Digital Intelligence Briefing: 2018 Digital Trends in Retail

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We are delighted to bring you the 2018 Digital Trends in Retail report which is aimed at helping you understand the technological and consumer-driven trends that are driving the evolution of this industry.

While there are seemingly endless news stories about the challenges facing retailers, it is by no means all doom and gloom for companies operating in this space. In fact, we are privileged to be witnessing first-hand how retail companies are harnessing technology and data to improve both the digital and in-store customer experience in a way that was inconceivable even half a decade ago.

The strength of online sales doesn’t mean that physical stores are obsolete. In fact, a 2017 US Census report found that 90% of all retail purchases in America were made in brick-and-mortar locations. Furthermore, 43% of millennials prefer to research brands and products online before shopping in-store. This reinforces how critical it is that retailers deliver an exceptional and joined-up cohesive experience along the entire shopping journey.

Here at Adobe, we are proud to be pioneering a range of solutions dedicated to helping retailers become more successful in a multichannel environment. Our clients can capture data relating to shopper behaviour via Adobe Analytics while Adobe Target further optimises offers and delivers a hyper-personalised experience. Through the Adobe Cloud Platform, retailers can leverage third-party data from inventory, POS and CRM systems to further optimise offers for in-store shoppers.

Another example of our innovation is the way that Adobe Experience Manager 6.4, launched in April this year, allows Experience Fragments – groups of content elements that together form an experience – to be brought into Adobe Target. Within Target, these Fragments can now be used for A/B, MVT or rules-based personalisation, or for automated personalisation powered by Adobe Sensei.

It is clear from this research that a better omnichannel customer experience, data-driven marketing and real-time personalisation are important trends that will help to separate the retail winners from the losers over the next few years. We hope you find value from the data and insights from this report, and please do get in touch if you want us to help you take your retail strategies to the next level.


Foreword by Adobe

Vijayanta Gupta
Product and Industry Marketing
Adobe
Executive summary

The 2018 Digital Trends in Retail report is based on a sample of almost 600 senior retail leaders (manager level or above) who were among around 13,000 digital professionals taking part in the annual Digital Trends survey carried out at the end of 2017 and start of 2018.

These are the main findings of the research which is published by Econsultancy in partnership with Adobe.

Retailers prioritise omnichannel approach to help them differentiate through customer experience

- Content and experience management and omnichannel marketing are the top priorities for retailers in 2018. More than half of respondents indicate that each of these areas is a top-three priority and, in the case of omnichannel marketing, a quarter (25%) of all retailers surveyed make this their number one priority for the year ahead.

- Customer experience ranks first for retailers as a means of differentiation. More than a quarter (26%) of survey respondents say that customer experience – making the experience on our properties easy/fun/valuable is the primary way they will seek to stand out from the competition, ahead of customer service (14%) and product/service quality (12%). Only 4% say they will differentiate predominantly on price.

Companies recognise the need to master data capabilities in order to adopt a more personalised and scalable approach to marketing

- Retailers are seeking to develop data capabilities that help them harness the vast amount of data they have at their disposal, ranging from CRM and transactional data to browsing behaviour. While, in hindsight, only 9% of retailers saw data-driven marketing as the most exciting opportunity for 2017, more than double that percentage (19%) regard it as the foremost opportunity for the year ahead.

- Companies in this sector acknowledge the importance of improving data analysis capabilities to better understand customer experience requirements. More than two-thirds (69%) of respondents rank this as a ‘very important’ internal factor, putting this ahead of a range of other requirements.

3. The 579 retail respondents who took part in the 2018 Digital Trends survey were among a total of nearly 13,000 marketing, creative and technology professionals in the digital industry from all sectors who participated, from countries across EMEA, North America and Asia Pacific.
Focus on real-time personalisation to enhance the customer experience

- Looking ahead three years, the most exciting prospect for retailers is delivering personalised experiences in real time (cited by 37% of respondents). Retailers recognise that the quality of the customer experience will increasingly depend on being able to serve up the most relevant content and messaging, with companies embracing predictive analytics to help them anticipate the most effective way of converting prospects into customers, and then meeting their needs on an ongoing basis.

- There is huge potential for artificial intelligence to help make experiences more scalable, relevant and personalised, though only around one in six (17%) respondents flag up the use of AI to drive campaigns and experiences as the most exciting prospect over the medium term.

Digital marketing budgets are on the increase, but investment in digital skills and investment is being neglected

- Nearly three-quarters (72%) of respondents plan to increase digital marketing spending during 2018, a significantly higher percentage than the average across all sectors. As reported in the main 2018 Digital Trends report, around two-thirds (67%) of all companies surveyed are planning to boost their digital marketing budgets this year.

- The fast-changing nature of digital marketing and commerce, and the difficulties faced by retailers seeking to recruit and retain experienced practitioners in key areas, means that investment in training and skills remains crucial. Less than a third (29%) of respondents plan to invest significantly in digital skills and education during 2018. Furthermore, almost one quarter (24%) of retailers will be making little or no investment in upskilling their staff this year. While many retail companies may not need to make a huge investment in training because of upskilling programmes that have already taken place in the past, others in this sector may still be neglecting the kind of investment in skills that is vital for companies seeking to compete in the digital age.

