

MCM Outlook 2016

OMNICHANNEL AND MOBILE CONTINUE TO GROW ECOMMERCE'S ROLE IN THE OVERALL CUSTOMER EXPERIENCE



By **Tim Parry**, Multichannel Merchant

How important is it to be an omnichannel merchant in today's retail world?

It's so important that when General Growth Properties CEO Sandeep Mathrani hinted in January that ecommerce juggernaut Amazon was looking to open 300 to 400 bricks-and-mortar locations, it was a shot heard across the direct-to-customer world.

Sure, Amazon did open one bricks-and-mortar bookstore in Seattle in November, but the rumors of mass expansion were premature (GGP retracted Mathrani's statement the following day). But all Amazon needs to do to become an omnichannel player is to open retail locations that serve as places where customers pick up or return items they purchase on a mobile device or a desktop computer from Amazon.com.

Although these ship-to-store and buy-online, pick-up in store initiatives are becoming more widespread, only 64.3% respondents to Multichannel Merchant's MCM Outlook 2016 survey identified themselves as B2C merchants that have an omnichannel strategy.

As proven during the most recent holiday season, the convergence of ecommerce and bricks-and-mortar is more important for merchants than ever. Case in point: During its third-quarter earnings call in December, Pier 1 Imports president and chief executive officer Alex Smith said ecommerce orders either placed in store or picked up in store represented a little over 50% of its ecommerce sales, reflecting the growth in its direct-to-customer business.

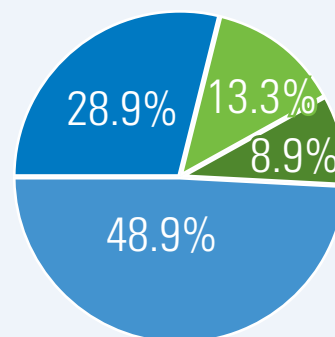
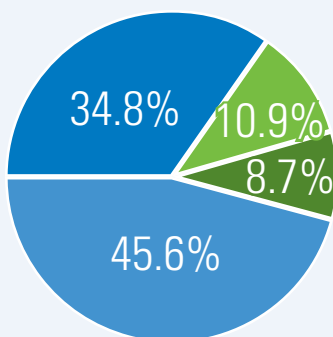
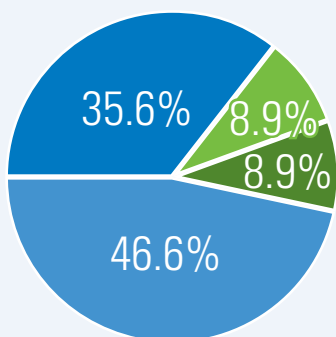
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Who gets charged for an online purchase that is returned in the store?

Who gets credit for an online purchase that is shipped to or picked up in store?

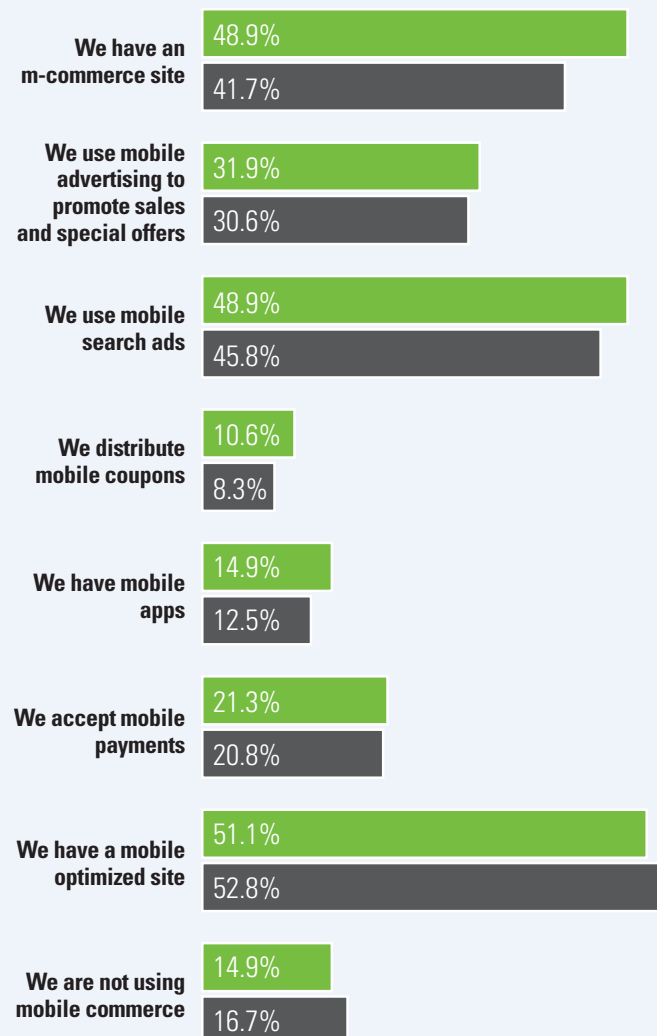
Who gets credit for an online purchase that is shipped from a store?

