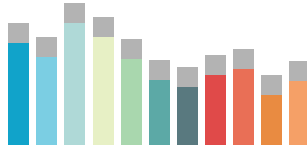


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RETAIL INSIGHT

Spotlight on Modern Retail



About This Report

Retail moves fast, and the definition of “modern” retailing is continually evolving. Just a couple of years ago the hot topic was showrooming, and a few years before that everyone was talking about the boom of e-commerce. Today, modern retail means omnichannel — regardless of the business or how it sells. Modern retail goes beyond minding the store — it’s building a brand that engages and serves customers seamlessly both online and offline.

Why is omnichannel so important? Because with technology always at their fingertips, consumers live omnichannel every day. Retailers must transform their businesses to embrace this new reality.

The NRF Foundation and KPMG are excited to spotlight this transformational shift in retailing. In this report, we’ve gathered examples from research and facts from various government resources, the media, and retail industry reports, to highlight how consumers, technology and innovation are shaping retail.

We look forward to seeing what modern retail looks like a few years from today.



Mark Larson
Partner,
Global Head
of Retail
KPMG



Matthew Shay
President
& CEO
National Retail
Federation



A Very Brief History of E-Commerce



It's hard to believe, but it has been almost 20 years since the first online stores.



In the mid-90s, if you were shopping online (probably using a dial-up modem) you would have found just a few places to make a transaction. Online-only shops such as Amazon, eBay or books.com dominated the World Wide Web.

Despite the Dot-Com bubble burst, U.S. retail e-commerce sales continued upward, increasing from 1999 sales of \$15 billion to \$27 billion in sales in 2000. By 2002, retail e-commerce sales were still on the rise, up to \$44 billion.*

Today in the U.S., e-commerce is a \$200 billion industry. †

As more retailers open shop online, e-commerce will only continue to account for a larger share of total retail sales. In fact, total online retail sales in 2013 are predicted to reach \$262 billion — a rise of 13% over 2012 and representing 8% of all retail sales.‡

If you think modern retailing is only about the internet, you're missing half the story. Online-only retailers are opening physical stores, from Warby Parker, to BaubleBar and Piperlime, just as brick-and-mortar companies, such as T.J. Maxx and H&M, launch online storefronts.

Retail Words to Know

e-commerce

Buying and selling through the internet via an electronic device, such as a computer, a mobile device or tablet.

brick-and-mortar

Retailers that have a physical storefront and offer face-to-face customer experiences.

multichannel retailing

Retail operations with customer transactions possible through multiple connected channels, such as: brick-and-mortar stores, online store sites, mobile apps and telephone.

omnichannel retailing

Similar to multichannel retailing, with the focus on creating a seamless consumer experience through any and all shopping channels: mobile, tablet, computers, brick-and-mortar stores, television, radio, direct mail and catalog.



Not Your Grandma's Store: Brick-and-Mortar Gets a Makeover



omnichannel stores

Staples recently launched “omnichannel stores,” which are smaller and feature large kiosks where consumers can make purchases for in-store pick-up and find more information — essentially, creating an online shopping experience in-store.



full-service resources

HomeDepot.com is a full-service resource for the DIY customer with pick-up in-store options and customized in-store deals and events.



mobile apps

Read or write product reviews, create a shopping list, access a rewards account or view past purchases — Sephora's mobile app is more than a method for making purchases; it's a trusted tool for consumers. Customers get the experience in-store as well with free wi-fi to scan products and find mobile offers.

customizations

Chipotle's recent app update makes ordering burritos even more convenient. Customize your burrito (or bowl, salad or tacos) exactly how you would in the restaurant, and then pay through the app. Skip the line, pick up your burrito and get right to work.



fulfillment options

The drug store isn't what it used to be. Think new or remodeled stores, sushi options, fresh smoothies, and 700-bottle wine selections. Online customers have their pick of online purchase fulfillment options, such as site-to-store shipping, web pick-up and same-day home delivery.



