

*10 retailer  
investments  
for an  
uncertain  
future*





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## ***Introduction: A golden age in consumer choice means challenging times for retailers***

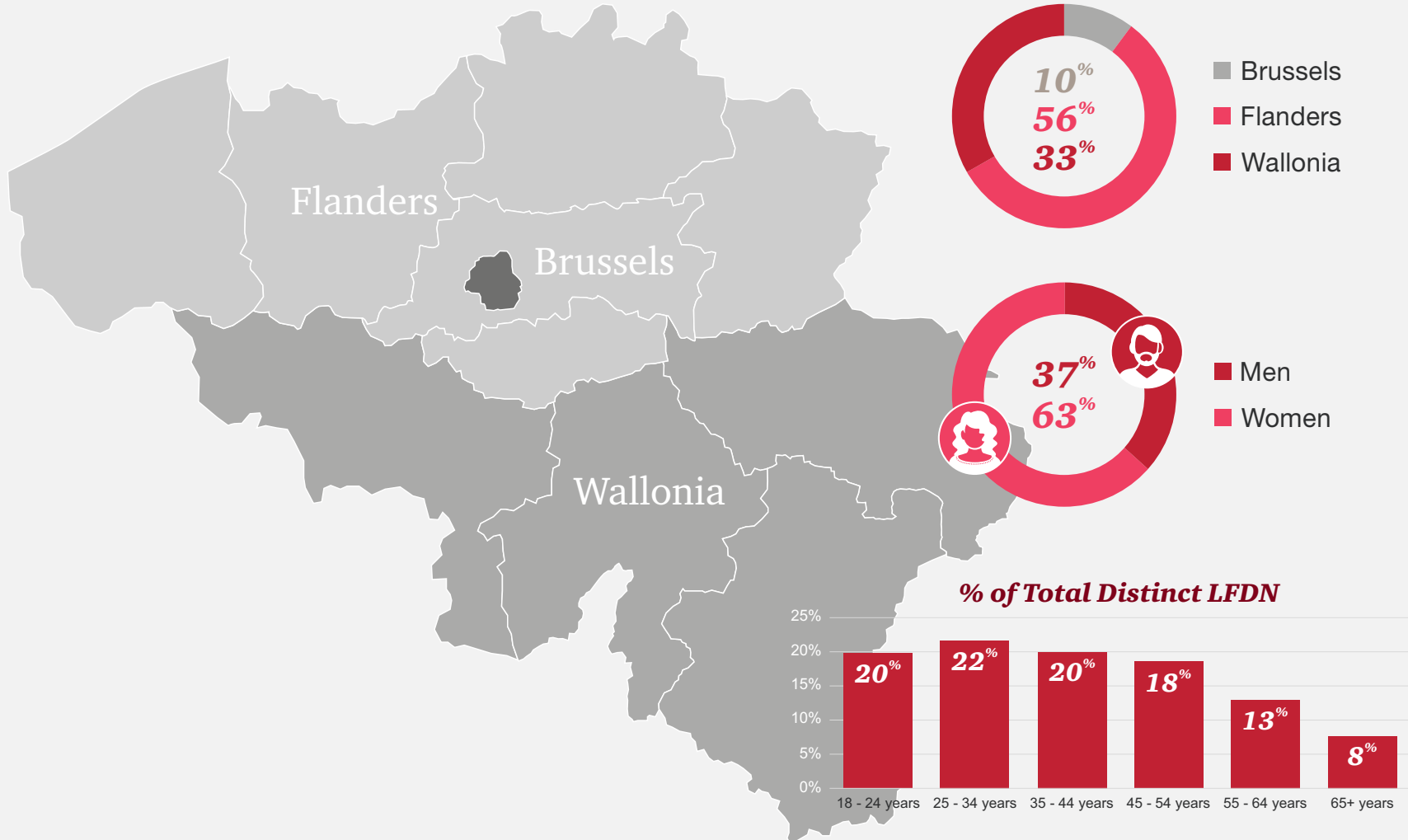
Fast forward to today. Consumers are in the power position, as 2017 is a golden age of choice, convenience and demand for value, powered by the mobile phone and the global bazaar just a click away. Consumer companies are under pressure from shareholders to cut costs, but at the same time are benefiting from opportunities in this global marketplace. Retailers are in a tough spot, however, often lacking a global brand and facing technological upheavals that have left them in the throes of constant reinvention. That's why our 2017 Total Retail report is focused on the kinds of investments retailers will need in order to thrive in tomorrow's marketplace.

In last year's Total Retail report, "They say they want a revolution", we pointed to consumer behaviours that had finally reached a tipping point, among them: participating in retail communities, using mobile phones as shopping devices, the emergence of social media as the "great influencer," and consumer demands for more service-focused and knowledgeable store employees.

This year we added several new areas of research, including Amazon's impact and customers' willingness to consider retailers as health care providers and we also delved into other research sources. The result? Ten areas where we believe retailers need to consider investing in to stay ahead of the competition.



*There were 1,003 respondents to the survey from the 3 regions of Belgium*





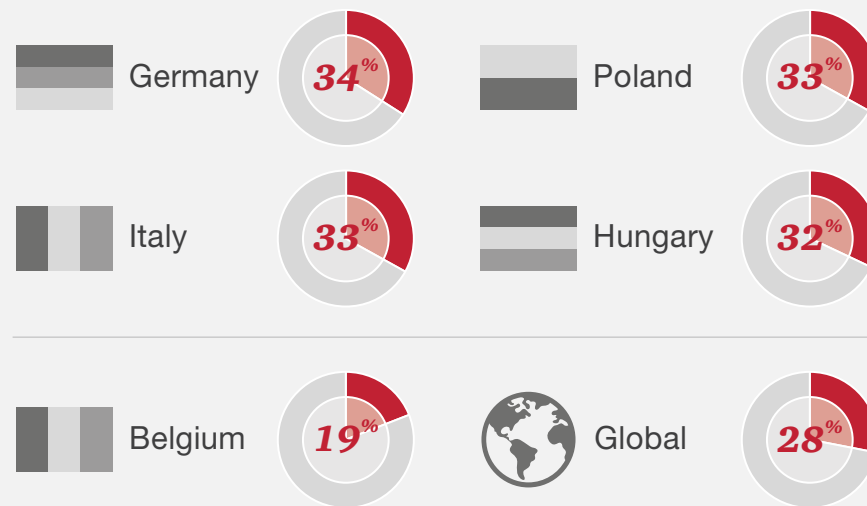
## The stakes have never been higher for allocating precious investment resources

Managing return on investment is critical to a healthy business. Many factors go into investment decisions, ranging from what merchandise to stock for what season to how many stores to open in a given geographic location. Retailers have an opportunity to take a close look at their investments in customer experience, staff, technology, and real estate.

The stakes have never been higher for individual retailers. First, competition has never been fiercer. PwC colleagues who serve retail clients continually share how new competitors continue to disrupt the status quo. To compete in retail today, new entrants don't require stores or warehouses, and can be based around the corner – or on the other side of the planet. Pure-play online players are popping up in every product category. The Amazon graphic on the right, based on data from this year's Total Retail survey, illustrates how retailers are competing with Amazon for market share. Globally, fully 28% of our respondents said that they shop less often at retail stores because of Amazon; in Belgium that figure has already reached 19%.