■ Ecommerce ■ Store ■ Credit is shared ■ We do not differentiate a store sale from an online sale



Which of the following mobile commerce strategies are you currently using?

■ B2C
■ B2B



There was once a time, not too long ago, when the mobile device was supposed to be the death knell for bricks-and-mortar retail. But with advances in both technology and marketing, retailers are embracing showrooming and webrooming shoppers, and seeing the need for unity between digital and storefronts.

Michael Barnes, president and CEO of Francesca's, said during its second-quarter earnings call that digital will become bigger and bigger, but won't replace the experience of shopping in a store.

Barnes said the omnichannel customer experience is going online and understanding what the store has, and what the store can offer in terms of products and service capabilities. That makes the customer much more directed and focused when they actually do go to the physical locations, which they still want to do because it creates an experience for them.

Omnichannel is also blurring the lines when it comes to how merchants report their comp sales. During its first-quarter earnings call, Ascena Retail Group CFO Robb Giammatteo said omnichannel has made it very difficult to attribute specific sales figures by channel because where a sale starts and where it is fulfilled gets very fuzzy.

Nearly half the MCM Outlook 2016 B2C respondents told Multichannel Merchant that they do not differentiate a store sale from an online sale, which makes life easier for bricks-and-mortar associates who handle merchandise purchased online and shipped to store; ordered online for in-store pick-up; or ecommerce purchases returned to the store.

However, there's no doubt ecommerce sales are growing and cutting into B2C store sales. According to the MCM Outlook 2016 survey results, B2C ecommerce sales grew an average of 15.9% in 2015, while B2C bricks-and-mortar sales grew just 3.2%.

And smartphones are quickly becoming a driver of ecommerce sales. While 60% of B2C direct-to-customer sales are made via desktop computer, orders placed via smartphone are creeping up to 15.7%.

During its first-quarter earnings call, Ascena Retail Group said its Ann Taylor brand continues to see very strong growth in mobile, which represented approximately 37% of total site traffic versus just under 30% in 2014. Its LOFT brand's mobile penetration grew, representing approximately 43% of total online traffic versus 33% in 2014.

And while mobile commerce is growing, MCM Outlook 2016 B2C respondents indicated they are not embracing mobile apps. Just 28% of respondents said they have a smartphone app, while only 20.4% said they have a tablet app. But that smartphone figure is up significantly from 21% in 2015.

While low consumer adoption of retail apps is not a surprise, those merchants that have apps are reaping the benefits.

CONTINUED ON PAGE 3

In September, Express upgraded its mobile app and CEO David Kornberg said during the company's third-quarter earnings call that the results have been great. Pages linked and time spent has increased potentially along with monthly revenues. Given the rapid rate at which its customers are adopting mobile commerce, Kornberg said Express would continue to optimize its mobile app for appeal and usability.

And Cotter Cunningham, chief executive officer, RetailMeNot, said during its fourth-quarter earnings call that having a strong mobile app helps the coupon company's efforts to have a more direct relationship with consumers. However, Cunningham said RetailMeNot is still in the early innings of building out awareness and product consideration.

On a scale of 1 to 10 with 10 being the most valuable, MCM Outlook 2016 B2C respondents gave email marketing an average rating of 8.7 in relation to their overall ecommerce strategy. And 48% of the respondents rated the importance of email marketing a 10 out of 10.

How important is email in the path to purchase? During the first quarter of 2015, GNC Inc. intentionally did not deploy a full slate of marketing as it worked through both the process of measuring the effectiveness of its marketing spend, and the development and testing of new campaigns. This resulted in communicating via email to customers 33% less compared with the same period of 2014.