Skip the line mobile
customized
web pickup customize

online purchase remodeled
consumer experience
pick-up in-store kiosks
in-store deals
omnichannel stores

The Consumer is in Charge

Consumers are driving industry innovation. From finding an item online, to checking customer reviews in an app, to finding it in the store, consumers expect — if not demand — a seamless experience.

Consumers live in a multichannel world. Retailers that integrate their online with their offline, and their mobile with their in-store, have a major advantage.

Still climbing out of the recession, consumers want to know everything they can about a product before handing over their cash. Six out of seven consumers have researched products online before buying in a store — upping the importance for retailers to build a site that sells.*



How Consumers Use Mobile In-Store



MILLENNIALS



GEN X



BOOMERS



SILENTS



* Prosper Monthly Consumer Survey, June 2013.

Left chart: Prosper Monthly Consumer Survey, June 2013. Among those who regularly or occasionally research products online.

Right chart: Prosper Media Behaviors & Influence Study, December 2012.

Don't Be Shy. Be Social.

Through constant feedback on social media consumers drive what goes onto, and flies off of, retail shelves.

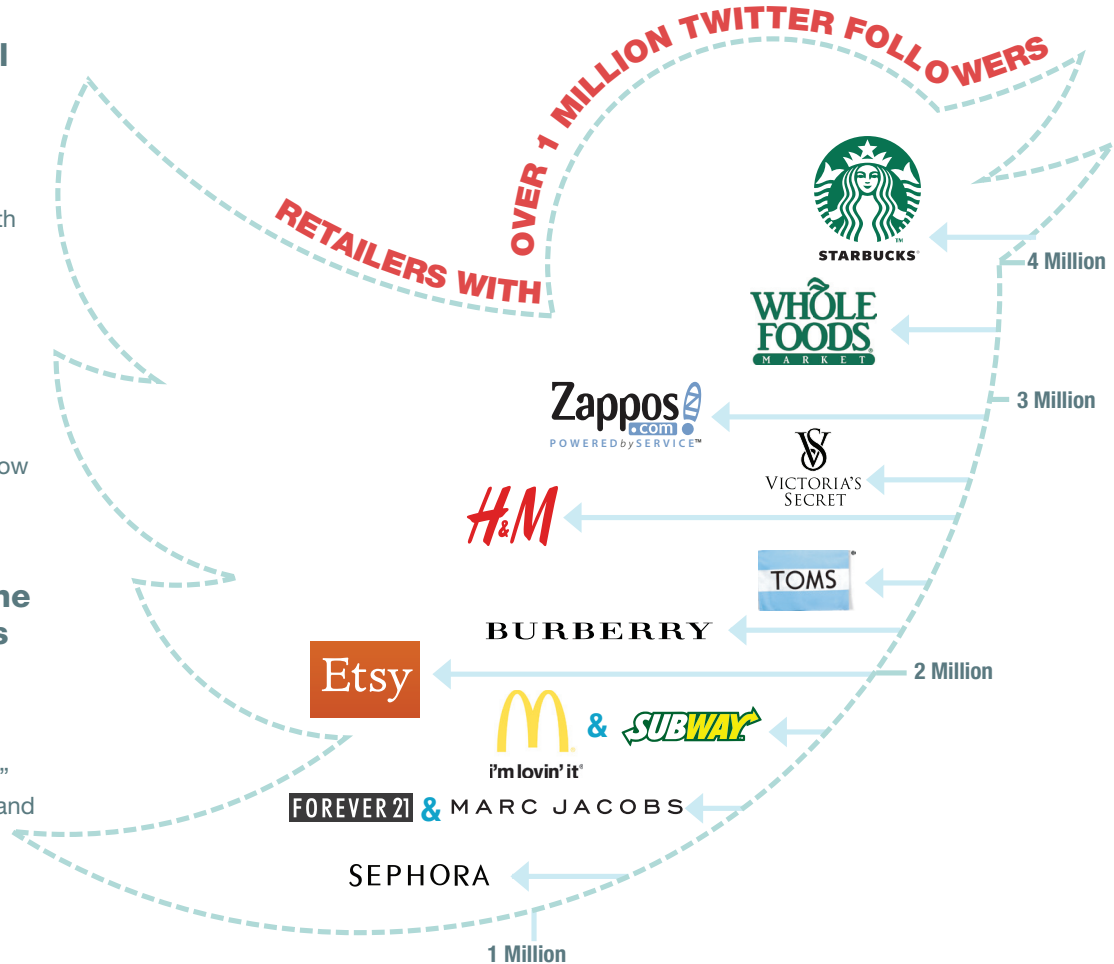
As social media grew in users across sites, retailers created profiles and gained followers to stay in tune with their customers.

