



**A Monthly Recap of the Developments Within the Omnichannel
Ecosystem**

March 2015 Edition

About this Report

In a retail environment where traditional consumer shopping norms and habits are being disrupted by the rapid adoption of new technologies, retailers are now, more than ever, looking for alternative strategies to ensure the future viability of their businesses. Some merchants are progressively adopting Omnichannel solutions that create a seamless shopping experience for their customers, allowing them to shop for all products and services whenever and wherever they wish.

This report will, on a monthly basis, document the moves these progressive retailers are making to enable Omnichannel across three critical lenses:

Engage the Customer – strategies merchants are enacting to drive customers into their store or online including loyalty programs, contextually relevant offers, and leveraging data to make relevant product recommendations.

Enable the Customer – tools merchants are deploying to arm customers with the ability to shop and buy whenever and wherever they want including apps, enabling payment within the app, location-based services, and the ability to shop and fulfill purchases regardless of channel.

Serve the Customer – ways in which merchants are stepping out from behind the counter to deliver enhanced shopping experiences such as mobile-point-of-sale, ability to check inventory in real-time, etc.

The report will also feature industry-spanning research curated by **Vantiv, whose solutions help merchants make that transition a bit easier**. These insights will help to arm retailers (and those who power them) with data to make smarter decisions when considering various options for enabling Omnichannel commerce.

PYMNTS Viewpoint

Maybe it's time to start thinking about omnichannel a little differently.

When the buzzword was first conceived, it was used to describe the imperative for retailers to follow the consumer across the physical and mobile/digital channels as they went about their shopping journey. The implications were that inventory had to be accessible, pricing had to be transparent, preferences and payments portable and offers and loyalty programs seamless.

And, all of those things are clearly important. But that's just the starting point.

As we wrap our heads around the notion of omnichannel as it related to how the consumers are pushing retailers towards the [retail model of the future](#), things like instant gratification and customization all become critical drivers to turning omnichannel initiatives into an omnicommerce opportunity for the retailer and the ecosystem it relies on to enable it. Things, by the way, made possible as mobile and the cloud continue to blur the boundaries between the physical and digital worlds.

Think about the notion of online ordering. GrubHub and Seamless and the dining segments paved the way for many retailers who now enable consumers to buy online and pick up in store, satisfying the consumer's need to get what they want when they want it. I was on the web site of a top fashion retailer recently and was reminded at the bottom of every product page that the items I was looking at were available for same day delivery in my ZIP Code. That was a subtle but important prompt that removed even that last little bit of friction to make a sale and a further incentive for me to stick with the retailer I was visiting online since I could get what I wanted the same day I needed it, even delivered to my home or office.

Customization is certainly nothing new, but is now taking on a new dimension. Consumers, of course, want offers and discounts to be personalized but they also want to be in charge of how a product or an experience can be tailored for them, made their way. eBay's "Magic Mirror" detects what products are taken into a retailer's fitting room and then makes suggestions for other things to purchase based on what's already hanging on the fitting room rack – what a consumer has already chosen. eTailers are now curating and editing everything from outfits to table settings to kitchen makeovers in an effort to allow consumers to "customize" and create a look based on their own preferences as they eliminate the friction of having to cull thru thousands of SKUs to assemble the "right look."

Hand-in-hand with customization is the selling of an experience that assists with a sale, experiences that themselves blend the digital and offline worlds, add value to the consumer and enrich the merchant/consumer relationship. Product demos will soon become in-store experiences enhanced using digital devices – in some cases those consumers already have with them.

Now, clearly, if Apple has its way, one of those digital devices will be the Apple Watch. "The most personal device Apple has ever created," is how Tim Cook has described the high-end wearable that has already breathed new life into the otherwise stagnant wearables category. Retailers, among

PYMNTS Viewpoint continued...

others, are already exploring ways to incorporate experiences into this “personal device” so that they can enable a richer and more personalized experience in-store, out-of-store and across this new digital channel – never losing sight of their customer, nor the customer of the retail brand.