During GNC's first-quarter earnings call, CEO Michael Archbold admitted this was a mistake. GNC.com's revenues for that quarter, coincidentally, decreased 12%.

Meanwhile, personalization—which was certainly a 2015 industry buzzword—only received an average rating of 7, though 28% of respondents rated it a 10.

But merchants did see the hand-in-hand correlation of personalization and email to deliver relevant and timely messages to their customers' inboxes. For example, Michael's CEO Carl Rubin said during his company's second-quarter earnings call that it continues to make progress in its CRM program and leverages its database to personalize email marketing based on customers' shopping history and preference.

Personalization also goes beyond the email marketing channel. Tractor Supply has been piloting a loyalty program, and executive vice president and chief merchandising officer Steve Barbarick said during its fourth-quarter earnings call that by getting these customers' email addresses and talking to consumers the way they

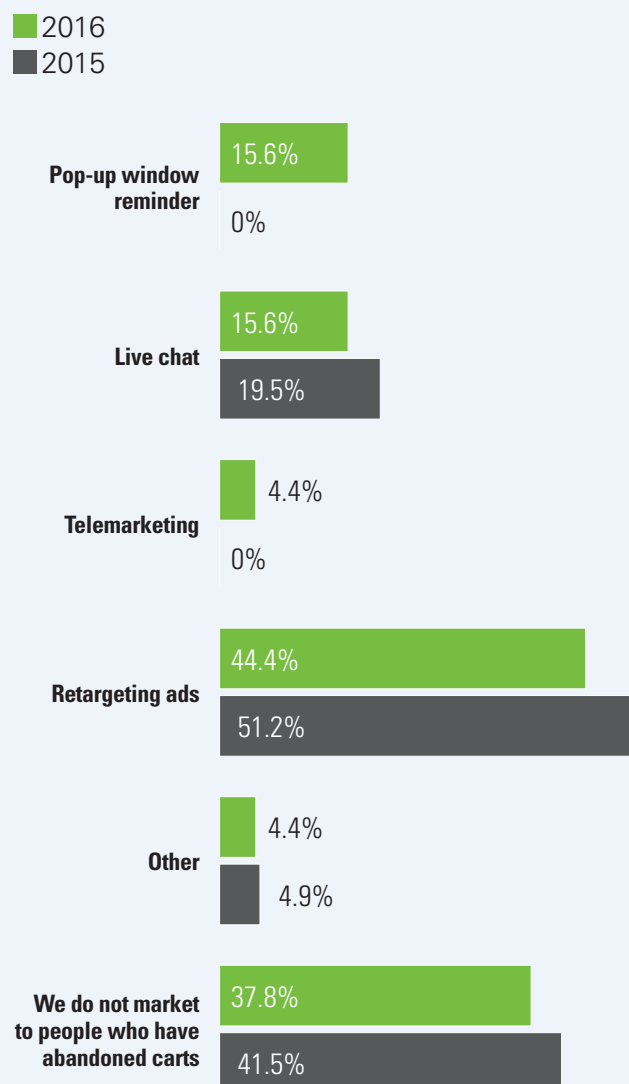
want to be talked to about their purchase history, has increased its email open rate.

And by continuing to talk to their customers, Barbarick said Tractor Supply should see better traffic in its stores and increased sales.

Although still a small percent of its sales, Tractor Supply's ecommerce sales increased 30% in the fourth quarter.

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Aside from shopping cart recovery emails, how are you marketing to shopping-cart abandoners? (Select all that apply)

