

A Shift in Retail Perspective Considering Customers' Three-Dimensionality



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Abstract

Retailers' competition in generating phygital trips in the current inflationary economy is fiercer than ever. There is an increase in winning the more price-conscious consumers by creating a coherent connection between physical and digital stores. The role of the new AI strategies and AI-enabled marketing teams is more and more important. Retail disruption and the future of retail is gaining increasing attention. And to be prepared for retail's next chapter it is worth better adapting to continuous change, growing by reflection.

Keywords: Phigital retail; E-Commerce; Retail disruption; AI strategies; AI-enabled marketing teams; Customers' three-dimensionality

JEL Classification: D83; L21; L81; M21; M31; M37; O31; O33

Retailers' competition in generating phygital trips in the current inflationary economy

In our last RDCM issue (Purcarea, 2023) we underlined the need of better understanding the multidirectional impact of e-commerce and the role of having a successful e-commerce interaction, also making reference, among other aspects, to the continuously changing consumer satisfaction as a situation changes, what makes us think dynamically about patterns of behavior. According to a 2023 e-commerce marketplace report commissioned by Ware2Go (a UPS

company), when shopping (E2E CX across them being essential) on these marketplaces (Amazon, Walmart, Target, Macy's, Wayfair etc.) consumers' expectations (considering their lack of loyalty, after product discovery their final purchase could be made on a different channel) regarding delivery standards are moving closer towards free shipping over a price threshold, 2-day option on all orders, free shipping for all orders, and multiple shipping options (Ware2Go, 2023). For instance, the top considerations of US consumers when contrasting different marketplaces are as follows: Price, 81% ; Product quality, 69%; Product selection 64%; Shipping cost, 61%; Shipping speed, 50%.

A traditional RetailWire discussion (Ryan, 2024) focused on analyzing the launch of the first Target's first paid membership program under the Target Circle umbrella making the most of valorizing the same-day delivery (by combining Target's RedCard credit card and Shipt membership programs) revealed interesting points of view, such as: how challenging is to generate e-commerce or store trips in the current inflationary economy taking into account the generally higher priced Target's offerings, Target also needing to be aware of the fact that both the same-day delivery demand, and frequent repeat purchases are driven by the grocery baskets (John Hennessy); done at the right time it's a winning game for price shoppers to make comparisons, considering membership costs' objectivity (Christopher P. Ramey); there is an obvious competitive advantage for retailers offering same-day shipping that is super convenient for customers (Shep Hyken).

Coming back to Ware2Go approach, it is worth remembering that also recently they highlighted how the delivery experience represents the first physical experience with a product of e-commerce shoppers, the key factors in creating an excellent CX in the digital-first retail environment being fulfillment and delivery (Ware2Go, 2024).

Winning the more price-conscious consumers by creating a coherent connection between physical and digital stores. The role of the new AI strategies and AI-enabled marketing teams

Placer.ai (Margalit, L., 2024) brought to our attention an interesting comparison regarding brands' visits between U.S. leading eyewear brands being on a course of enlargement, the online-only retailer, launched in 2010, Warby Parker (that opened three years later its first physical store and having now already 250) and America's Best Contacts & Eyeglasses (a discount eyewear chain, having now more than 900 stores). It was underlined within this framework suggestive aspects, such as: the for many consumers' viable option represented by the digital try-on and easy returns; the difference between the two retailers represented by the fact that the last one is serving a lower Herfindahl-Hirschman Index (HHI) demographic and have as a goal to win the more price-conscious consumers.