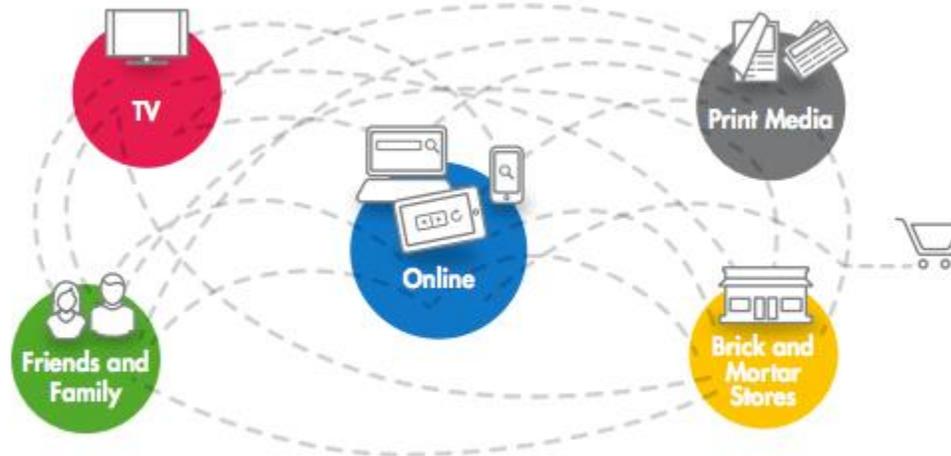
And the implications for omnicommerce?

It’s no longer an option or a series of initiatives that can wait “until next year.” And those elements that were considered a “nice to have” a year or so ago are now table stakes and the foundation upon which the retail model of the future will rest and be innovated upon.

Until next time,

Karen Webster
CEO | Market Platform Dynamics
President | PYMNTS.com

1: Engage the customer



Investing in Infrastructure

Midwestern grocer, Woodman's Foods announced that next spring the [grocer will launch iBeacon](#) in 15 locations. The implementation will allow Woodman's to send customers offers based on their specific location in-store via their mobile device.

Incentivizing the Consumer

At participating McDonald's in the Philippines, [an upgrade of fries or ice-cream](#) will get you a free day's worth of SMS messaging and mobile chat app access.

Target is [lowering the threshold for free shipping](#) by 50% to \$25. The company plans to open two new online fulfillment centers due to expected increased demand from the offering.

[Extreme couponing](#) just became extremely easy. Vibes, a mobile marketing company, announced the release of WalletAds, which allows consumers to save a mobile ad directly to their phone via a mobile wallet. The service eliminates steps that may cause a consumer to abandon their mobile shopping cart.

Priceline will acquire Rocketmiles, a two-year-old start-up that allows users to rack up frequent flier miles by using its apps or website to book hotels. The acquisition help Priceline [incentivize customers](#) to book lodging through its network as opposed to through hotel chains' individual sites and apps.