And don't forget that branded product manufacturers are attempting to build their own distribution networks to traverse "the last mile" to directly engage with consumers – sometimes fulfilling product by customer subscription or even buying a new entrant that has forged its own direct connection with consumers.

### The Top four European countries where consumers "shop less often" at retail stores due to Amazon.com



Source: PwC, Total Retail 2017  
How has shopping with Amazon influenced your shopping behavior?



Retailers in general are still struggling around the world, particularly grocery, household items, and clothing and footwear segments. Take the U.S., for example, the world's biggest consumer market in terms of purchasing power. While U.S. retail sales are expected to grow 3%-4% in 2017 after 3.8% growth in 2016, most of this growth is coming from online sales, as store sales revenue growth is only about 1%.<sup>1</sup> In fact, gains in retail revenue in the past few years have been driven almost entirely by online channels, which enjoy growth rates as much as seven percent higher than the retail sector as a whole.

The best-performing retailers are responding in numerous ways. In Europe, online platform Zalando has established itself as a staple for fashion and accessories shopping. In the UK, Marks & Spencer has set a new standard for integrating store and web offerings. In China, Alibaba is redefining traditional retail by providing services that go way beyond just shopping to become shoppers' "go-to" Web destination. In the U.S., Nordstrom invested to become a model of omnichannel customer service and innovation, becoming a platform for vertically integrated brands and Best Buy built a whole new business of bespoke retail technology assistance. These retailers are leading the way in offering consumers a seamless experience whether they are purchasing in a store, with a computer, on their mobile phone, or with a tablet.

Of course, we're under no illusion that these investments will be easy for retailers to make. Since most retailers are not as global or don't have as big a balance sheet as their manufacturing partners, it will be challenging for retailers to find the resources to invest back in the business.

As consumers, we all enjoy the choice and cost-affordability that come with a global marketplace. The power has shifted from those who make and sell products to the customers who purchase those products. But offering continued value and convenience for consumers makes for a higher and higher bar for retailers to clear. This report provides some insights into where retailers can invest to stay relevant in this demanding global marketplace.

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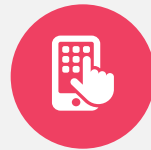
1 Fitch Ratings Services, December 12, 2016, "Battle for Customers Persists in 2017 for U.S. Retail, Restaurants."



*In 2017, retailers face one of the most competitive environments in decades. With the continuing shift in customer preferences towards online shopping, a lingering low-growth environment in many parts of the world, and an unforgiving global marketplace that demands unprecedented technological sophistication, some retailers are being confronted with threats to their very existence. In some of the most developed economies in the world, the weak end-of-year holiday results have only heightened anxiety over the future of traditional retail.*

*In PwC's 2017 Total Retail survey, we asked 1,003 online shoppers across Belgium about their shopping behaviour and expectations. Their answers can help retailers solve the puzzle of where they should invest not only to survive, but thrive in the years ahead. In the following pages we set out 10 different types of investments retailers can make to invest in their futures.*

## ***Building for the future: 10 investment areas for retailers***



Mobile site



Secure platforms



Talent



Loyal customers



Big data insights



Showrooms



Amazon strategy



Authenticity



Telling the brand story



Health and wellness



## ***Invest in the mobile site, not the mobile app***

*Back in the 2014 global version of Total Retail, we asked consumers a series of questions on whether they preferred to shop via a retailer's mobile website or a retailers' mobile app. The result was fairly evenly split, with shoppers favouring mobile apps for augmented rewards and loyalty points from retailers, but viewing mobile sites as far more convenient. Since then, there is a good deal of evidence for the superiority of the mobile website, as well as severe app overload.*



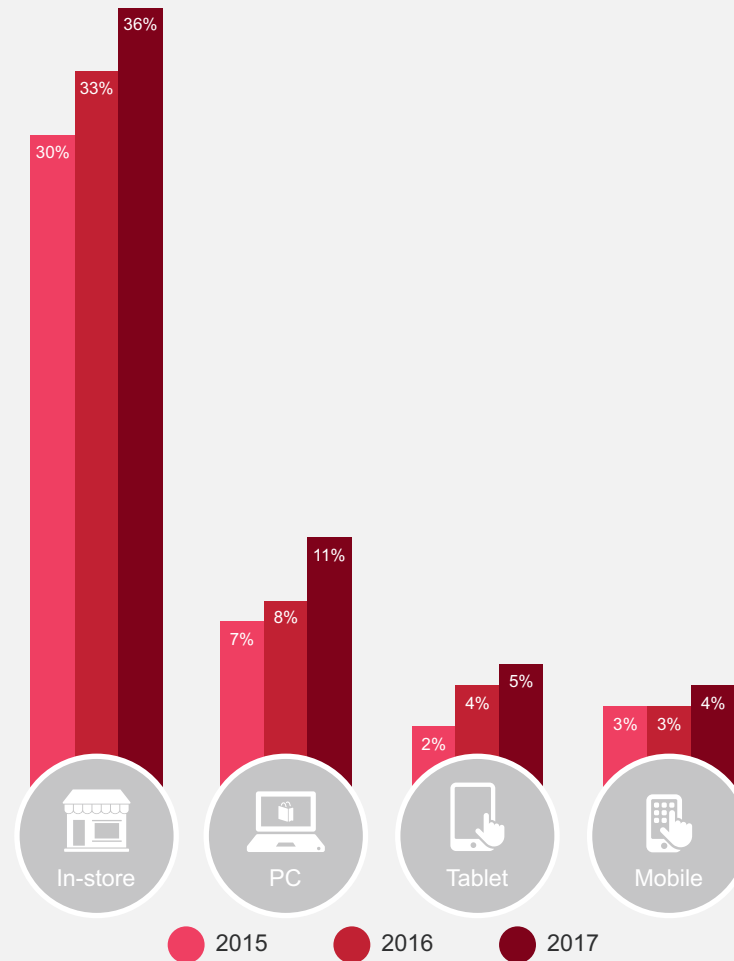


Leaving aside for a moment the question of mobile website versus mobile app, the mobile phone as both a shopping and purchasing device is continuing its surge in popularity. According to this year's survey, while in-store shopping is still most popular with weekly and daily shoppers, the frequency of online shopping through the different channels (respectively pc, tablet and mobile) keep on growing as well. If we look at the global numbers, showing us the coming trends, we even see that mobile shopping has overtaken the tablet and that daily shoppers purchase as much on their mobile as on their PC.

Moreover, the audience for mobile shopping has plenty of room for growth as experience-based constraints will likely soon be corrected. For example, our survey respondents around Belgium chose screen size as the greatest obstacle (38%) to shopping with mobile, with 19% saying that another obstacle was that mobile sites are simply not easy to use.

As the user-friendliness of mobile interfaces inevitably improves, so too, will mobile shopping gain even more popularity. The graphic to the right, which combines daily and weekly usage for the past three years of our survey, we see that in store shopping remains the main source of shopping but the online channels keep on growing. Globally, we have seen that shopping via pc has gotten less popular and shopping by tablet has been relatively flat while shopping via mobile has been climbing steadily, showing us the trend for the coming years.

