

Why the Digital Shelf is Vital for Retailers and Brands

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Introduction

Consumers are increasingly relying on information available on the web and via mobile apps to decide what to buy (product, model and brand), how much to pay, and where to buy. Indeed, during the 2013 holiday shopping season, more than half of consumers used a mobile device while shopping. If "pre-shopping" research on PCs, tablets and smartphones is included, the percentage jumps to nearly 100%. Of course, brands and retailers recognize this and are promoting their own branded apps and partnering with third-party apps. Walmart, for example, sells products in its stores and digital properties (website and mobile app) but also via many "third-party" digital and mobile partners. These third-party apps, which may be thought of as the "Digital Shelf," achieve two important goals for brands and retailers: (i) they extend reach well beyond existing physical and digital properties, and (ii) they offer consumers a compelling combination of mobile and digital shopping experiences with convenient, local fulfillment.

Despite the growth of online, more than 9 out of 10 consumer purchases are still made "locally," e.g., in brick and mortar stores. While many purchases are recurring and simply (re)purchased at stores at which consumers normally shop, a sizable percentage is "non-recurring" and significant enough to trigger a number of questions, including "should I purchase the product or not? Which brand and model should I purchase? Should I shop and buy online or locally? From which retailer should I purchase?" As these decisions are made, consumers' choices determine the success of products, brands and retailers.

Compared to online retailers, especially Amazon, brick and mortar stores have lagged badly in terms of shopper experience. Research conducted by immr examined consumers' (dis)satisfaction with some 20 aspects of their shopping experiences. On the attribute "determining the availability of products in local stores," over half (52%) expressed dissatisfaction. Consumers also were shown mobile apps corresponding to the 20 aspects and rated the "usefulness" of each. For instance, the Local Product

Local Product Availability

- Determine which local stores have the product/model in stock
- View store locations on map
- ID stores that match prices
- Get directions, call from app

Availability App (shown here) helps consumers "*Find which local stores have a product in stock.*" More than 8 out of 10 (83%) rated the app as "useful," with nearly half (46%) rating the app as "very useful" or "indispensable." Consumers are clearly interested in apps that allow them to easily and quickly determine which local stores have products in stock.

Leading retailers and brands are leveraging the Digital Shelf with local fulfillment strategies (or O2O, for online-to-offline). To help brands and retailers understand the implications and opportunities associated with the Digital Shelf and O2O, this whitepaper examines:

- The emergence of the Digital Shelf and the apps that comprise it
- Consumer decisions and their needs for information as they traverse the Shopper's Journey
- Fulfillment options, such as Reserve to Pickup, that leverage online to offline (O2O)
- Implications and strategies that allow retailers and brands to capitalize on the Digital Shelf
- How [Retailigence](#) is helping retailers, brands and third-party app developers partner and succeed with Digital Shelf and O2O strategies.



What is the Digital Shelf and Why Is it Important?

The notion of the Digital Shelf was inspired in part by retail guru [Doug Stephens](#), author of [The Retail Revival](#), who described the “third shelf” as follows:

The third shelf [includes] places, moments and opportunities outside of the store where consumers can consider, interact with and even buy your products. This shelf, physical or virtual, gives brands opportunities almost anywhere and everywhere.

A subset of these opportunities, dubbed the Digital Shelf, is especially important for retailers and brands. The Digital Shelf consists of third-party websites and mobile apps through which shoppers can view and shop for products sold and fulfilled by retailers.

Over the last two to three years, the number of third-party shopping apps and websites has exploded, driven by consumer interest and demand as well as the declining cost of developing apps. As described in the next section, these third-party “shopping companions” have grown in popularity, initially by saving consumers’ time and money. Newer and updated versions of “apps” are delivering personalized and curated experiences that enhance consumers’ shopping experiences and enjoyment as well. In nearly all instances, these apps do not stock or ship products – instead, they connect consumers to online and local retail stores where the products can be purchased. As a result, these third-party apps have become an important extension – the Digital Shelf – for retailers and the brands they represent. While no exact figures are available, industry experts believe the Digital Shelf accounts for as much as 5-15% of many retailers’ sales. This percentage is expected to grow significantly in coming years.