According to the reputed Dr. Wided Batat (2024), to create a coherent connection between physical and digital settings it is essential to establish a continuum in consumer value. Focused on better valorizing metaverse and the immersive phygital CX in it, he demonstrated

that it has no sense to replicate all sensory dimensions (positive effects have been confirmed only from sight and touch) in the metaverse (by combining physical and digital worlds' features) based on integrating ER technologies. And in order to capture the evolving consumers' perceptions of these dimensions, as well as consumers' real-time reactions to ER technologies it is needed to use a mix of quantitative and qualitative methods in future research. Allow us to remember that Batat (2021) explained the difference between phygital (as a holistic approach, and as ecosystem describing the combination of a digital experience and a physical one, providing not only functional values, but also humanizing CX by intensifying individuals' emotions) and omnichannel (that is using digital with the purchase and e-commerce logic to connect touchpoint). He shown, for instance, how in designing CX, to intensify consumers engagement, it is necessary to also use in the digital space both the five senses, and sensory maximization, a holistic and customer-centric approach being essential in ensuring phygital transformation (delivering coherent and consistent value in both directions).

On the other hand, a report published by Retail Economics (2024) in association with Auctane gave special importance to omnichannel approach (presenting omnichannel behaviour flow across online and in-store channels) and the critical role of delivery and logistics. The report presented retail evolution (Single channel, pre 1992; Multichannel, 1993-2006; Omnichannel, 2007-2022; Unified commerce, 2023+) over the last 30+ years, and revealed significant aspects such as: the powerful competitive attention economy created by the increasing mobile device use, social media, and proliferation of ecommerce platforms; how essential is customer engagement with relevant personalised content encouraging conversion; the rising importance for research and discovery of online marketplaces, as well of social media for product discovery and purchase inspiration; the increased preference of international shoppers for 'home delivery' as 'go-to' option, as well as more quickly development of lockers, click-and-collect, and other pick-up points.

A recent report by RETHINK Retail (2024) in partnership with Lily AI (a retail technology platform using a mix of GenAI, computer vision, NLP, ML, and deep learning), focused on closing the retail-consumer expectation gap with the help of the new AI strategies, revealed the domination of three e-commerce technologies ('on-site search' – 71% of respondents; 'product reviews' – 52% of respondents; 'social media shopping' – 42% of respondents) preferred by North American shoppers (in significant sectors like fashion, home, and beauty). This report confirmed the importance of a more holistically enhancement of consumer product discovery (customer journey being empowered with the most recent AI tools and ML algorithms), as well as of consumers' inspiration by high-quality contextual content.

It is worth mentioning here that Gartner' s experts (2024)¹ highlighted that to manage disruption CMOs need to focus on building AI-enabled marketing teams (as a continuous cycle:

¹ Gartner, 2024. Leadership Vision for Disruptive Moments, The Chief Marketing Officer 1Q24, pp. 5-6, 10-13. Available at: <<https://emt.gartnerweb.com/ngw/globalassets/en/marketing/documents/q1-2024-cmo-journal.pdf>> [Accessed 21 March 2024].

identifying priorities, building capabilities, aligning to model, and evaluating impact) and remodel marketing's value (making a map of the course to catalytic value as the basis for a new customer engagement strategy), as well as on both scaling marketing's commercial impact and driving profitability by orchestrating customer-led growth plans (reducing collaboration drag). Going on this path marketing teams will be enabled to valorize the new technologies, contributing to the success of essential digital growth initiatives.

Shoptalk 2024: Retail disruption and the future of retail

The annual retail conference Shoptalk 2024 (U.S., Las Vegas, Nevada, March 17 – 20, 2024) is a special occasion to show consideration for the future of retail, the first day marking the start of the “Shark Reef” Startup Pitch competition in which retail solutions based on innovative technologies were presented by 12 recently started to develop B2B retail-technology businesses, master of ceremonies and lead judge being the reputed CEO and Founder of Coresight Research (a research partner of Shoptalk 2024), Deborah Weinswig (Doijad, 2024). One of the four areas of retail disruption in which the above-mentioned innovative retail-technology startups were categorized by Coresight Research was e-commerce operations and fulfillment (together with AI/AI-based content, shoppable media and experiential commerce, and post-purchase CX and loyalty). For example, one of the innovative competitors was Portless (founded in 2023 and having headquarters in Toronto, Ontario, Canada), that is offering direct shipping solutions for e-commerce brands, streamlining supply chain processes, and making possible to achieve greater cost efficiency and a quickly reaction to changing market demands.