Social media has worked for retail because it drives sales.

Social media is the easiest and fastest method for consumers to share experiences, give product reviews and interact with a brand – and it's only projected to grow in size and influence.

Today, social media has the most impact with consumers, especially the youngest generations, on electronics and apparel purchases, as well as their decisions for dining out.*

Social media is no longer considered “new technology,” but it continues to adapt and grow in new directions – and retailers haven't missed a beat.





Social Shopping

Window shopping isn't what it used to be. Pinterest's users (70 million) follow an average of 9.3 retail companies — more than Twitter or even Facebook users.

But, Pinterest is more than popular, it's profitable. Shoppers coming from Pinterest spend nearly \$170 per session on average. In comparison, shoppers from Facebook spend \$95 per session, while Twitter shoppers spend \$70.*

Top 10 Categories Purchased Through Pinterest

Pinterest



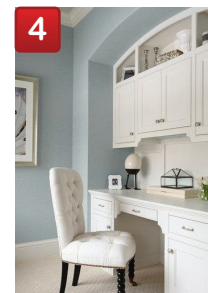
1 Clothing & Apparel



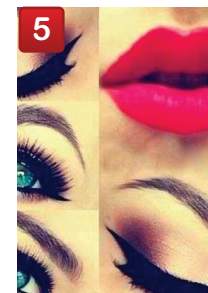
2 Accessories



3 Art, Hobbies & Art Supplies



4 Home, Garden & Pool/Spa



5 Health & Beauty