The Imperative for Retailers

While cost, price, convenience and other factors determine where consumers shop, one especially important factor is the consumer's shopping experience. As shown below, Amazon leads the industry on this dimension by a wide margin, with more than half of customers surveyed "very happy" with their shopping experience. In contrast, the average for brick and mortar stores is 1 in 4 (27%). Within brick and mortar stores, scores range from 33% for membership warehouse clubs (like Costco and Sam's Club) to less than 1 in 5 (18%) for consumer electronics and appliance stores (e.g., Best Buy, HH Gregg, etc.).



Brick and mortar retailers are investing heavily, of course, to enhance consumers' shopping experiences. Walmart, CVS, Walgreens and Best Buy are integrating mobile and digital capabilities into the mix, combining digital and physical in an attempt to "delight" consumers. At the same time, Amazon and other ecommerce companies continue to raise the bar, experimenting with such innovative strategies as "subscriptions," free delivery and others. As long as the gap described above persists, brick and mortar retailers are at risk, especially as more consumers experiment with and become comfortable purchasing an even wider range of products online.

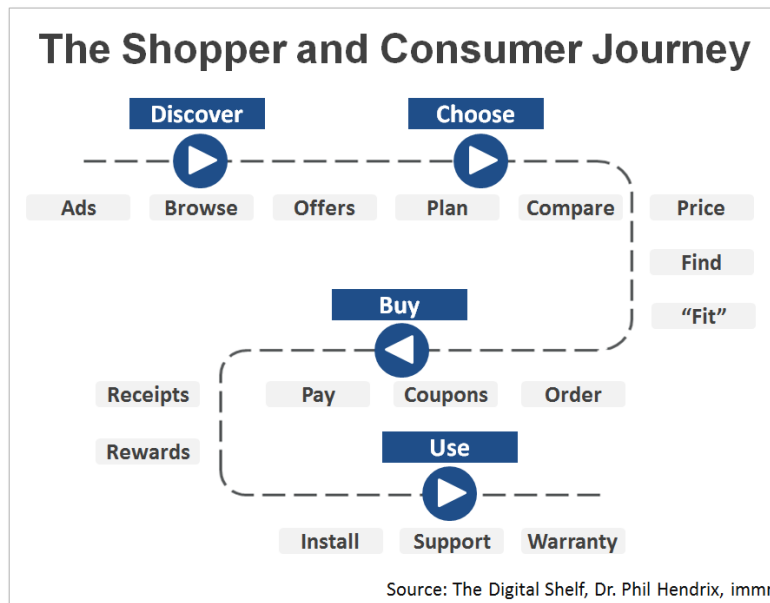
One of the defensive strategies retailers can employ is to partner closely with the expanding array of third-party apps. As shown in the next section, with a focus on well-defined segments, these apps are improving the shopping experience and, in the process, attracting a large following of loyal shoppers. By partnering with these apps, retailers can leverage the "Digital Shelf" and offer consumers the best of both worlds – highly personalized, tailored shopping experiences combined with the selection and convenience of physical stores. With innovations such as same-day delivery and Retailgence's [Reserve for In-store Pickup](#), this combination becomes even more compelling.



Why Third-Party Apps Are So Popular with Consumers

As consumers shop for and buy a wide range of products and services, both for themselves as well as for others, their activities fall into four broad categories and a number of subcategories, including:

- Discover – learning of and finding out about products, both while shopping but also while watching TV, reading magazines and newspapers, listening to the radio, viewing signage, etc.
- Choose – planning, comparing, and deciding not just which products to consider, but also choosing the brand and model, selecting the store (online and brick and mortar) and confirming that the “look and feel” (and possibly fit) is right before deciding to buy.
- Buy – deciding whether and when to buy as well as ordering, paying, applying coupons, etc. Rewards are also important, especially in travel, hospitality and financial services.
- Use – unboxing, installing (if necessary) and using, but also getting service, support (in- and out-of warranty), managing receipts, and (not shown) disposition.