3. Retailers focus on omnichannel

The retail sector continues to be as exciting as it is challenging, with digital-related trends already resulting in significant commercial benefits for those companies able to harness them effectively. The start of 2018 has seen the financial news pages littered with stories of retailers that have fallen by the wayside, with Toys R Us among the most high-profile recent casualties.

While data from the US⁵ and the UK⁶ actually points to a net increase in store openings last year, few would deny that retail is a highly competitive environment where failure to move with the times can be fatal. While some retailers can beat the competition with a strategy of low pricing and wafer-thin margins, most seek the more viable route of differentiation through excellence in products, services and customer experience. According to Mark Cohen, Director of Retail Studies at Columbia University’s Graduate School of Business: “Change is now absolutely upon us, and retailers who want to remain viable have to respond to those changes.”⁷ Cohen urged retailers to heed the famous advice of hockey legend Wayne Gretzky, whose father told him to ‘skate where the puck is going, not to where it has been’. For retailers, this means turning digital trends to their advantage, rather than watching their competitors race ahead of them while they stand still. Far from sounding the death knell for offline retail, the retail sector has increasingly recognised that digital technology can reinvigorate the in-store experience, and help them avoid competing on price which is almost invariably a race to the bottom. Retailers surveyed by Econsultancy and Adobe for the 2018 Digital Trends report⁸ – which covers all business sectors – bear testament to the importance of an integrated experience in modern retail, with content and experience management and omnichannel marketing emerging as the top priorities for companies in 2018 (Figure 1).

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"Change is now absolutely upon us, and retailers who want to remain viable have to respond to those changes."

Mark Cohen,
Director of Retail Studies, Columbia University’s Graduate School of Business
More than half of respondents describe each of these areas as a top-three priority and, in the case of omnichannel marketing, a quarter (25%) of all retailers surveyed say that this is their number one priority for the year ahead. In essence, omnichannel is all about the customer experience, with the focus on providing customers with a seamless and integrated journey, irrespective of the channel or touchpoint through which they choose to shop or engage with their chosen retailers.

Figure 2 highlights the importance of CX to retailers, with this seen as the most popular means of differentiation. More than a quarter (26%) of survey respondents say that customer experience – making the experience on our properties easy/fun/valuable is the primary way that they will seek to stand out from the competition, ahead of customer service (14%) and product/service quality (12%). Only 4% say they will differentiate predominantly on price, a significant drop from 7% in 2017.

The importance of a great customer experience as part of an omnichannel approach is also implicit in some of the other means of differentiation charted in Figure 2, including customer service, excellence in products and services, and the commitment to joining up online and offline experiences to ensure consistency.
FIGURE 2: OVER THE NEXT FIVE YEARS, WHAT IS THE PRIMARY WAY YOUR ORGANISATION WILL SEEK TO DIFFERENTIATE ITSELF FROM COMPETITORS?

- Customer experience – making the experience on our properties easy / fun / valuable: 26%
- Customer service – enhancing our reputation for brilliant service across all touchpoints: 14%
- Product / service quality: 12%
- Product / service innovation: 10%
- Joining up online / offline experiences – ensuring consistency across virtual and physical worlds: 10%
- Design – making our offering differentiated and unique: 10%
- Convenience e.g. fast delivery; in-store pickup; buy online, return to store etc.: 10%
- Price: 4%
- Mobile – catering to mobile shoppers / buyers: 3%
- None of the above: 1%

‘Phygital’ – the blending of the physical and the digital – is a term that has been coined to describe an optimal in-store experience, neatly capturing the need for a more engaging and digitally-enhanced offline experience that brings the convenience, efficiency and information-rich nature of online shopping to the in-store environment. Lowe’s, the US home improvement retailer, is a good example of a retail brand seeking to enhance the physical shopping experience, with a mobile app that allows users to access real-time store inventory, and equipping staff with iPhones to help with enquiries. More recently, it has also introduced an in-store navigation app with augmented reality technology, providing indoor mapping and thereby allowing customers to find items in-store more easily.9

At the start of this year, after surmounting some not insignificant technological challenges, Amazon finally opened its first ‘no checkout’ store in Seattle. The shop uses computer vision technology including ceiling-mounted cameras and electronic sensors to identify each customer and track the items they have chosen. When they enter the store, customers swipe their smartphones loaded with the Amazon Go app, and then they are charged on their payment cards after they have left the store.10 While this new store gives us a glimpse of the future, Amazon’s 2017 acquisition of Whole Foods for $13.7 billion provides more evidence of the staying power of traditional retail and the value of a physical presence, even without state-of-the-art in-store technology. Having physical stores allows predominantly online retailers like Amazon to deliver products faster and, in the case of perishable products, in fresher condition.

