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A Monthly Recap of the Developments Within the Omnichannel Ecosystem

June 2014 Edition

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About this Report

In a retail environment where traditional consumer shopping norms and habits are being disrupted by the rapid adoption of new technologies, retailers are now, more than ever, looking for alternative strategies to ensure the future viability of their businesses. Some merchants are progressively adopting Omnichannel solutions that create a seamless shopping experience for their customers, allowing them to shop for all products and services whenever and wherever they wish.

This report will, on a monthly basis, document the moves these progressive retailers are making to enable omnichannel across three critical lenses:

Engage the Customer – strategies merchants are enacting to drive customers into their store or online including loyalty programs, contextually relevant offers, and leveraging data to make relevant product recommendations.

Enable the Customer – tools merchants are deploying to arm customers with the ability to shop and buy whenever and wherever they want including apps, enabling payment within the app, location-based services, and the ability to shop and fulfill purchases regardless of channel

Serve the Customer – ways in which merchants are stepping out from behind the counter to deliver enhanced shopping experiences such as mobile-point-of-sale, ability to check inventory in real-time, etc.

The report will also feature industry-spanning statistics and factoids curated by **Vantiv, whose solutions help merchants make that transition a bit easier.** These statistics and factoids will help to arm retailers (and those who power them) with data to make smarter decisions when considering various options for enabling Omnichannel commerce.

PYMNTS Viewpoint

I had the occasion recently to listen to a senior executive from a specialty retailer talk about their experiences with mobile, and the impact that mobile was having on their sales. In this case, a brand whose name you would know very well, said that 50 percent of their sales were now from mobile devices (phones and tablets) and that trend showed no signs of slowing down. This particular brand was among the early adopters of mobile, having launched its first mobile app in 2010 and its Passbook-enabled loyalty and gift cards in 2012.

As I was listening to her presentation, I was struck by a few things, that are very relevant to mastering the omnichannel experience.

For this brand's customers, the mobile app was all about discovery – curating what was new, and driving people into the stores to check things out and try things on. Knowing that, they jumped in with both feet in making sure that the physical store environment could turn a mobile browser into an in store buyer. Knowledgeable sales associates encouraged customers to bring up product reviews while those consumers were in the store which drove purchase conversion and to snap pictures of products to share on social media. Digital loyalty cards made it easy for people to see how much more they needed to spend to unlock rewards. That helped drive spend before checkout, often increasing basket size in the process.

Pass-enabled e-gift cards became a magnet for driving people into the stores - becoming the "siren song" of free money that further motivated people to pop in and shop. The ability to redeem those e-gift cards in store also became an important tool for helping this brand move pretty fluidly between on and offline channels and live especially comfortably at the blurry intersection of those two worlds worlds – the core of the omnichannel promise. What's more, those customers, armed with those tools, spent more money when in the physical store, and became loyal customers.

I asked specifically about the impact of mobile on foot traffic and what I heard was interesting. Although foot traffic was hard for them to measure, a shopper that used both mobile and physical channels spent more with the brand – a lot more – and overall sales were up. For this brand, their ability to embrace mobile as a path to the omnichannel future they were focused on has been years in the making and an iterative process. It is also proof that mobile can be a catalyst, not a cannibal, of the in store experience.