Third-party apps have emerged as mobile shoppers’ “traveling companions,” assisting and guiding consumers throughout their journey. They have proven popular for a number of reasons, including:

- Reducing “frictions” – Frictions include time, money, risk, uncertainty, and other factors that make shopping unpleasant and even onerous.
- Personalization – Some apps enhance consumers’ experiences by curating content, leveraging social networks, and delivering personalized, uniquely designed solutions for a niche or segment, such as gift buying.
- Selection – With the Digital Shelf, apps can offer a vast selection of products and brands from a wide range of merchants. [TheFind](#), for example, boasts 500 million products from 500,000 stores.



Third-Party Apps – the Shopper’s Companion

Leading third-party apps help consumers answer 10 key questions, as shown below:



Examples of Leading Digital and Mobile Shopping Apps

What to Buy	Answering this perennial question, many apps list “what’s popular,” trending , etc. ShopSavvy goes a step further by offering a wide range of curated lists by category.
Look, Fit & Performance	In addition to product specs, images, and reviews, apps such as Wikitude use AR (Augmented Reality) to help consumers visualize how products will look and fit.
Recommended Products	While user reviews are common in many third-party apps, Jifiti suggests and helps consumers find the “best gift,” using filters that make the process much easier.
Product Availability	With direct links to retailer inventories, Retailigence powers leading mobile shopping apps with real-time information on product availability, prices and more.
Price Comparisons	Consumers use apps such as Pic2Shop and many others to compare prices not just on large ticket items but also on everyday purchases.
When to Buy	Apps such as ShopAdvisor help consumers remember the products they want to buy and also remind them when the “deal is right” by monitoring prices over time.
Best Offers & Deals	With TheFind , consumers can compare prices online and in local stores, browse hundreds of catalogs, get coupon codes and get a Price Match on qualifying items.
Best Experience	For shoppers in malls, Shoptopia shows consumers real-time promotions on their favorite products from their favorite stores, based on their current location.
Reserve, Pickup & Delivery	With Quickbuy consumers can confirm availability and reserve the item for pickup at nearby stores. Leading retailers and malls are also beginning to offer same day delivery .
Directions to Store	Most apps provide directions to stores, based on current location. Macerich provides feature-rich apps that guide shoppers through its malls with maps and directions.



Consumers Combining Online-to-Offline (O2O)

While online's share continues to grow, the fact remains that more than 90% of purchases are made in local, brick and mortar stores. With the rapid adoption of smart phones (60% in the U.S. and growing) and mobile shopping apps, many consumers are combining online and offline (O2O), doing research, shopping and even purchasing online and picking up or having orders delivered by a local retail store. By allowing consumers to confirm look, fit, and feel before buying, the O2O in-store combination is especially useful in cosmetics, clothing and other fashion and soft good categories.

Consumers are browsing, researching and shopping online for a number of reasons, including (i) to compare prices and find the best deals, particularly on higher-priced items; (ii) to learn about products that interest them (e.g., food, autos, clothing, etc.); and (iii) to select products that "best match" their requirements, taste and budget (e.g., in consumer electronics, home furnishings, clothing, wine, etc.). In a recent immr study consumers rated some 20 product categories on monthly spend, personal involvement/interest, and likelihood of researching. Shown below are 14 of the categories, representing a large percentage of consumers' purchases – as the checkmarks indicate, in 11 of the 14 categories purchases of nearly all of the products and services are fulfilled by local retailers.