**Figure 3:** Proportion of respondents saying these will be ‘very important’ for their digital marketing over the next few years

<table>
<thead>
<tr>
<th>Digital Marketing Activity</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimising the customer journey across multiple touchpoints</td>
<td>75%</td>
<td>71%</td>
</tr>
<tr>
<td>Ensuring consistency of message across channels</td>
<td>65%</td>
<td>63%</td>
</tr>
<tr>
<td>Training teams in new techniques, channels and disciplines</td>
<td>55%</td>
<td>63%</td>
</tr>
<tr>
<td>Understanding how mobile users research/buy products</td>
<td>79%</td>
<td>62%</td>
</tr>
<tr>
<td>Using online data to optimise the offline experience</td>
<td>48%</td>
<td>50%</td>
</tr>
<tr>
<td>Understanding when and where customers use different devices</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>Using offline data to optimise the online experience</td>
<td>44%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Respondents 2017: 236
Respondents 2018: 280

Figure 3 shows the relative importance of a range of digital marketing activities, with **optimising the customer journey across multiple touchpoints** the top priority. Once companies have grasped the importance of an integrated and omnichannel approach, the devil is then in the detail of understanding and improving the customer journey across an array of different channels and devices.

As described in last year’s version of this report[^11], a key undertaking for retailers is to understand the points during the customer journey when decisions are being influenced and preferences are shaped. Customer journey mapping can help marketers identify these momentary windows and optimise interactions, for example when customers are seeking inspiration as part of the research process, decisive pieces of information or simply a clear route to purchase.

The most surprising takeaway from Figure 3 is the extent to which **understanding how mobile users research/buy products** has slipped down the pecking order from the top spot in 2017. This is something which remains crucial to being able to optimise the customer journey, with customers and prospects now even more likely than before to engage with companies using mobile devices.

According to the 2018 Adobe Digital Insights’ (ADI) State of Digital Advertising Report[^12], the share of online visits from smartphones continues to grow across all age groups and industries, up 21% year-on-year. Desktop and tablet visits, in contrast, are down 21% and 31%, respectively.

ADI found that retailers with rising revenues had 48% more visits from smartphones in January 2018 compared with January 2016. On the other hand, smartphone visits have been nearly flat (5%) for the past two years for retailers with shrinking revenue. According to Taylor Schreiner, ADI Principal Analyst, mastering the smartphone experience is going to be key to driving growth in visits: "If you are going to run advertising that brings people back to your site, you need to make sure that experience is mobile-friendly, personalised and relevant," Schreiner said.

4. The use of data to enhance CX

Retailers increasingly recognise that a prerequisite of a truly omnichannel and customer-centric business is a data-driven approach that enables them to adopt one-to-one marketing at scale.

Figure 4 shows that optimising the customer experience (23%) and data-driven marketing that focuses on the individual (19%) are, respectively, the first and second most exciting opportunities for retailers in 2018. As the chart shows, both these opportunities index higher for retail than they do for other sectors.

It is evident that retailers are starting to recognise the role that a strong data strategy plays in helping to differentiate winning businesses from struggling ones. While, in hindsight, only 9% of retailers saw data-driven marketing as the most exciting opportunity for 2017 (Figure 5), more than double that percentage (19%) regard it as the foremost opportunity for the year ahead (Figure 4). For too many businesses, an effective data strategy is still an aspiration rather than the reality.

FIGURE 4: WHICH ONE AREA IS THE SINGLE MOST EXCITING OPPORTUNITY FOR YOUR ORGANISATION IN 2018? (RETAIL VS. OTHER SECTORS)
The onus is on retailers to develop data capabilities that help them harness the vast amount of data they have at their disposal, ranging from point-of-sale, CRM and ecommerce transaction data to information about browsing behaviour and demographics. The internal job roles for taming data range from chief data officers and senior strategists through to data scientists and web analysts, responsible for areas such as data architecture, governance and compliance, marketing and data operations, customer insight and web optimisation.

As well as hiring for explicitly data-related roles, retailers must also strive for a data-driven culture that permeates all business functions and job roles. T-Mobile is a great example of a business that has changed its internal culture to become more data-driven, using more uniform measurement and better key performance indicators. According to Ryan Pizzuto, the company’s manager for web testing and optimisation, more robust reporting helped to ingrain data-driven strategies into the fabric of the company. “Now that we have more people involved and they can see data first-hand and the results, we gained more support and are achieving success even faster,” he said.\(^\text{13}\).


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**FIGURE 5: LOOKING BACK ON THE PAST YEAR, WHICH OF THESE TURNED OUT TO BE THE BIGGEST OPPORTUNITY IN 2017?**

<table>
<thead>
<tr>
<th>Category</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimising the customer experience</td>
<td>18%</td>
</tr>
<tr>
<td>Social marketing</td>
<td>16%</td>
</tr>
<tr>
<td>Creating compelling content for digital experiences</td>
<td>14%</td>
</tr>
<tr>
<td>Multichannel marketing</td>
<td>13%</td>
</tr>
<tr>
<td>Using marketing automation to increase efficiency and yield</td>
<td>10%</td>
</tr>
<tr>
<td>Data-driven marketing that focuses on the individual</td>
<td>9%</td>
</tr>
<tr>
<td>Reaching and understanding mobile customers</td>
<td>7%</td>
</tr>
<tr>
<td>Video to increase brand engagement</td>
<td>6%</td>
</tr>
<tr>
<td>Engaging audiences through virtual or augmented reality</td>
<td>3%</td>
</tr>
<tr>
<td>Utilising artificial intelligence / bots to drive campaigns and experiences</td>
<td>1%</td>
</tr>
<tr>
<td>Internet of Things / connected devices e.g. wearables, audience tracking</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

Respondents: 237
That said, the ADI State of Digital Advertising report found that social media continues to play a major role in customer acquisition for retailers, with social channels driving three times more ecommerce traffic from non-customers than from customers. According to Taylor Schreiner, "social advertising is clearly a key part of a paid/owned/earned media strategy, especially if your audience is under 40."