We hope you enjoy this month's report. If you have comments or additions, please feel free to let us know.
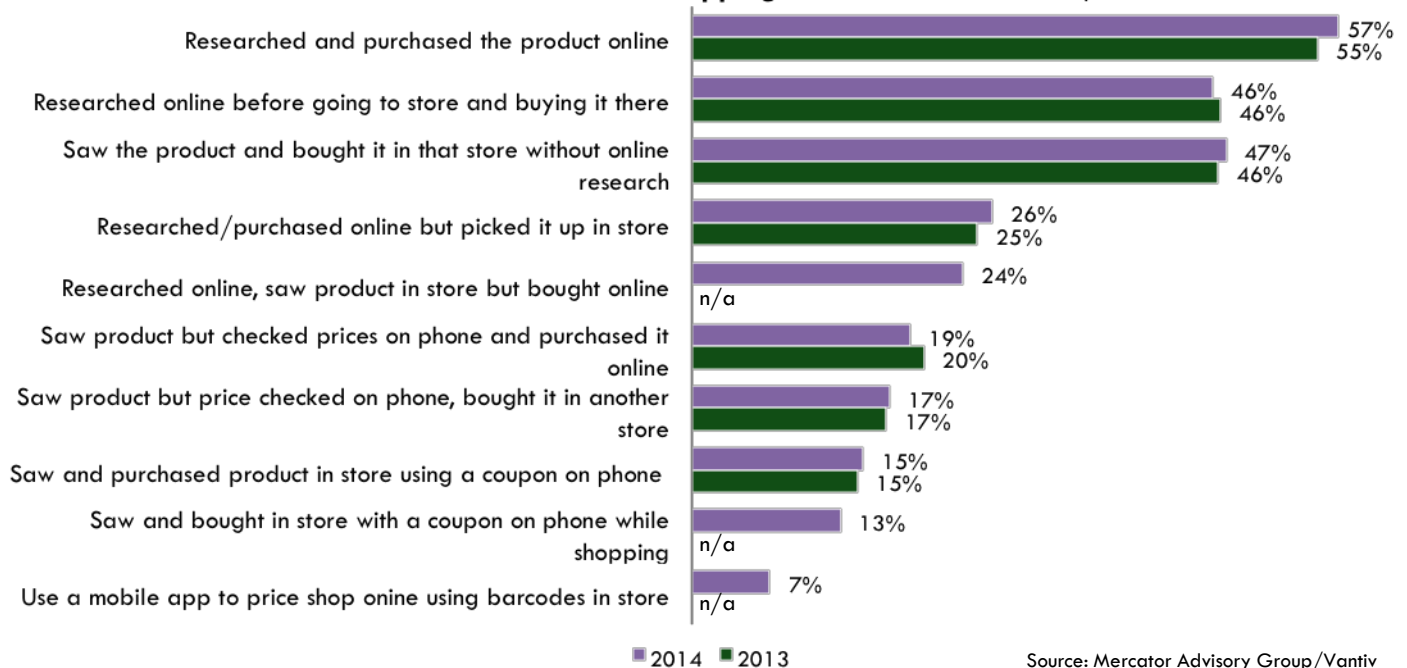
Kind regards,