### Usage of shopping channels over time



Source: PwC, Total Retail 2015-2017  
 Note: Chart represents daily and weekly usage combined



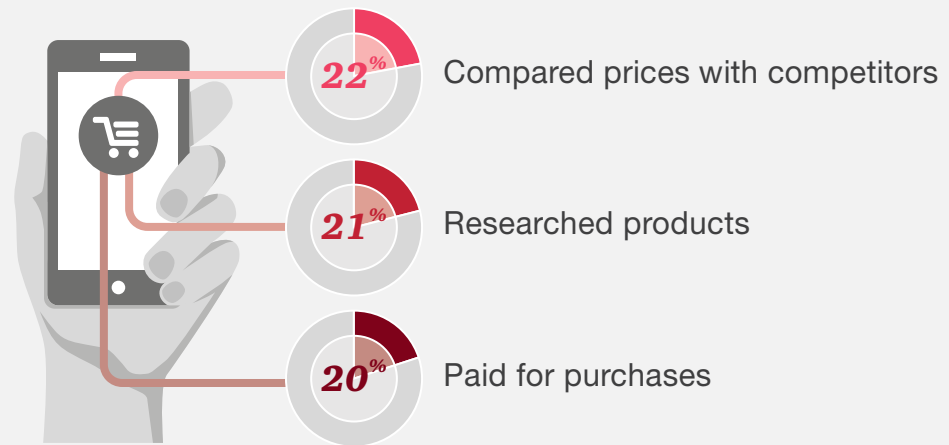


Then there is purchasing. When we asked our sample, “Which of the following have you done when shopping online using your mobile/smartphone?” 20% say they had paid for purchases, just behind “compared prices with competitors” at 22% and “researched products” at 21%. Today, then, the purchase journey for many consumers now includes the mobile phone as a triple threat: research tool, shopping device, and payment method.

This means that retailers must optimise the mobile experience. When it comes to mobile sites versus apps, it’s not really a fair fight anymore. App usage is cratering as mobile users tire of loading up multiple apps they just use a few times.

When retail executives are asked directly where they plan on making investments, their answers show just how important they perceive mobile to be. In a global Shop.org survey of retail executives, when asked where most of their 2017 tech investments would be, 39% chose mobile, while just 6% said “in-store.” Anecdotally, PwC is seeing evidence of this dynamic in the marketplace. For example, Nicolas Franchet, Facebook’s global director of vertical strategy, whose portfolio includes Facebook’s business with retailers, told PwC in November that having a holistic strategy that provides people with a seamless experience in a fragmented environment is one of the best ways for retailers to drive growth. This includes retailers allowing shoppers to link directly to their mobile sites from Facebook, where more than one billion people connect on mobile each month.<sup>2</sup>

### Online shopping behaviour on mobile



Source: PwC, Total Retail 2017 – Base: 1,003  
Which of the following have you done when shopping online using your mobile / smartphone?

2 Global R&C Academy interview, November 1, 2016.



## ***Invest in talent***

*The physical store isn't in danger of disappearing any time soon. At the same time, the digital experience is all-important to consumers. Retailers need to consider both dynamics in their search for talent.*





The graphic to the right illustrates that the store is not disappearing, and the need to improve in-store talent is only going to get more acute.

When we asked our Belgian sample to rate how important certain attributes are in relation to in-store shopping experience, 77% respond that “sales associates with a deep knowledge of the product range” is the most important factor for consumers. Another important factor for the in-store shopping experience, according to our respondents, is the “Ability to check other store or online stock quickly,” which 59% of our Belgian sample cite. This is also in large part a measure of an associate’s familiarity with the store’s products, systems, technology and store network. So this finding, too, is partly a commentary on the importance of staff and an indication that training store associates is well worth the investment.

But store associates are just part of the talent story for retail investment. Indeed, since some retailers today don’t even have a significant physical store footprint, the idea of investing in training store associates is, for them, irrelevant. Investing in marketing and social media expertise, on the other hand, is a must, whether a retailer has a global store footprint or just a website from which it sells one product line.

***In-store shopping – For 3 consecutive years, our survey has shown that a significant percentage of Belgian consumers shop in-store at least once a week***



Source: PwC Total Retail 2015 – 2017  
Note: Chart represents daily and weekly usage combined



This year, when we asked which online media sources inspire purchases, social networks turned out to overwhelmingly influence our respondents, with 36% choosing either “social networks” or “visual social networks” as their main sources for inspiration. We also learned this year that social media interactions with favourite brands encouraged 40% of our Belgian sample to endorse a brand more than they usually would. We believe that investing in social media talent as part of a retailer’s marketing arm could generate a healthy ROI. These employees could create social media marketing campaigns, track social trends, monitor what is being said online about the retailer, and craft appropriate social media responses to consumers.

Perhaps the most important talent question for retailers relates to the C-suite. For decades, retailers basically needed two executive skillsets: real estate, to manage a network of stores, and merchandising, to get product onto the shelves. Today those skillsets need to be complemented with digital, omnichannel, supply chain and operations. “For retailers it has traditionally been a ‘push’ model, and executive focus was on opening stores and pushing out product,” says François Jaucot, Partner at PwC. “Today it’s not as much about building a store network, so the competency requirements have changed. And what retailers really have to consider is this: Are their management teams really lined up to the new priorities?”<sup>3</sup> According to François, retailers need to strengthen the digital and operations talent in the retailer C-suite to manage shrinking store networks, more complicated supply chains, digital innovation, and launching new services to keep currently loyal customers.

Today, relevance is based on digital and technology savvy. Store associates, corporate staff and the C-suite need to mirror the consumer – if a retailer is not versed in social and digital, it is not relevant or attractive to young, savvy customers or prospective employees.

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3 PwC interview.



## ***Invest in big data insights, not just data collection***

*One of the top issues for retailers today is parlaying the enormous amount of customer data they generate into actionable insights.*



In a recent PwC/SAP retailer study, retailers say that creating value out of reams of consumer data is their biggest challenge.

In fact, huge gaps exist today in the data retailers possess and their ability to glean insights from it. From customer store visits, to store and warehouse inventory, to how long shoppers spend on retailer websites, retailers are held back by the chasm separating the data collected and what is done with that data.

# 39%

of retailers ranked 'Ability to turn customer data into intelligent and actionable insight' one of their greatest challenges

Source: PwC & SAP Retailer Survey; Base: 312  
 What do you believe to be the greatest challenges your organisation faces in the race to meet customer expectations?

The gap analysis shown in the graphic to the right, based on our survey questions, shows what is important to consumers in-store, versus their satisfaction levels. Data is the missing link for many of these areas. The gap between importance and satisfaction in "Ability to check other store or online stock quickly," for instance, comes

down to the fact that customers are frustrated that stores cannot be more transparent about their inventory. Surely the information exists but can a store outlet where the product is sold out quickly find out where a customer should go to get it?