Creating compelling content as part of a CX strategy is another area which remains crucial for retailers, even though it was seen in Figure 4 that respondents in the retail sector are only half as likely as their peers to see this as the most exciting opportunity in 2018 (7% for retailers, compared to 14% for other sectors). It is very likely that most retailers – operating in a sector that has been forced to embrace digital transformation even more quickly than others due to fast-changing consumer shopping habits and competition from the likes of Amazon – have already fully grasped the importance of content in driving great customer experiences, rendering this a less exciting opportunity in comparison to others.

Nonetheless, data-driven marketing is a hugely important area for businesses which retailers are right to prioritise, and they will struggle if they don’t continue to embrace the growing opportunity to create content that enables them to engage with consumers effectively.

**FIGURE 6: WHICH THREE DIGITAL-RELATED AREAS ARE THE TOP PRIORITIES FOR YOUR ORGANISATION IN 2018? (REGIONAL COMPARISON)**

Methodology note: Respondents could select up to three options.

Respondents: 366
Figure 6 compares the top digital-related 2018 priorities for retailers across regions, with targeting and personalisation leading the way in both North America and Europe. While not explicitly mentioned, the theme of data again looms large for retailers seeking to personalise and target effectively.

Interestingly, retailers in Asia are much more focused on social media engagement and brand-building/viral marketing than their counterparts in the West, suggesting that the social and viral marketing opportunity is disproportionately higher in Asia where social uptake has not hit the same kind of plateau as it has in Western markets. Data from We Are Social and Hootsuite confirms that the number of active social media users is growing more quickly in Asia than in North America and Europe\(^4\).

A related cultural difference between the markets of Asia and North America is the impact of messaging services. Prompted by the launch of brand-friendly Official Accounts on WeChat in 2013, the potential of messaging apps in retail has been embraced more quickly by brands and consumers in China than in the United States where conversational commerce has been relatively slow to get off the ground.

Looking ahead three years (Figure 7), the most exciting prospect through the lens of retailers is delivering personalised experiences in real time, cited by 37% of retail respondents compared to 36% for client-side respondents in other sectors.


**FIGURE 7: LOOKING AHEAD, WHICH OF THESE DO YOU REGARD AS THE MOST EXCITING PROSPECT IN THREE YEARS’ TIME? (RETAIL VS. OTHER SECTORS)**

- Delivering personalised experiences in real time: 37% (Retail), 36% (Other sectors)
- Utilising artificial intelligence / bots to drive campaigns and experiences: 17% (Retail), 18% (Other sectors)
- Internet of Things / connected devices e.g. wearables, audience tracking: 14% (Retail), 13% (Other sectors)
- Engaging audiences through virtual or augmented reality: 13% (Retail), 15% (Other sectors)
- Enhanced payment technologies e.g. mobile wallets, e-receipts: 12% (Retail), 9% (Other sectors)
- Voice interfaces e.g. Amazon Echo, Google Home: 6% (Retail), 6% (Other sectors)
- Other: 1% (Retail), 3% (Other sectors)
Retailers recognise that the quality of the customer experience will increasingly depend on being able to serve up the most relevant content and messaging at the right moment, with companies embracing predictive analytics to help them anticipate the most effective way of converting prospects into customers, and then meeting their needs on an ongoing basis.

As described in the main 2018 Digital Trends report, the appeal of real-time personalisation suggests a focus on providing the most engaging and relevant experiences, a trend that cuts across numerous digital marketing techniques, including analytics, marketing automation, programmatic ad buying and dynamic content.

While a range of potentially game-changing technological trends shown in Figure 7 will undoubtedly have a powerful impact, from the Internet of Things and connected devices, to voice interfaces and augmented reality, retailers are predominantly focused on creating a relevant, timely and engaging experience to each of their users, to maximise sales and efficiency.

Artificial intelligence is an example of emerging technology that can itself help to make the experience more relevant and personalised, though only around one in six (17%) respondents flag up the use of AI and bots to drive campaigns and experiences as the number one prospect (Figure 7). AI-powered machine learning can increasingly help retailers comb through vast quantities of data to provide the best possible content and recommendations to consumers as they progress through the shopping journey from awareness and discovery to conversion.

Technologies such as Adobe Sensei can draw on huge volumes of content and data to help marketers understand hidden opportunities by surfacing insights previously beyond their reach.