Consumer Spend, Involvement and Likelihood to Research by Category

Local	Product/Service Category ^a	Spend \$50+/ Month ^b	Most Enjoy ^c	Likely to Research ^d
✓	Grocery Products (food, beverages, etc.)			
✓	Restaurants and Bars			
✓	Automotive Services			
✓†	Mobile (phones, tablets, apps)			
✓	Personal Care Products			
✓	Clothing, Jewelry and Accessories			
✓	Entertainment (movies, concerts, attractions)			
✓	Medical-Healthcare (dental, labs, office visits)			
✓	Home Improvement (maintenance and repairs)			
✓	Home Furnishings and Accessories			
✓	Hair Salon, Spa Services			
	Books, Magazines, Newspapers (print or digital)			
	Digital Media-artists (music, video games, etc.)			
	Travel (airlines, hotels, etc.)			

a. Subset of 20 categories shown to respondents

b. Percent that spends \$50 or more month in category

c. Categories (top 5) respondents "most enjoy" reading about, discussing w/ others

d. Categories (top 5) respondents most likely to research before purchasing

†Spending split between local and online



Source: immr Research



Capitalizing on the Digital Shelf – Opportunities for Brands and Retailers

Over the course of a year, a consumer purchases thousands of products from hundreds of stores. However, the average consumer is likely to download and install apps from only a few of their favorite brands and retailers. As a result, with the exception of Amazon, Starbucks, and a handful of others, for most brands and retailers the odds of landing a coveted spot on a customer's smartphone or tablet are low. In contrast, most consumers have downloaded and are avid users of multiple third-party apps.



As developers continue to innovate and introduce even more compelling new third-party apps and capabilities, the Digital Shelf and O2O will continue to grow. These developments have significant implications for brands, retailers, malls and other key players in the value chain, as suggested below:

- Embrace the Digital Shelf and O2O – Much like their own physical, digital and mobile properties, the Digital Shelf represents a vital channel and significant source of business for retailers and brands. Given consumer adoption, brands and retailers who fail to embrace the Digital Shelf face lost sales and erosion of their customer franchise, much like that resulting from [“out-of-stocks.”](#)
- Support Digital and Mobile Apps – Devising new ways to appeal to customers, digital and mobile apps are innovating with personalization, content, offers, analytics and other tools. Leading brands and retailers are supporting developers and capitalizing on these developments – for example, providing creative, offers, real-time access to local inventory (via Retailigence), etc.
- Maximize ROI with O2O + Optimization – The advent of big data, the cloud and algorithms are enabling personalization, testing and optimization on a scale unimaginable even a few years ago. When combined with [“test and learn”](#) methods, O2O yields data brands and retailers can use to optimize placement and offers across their own properties and the Digital Shelf. Similar to real-time buying for advertising, leading players will leverage these tools to maximize ROI.
- Innovate with New O2O and Digital Shelf Strategies – Reserve to Pickup in-store, home and same-day delivery, and other O2O strategies combine the best of both worlds – seamless digital shopping experiences with convenient, local and fast fulfillment. With O2O and Digital Shelf innovation, brands and retailers can delight customers and trump online-only competitors.



About Retailigence

Retailigence (www.retailigence.com), the leading Online-to-Offline (O2O) local marketing and commerce platform, helps leading brands and retailers intelligently connect online consumers with products in stores.

Retailigence is an Online-to-Offline (O2O) digital marketing platform that utilizes brick- and-mortar inventory data obtained directly from retailers to turn online consumers into offline buyers. Retailigence connects consumers with both retailers and product brands via a broad range of digital media, including location-based application partners, mobile ad networks, mobile ad exchanges, search providers, and social networks. Consumers gain both top-of-funnel awareness and bottom-of-funnel real-time local product availability, store location data and promotions. Brands and retailers get increased traffic of highly qualified shoppers, driving strong ROI from measurable sales increases, with rich data to refine future campaigns.

