consumers learn about nutrition and make healthier food choices as they shop.

Deciding which activities to own versus those to access through a network is complex and constantly changing as an ecosystem evolves. To grow, retailers must continuously work to identify opportunities to create value, enable competitive advantage and accelerate market share.

"Retailers always need to think about new products and services that they can bring into the ecosystem, which is going to keep enhancing the value of that network," Mazumder said.

Staying relevant
in the moments that matter

**Identifying the best opportunities
for expansion begins with understanding
the many unique customer journeys that define a
brand's audience and how to be relevant in the moments
that matter in everyday life.**

Say you are a parent, and your child's playing a new sport. A sports retailer could offer you suggestions on the best equipment to buy for beginners, a how-to guide to help you use the equipment and a directory of local youth leagues where you can explore the right place to sign up your child for practice—all on their website or app. When you have to sign up for a new season the following year, the retailer has suggestions to help you find what you need.

Or, what if you're a college athlete? You could head to the same sports retailer to find professional-level gear, join a community to chat with other college sports fans and learn when and where the next big game will be.

These are two very different use cases. But they are both opportunities to bring together consumers that share common interests and needs. Retailers must dive deep into their data to create a holistic view of their customers and how their shopping experiences change over time. As needs change, retailers can offer highly personalized recommendations for products or services at just the right moments, becoming reliable destinations for shoppers to find what they're looking for.

"At the core of all of this is the ability to really understand consumers and bring like-minded consumers together to create a network that will enhance its value over time," Mazumder said.

A platform business model can enable resilience and be an engine of innovation. As with ecosystems, creating a platform is a relatively new trend that comes with fundamental shifts in how retailers manage their business.

FROM RETAILER TO PLATFORM

Closed to open	Product to community	Linear to exponential
Platforms must have the technical architecture and policies to support interactions between users with the tactics needed to attract and build new audiences. This shift changes how leaders think about competition and cooperation with partners.	Platforms must optimize external partnerships to deliver a holistic user experience. Beyond different operating models, this is a shift in how firms think about assets and account for them.	Digitization, connectivity and communication enable platforms to grow exponentially. Business leaders must break the mindset of linear growth, embracing the disruptive potential of technologies and businesses built to accelerate innovation.

As these systems expand, retailers need to develop the right capabilities to compete alongside these models, as a potential partner or by building a platform of their own.

Next starts now.

To get started, please visit **publicissapient.com/retail**
Or contact us anytime:

SUDIP MAZUMDER
Retail Industry Lead, North America
sudip.mazumder@publicissapient.com

GUY ELLIOTT
Retail Industry Lead, EMEA & APAC
guy.elliott@publicissapient.com