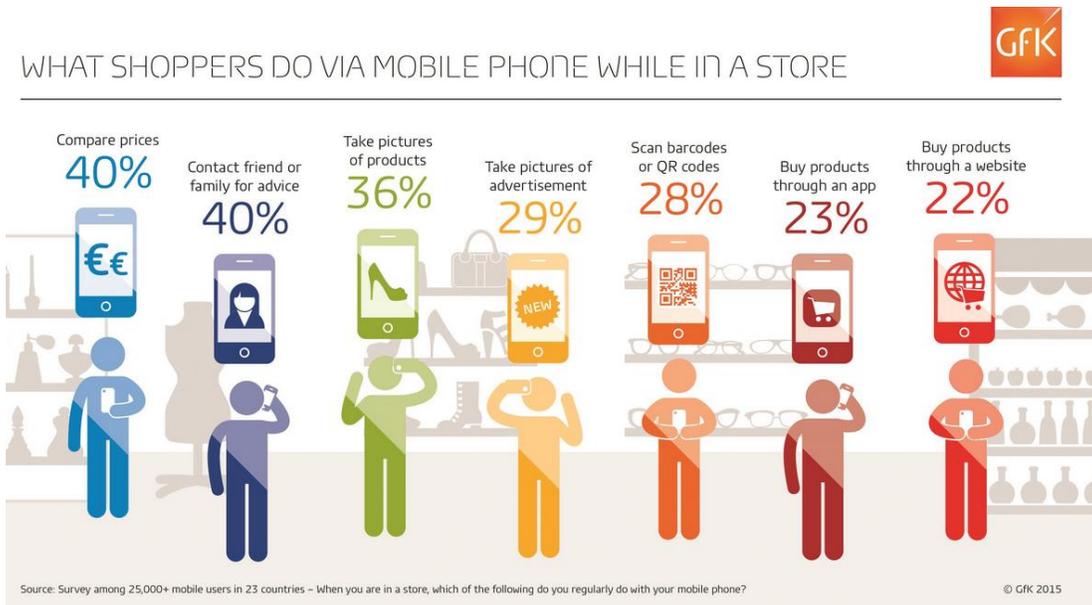
Other Engaging the Customer Stories

Grabble, a [mobile fashion app](#) that allows consumers to swipe products they like, similar to dating app Tinder, has received \$1.8 million in funding to expand their book of retailers. The application is financed by retailers who pay fees based a tiered system—gold, silver, or bronze

Airbnb's [mobile app will be pre-installed](#) on Android devices using the Deutsche Telekom network. New users that sign-up via the mobile app will be credited \$35.

2: Enable the customer

Just [how are mobile users occupying their in-store time?](#) In the US, 39% of consumers using their mobile device in-store are 'getting in touch with a trusted person,' according a recent study conducted by GfK, while 'comparing prices' is slightly less common at 37%. Other common in-store activities include taking pictures of advertisements, descriptions and other information about products (26%), scanning bar codes or QR codes (24%), buying products through an app on their mobile devices (19%), and buying products through the store's or another's website (17%).



Mobile Path to Purchase

Kevin Costner once famously whispered, "if you build it, they will spend." Well, not exactly, but if you're a retailer and its 2015, it is in your company's best interest to invest in a mobile presence. The Retail Consumer Sentiment Survey, published by Merkle Inc., suggests that if a brick-and-mortar store or online stores creates a totally [mobile path to purchase](#), then consumers will be more inclined to spend. Specifically, 67 percent of shoppers under the age of 50 stated that they want retailers to offer a totally mobile path for purchases, while 46 percent want personalized offers for in-store purchases on their mobile phones.

Channel Optimization

Gap announced fourth-quarter earnings along with a digitally-focused [omnichannel push](#). Gap's new CEO has acknowledged the importance of the brands' digital expression to entice current and new customers. The company has plans for more brick-and-mortar stores that will come with new digital capabilities.

Social marketplace app Shopa, which helps retailers looking to enter the mobile sphere without spending significant capital, recently received one of the biggest Series A funding ever for a UK startup. Shopa is looking to [expand its footprint into China and India](#). Not only do retailers receive sales directly from the app, but Shopa collects customer-behavior data that it plans to market.

2: Enable the customer continued...

Rumors are disseminating that Pinterest could be [adding a 'buy' button](#) in three-to-six months. Currently Pinterest customers must leave the website or app and proceed directly to the seller's website to purchase an item. Pinterest is reportedly close to an agreement with Stripe to handle the payment processing to facilitate the company's monetization plan.

The average order size for sales made via Taco Bell's [mobile app has been 20 percent higher](#) than the average order size for in-store sales. This is partly attributed to consumers' preferences of purchasing additional items (higher margin items) through the app like sour cream or nacho cheese, which cost \$0.30 at a minimum. However, customers would not be able to add extra items if it weren't for the apps display of Taco Bell's complete menu via a user friendly interface. The app also features a suggestive algorithm based on meals consumers are creating themselves, which encourages decisions and retains customers throughout the entire checkout process.

Interactive Shopping

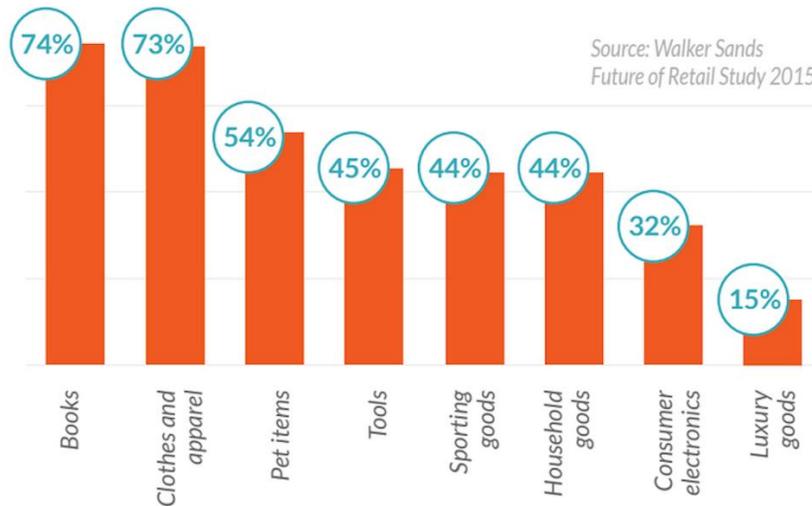
Take note, retailers: Target gets it. Customers are spending more in Target's brick-and-mortar stores because of its mobile app's functionality. According to their VP of enterprise strategy, the company has, "rebuilt all of our [digital experiences from the ground up](#)," which is proving to be a major success story. Target's mobile app was designed to form a streamlined shopping experience: the app has a shopping list feature along with the ability to show a product's shelf location, which is contingent on the consumer being in-store. Blurring the lines between mobile and brick-and-mortar is ostensibly working, especially if Target's mobile-engaged customers make four times as many store visits per year.