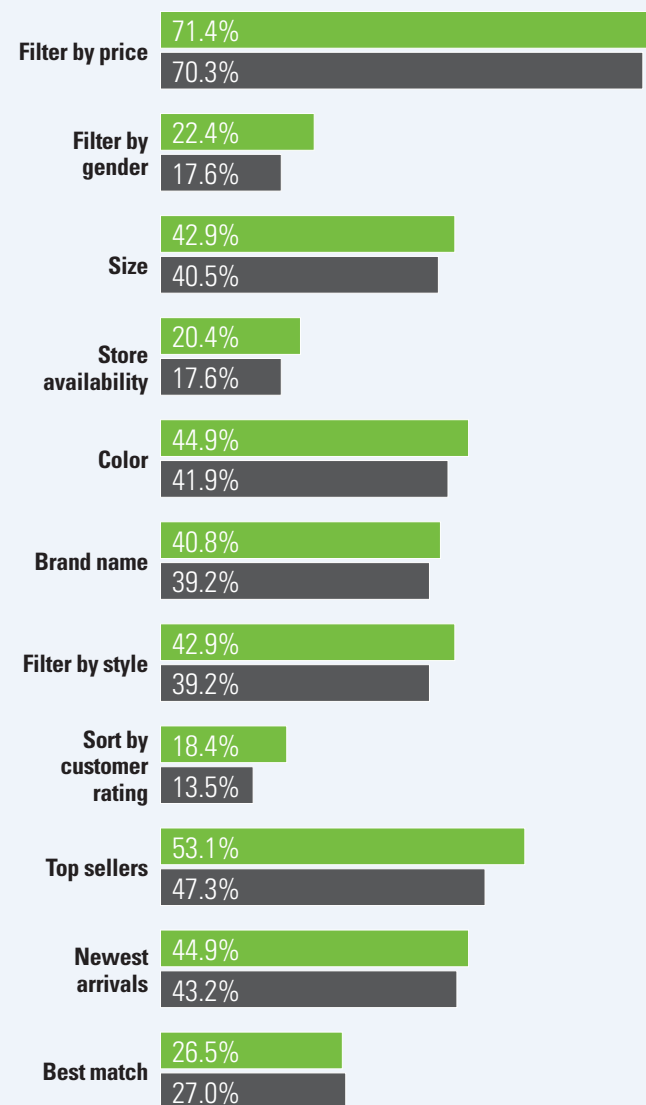


Laura Alber, president and CEO of Williams-Sonoma, Inc., said her company has advanced its ability to serve targeted content to customers on its websites, and is more relevant, timely and engaging as a result.

When the merchant personalizes content, it sees measurable and material conversion lift, Alber said during the retailer's third-quarter earnings call.

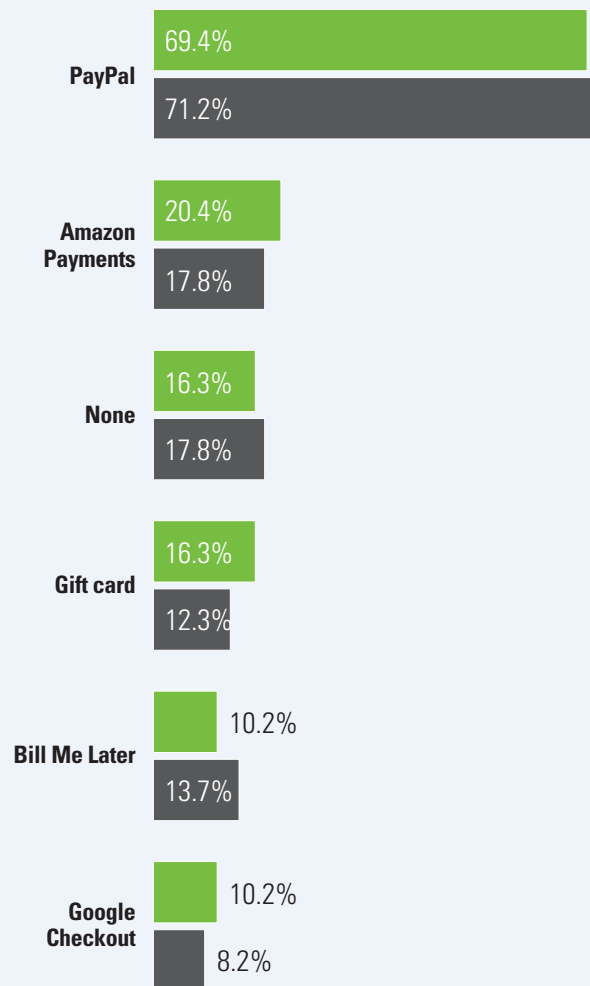
Which of the following site search functions do you offer?