Karen Webster
CEO | Market Platform Dynamics
President | PYMNTS.com

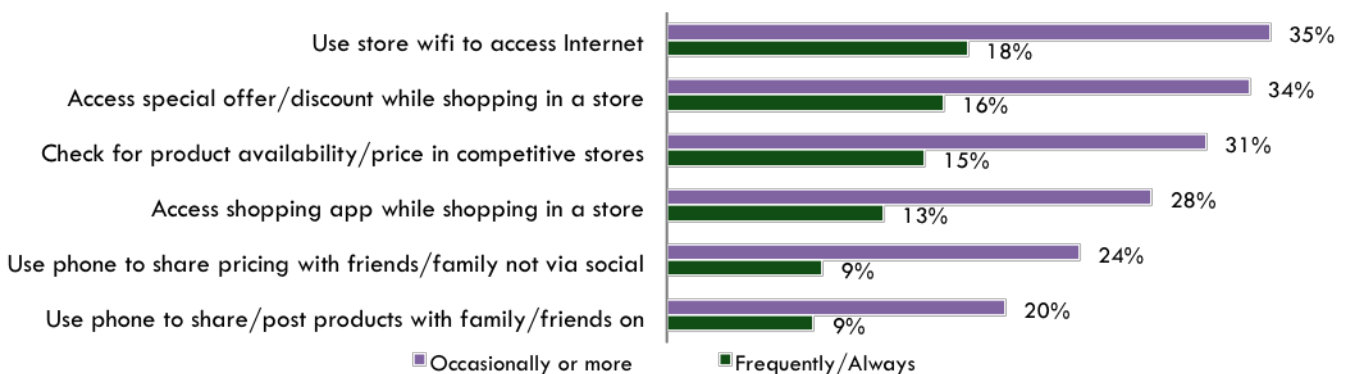PYMNTS.com

vantiv™ **Insight**

The increased availability and subsequent adoption of connected devices has made it easier than ever for consumers to make any situation one where commerce can transpire. This increased access to online and mobile channels, offers, deals and the like has given many consumers the ability to execute digital/mobile transactions at home, at work, or on the go, making Omnichannel commerce part of anyone's typical multitasking-centric day. The challenge now is for merchants to effectively engage with these "always on" consumers to convert browsing behaviors to sales.

US Consumer Shopping Habits for Items Over $50

Habit	2014	2013
Researched and purchased the product online	57%	55%
Researched online before going to store and buying it there	46%	46%
Saw the product and bought it in that store without online research	47%	46%
Researched/purchased online but picked it up in store	26%	25%
Researched online, saw product in store but bought online	24%	n/a
Saw product but checked prices on phone and purchased it online	19%	20%
Saw product but price checked on phone, bought it in another store	17%	17%
Saw and purchased product in store using a coupon on phone	15%	15%
Saw and bought in store with a coupon on phone while shopping	13%	n/a
Use a mobile app to price shop onine using barcodes in store	7%	n/a

■ 2014   ■ 2013

Source: Mercator Advisory Group/Vantiv

One such way to create this engagement is to leverage location-based services to engage with consumers via their phone while they are in the store. As our research shows, the vast majority of consumers use store Wifi to access the internet and search for offers, conduct price comparisons, or ask friends and family for purchasing advice.

Internet Activity While Shopping

Activity	Occasionally or more	Frequently/Always
Use store wifi to access Internet	35%	18%
Access special offer/discount while shopping in a store	34%	16%
Check for product availability/price in competitive stores	31%	15%
Access shopping app while shopping in a store	28%	13%
Use phone to share pricing with friends/family not via social	24%	9%
Use phone to share/post products with family/friends on	20%	9%

■ Occasionally or more   ■ Frequently/Always

Source: Mercator Advisory Group/Vantiv

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Top Stories

Omnichannel Strategies Counter Sales Decline. Women's clothing store [Chico's](#) is rethinking its marketing tactics to boost growth. Its first quarter net income fell to $39.9 million (compared to $51.7 million in the same period last year), and the company now plans to open fewer new stores this year than it had previously announced. However, to counter these declining sales, the company is investing in the "things that touch the consumer" – or new omnichannel initiatives. Chico's is expanding its testing of iPads in boutiques, which CEO David F. Dyer said "has been very promising as we empower our associates with our customer's purchase history and personalized suggestive selling options…" The iPads have already been rolled out to top stores, and the store plans to further expand the rollout in time for the holiday season. Chico's also operates White House | Black Market, where it is testing iPads, as well as Boston Proper, where its tech tables currently account for about 20 percent of sales.

Reward Programs Preserve Customer Loyalty. While [Sears](#) saw profits plunge in the first quarter of 2014, the company still enjoys a "silver lining" in that its regular costumers keep coming back. This is largely due to the Sears' Shop Your Way loyalty program, which Sears CEO Eddie Lampert said generated almost three quarters of eligible sales at domestic locations in the first quarter. Lampert also said that customers also seem to be more engaged with the program, as members' point redemptions rose more than 30 percent. Despite the report, Standard & Poor's said that Sears' margins will "continue to erode because of markdowns and costs" that come with its promotional market discounts and Shop Your Way Points. But Sears responded saying that it was focusing on these markdowns when it makes sense, and that it may see a $50 million annual upswing in annual profits from "increasing the frequency of one million active rewards program members."