It is surprising that retailers as a group are not more excited about the opportunity to embrace voice technology, with only 6% of respondents pointing to voice interfaces as the most exciting opportunity. The popularity of voice assistants offered by the likes of Amazon, Google, Microsoft and Apple give retail brands the chance to increase their presence, including in homes and cars, provided that they can find the right kind of utility to consumers at the right time.

A report from OC&C Strategy Consultants15, released in February 2018, suggests that by 2022, the amount of shopping made through voice-activated devices is expected to jump by 48%. According to this research, almost 40% of US device owners have used voice technology on their devices to make some sort of purchase.

According to Will Hayllar, Partner and Global Head of Consumer Goods at OC&C16: “Voice technology taps into the move towards frictionless retailing and the need to make it easier and easier to purchase products, both in terms of the process and enabling customers to buy something exactly when they want it.”


Voice technology taps into the move towards frictionless retailing and the need to make it easier and easier to purchase products, both in terms of the process and enabling customers to buy something exactly when they want it.

Will Hayllar,
Partner and Global Head of Consumer Goods, OC&C
It is clear from Figure 8 that retailers surveyed for this report acknowledge the importance of improving data analysis capabilities to better understand customer experience requirements. More than two-thirds (69%) of respondents rank this as a ‘very important’ internal factor, ahead of a range of other requirements such as optimising internal collaboration between creative and marketing teams (53%) and improving content marketing through immersive storytelling (51%).

More than two-thirds of respondents rank improving data analysis capabilities to better understand customer experience requirements as a ‘very important’ internal factor in delivering a great CX.

**FIGURE 8: HOW IMPORTANT DO YOU THINK THE FOLLOWING INTERNAL FACTORS WILL BE IN DELIVERING A GREAT CUSTOMER EXPERIENCE OVER THE COMING YEAR?**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very important</th>
<th>Quite important</th>
<th>Not important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving data analysis capabilities to better understand customer experience requirements</td>
<td>69%</td>
<td>28%</td>
<td>3%</td>
</tr>
<tr>
<td>Optimising internal collaboration between creative and marketing teams</td>
<td>53%</td>
<td>45%</td>
<td>2%</td>
</tr>
<tr>
<td>Improving content marketing through immersive storytelling</td>
<td>51%</td>
<td>42%</td>
<td>7%</td>
</tr>
<tr>
<td>Optimising creative workflows to facilitate the rapid creation and deployment of content across multiple platforms</td>
<td>50%</td>
<td>45%</td>
<td>5%</td>
</tr>
<tr>
<td>Building more ‘native’ online content such as interactive applications, short-form video etc.</td>
<td>43%</td>
<td>49%</td>
<td>8%</td>
</tr>
<tr>
<td>Experimentation with channel-specific creative formats (e.g. Facebook 360 video, Instagram Stories etc.)</td>
<td>40%</td>
<td>45%</td>
<td>15%</td>
</tr>
<tr>
<td>Ongoing and widespread testing of creative variations</td>
<td>35%</td>
<td>55%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Respondents: 266
While it is difficult to overstate the importance of data-driven capabilities, retailers also need to ensure that they are focused on design to ensure the best possible omnichannel experience. The cross-industry 2018 Digital Trends report found that organisations describing themselves as ‘design-driven’ are 69% more likely than their peers to have exceeded their 2017 business goals by a significant margin (22% vs. 13%).

As Figure 9 shows, six in ten (60%) retailers describe themselves as being either ‘definitely’ or ‘somewhat’ design-driven, ahead of the all-sector percentage for client-side respondents (55%) but lower than the equivalent 2017 percentage for the retail sector (66%).
5. Investment is the recipe for retail success

Ongoing investment in marketing and retail-related technology is essential for retail brands trying to escape the shackles of legacy systems to compete effectively in the modern marketplace. At the same time, it is crucial for companies in this sector to invest in digital marketing as their customers increasingly engage with them through online touchpoints.

Retail is by no means a digital-only game, but as the line between offline and online channels continues to blur, any brand that neglects investment in integrated digital marketing risks a disconnect between themselves and the consumer – no matter how loyal they perceive their customers to be. Mike Coupe, CEO of UK supermarket group J Sainsbury’s, said in March 2018: “Customers have never had as much choice as they do today and the rise of digital is changing the way that people shop… We need to join up multichannel options for customers and we need to make our business more efficient”.

During the same month, Brian Gill, Senior Vice President of Technology at Nordstrom, echoed this when announcing the retailer’s acquisition of digital commerce startups BevyUp and MessageYes. He declared: “The retail environment is changing faster than ever, but the value of service, speed, convenience and newness remain constant… We need to invest in technologies that will enable us to deliver on those qualities and better serve customers in a digitally-connected world.”

Encouragingly, the 2018 Digital Trends in Retail report indicates this message has already been absorbed across most of the industry. Nearly three-quarters (72%) of respondents plan to increase digital marketing spending during 2018 (Figure 10). This is a higher percentage than the all-sector average (67%), and comes despite financial pressures facing many retail companies.

17. https://www.essentialretail.com/features/sainsburys-ceo-explains

"The retail environment is changing faster than ever, but the value of service, speed, convenience and newness remain constant… We need to invest in technologies that will enable us to deliver on those qualities and better serve customers in a digitally-connected world.