The truth is that most retailers' systems are not robust enough to reflect minute-by-minute inventory, much less communicate it accurately, real-time, to shoppers. As a guest speaker at a recent PwC-sponsored conference told us, retailers need one integrated data platform so they don't have "20 versions of the truth."

### Summary: In-store attributes – importance vs satisfaction

| Importance |  | Satisfaction |
|------------|--|--------------|
| 77%        | Sales associates with a deep knowledge of the product range        | 59%          |
| 59%        | Ability to check other store or online stock quickly               | 46%          |
| 39%        | Real-time, personalised offers designed especially for me          | 31%          |
| 47%        | Ability to see/order extended range of products on screen in-store | 36%          |

Source: PwC Total Retail 2017 – Base: 1,003  
 Summary chart showing aggregate importance vs aggregate satisfaction – attributes with largest gaps shown  
 Please rate how important the following attributes are in relation to you in-store shopping experience.



Another big data gap is the one between the desire for real-time offers, which 39% of our sample think is important, and the degree to which retailers are meeting these expectations. Just 31% of our sample is satisfied with how well retailers are responding. The data on which customers tend to make what purchases in-store is certainly available, but rarely gets turned into an appropriate, personalised in-store offer sent as an email or a text. Better using data to gain a complete picture of the consumer is a “to-do” in which retailers understand the need to invest. The illustration to the right, from the Gondola publication “Are you ready for connected retail?” published in March 2017, very clearly shows this self-awareness. In fact, 79% of retailers have this on their current or future agenda, according to the data.

It’s also important to have appropriate analytical capabilities. “The issue isn’t having enough data, especially given the vast amount of online data and offline behaviour increasingly tracked digitally. The challenge is to devise meaningful analyses that can benefit both customers and businesses, for example by generating personalised offers based on data,” says Denise Dahlhoff, research director of the Wharton School’s Baker Retailing Center at the University of Pennsylvania. “Analytical expertise is a key asset for today’s retailers, and the smart use of data can be a competitive advantage.” Predictive analyses require sophistication in all phases of the process – from sampling to modelling to drawing conclusions from the results.

***More than a third of retailers are struggling to implement a strategy to provide a single view of the customer, with a further third seeking to improve in this regard***



Source: “Are you ready for connected retail?” - Joint PwC and Gondola study, March 2017  
Please indicate the maturity of your organisation in ascertaining a single view of consumers across all channels



## ***Invest in an Amazon.com strategy***

*There are few truly global retailers that sell a wide assortment of general merchandise, and the leading global ones are long-established companies. On the most recent edition of the National Retail Federation's list of the world's top 250 retailers (published in Jan 2017) , Amazon.com, relatively young compared to its more senior competitors, takes 10th place, up from 12th place the year before – after only a little more than two decades since its launch.*

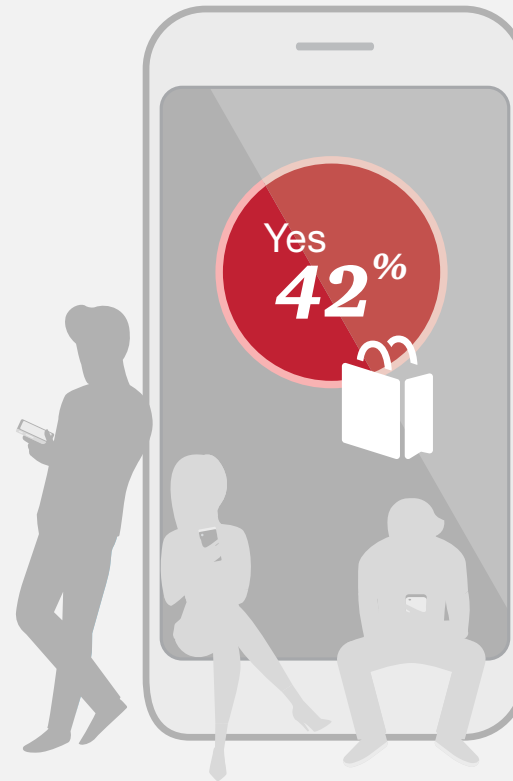




Amazon has set many new standards in retail through its creativity and seemingly never-ending streak of disruptive innovations to make shopping – and life – easier, more convenient, and more fun. Think of Amazon Echo for voice-based ordering and other interactions; the Amazon Dash button to facilitate reordering supplies for household staples such as coffee and laundry detergent; Amazon drones to make deliveries faster and more efficient; the soon-to-be-launched Amazon Go stores featuring checkout-free shopping; and Amazon Studios for movie distribution.

Our survey shows that, of our global sample, more than half are Amazon customers. The share varies widely by country, however. While Belgium has 42% shares, staying close to the global one, the share is higher in countries such as the U.K., Germany and Italy where it is above 90%. In China, consumers exhibit similar behaviour with their version of Amazon – known as Tmall – of which 97% of our Chinese survey respondents described themselves as customers.

### *Do you shop with Amazon?*



Source: PwC Total Retail 2017 – Base: 1,003  
Do you shop with Amazon?



Our survey provides quantified data – by country – on the impact of Amazon on shopping behaviour. Overall, Amazon has two kinds of impact: The first is that shoppers use Amazon as a research site for prices and products (42% and 29%, respectively, based on Belgian sample). The second impact is its cannibalisation of other retailers, both pure online players and traditional retailers. As the graphic to the right illustrates, 19% of our Belgian sample say they shop less at retail stores because of Amazon, and 13% of shoppers say they shop at other retailers' websites less often.

Given the tremendous impact Amazon is having, how can other retailers cope? In general terms, of course, it helps to enjoy a sterling reputation in one's niche, be able to hold costs down, and be agile enough to offer a variety of innovative products. It's also important to invest in a real-time supply chain. The Amazon effect has raised everyone's expectations about how fast products should arrive at our doorstep. To keep up and provide that excellent purchasing/shipping/delivery experience that all customers expect, retailers need information that is current to ensure their online, logistics and supply chain operations are operating at peak efficiency. With this investment retailers can better manage product demand, track inbound and outbound inventory, promote efficiency, and improve customer service.

### *How has shopping with Amazon influenced your shopping behaviour?*



Source: PwC Total Retail 2017 – Base: 422



There are several specific ways that retailers can leverage their assets and play to their strengths:

- Utilise the benefits of an offline presence. Shoppers still like to touch and feel and try on things before buying. To make store visits most attractive, retailers should invest in an inviting, appealing in-store environment and suitable store locations, and make sure to connect the offline store with the online channel, i.e., by providing online orders for items that aren't in store. In addition, they might consider what kinds of special events may resonate with their target customers. Examples are VIP customer events such as exclusive collection previews with a fashion show, refreshments, and advice by personal shoppers; workshops and classes around themes that fit the retailer's brand (e.g., painting and crafts workshops, yoga and nutrition classes, music performances, book readings, or other presentations).
- Leverage in-store staff. Personal interaction, advice, and relationships are important to many customers, if only as a supplement to everything that digital channels have to offer. Therefore, investing in store staff by hiring the right talent and training employees can give retailers an edge. Staff can put the customer data that the retailer has to good use, for example by making customised recommendations, including proactively inviting customers to the store. They can also offer unique in-store services that customers value such as a style consultation, mini-facial, or chair massage.