Retailer Upgrades for Seamless Shopping. Fashion retailer [Nordstrom](#) introduced its new e-commerce site and mobile app that offers customers affordable, trending clothing through Nordstrom Rack and special one-time sales by HauteLook. The site links both of these divisions together, making it easy for customers to shop both sites on one page – unifying and simplifying their experience. Terry Boyle, president of Nordstromrack.com and HauteLook, said that the bridging of the two gives customers "one of the largest selections of online, off-price merchandise available today." The new site will also let customers earn points through Nordstrom Rewards Program – 2 points are earned for every dollar spent, and 2,000 points earns a shopper a $20 Nordstrom Note that "applies to anything in the brand, free shopping of orders over $100, and no hassle returns within a 90-day period." Finally, the site incorporates a seamless iOS experience – iTunes icons will give users the ability to browse and shop both sites through one app, which features a "quick search" filter, a simple checkout process, and a store locator.

1: Engage the customer

In Other News…

A study conducted for the UK's Newsworks showed that consumers engage more with advertising on tablets than on other digital devices.

Best Buy's Renew Blue cost savings program improves profits despite decreased electronic sales.

More merchants are adding transactional capabilities to their social media content, further pushing the "social shopping cart" concept.

The restaurant industry believes that app data streams can help build a better point of sale, and technology vendors are pitching POS systems that tie this data together.

Mobile payments and loyalty app Yoyo scored $5 million in seed funding led by Imperial Innovations.

Chase Merchant Services' Mike Passilla offered up his four-step strategy for merchants on how to "woo" multi-channel shoppers.

Retailers are making use of analytics technology to better understand the behavior of mobile consumers, seeing a need to engage in mobile commerce.

Swirl Networks, Inc.'s beacon-powered in-store mobile marketing platform won the Most Innovative Ad Technology category for the 2014 MITX Awards.