Brian Gill, Senior Vice President of Technology, Nordstrom"
The world of shopping has long been a crucible of digital innovation and experimentation, stretching back to the dotcom boom and bust. Even now, two decades later, retailers continue to be leading proponents of many new technologies and techniques.

**Marketing automation** – with its promise of improved efficiency, relevance and reach in customer communications – is evidently an area where pressured retailers are seeking to break ground, enabling them to stay connected with consumers while maximising resources, people and capital.

Respondents rate marketing automation as their third most exciting opportunity for 2018 (as seen in Figure 4), and 62% plan to increase spend on marketing automation this year (Figure 11). This is a significantly higher percentage than for survey respondents across all sectors (50%). It is also an 11-percentage-point rise on 2017, a signal of growing confidence among retailers that they can negotiate challenges and drive gains through automation of marketing activities.

**Personalisation** is another related area where the pressure on retailers means necessity is breeding innovation. It is a potent weapon in the armoury for retailers seeking to reconnect with core practices that have been neglected in recent times. Harking back to the days when shopkeepers could address their customers by name and anticipate their needs, companies once again have the opportunity to treat customers as individuals, and ensure they feel personally appreciated. What is different now is the opportunity to do this at scale.
In line with how retailers in Europe and North America have made personalisation the top priority for 2018 (Figure 6), 61% of respondents plan to expand their budget to facilitate this during 2018 (Figure 11). This, again, is a notably higher proportion than across all sectors (55%), and positions retailers as frontrunners in the race towards truly scalable, one-to-one marketing.

Despite these good intentions, it must be noted that bringing data together to deliver truly individualised services remains hugely challenging, both technically and in terms of organisational structure. Retailers do not necessarily yet have the tools at their disposal to fulfil their vision of personalisation. Supermarket chain Waitrose’s recent revamp of a Pick Your Own offers tool within its myWaitrose loyalty programme, amid apparent customer confusion, is a demonstration of the complexities associated with delivering personalised services that are both usable and useful.19

Very few areas of digital marketing appear to be reaching a plateau in the level of investment from retailers, but one area is email marketing. More than half (51%) of respondents plan to increase spend on email this year, but this is a drop of six percentage points from 2017 (Figure 11). This suggests that retailers are doing a better job of targeting their emails to the right people, and getting similar or better returns from the channel without necessarily having to increase budget. There is also a shift in focus to marketing automation, even though for most retailers email will continue to be a cornerstone of digital marketing activity and effective marketing automation.

One of the oldest implements in the digital toolbox, email has consistently delivered returns for marketers, but struggled to stay front-of-mind as other, more fashionable areas have grabbed attention and budget. Econsultancy’s 2017 Email Marketing Industry Census20 highlighted email marketing as the most effective marketing channel, with 73% of respondents deeming its ROI ‘excellent’ or ‘good’. It is a channel that will continue to play a pivotal role in delivering the automated and personalised content that retailers are increasingly seeking to utilise.


FIGURE 11: PROPORTION OF RESPONDENTS PLANNING TO INCREASE THEIR BUDGET FOR DIGITAL MARKETING CHANNELS OR DISCIPLINES IN 2018

<table>
<thead>
<tr>
<th>Marketing automation</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personalisation</td>
<td>51%</td>
<td>62%</td>
</tr>
<tr>
<td>Social media marketing</td>
<td>56%</td>
<td>61%</td>
</tr>
<tr>
<td>Content marketing</td>
<td>47%</td>
<td>58%</td>
</tr>
<tr>
<td>Audience and data management</td>
<td>53%</td>
<td>62%</td>
</tr>
<tr>
<td>Mobile marketing</td>
<td>55%</td>
<td>62%</td>
</tr>
<tr>
<td>Video advertising</td>
<td>53%</td>
<td>58%</td>
</tr>
<tr>
<td>Marketing analytics (including testing)</td>
<td>44%</td>
<td>51%</td>
</tr>
<tr>
<td>Search engine optimisation (natural search)</td>
<td>51%</td>
<td>57%</td>
</tr>
<tr>
<td>Content management</td>
<td>51%</td>
<td>57%</td>
</tr>
<tr>
<td>Email marketing</td>
<td>36%</td>
<td>47%</td>
</tr>
<tr>
<td>Lead generation</td>
<td>27%</td>
<td>47%</td>
</tr>
<tr>
<td>Lead management</td>
<td>27%</td>
<td>46%</td>
</tr>
<tr>
<td>Paid search (PPC)</td>
<td>38%</td>
<td>46%</td>
</tr>
<tr>
<td>Affiliate marketing</td>
<td>39%</td>
<td>44%</td>
</tr>
<tr>
<td>Display advertising</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Sales enablement</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Webinars / virtual events</td>
<td>16%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Respondents 2017: 195
Respondents 2018: 175
Enabling marketing teams to keep ahead of the curve is an obvious challenge for retailers to overcome, if they are to fulfil their objectives for sometimes complex disciplines such as automation and personalisation.