■ B2C
■ B2B



Other than credit cards, what type of payment options does your website provide? (Select all that apply) (Top 6 answers)

■ B2C
■ B2B

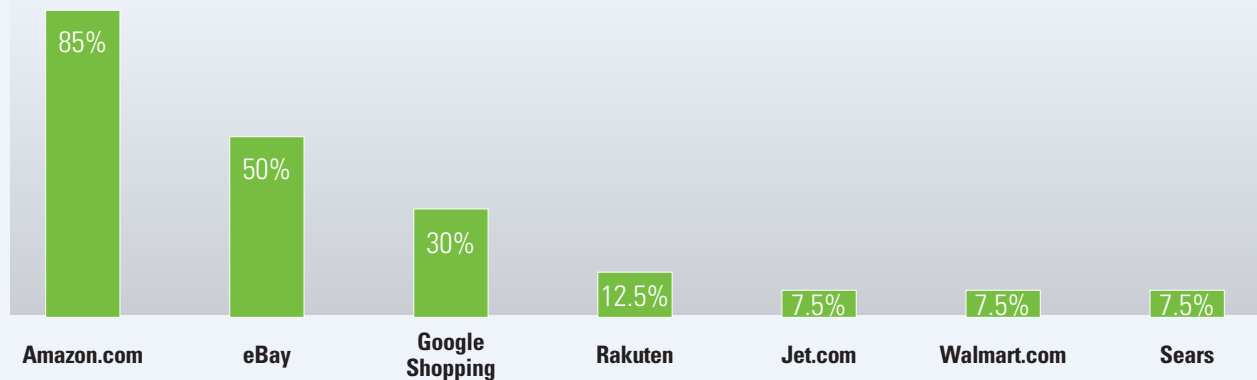


Francesca's Barnes said his company is not just using personalization for add-on sales, but also to give customers what they need. On its first-quarter earnings call, Barnes said personalization is not just about solving the needs of the customer, but helping them find what's right for them, like putting together a full outfit for them.

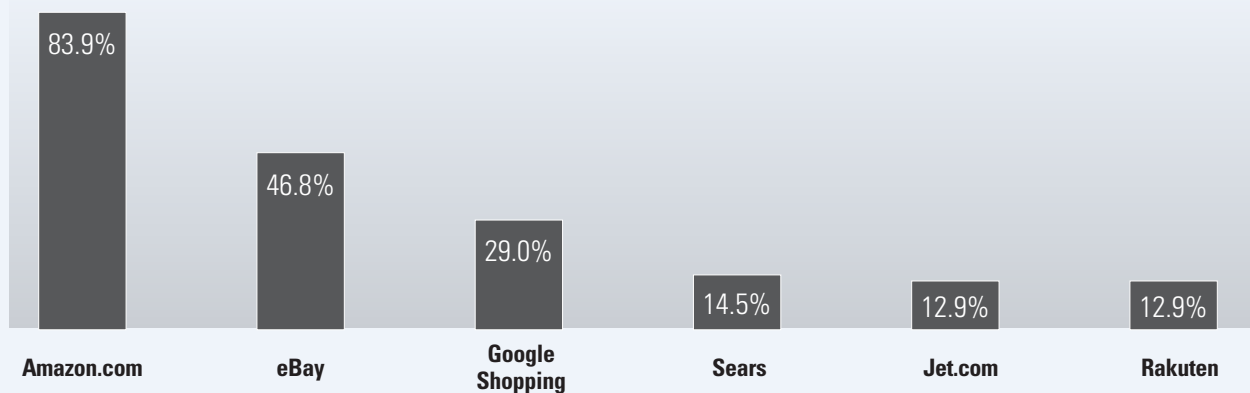
And if Francesca's can take care of their needs, Barnes said the units and the average transaction values will take care of themselves.

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What ecommerce marketplaces and CSEs do you sell in? (B2Cs, Top 5 Answers)



What ecommerce marketplaces and CSEs do you sell in? (B2Bs, Top 5 Answers)



MCM Outlook 2016 B2C respondents rated SEO an 8 out of 10, just as they did in 2015. The top three things B2C merchants are doing to improve their SEO ranking is being active in social media (71%), optimizing landing pages (71%), and reaching deeper into analytics (63%)

During his company's fourth-quarter earnings call, RetailMeNot's Cunningham said while the value of its

offering still commands great organic search ranking, the company is still too reliant on a volatile traffic mix. During the last year, RetailMeNot saw deceleration in online traffic on both desktop and mobile web, and Cunningham said this slowing was driven by a weaker organic search results.

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