6 Footwear



7 Flowers, Food, Drink & Gift



8 Baby Gear



9 Entertainment
(Books, music, movies, etc)



10 Sporting Goods

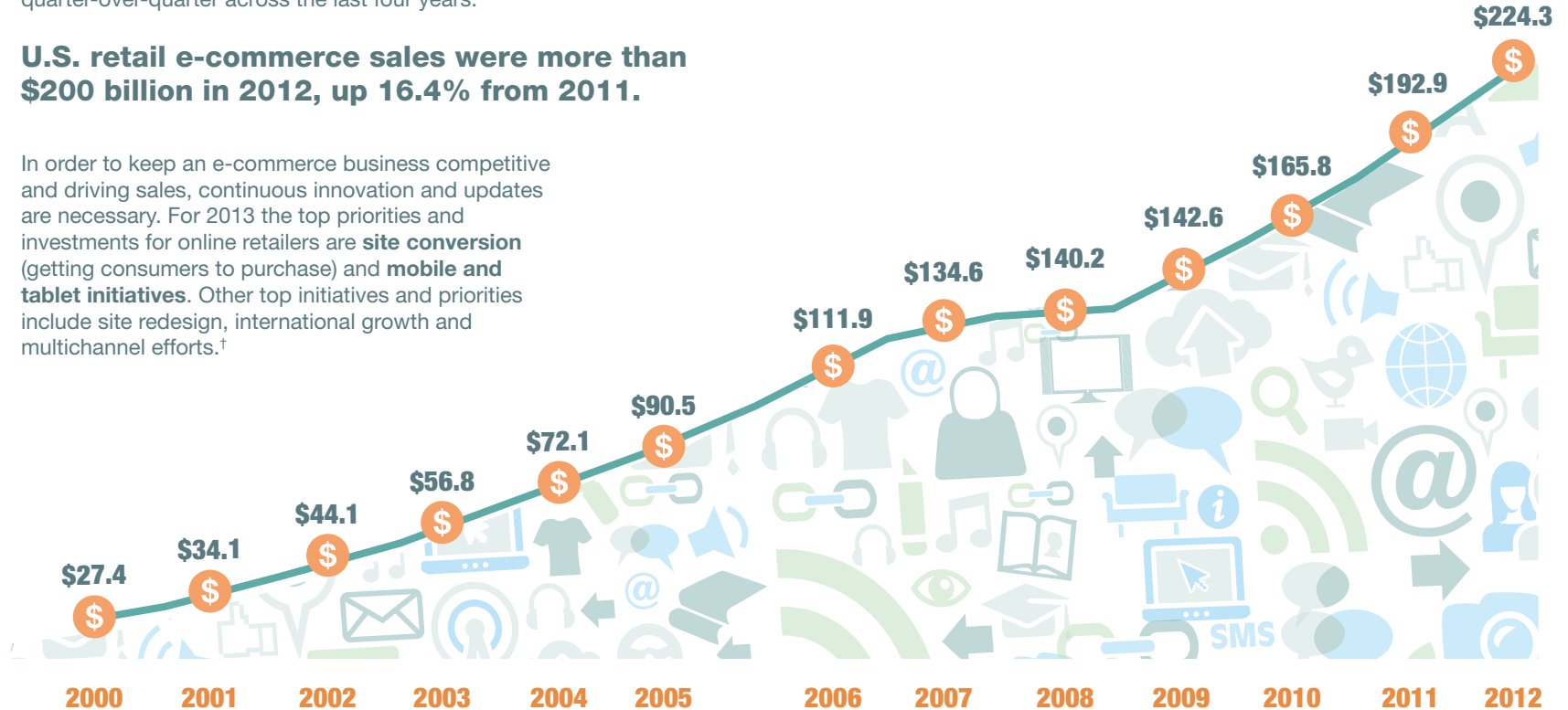


E-Commerce on the Rise

While still a fraction of total retail sales, the share of sales from e-commerce is steadily rising, growing at an average rate of 4% quarter-over-quarter across the last four years.*

U.S. retail e-commerce sales were more than \$200 billion in 2012, up 16.4% from 2011.

In order to keep an e-commerce business competitive and driving sales, continuous innovation and updates are necessary. For 2013 the top priorities and investments for online retailers are **site conversion** (getting consumers to purchase) and **mobile and tablet initiatives**. Other top initiatives and priorities include site redesign, international growth and multichannel efforts.†



Annual E-Commerce Sales in Billions of Dollars

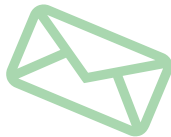
Careers Coming to Retail

From an app developer to a social media manager, it takes innovative minds to build a modern brand that appeals to consumers. Retailers are actively hiring the talent needed to execute new development and initiatives, with positions from the store to the cloud.