- Feature unique, exclusive merchandise. Appealing private label brands can make a retailer a destination and prevent being copied and outpriced by competitors. Another option might be to launch exclusive collaborations with designer brands like the ones that H&M has done with Balmain, Kenzo, Karl Lagerfeld and many more since 2004.
- Reward loyalty. Loyalty programs can be a draw, if they offer benefits that appeal to customers. Apart from traditional rewards such as credit vouchers for a certain amount of money spent, retailers could offer unique rewards that customers would experience in person (e.g., invite to an exclusive meet-the-designer or meet-the-chef event).

In addition to leveraging their unique offline capabilities, competing retailers also need to think about matching Amazon on features that are important to customers, including an easy check-out. For example, in the physical store, the in-store payment platform can pose a challenge to frictionless checkout, especially for retailers still transitioning to chip technology intended to reduce fraud. To circumvent the more arduous chip-technology process, offering a mobile payment system instead – a process that parallels Amazon's one-click technology online for ease of use – could be effective.



## ***Invest in the “story” – not traditional advertising***



*More and more of the Belgian population isn't attracted to traditional advertising – they want authentic information they can find at their fingertips: what are their friends doing, which brands are hot on social media, what is trending with their favourite influencers.*



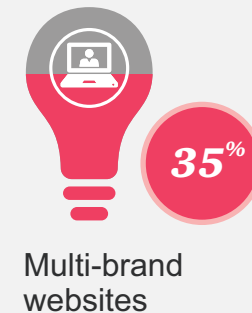
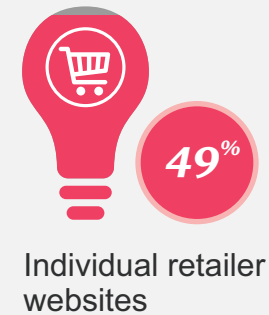


When we asked about the online media that shoppers use regularly to find inspiration for their purchases, “traditional” social networks such as Facebook and Twitter placed 4th, preceded by individual retailer websites, multi-brand websites and comparison websites. However, when we look at the global trend, the “traditional” social networks came out on top with 39% of respondents using them to find online inspiration for their purchases. This gives a good insight on how Belgian customers’ behaviour could evolve in the coming months/years.

Retailers and CPG companies must find new and innovative ways of telling their story and connecting with customers. For example, many Western retailers are using Facebook to digitise their catalogues with carousel ads. In a nod to customers who want to know if items are in stock, Facebook can now supply real-time links to inventory for some retailers, showing whether an item is in stock, which encourages the social media user to go ahead and order the product. Other retailers are developing narrative story lines – like short stories with product placements – and publishing them on Facebook and other social platforms.

Social media is about connecting with customers. Emotional engagement can be powerful, and telling stories, for example through a series of connected narratives that feature to-be-promoted products and services, can be an effective tool.

### *Inspiration for purchases*



Source: PwC Total Retail 2017 – Base: 1,003  
What online media do you regularly use to find inspiration for your purchases?



Given all the advances by social media sites to become shoppable by enabling purchases of displayed and talked-about items with a click on the social media post, investments into a social media strategy could be very profitable. A key ingredient of a successful social media strategy is the content and the media strategy – what platform, frequency of posting, and the like. Hiring and training expert staff that are thoroughly familiar with the retail brand, the items and topics they post about, and the target audience should be a priority. Another critical area is social media listening tools. On occasion the “noise in the system” about a certain retailer or product is unfavourable. Catching the clues on social media that a negative narrative is building can help preserve the brand story. Solutions in this area include outsourcing social media monitoring to specialised boutique firms.

A retailer’s website, the number one online Belgian source for inspiring purchases according to this year’s survey, should be consistent with and connected to the company’s social media to complement the brand story, provide a coherent brand experience, and make conversion of social media leads easy. After all, a retailer’s website serves as both marketing vehicle and online store, and deserves at least equal attention as the overall social media strategy.



## ***Invest in more secure platforms***

*On the one hand, technology provides a lot of new, exciting opportunities for shoppers but, on the other, it also increases the risk for all kinds of cyber breaches, including data hacking.*





Our survey confirms that about half of Belgian shoppers are generally concerned with having their personal information hacked while using their mobile phone. In some countries, this concern is greater than in other countries. The global sample shows that about two thirds of the shoppers are wary of having their personal information hacked when using their mobile. In countries such as South Africa, the Philippines, Singapore, Malaysia and Thailand around 80% of respondents are concerned, while in Belgium, Russia, France and Japan only about half of respondents are wary of cell phone hacking.

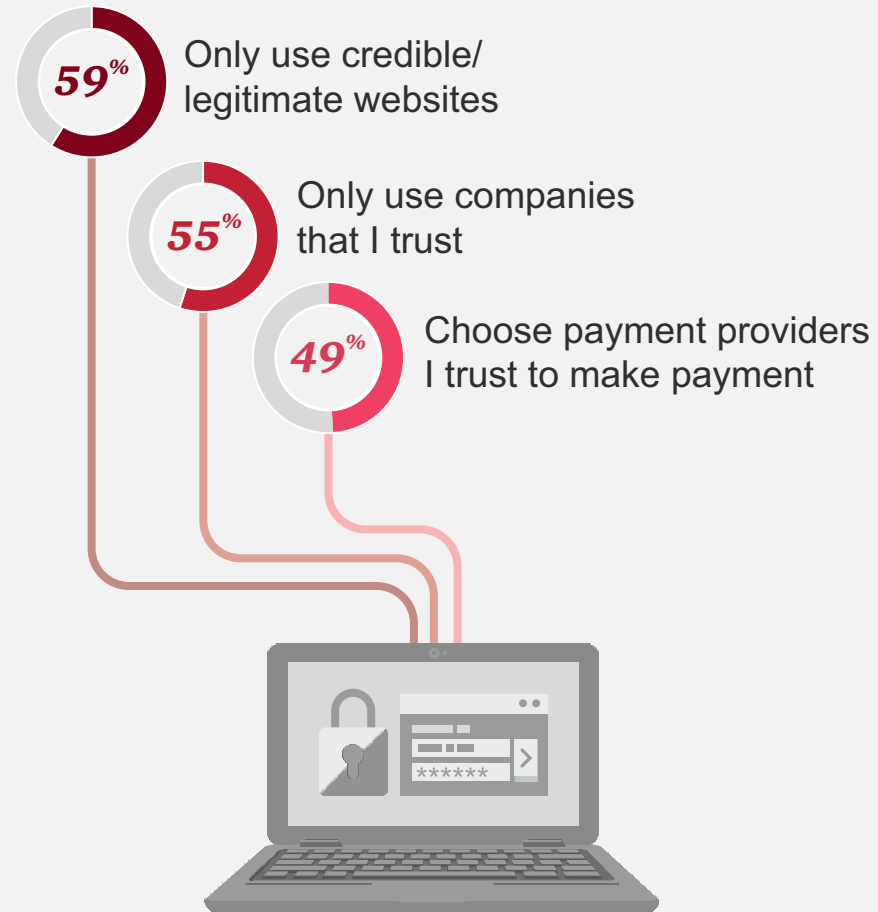
# 51%

of shoppers are wary of having their personal information hacked using their mobile/smartphone

Source: PwC, Total Retail 2017; Base: 1,003

In addition, a little bit more than half of those surveyed only use companies/Websites and close to half of them use payment providers that they feel are legitimate and trustworthy, as shown in the data security illustration on this page.