The world's fifth largest retailer Music Store upgraded to Intershop 7.4, the current platform version, to further implement its omnichannel strategy and forward its growth.
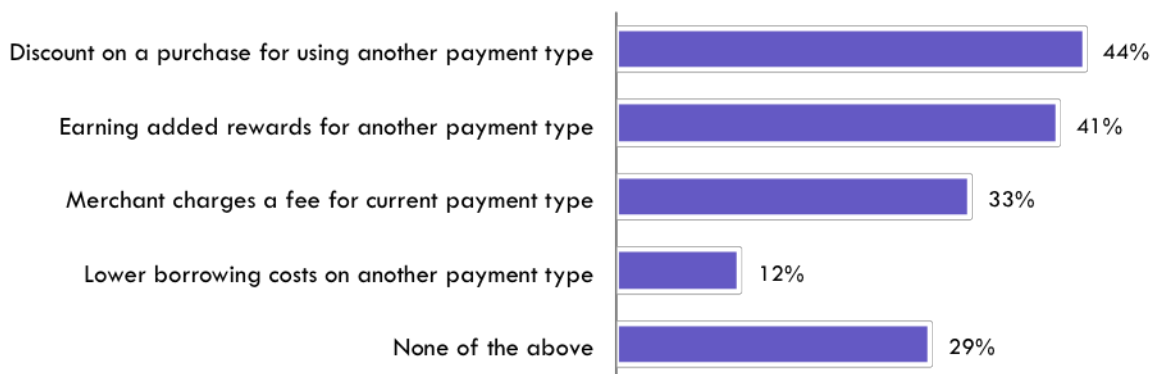
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A key component for converting Omnichannel browsing to sales is to make the purchasing component of any transaction as friction-free as possible, regardless of the channel where consumers choose to shop. Consumers expect and need to have ubiquitous access to all products/services, offers/discounts, as well as access preferred payment types across all channels. Traditional payment types have remained relatively consistent across most channels for the last few years and it seems that consumers need to be motivated to make a shift away from habits that are years in the making.
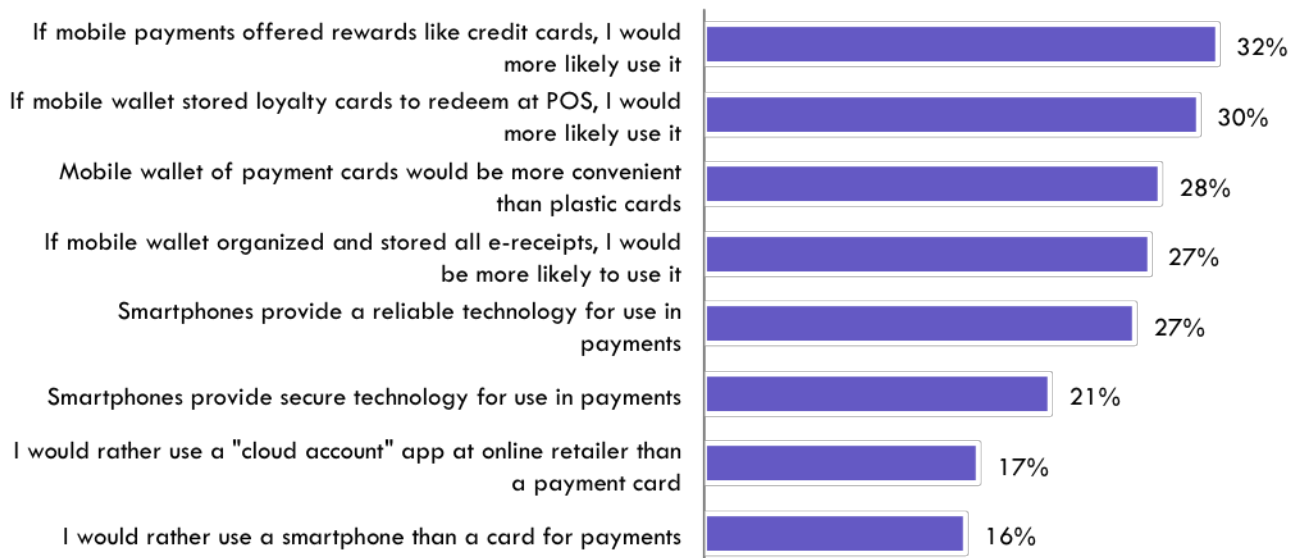
Mobile payments remain a solution looking for a problem for most consumers. Without being heavily incentivized to make the switch to mobile, many consumers have yet to see a real value in leaving their leather wallets and cards at home.

Motivators for Changing Payment Tender

Discount on a purchase for using another payment type	44%
Earning added rewards for another payment type	41%
Merchant charges a fee for current payment type	33%
Lower borrowing costs on another payment type	12%
None of the above	29%

Source: Mercator Advisory Group/Vantiv

Attitude toward Mobile Payments in 2014

If mobile payments offered rewards like credit cards, I would more likely use it	32%
If mobile wallet stored loyalty cards to redeem at POS, I would more likely use it	30%
Mobile wallet of payment cards would be more convenient than plastic cards	28%
If mobile wallet organized and stored all e-receipts, I would be more likely to use it	27%
Smartphones provide a reliable technology for use in payments	27%
Smartphones provide secure technology for use in payments	21%
I would rather use a "cloud account" app at online retailer than a payment card	17%
I would rather use a smartphone than a card for payments	16%

Source: Mercator Advisory Group/Vantiv

Top Stories

In-Store Experiences Build Mobile Strategies. While at Mcommerce Summit: State of Mobile Commerce 2014, Walgreens revealed that it launched an iBeacon pilot program in several New York Duane Read stores. The company made the decision to launch the program based on findings that "the average in-store, online and mobile shopper spends six times more than the average store-only shopper." Tim McCauley, Senior Director of Mobile Commerce at Walgreens, Deerfield, IL, said that iBeacon is now present in their Duane Reade app. Mobile continues to play a key role in getting shoppers in-store for Walgreens, and McCauley said that the store is using these Duane Reade locations to test a technology that can then "potentially scale company-wide." iBeacon is being used as part of an in-store mobile coupon initiative that allows customers to "digitally clip coupons" and redeem them on a smartphone, and perhaps help them remember coupons saved from weeks ago. With this, said McCauley, Walgreens is trying to make the shopping experience frictionless and easier for customers.