Top Open Web Positions Retailers are Hiring for in 2013



Marketing analytics
40%



Email
35%



Natural search
26%



Paid search
22%



Social media
22%



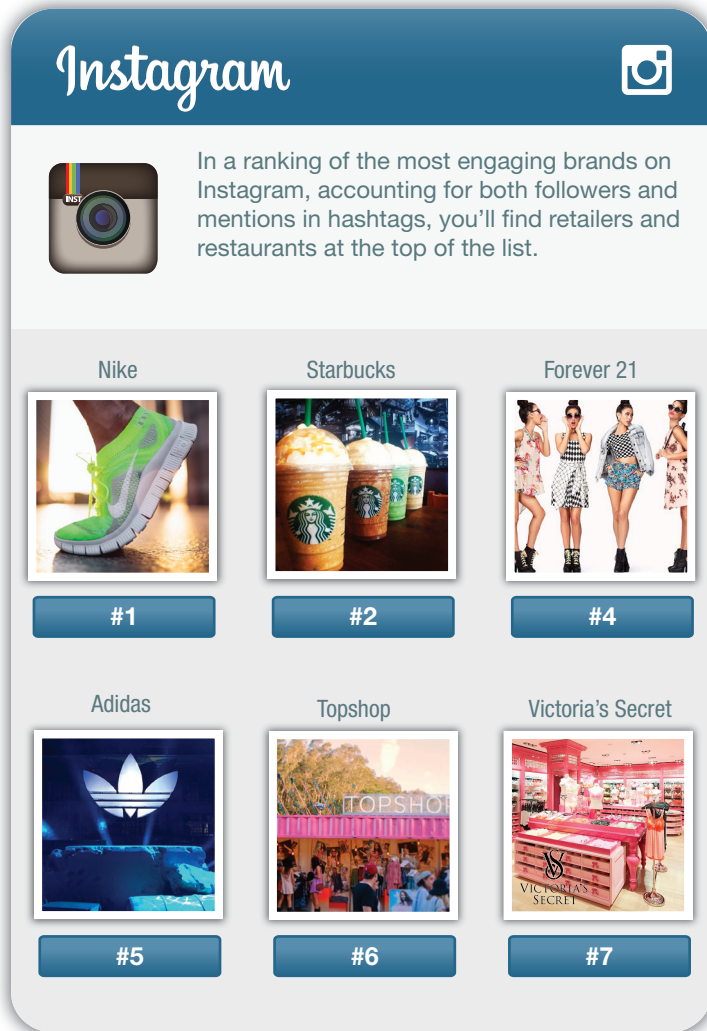
Mobile search
9%

Real Jobs in Retail

HELP WANTED

<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">IMMEDIATE OPENING</p> <p style="text-align: center; font-weight: bold; color: #008080;">E-Commerce Guest Architect</p> <p style="text-align: center; font-size: 0.8em;">Abercrombie & Fitch</p>	<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">EXPERIENCED</p> <p style="text-align: center; font-weight: bold; color: #008080;">E-Commerce Guest Experience Director</p> <p style="text-align: center; font-size: 0.8em;">lululemon athletica</p>
<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">NOW HIRING</p> <p style="text-align: center; font-weight: bold; color: #008080;">Senior Manager, Customer Analytics</p> <p style="text-align: center; font-size: 0.8em;">Crate&Barrel</p>	<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">LOOKING FOR</p> <p style="text-align: center; font-weight: bold; color: #008080;">Microstrategy Analyst/Developer</p> <p style="text-align: center; font-size: 0.8em;"></p>
<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">LOOKING FOR</p> <p style="text-align: center; font-weight: bold; color: #008080;">Junior Front-End Developer</p> <p style="text-align: center; font-size: 0.8em;"></p>	<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">POSITION OPEN</p> <p style="text-align: center; font-weight: bold; color: #008080;">Manager of Digital Analytics</p> <p style="text-align: center; font-size: 0.8em;"></p>
<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">EXPERIENCED</p> <p style="text-align: center; font-weight: bold; color: #008080;">E-Commerce Project Manager</p> <p style="text-align: center; font-size: 0.8em;"></p>	<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">NOW HIRING</p> <p style="text-align: center; font-weight: bold; color: #008080;">E-Commerce Project Lead</p> <p style="text-align: center; font-size: 0.8em;"></p>
<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">OPENING</p> <p style="text-align: center; font-weight: bold; color: #008080;">Planning Manager</p> <p style="text-align: center; font-size: 0.8em;"></p>	<p style="text-align: center; background-color: #008080; color: white; padding: 5px;">EXPERIENCED</p> <p style="text-align: center; font-weight: bold; color: #008080;">Online Marketing Project Manager</p> <p style="text-align: center; font-size: 0.8em;"></p>

Retailers That Rule Social



5 Behind-the-Scenes Retail Innovations

- 1 Kroger** recently installed infrared cameras that detect body heat, which help determine the number of lanes to open.
- 2 Macy's** has started to use its stores as fulfillment centers in order to ship items faster to customers who purchase online.
- 3 HSN** uses extensive consumer data to create a seamless shopping experience, customized to its customer, across all media platforms and shopping channels.
- 4 Domino's** IT department is focused heavily on creating responsive digital-ordering platforms for seamless, easy ordering.
- 5 Walmart** has an updated app that shifts into an in-store mode when consumers are near a store, which lets consumers view maps of stores and find products within aisles.