Keynote speakers talked about very interesting topics. There were significant insights revealed by Coresight Research all along the Shoptalk 2024 event (Harmon a, 2024; Harmon b, 2024; Harmon c, 2024; Harmon d, 2024), for instant: the importance of business transformation by employing AI, good data being the key to AI success (also being considered vital to have employee feedback when putting into action new technologies); there are lessons to learn for brands and retailers from Amazon's knowledge and experience to build and precisely adjust its retail media network or in using AI in product imagery; the need of better knowing customers and implement personalization strategies driving long-term engagement, as well as of benefitting from with supply chain participants' data sharing; Walmart's management critical and thoughtful approach toward AI implementation; the ways (identified by the CEO and Founder of Coresight Research) needed for retail companies to win on Chinese complex and competitive market; retailers' and brands' challenges to valorize AI and GenAI; the value of shoppable video in encouraging the development of customer engagement was underlined by the representatives from Fanatics, TikTok and Walmart; the importance of ensuring a frictionless and personalized shopping experience within the phygital journey; an increased focus on authenticity as the key to driving shoppable video's future; lessons to learn from Walmart's Luminate unique approach to monetizing its data, and Zalando's unique data and fulfillment network across Europe.

We appreciate Coresight Research insights, a result of a traditional rigorous analysis, and we recommend it for in-depth study. It is worth mentioning that Coresight Research (Kumar, 2024), as an official research partner, presented already in February 2024 the key sessions' essential guide (across the following retail themes: employing AI to transform your business, harnessing brand power and building brand trust, building loyalty via seamless customer journeys, creating unified retail experiences, and navigating changing industry relationships).

Instead of conclusions: *Adapting to continuous change, growing by reflection*

In the last three years we wrote, for instance, about the disrupted retail and the innovative technology, connecting data (Purcarea, 2021), e-commerce personalization wanted by the next generation of shoppers, livestreaming e-commerce, q-commerce, social commerce, and the metaverse (Purcarea, 2022), and the paradigm shift in e-commerce within the context of the new AI space race (Purcarea, 2023). We recall that some years ago our attention has been drawn to report entitled “RETAIL 5.0: CHECK-OUT THE FUTURE” (Kowalkiewicz, Rosemann and Dootson, 2017) and prepared by the PwC Chair in Digital Economy based at Queensland University of Technology (QUT), Brisbane, Queensland, Australia. This report made reference to the five stages of retail industry evolution (1.0 Production; 2.0 Industrialisation; 3.0 Automation; 4.0 Digitisation; 5.0 Individualisation), stating as follows: “*Retail 5.0 means the retailer comes to you... Ultimately, 5.0 means that the shift from a push-based to a pull-based value chain that we have witnessed in the retailer–manufacturer relationship since the 1980s now also hits the retailer–consumer relationship...*” (p. 11).

More recently, our attention has been drawn to a recent edition of McKinsey Author Talks starting from a book published at the beginning of this year (Wiley, January 2024) and entitled “Redefining Retail: 10 Guiding Principles for a Post-Digital World”, Authors being the reputed Philip Kotler and Giuseppe Stigliano. As we are witnessing “*a perfect storm going on in retailing*” (Kotler), and “*an exponential transformation, rather than an evolution*” (Stigliano), while moving from multichannel (focus on quantity) and omnichannel (focus on seamless integration of all available channels) to optichanneling (optimization of the available channels). The discussion (Kotler, Stigliano and Mondalek, 2024) ended with the following statement by Stigliano: “Now we’re talking about future interactions with *digital* and *physical* touchpoints of a consumer, a perspective consumer, or client, who starts the relationship with the brand in a *virtual* world. This is something completely new. That’s why we define this customer journey as three dimensional. We call it a *three-dimensional customer*.”

And to be prepared for retail’s next chapter it is worth better adapting to continuous change, growing by reflection.

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