App Enables Customers to Share Deals via Social Media. Launched earlier this year, the Target Cartwheel app saw great success, surpassing 7 million users. The app links to users' Facebook profiles to allow them to share deals with friends. Users can also add discounts to their own bar code and scan it at the in-store checkout to get discounts. According to store results, most Cartwheel users continue to use the app after their first redemption, with active users increasing their trips to and spending at Target by almost 30 percent. For the retailer, this drives "hundreds of millions of incremental sales." And to help keep this momentum going, a recent upgrade to the Cartwheel app offers customers enhanced social features. They can now share offers via email, text, Facebook, Pinterest and Twitter from within the app. App users can also add offers now by tapping the "add" button, and find their bar code by tapping "My Barcode," quickening and easing their in-app shopping process.

Mobile App Drives Mainstream Acceptance for Pre-Ordered Food. Walmart introduced a new Fast to Go app that enables users to pre-order ready-made meals from its convenience concept store. According to analysts, this move will boost the trend toward "mobilizing the fast food market." Customers who use Fast to Go can view the full menu, customize their orders and schedule an in-store pick-up time. The app is designed to enable line-busting and to take advantage of data to capitalize on quick service. The mobile app goes a step further in making pre-ordered food and the pick-up process even more convenient.

In Other News…

The Westfield San Francisco Centre piloted a mobile app to let customers order food from retailers and dining establishments in the mall.

McDonald's launched the Quick Mac mobile app to enable customers in Austria to order food and pay for it via smartphone.

As PayPal tested its Beacon checkout system, a study conducted by Retale said consumers aren't yet ready for this solution.

Tim Hortons targeted younger diners with a mobile scan-to-pay bar code technology.

2: Enable the customer

Moe's Southwest Grill announced a rollout of its new online catering offerings through digital platforms designed to improve sales across all locations.

ISIS reported 600k new mwallet downloads in April, a doubled growth rate from the month prior.

The New York Times reported that cashless consumers were predicted to increase and bring with them "riches for retailers."

Luxury specialty retailer Barneys New York announced a re-launched search function for Barneys.com, creating a more personalized search experience for customers.

Retailers Sephora and Aeropostale shared positive reviews of CashStar 5, the newest version of the digital gifting company's platform.

Finland-based burger company Hesburger moved to online payments with its Seamless-developed mobile wallet.

Leading merchant of frozen yogurt Yogurty announced an increase in its mobile wallet integration just before the summer season.

Drizly, a mobile app that's delivered alcohol to consumers in Boston and Chicago since 2011, announced that it will expand its services to Manhattan and Brooklyn.

Orbitz reported strong Q1 growth largely due to its reward program and an upsurge in usage of its mobile app.