Retailigence platforms include:

- Product Inventory API (for the Digital Shelf) – Retailigence matches in-store products with shoppers who are looking to buy products locally through its appNET community – a rapidly expanding network of more than a thousand independent mobile app publisher partners offering engaging apps for social shopping, product discovery, digital catalogs, local maps and navigation, virtual reality and more. AppNET also supports brand and retailer apps and web sites.
- Local Optimized Ads for Retailers and Brands – Retailigence is partnering with Mojiva to offer brands and retailers mobile-to-store advertising solutions powered by Retailigence’s local product availability and location data. Mojiva (www.mojiva.com) is the premium mobile ad network that reaches more monthly mobile devices than any other network. Using the combined Mojiva and Retailigence mobile advertising solution, brands and retailers can increase shopper engagement and in-store sales by optimizing their mobile advertising campaigns with local store product availability data powered by Retailigence. Shoppers engaged with locally-optimized product ads can quickly find the products and brands they want at the most convenient retail location where they can make a purchase.
- Reserve for In-Store Pickup – Retailigence recently launched Reserve for In-Store Pickup solution integrated to existing in-store workflow processes. The new feature allows shoppers to search for, find and reserve products for purchase at local retailers. Retailers implementing this new omni-channel solution from Retailigence gain incremental sales revenue while offering their customers the convenience of online shopping with immediate in-store pickup. Compared to traditional ecommerce, this option allows shoppers to confirm the fit/color/feel of the product, eliminates delivery wait times and shipping fees, saving shoppers time and money.

Retailigence is a privately held company based in Silicon Valley backed by Draper Fisher Jurvetson, Motorola Solutions, Quest Venture Partners, Telenav, OPT and other leading investors. For more information, visit <http://www.retailigence.com> and follow us on Twitter at @retailigence.



About the Author

Dr. Phil Hendrix is the founder and director of [immr](http://www.immr.org) (research and consulting firm), an analyst with [GigaOm Research](http://www.gigaom.com), and advisor to startups in digital and mobile. Focusing on market opportunities for disruptive new products and services, Dr. Hendrix helps clients validate product-market fit, develop compelling value propositions, and spur growth and adoption. Within the digital landscape, Phil focuses on the intersection of mobile, location and social (SoLoMo), M-commerce and mobile payments.

As an analyst, Phil focuses on disruptive technologies, especially mobile, and implications for companies across industries. He is a regular contributor at leading industry conferences, including GigaOm's [Mobilize](#) and [Structure:Data](#) conferences, [Street Fight](#) (hyperlocal), [ad:tech](#), [iMedia Summit](#), Social-LoCo and others. His current work focuses on mobile and its impact on consumer behavior, especially shopping, M-commerce and mobile payment.

As a consultant and advisor, Phil has led significant engagements with startups and Fortune 100 clients in mobile, consumer electronics, financial services, transportation, insurance and others. He works closely with management and project teams on key issues, including market sizing, segmentation, positioning, and branding as well as innovation, user experience, and customer retention. Over the course of his career, Phil has helped clients conceive and successfully launch dozens of new products, services and businesses.

Before founding immr, Phil was a partner with [DiamondCluster](#) (strategy and technology consultancy, now the strategy group of [PwC](#)), founder and head of IMS (Integrated Measurement Systems), and a principal with Mercer Management Consulting (now [Oliver Wyman](#)). He has held faculty positions at Emory University and the University of Michigan, where he taught courses in marketing, research, and buyer behavior for MBAs and executives. While at Michigan Dr. Hendrix also held a joint appointment as a research scientist in the [Survey Research Center](#), Institute for Social Research.

Additional perspectives and reports prepared by Dr. Hendrix are available at [immr](http://www.immr.org), [Slideshare](#), and [GigaOm Research](http://www.gigaom.com).

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www.immr.org/the-digital-shelf.pdf

<http://www.retailigence.com/whitepapers/the-digital-shelf.pdf>