The fast-changing nature of digital marketing and ecommerce, and the difficulty they face when recruiting and retaining experienced practitioners in key areas, means that investment in training and skills remains crucial. This was highlighted in the main 2018 Digital Trends Report, where ‘top-performing’ businesses were shown to be twice as likely as their peers to be directing significant investment towards upskilling their workforce.

Our research shows that digital skills and training is one area where retailers could be doing more. This is an area of concern on one level, but also signals an opportunity for organisations to gain an edge over rivals. Less than a third (29%) of respondents plan to invest significantly in digital skills and education during 2018 (Figure 12), though this is more than the average for all other sectors (26%).

Almost one quarter (24%) of retailers will be ‘making little or no investment’ in upskilling their staff, a higher percentage than for other sectors combined (20%). It is likely that a significant proportion of retailers have already made a large investment in digital skills and education as part of historic digital transformation programmes, with the result that the right kind of know-how is now taken for granted as a hygiene factor within their business.

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**FIGURE 12: WHAT BEST DESCRIBES YOUR ORGANISATION’S PLANS TO INVEST IN UPSKILLING ITS WORKFORCE IN 2018? (RETAIL VS. OTHER SECTORS)**

- **29%** of respondents (retail) plan to invest significantly in digital skills and education.
- **54%** of respondents (other sectors) plan to invest significantly in digital skills and education.
- **47%** of respondents (retail) plan to invest somewhat in digital skills and education.
- **26%** of respondents (other sectors) plan to invest somewhat in digital skills and education.
- **24%** of respondents (retail) plan to make little or no investment in digital skills and education.
- **20%** of respondents (other sectors) plan to make little or no investment in digital skills and education.

Respondents (retail): 267
Respondents (other sectors): 2,824
Figure 13 also demonstrates the importance of maintaining staff training in the fast-paced digital marketing world. Although a sizeable majority (74%) of retailers assure they are successfully ‘combining digital marketing skills with technology’, this level has dropped back from 2017, nearly eliminating what was an area of leadership for retailers last year. With digital marketing and ecommerce continuing to evolve rapidly, and bringing fresh demands for specialist skills, ensuring that staff are sufficiently trained and kept abreast with new trends is vital.

Skills and training is only one of several areas where there are evident barriers to building up digital marketing capabilities. Strikingly, there is no element of Figure 13 where respondents are demonstrating increased confidence in their capabilities compared with 2017, whether in terms of strategy, process, culture, technology, or elsewhere. The picture remains generally very positive, with most respondents tending to see themselves as well equipped across nearly all areas, but this theme is a notable demonstration of the perennially challenging and changing nature of digital marketing and ecommerce.

One area where retailers are seeing a particular drop-off in confidence levels is with the actual solutions they are relying on to deliver the promise of personalised communications. Fewer than half (48%) of respondents believe they have the ‘tools to use data in order to create compelling, personalised, real-time experiences’. This is ten percentage points lower than for 2017, and echoes a drop among businesses in general.

Solutions for collaboration between creative, content marketers and web teams – crucial for modern-day project and campaign success – have also seen a significant drop in confidence among retailers (from 66% to 57%). This is a cause for concern as the demand for content to drive personalised digital experiences is increasing all the time, meaning that workflows need to be as efficient as possible, with better processes and reliance on technology that facilitates a smoother employee experience.

**FIGURE 13: PROPORTION OF RESPONDENTS AGREING (‘STRONGLY’ OR ‘SOMEWHER’) WITH THESE STATEMENTS**

<table>
<thead>
<tr>
<th>Statement</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills – we are combining digital marketing skills with technology</td>
<td>78%</td>
<td>74%</td>
</tr>
<tr>
<td>Culture – we have a cross-team approach with the customer at the heart of all initiatives</td>
<td>73%</td>
<td>72%</td>
</tr>
<tr>
<td>Data – we have access and control over customer and marketing application data</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td>Strategy – we have a cohesive plan, long-term view and executive support for the future of our customer</td>
<td>66%</td>
<td>63%</td>
</tr>
<tr>
<td>Collaboration – we have tools that allow for streamlined workflows between creative and content marketers / web teams</td>
<td>66%</td>
<td>57%</td>
</tr>
<tr>
<td>Process – we have the means and methods to ensure that strategy is carried out efficiently</td>
<td>60%</td>
<td>55%</td>
</tr>
<tr>
<td>UX design – we have well-designed user journeys that facilitate clear communication and a seamless transaction</td>
<td>56%</td>
<td>55%</td>
</tr>
<tr>
<td>Technology – we have the tools to use data in order to create compelling, personalised, real-time experiences</td>
<td>58%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Respondents 2017: 260
Respondents 2018: 319
6. Actionable tips to help future-proof your retail business

1. The right data strategy is crucial
Retailers have an unprecedented amount of data that can be used to enhance the customer experience through predictive analytics and improved personalisation capabilities. With a plethora of data sources available from a growing number of retail software, marketing technology and business intelligence platforms, it is important that organisations develop a coherent data strategy, rather than allowing employees to use data in restrictive functional silos. Companies should explore the power of AI-driven machine learning to dig deep into the huge volumes of data to facilitate a more relevant and individual experience, helping marketers achieve in minutes what may have previously taken hours or even weeks.