After taking on Amazon with its bulk shipping program, Groupon released Gnome to now compete in the POS marketplace with Square.
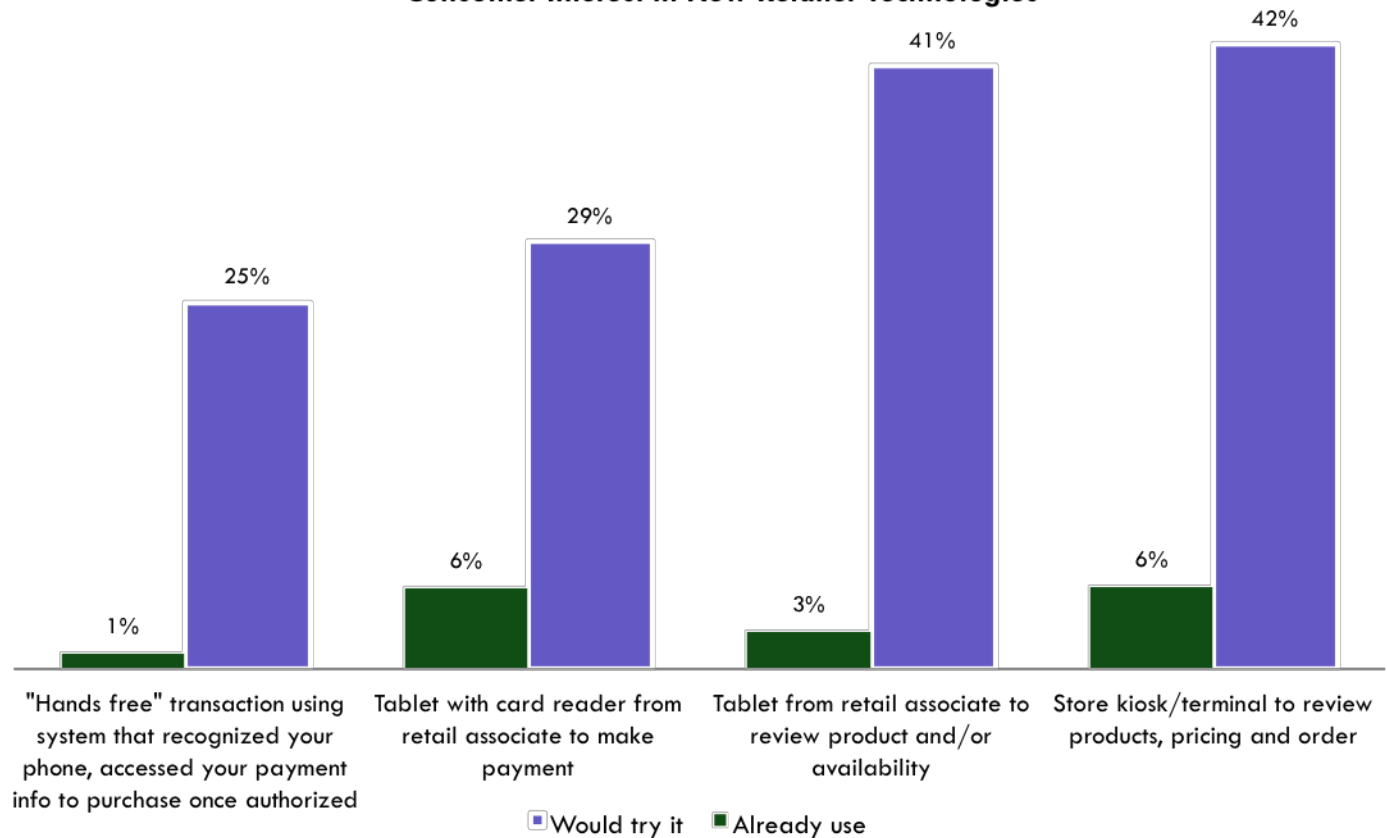
CBS examined the facts when it comes to talks of a potential "cashless" society and whether or not cash is going extinct.

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Consumers are increasingly showing that they are ready for retailers to offer up enhanced customer service experiences with most looking to retailers to leverage new technologies to expedite ordering, product availability, and payment. Progressive retailers are already taking advantage of the opportunity to create more engagement with customers by de-centralizing the POS and bringing associates closer to the point where purchase decisions are being made.