## Trust, trust and trust – data security



Source: PwC Total Retail 2017 – Base: 1,003  
How do you personally reduce the risk of online security issues/fraud?





The take-away for retailers is that providing secure platforms for any touch point with customers is a must. Given the scale of the potential risk, secure technology and data systems need to be a C-level concern, and there should be a budget allocated to enhanced security systems, maintenance and updates. In addition, retailers need to keep themselves updated on the latest insights regarding cyber security, as well as incidences and learnings from them. They might also consider collaborating with outside IT security experts that stay on top of the developments and can advise on how to protect retailers' systems and customers. Mobile is a particular challenge. "If people are going to continue to shop efficiently and quickly on mobile, then there has to be more thorough systems around how we secure the data and make the mobile environment more resilient," says Filip Lozie, partner at PwC. "Companies are putting more and more information into the cloud and handing that job over to professionals, rather than looking after their own data."

Training and continuing education are other items that retailers should invest in: IT employees need to be kept current on cyber security knowledge and skills. From a legal and regulatory perspective, retail companies need to keep up-to-date on upcoming legislation such as the GDPR (General Data Protection Legislation), EU regulations, and directives to evaluate the impact and plan ahead.



## ***Invest in keeping already loyal customers***

*We know from previous Total Retail surveys that nearly all online shoppers belong to retailer loyalty programs. But what else can retailers do to retain customers?*



This year, we explicitly asked our survey respondents what kind of shopper they are: do they generally know what they like and tend to stick with it, or do they generally like to buy whatever seems new and different? As the graphic to the right shows, more than 60% of those surveyed say they like to shop based on brand loyalty rather than trying something new.

Since customers seem apt to be brand loyal, reinforcing this loyalty by investing in uniquely appealing brand features – such as customised offers and special access to deals – could pay big dividends.

Best Buy, the American computer electronics retailer, has made keeping loyal customers a major priority. The company is offering premier customer-only shopping days, advanced ordering on limited allocation products, an exclusive concierge service for repair above and beyond the more general customer service department, and discounts through its private label and loyalty cards. Recently, it added a new “consulting” in-home service that select loyal customers can use as a perk. Best Buy will send trained technicians to a customer’s house to give advice on home technology projects such as the best way to set up a multi-zone home theatre with surround sound, or the smartest way to wire a house for sound. While the service is open to new customers for a price, loyal customers have the inside track on the service.

### *Which of the following statements most accurately describes how you like to shop?*



Source: PwC Total Retail 2017 – Base: 1,003



In order to help retailers examine the nature of brand loyalty more closely, we dug a little deeper. By taking the 63% of our survey respondents who say that they tend to be more brand loyal shoppers, and then seeing how this cohort answered our question on which online media most inspires them, we can report that more loyal shoppers gain inspiration directly from the retailer through a retailer's website. They are less inclined to look elsewhere – multi-brand websites or social networks – for inspiration. Other tools such as direct email communications and blogs are also used for inspiration, but not as much. The upshot? Harkening back to our first recommendation, investing in an excellent website, optimised for any device, is critical.

Another idea to bolster loyalty is building up private label products. Private label is healthier than ever, and offering customers high-quality private label goods is one of the best ways to lock them in; after all, they can't get those products at other retailers. Globally, the dollar share value of global retail sales on private label products as of November 2014, the latest results available from Nielsen, was 16.5%.<sup>5</sup> Almost one in five retail dollars spent around the world is on a private label, or store, brand. Investing in private labels, particularly in low-growth areas where price sensitivity is an issue for consumers, can be an excellent investment.

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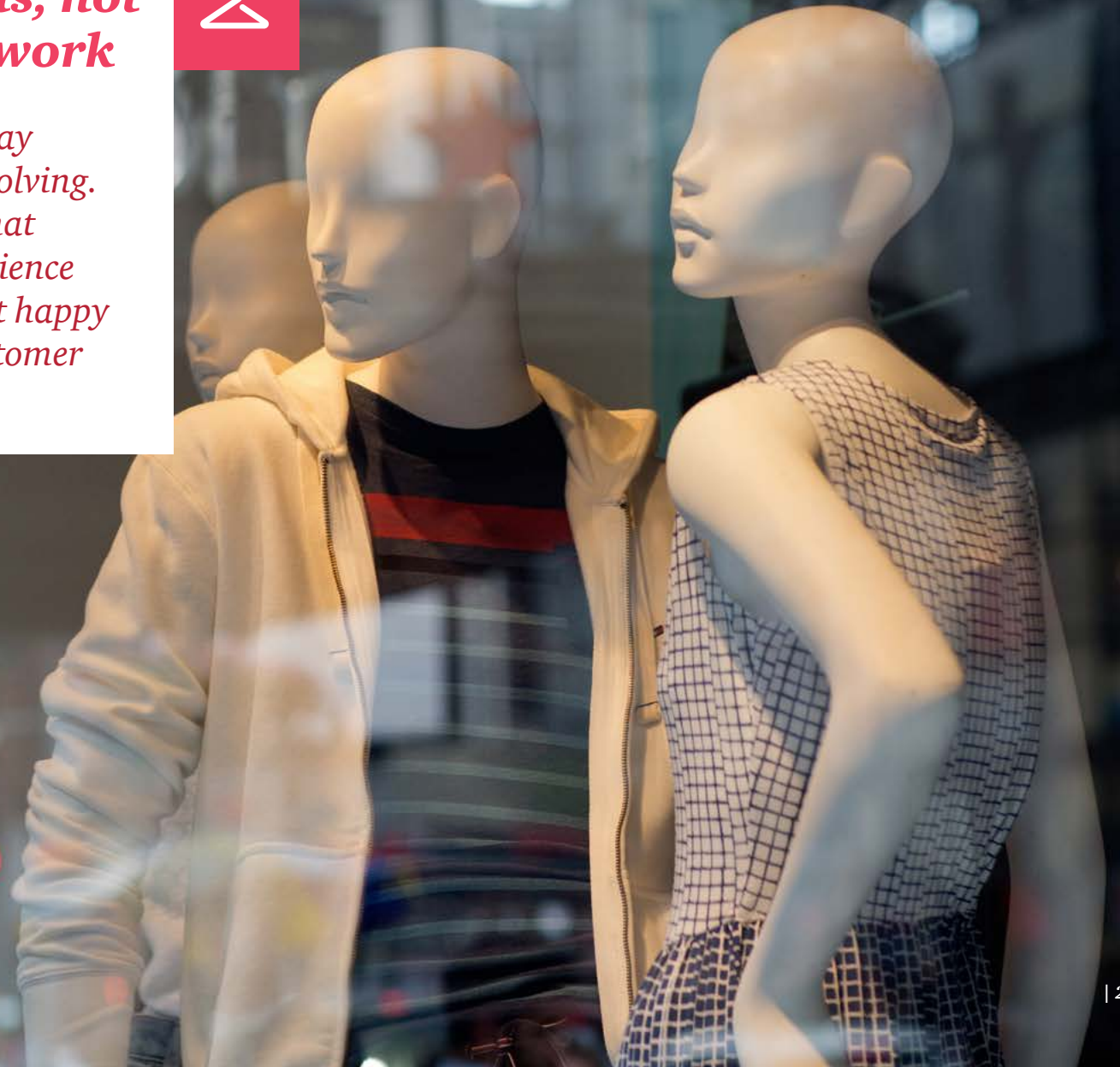
5 Nielsen Insights, The State of Private Label Around the World, November 2014.