2. Develop a customer-centric culture
Traditional retailers will struggle to compete with disruptive, digital-focused brands unless they can make a virtue of their ability to serve them through both offline and digital channels. In order to be truly omnichannel, retailers need to ensure that the customer is at the heart of all decision-making. A prerequisite for modern-day retailing success is therefore a unified approach that straddles all functions of the business, including digital and offline teams, and functions ranging from customer service and marketing, through to operations and merchandising. A customer-centric culture can only be fostered when company leadership is committed to developing cross-departmental activities and rewarding the right types of behaviour.

3. Invest in digital marketing and related skills and technology
The 2018 Digital Trends report found that companies that are increasing investment in digital marketing are more likely to have exceeded their business goals last year, while those identified as top performers are twice as likely to be planning significant investment in digital skills and education of their employees. Digital marketing and ecommerce continue to evolve rapidly, with employees needing to stay on top of the latest trends and tools that can help accelerate commercial success. Investment in areas such as marketing automation and personalisation – including both the people skills and best-of-breed technology required to deliver – are crucial for retailers aspiring to differentiate through customer experience.

4. Focus on the right processes and collaborative workflows... and invest in the right tools to foster collaboration
As this research shows, retailers appear to be having a hard time keeping up when it comes to having the right tools to facilitate collaboration and efficient workflows between different creative, marketing and digital teams. Without the processes and tools in place, retailers will struggle to differentiate themselves through the design of great experiences and the content that fuels truly personalised and compelling experiences. The right customer experience technology can enable retailers to allocate roles and manage tasks effectively, so that processes are fully optimised. Technology should only be invested in if it actually makes it easier to manage digital assets and workflows, with productivity and the employee experience enhanced rather than negatively impacted.
7. Appendix: respondent profiles

FIGURE 14: IN WHICH REGION ARE YOU BASED?

- Europe: 45%
- Asia: 23%
- North America: 18%
- Australia / New Zealand: 10%
- Middle East: 2%
- Africa: 1%
- Other: 1%

Respondents: 579
Respondents based in Europe:

**Figure 15: In which of the following countries are you based?**

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>37%</td>
</tr>
<tr>
<td>Germany</td>
<td>9%</td>
</tr>
<tr>
<td>Italy</td>
<td>8%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7%</td>
</tr>
<tr>
<td>Sweden</td>
<td>7%</td>
</tr>
<tr>
<td>France</td>
<td>5%</td>
</tr>
<tr>
<td>Belgium</td>
<td>5%</td>
</tr>
<tr>
<td>Norway</td>
<td>4%</td>
</tr>
<tr>
<td>Denmark</td>
<td>4%</td>
</tr>
<tr>
<td>Finland</td>
<td>1%</td>
</tr>
<tr>
<td>Austria</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>12%</td>
</tr>
</tbody>
</table>

Respondents: 261

Respondents based in Asia Pacific:

**Figure 16: In which of the following countries are you based?**

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia / NZ</td>
<td>29%</td>
</tr>
<tr>
<td>India</td>
<td>27%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>8%</td>
</tr>
<tr>
<td>Singapore</td>
<td>7%</td>
</tr>
<tr>
<td>Philippines</td>
<td>5%</td>
</tr>
<tr>
<td>Thailand</td>
<td>5%</td>
</tr>
<tr>
<td>China</td>
<td>3%</td>
</tr>
<tr>
<td>Japan</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
</tbody>
</table>

Respondents: 134
FIGURE 17: WHAT BEST DESCRIBES YOUR JOB ROLE?

- Manager: 40%
- Junior executive / associate: 24%
- Director / senior director: 13%
- C-level / general manager: 5%
- VP / SVP / EVP: 4%
- Board level: 2%
- Other: 12%

Respondents: 579

FIGURE 18: IN WHICH BUSINESS FUNCTION DO YOU WORK?

- Marketing: 33%
- Creative / design: 26%
- Ecommerce: 19%
- IT: 5%
- Analytics team: 3%
- Web development: 2%
- Operations: 2%
- Sales: 1%
- Content / editorial: 1%
- Customer service: 1%
- Mobile team: 1%
- Other: 6%

Respondents: 579
**FIGURE 19: ARE YOU MORE FOCUSED ON B2B OR B2C AS A BUSINESS?**

- **B2C**: 56%
- **B2B**: 14%
- **B2B and B2C (equally)**: 30%

Respondents: 578

**FIGURE 20: WHAT IS YOUR ANNUAL COMPANY REVENUE?**

- **£1 million**: 13%
- **£1 – £10 million**: 22%
- **£10 – £50 million**: 28%
- **£50 – £150 million**: 9%
- **£150 million – £1 billion**: 11%
- **More than £1 billion**: 17%

Respondents: 259
About Econsultancy

Econsultancy's mission is to help its customers achieve excellence in digital business, marketing and ecommerce through research, training and events.

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To learn more about Adobe Experience Cloud, visit http://www.adobe.com/uk/experience-cloud.html.