Consumer Interest in New Retailer Technologies

	"Hands free" transaction using system that recognized your phone, accessed your payment info to purchase once authorized	Tablet with card reader from retail associate to make payment	Tablet from retail associate to review product and/or availability	Store kiosk/terminal to review products, pricing and order
Already use	1%	6%	3%	6%
Would try it	25%	29%	41%	42%

Would try it ■ Already use

Source: Mercator Advisory Group/Vantiv

Top Stories

New mPOS System Amps Up Cardholder Security. Using an iPhone 5S and VeriFone shell, [Apple](#) launched a new mobile point-of-sale system in U.S. stores. The mPOS system is capable of accepting EMV-enabled cards. Following the EasyPay technology that Apple released in 2009, this new system replaces the iPod with iPhone 5S, and allows for calls to be made and received within the store. Near Field Communicaton (NFC) technology is also available on the device. Overall, Apple's choice to use an EMV-based VeriFone shell shows that it is increasingly focused on securing its customers' important data.

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3: Serve the customer

Council Creates Valuable Digital Experiences for Customers. Target created its Digital Advisory Council made up of executives from companies like Match.com, Orbitz, and Bain Capital to "create disruptive mobile experiences that bring value to customers." Executives on the council may now better grasp the need to invest in mobile and other digital strategies, and Target then hopes to be in a better spot to "leverage mobile as a differentiator." As Target is pursuing an omnichannel agenda and heads toward a complete digital transformation, it looks to gain and execute on new ideas from the council.

Luxury Brand Launches Speedy Delivery Service. The British fashion brand Thomas Pink launched a 90-minute delivery service in London, dropping off white shirts in a short amount of time to customers, many of whom are looking for something to wear last-minute (and stain-free). The delivery service was introduced via Facebook and, rather than using an ecommerce page for shirt orders, Thomas Pink chose to use a hotline, which builds a one-on-one relationship with its customers. Other luxury brands like Thomas Pink are opting to kick start delivery services as well, both to differentiate themselves and to provide enhanced, valuable customer service.

In Other News

Vantiv announced that it has acquired Mercury Payment Systems, reflecting the growing trend in the acquiring industry around mergers and partnerships as market changes occur.

Target announced the launch of its same-day delivery pilot program in Minneapolis, Boston and Miami, allowing users to order as late as 1:30 p.m. and receive items between 6 and 9 p.m.

Toshiba Global Commerce Solutions introduced its TCxGravity architecture, reinforcing its focus on the seamless omnichannel retail experience.

Retail Online Integration released a report on the 100 Fastest Growing Omnichannel Retailers, with Michael Kors as number one.

iPad POS maker Revel Systems added a new option to its software and hardware accessories to let business owners cater to drive-up customers without a central server.

Retailer commerce platform LightSpeed released a "fully brandable" POS mobile application, LightSpeed Cloud for iPad.

Panera Bread announced deployment of a customized cloud-based software solution offered by WhenToManage to enhance its back of house system.

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About PYMNTS

PYMNTS.com is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of payments and commerce and make news.

This powerful B2B platform is the #1 site for the payments and broader commerce ecosystem by traffic and the premier source of information about "what's next" in payments. C-suite and VP level executives turn to it daily for these insights, making the PYMNTS.com audience the most valuable in the industry. It provides an interactive platform for companies to demonstrate thought leadership, popularize products and, most importantly, capture the mindshare of global decision-makers. PYMNTS.com …. where the best minds and best content meet on the web to learn "What's Next" in Payments and Commerce.

About Vantiv

Vantiv, Inc. (NYSE: VNTV) is a leading, integrated payment processor differentiated by a single, proprietary technology platform. Vantiv offers a comprehensive suite of traditional and innovative payment processing and technology solutions to merchants and financial institutions of all sizes in the U.S., enabling them to address their payment processing needs through a single provider. We build strong relationships with our customers, helping them become more efficient, more secure and more successful. Vantiv is the third largest merchant acquirer and the largest PIN debit acquirer based on number of transactions in the U.S. The company's growth strategy includes expanding further into high growth payment segments, such as integrated payments, payment facilitation (PayFac^{TM}), mobile, prepaid and information solutions, and attractive industry verticals such as business-to-business, ecommerce, healthcare, gaming, government and education. For more information, visit www.vantiv.com.

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