## ***Invest in showrooms, not the entire store network***



*While the store is not going away anytime soon, its purpose is evolving. There is compelling evidence that people want the physical experience of trying things, but aren't that happy with aspects of the in-store customer experience.*





This year's Total Retail research tells us that consumers want in-store features: 59% want the ability to check other store or online stock quickly, 49% want an inviting ambience, and 47% want the ability to see/order an extended range of products. Yet, as our gap analysis shown earlier illustrates, satisfaction with these offerings is much lower.

One solution could be for retailers to invest in showrooms: physical locations that are designed not to push product, but instead to entice consumers with all of those amenities they want from the store.

A showroom offers a comfortable, inviting – sometimes even luxurious – environment to peruse products, get advice on sizes and styles, and place an order. The shopper's products are then shipped to the consumer's home from an offsite warehouse or store. Since a showroom has no need to maintain the expense structure associated with selling goods and shipping, showrooms can be very economically viable for retailers.

The graphic on the right shows how various product categories fare in terms of whether people prefer to purchase them online or in-store. For some product categories, such as furniture and homeware, DIY and home improvements and jewellery and watches, consumers want to go to a store and look at and try the products. But retailers should consider whether they would have even more success with these products in-store if they employed a pure showroom model.

### Preference to buy online versus in-store

| Online |                                    | In-store |
|--------|------------------------------------|----------|
| 49%    | Books, music, movies & video games | 38%      |
| 27%    | Toys                               | 50%      |
| 29%    | Consumer electronics & computers   | 64%      |
| 23%    | Sports equipment/outdoor           | 57%      |
| 28%    | Health & beauty (cosmetics)        | 60%      |
| 30%    | Clothing & footwear                | 60%      |
| 19%    | Jewelery/watches                   | 62%      |
| 23%    | Household appliances               | 68%      |
| 15%    | DIY/home improvements              | 71%      |
| 16%    | Furniture & homeware               | 74%      |
| 12%    | Grocery                            | 80%      |

Source: PwC Total Retail 2017  
 Summary chart showing in-store vs online purchasing preferences  
 Which method do you most prefer for buying your purchases in the following product categories?



The showroom model is also favourable for products that are referred to as “differentiated goods,” products like branded fashion apparel, the newest electronic gadgets, or expensive jewellery. Differentiated products are difficult to sell online, because consumers prefer to browse for these items, examine them, and even seek out advice about what to buy. By displaying these products in a showroom, skilled and attentive sales staff can drive conversion of browsers into actual customers – a challenge for retailers both online and offline – resulting in more sales.

Men’s clothing retailer Bonobos represents the gold standard in showrooming. Since 2012, the company – one of the hipper retailers catering to 18-40 year-old men – has been experimenting with Guideshop showrooms, now in 30 locations. Consumers can walk in or book an appointment, enjoy a beer or other cold drink, and chat with knowledgeable salespeople. Guideshops lower costs by requiring fewer sales people and having small footprints. Furthermore, since repeat customers’ details (such as sizing and favourite styles) are recorded in Bonobos’ data system, customers are more likely to make online purchases unassisted in the future, driving loyalty and lower returns, even for e-commerce transactions. Outside of the physical store, customers have three channels – live chat, email, or customer service telephone line – to interact with so-called “Ninjas,” representatives whose job it is to go beyond any one sale and, instead, promote the brand through their interaction with customers.



## ***Invest in the authenticity of branded goods***

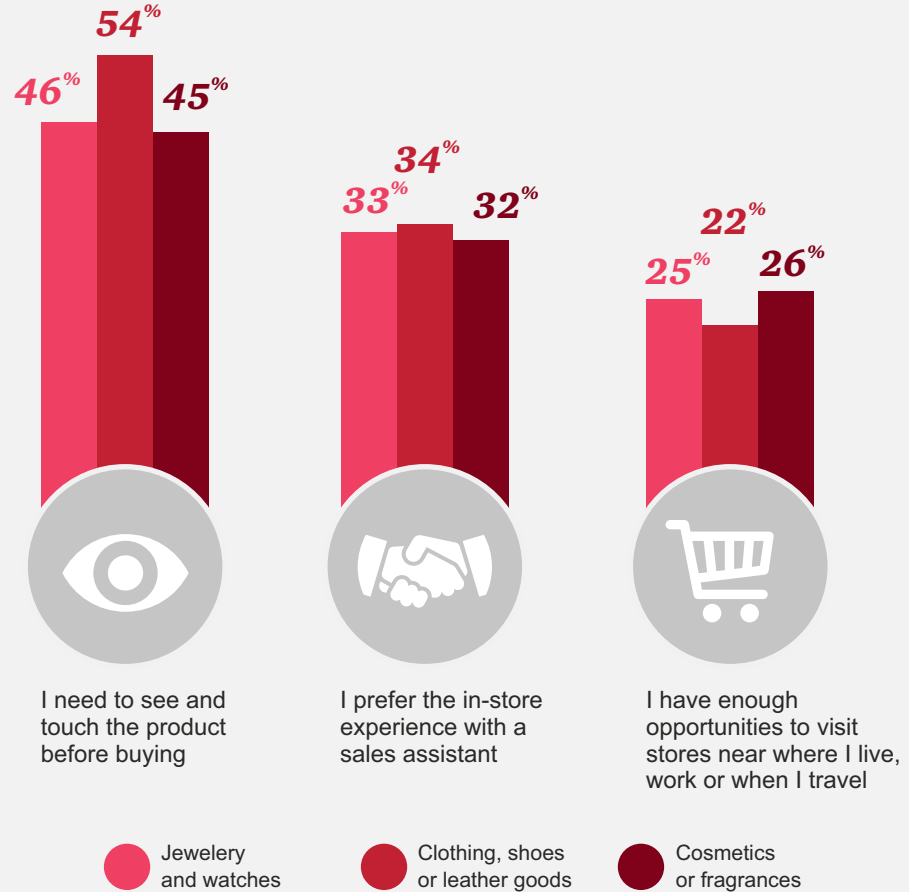
*Authenticity of branded goods is a huge issue for retailers, particularly for products made and sold in developing markets or whose supply chains wind through developing markets.*





In this year's research, we decided to delve into this topic by asking questions about an area in which authenticity is always a factor – luxury goods. The graphic to the right shows how a large percentage of our Belgian sample need to see and touch the products such as apparel, cosmetics, and jewellery before buying them and therefore they don't purchase these items online.

### Why have you not made your luxury product purchases online?



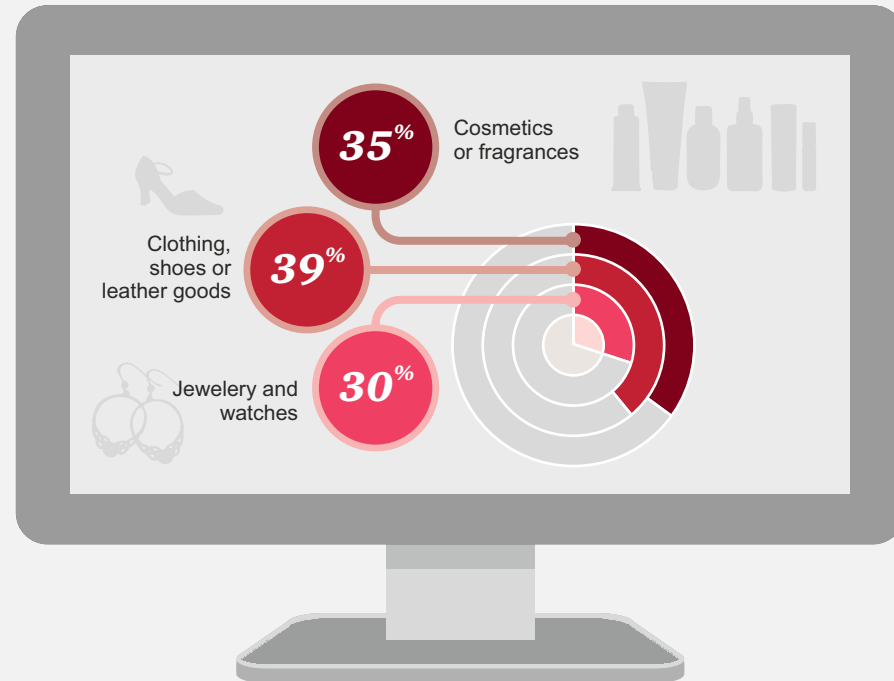
Source: PwC Total Retail 2017 - Base (174 - Jewellery and watches), (151 - Clothing, shoes or leather goods), (201 - Cosmetics or fragrances)



The fear over fake items also informs how to shop for luxury items. The graphic to the right illustrates how the vast majority of our Belgian sample prefers to buy luxury products from sites that sell multiple brands, presumably because these websites are broader, more well-known, and thus likely to be subject to more rigorous standards.

### ***Consumers prefer to use multi-brand websites for their online luxury purchases***

From a website that sells multiple luxury brands



Source: PwC Total Retail 2017 - Base (279 - Jewellery and watches), (520 - Clothing, shoes or leather goods), (355 - Cosmetics or fragrances)  
Please indicate what type of website you used to buy your luxury products online



## ***Invest in health care offerings***

*While consumers love the convenience of online shopping versus trips to the physical store, any kind of retail seems convenient and customer-centric when compared to the often Byzantine health care purchasing system. For that and reasons related to cost, retailers have emerged in the past decade as new entrants into the ranks of non-traditional health care providers.*





For consumers plagued by long wait times and high costs, retailers have emerged as a much needed salve to fill some of the gaps between consumer expectations and the current medical infrastructure. Recently, Belgian consumers have seen the arrival of different drug stores of pharmaceutical retailers such as Medimarket and iU. They offer a large range of products with specialised advices, all at lower price than in pharmacy and with a better customer experience. Medimarket opened its first store in 2015 combining the traditional pharmacy with the drugstore and wants to reach the 20 stores by 2020.

This phenomenon coming from the U.S. where retail clinics run by Walgreens and CVS have become a very real choice for Americans seeking health care, as customers consistently rank their satisfaction with these clinics ahead of doctors' visits. In Germany, 43% of consumers in one survey were willing to accept services and products from non-traditional health care providers as long as the quality and results were the same.<sup>6</sup>

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6 Hospital & Health Networks, "5 Implications for Hospitals Now that Retail is Health Care's New Front Door," March 17, 2016.



Another area that is of definite interest to retailers is the appetite consumers have for health and wellness products. The first illustration on this page shows how 28% of our Belgian sample either own, or intend to own, a wearable device, indicating their huge potential for tracking exercise routines, monitoring eating and sleeping habits, monitoring vital statistics, and improving fitness.

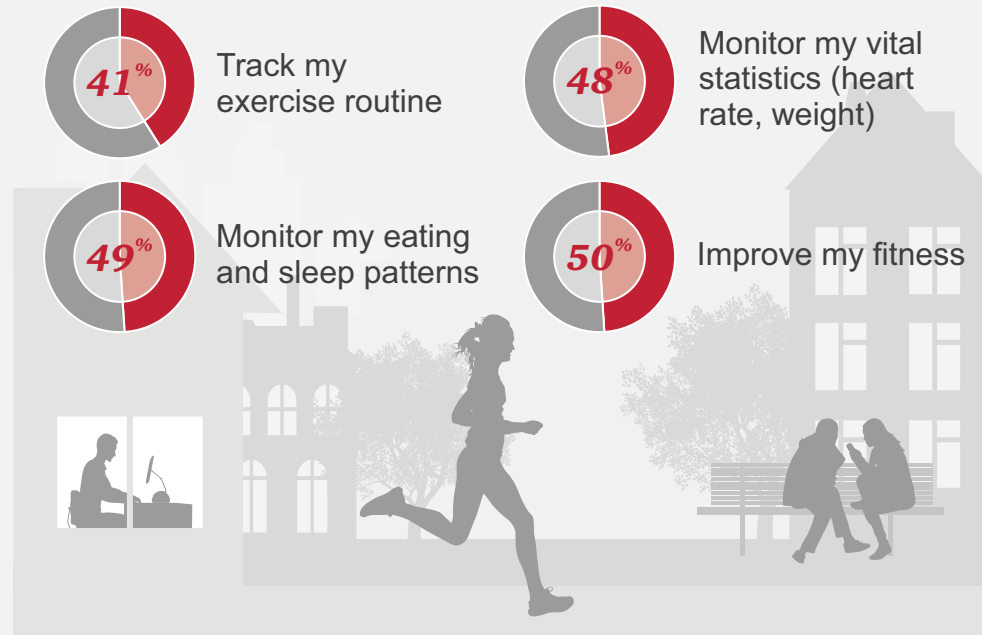
The graphic shows all the different benefits that consumers believe they would get from a wearable device.

### *Do you currently own a wearable device that tracks or monitors your health?*



Source: PwC Total Retail 2017 – Base: 1,003

### *What benefits do you think there are, or would be, from using a wearable device?*



Source: PwC Total Retail 2017 – Base: 276



*The ten areas of investment described in this report cover a range of areas, including digital infrastructure, offline retail network, communication strategies, analytics capabilities, customer loyalty, and talent. The variety reflects the increased business complexity that retailers are facing. Since business models differ and budgets aren't unlimited, the priority and urgency of the proposed investments will vary by company. How would you prioritise these 10 areas of investment for your company?*





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