Apple has filed a patent for [Apple Pay 2.0](#), which will include coupon redemption, loyalty, and ticketing functionality. But the most significant development will be the addition of a low-power enabled NFC feature for payments. Currently, some features of Apple Pay shut down when the phone's battery dips below a specific threshold; however, NFC functionality would be restored with this new feature.

3: Serve the customer

[Consumers want the future now](#). A study Walker Sands Communication reports that 66% of Americans expect drones to make deliveries in the five years while 80 percent stated they would be more likely to do business with a retailer offering such a service. The Federal Aviation Administration (FAA) released their proposed draft rules covering commercial drones. Among other restrictions, it would require drones to fly within direct line-of-sight of operators and be subject to a 500 foot ceiling.

FOR WHICH OF THE FOLLOWING PRODUCTS WOULD YOU BE OPEN TO TRUSTING DRONE DELIVERY?



Investing in new equipment can be a daunting task especially if the result could be severe interoperability between your new and old equipment. According to Demandware, 53% of retailers expect to implement a [unified commerce platform](#) in the next few years. By consolidating point of sale, e-commerce, call center, and mobile touch points into one system, 46% of retailers expect to see increases in brand value and 38% predict measureable increase in average order value, promotional redemption and conversion rates.

Curbside Pickup

“[Buy online pickup in-store](#)” mobile app Curbside is expanding. After debuting last year with 10 Target stores in the San Francisco Bay area, Best Buy recently signed up to offer the service. Over 55% of Curbside customers are repeat customers.

Wal-Mart begins its rollout of [curbside pickup for groceries](#) at select locations in Arizona, Denver, and Arkansas. Shoppers are able to order online and reserve a pickup time within a four-hour window. There is no delivery charge associated with the service; however, there is a \$30 minimum order. Once you arrive at your pickup location, shoppers call a designated phone number that will alert a Wal-Mart associate who will load the order into the car.

According to a report by MetaPack, an e-commerce delivery technology company, 65 percent of consumers in France, Germany, and the U.K. have used click-and-collect.

3: Serve the customer

Looking for a quick bite at lunch, but don't have time to wait for your waiter or waitress to close the bill? Red Robin is officially rolling out their [touchscreen Ziosk tablets](#). Each table will hold a seven-inch tablet with functionality to order food, request refills, play games, close the bill, and enroll into the Red Robin Royalty Loyalty program.

Wendy's will be installing a new POS system in over 2,600 locations nationwide that will support mobile rewards and mobile ordering, as well CurrentC mobile payments. The fast-food chain will begin testing CurrentC, the [barcode-based mobile payments](#) system supported by Merchant Commerce Exchange, later this year.

Other Serve the Customer Stories

Conquering mobile isn't enough. Starbucks is now offering to pamper their customers by offering to deliver fresh roasted coffee to their door – via a [delivery subscription](#) for what the company is calling “small-lot coffees.” For \$24/month or \$288/year, coffee-addicts can enjoy small-roast brews from the comfort of their home.

Through a partnership between Shell and PayPal, customers no longer have to trek all the way to the cashier to pay for their gas. Shell Drivers' Club members will soon be able pay for their [fill-up on gas via their smartphone](#). Customers select the grade of gasoline as well as the pump location from their smartphone and a QR code on the pump itself; customers will receive a receipt once the payment is processed to confirm the transaction.

Nordstrom plans to drive significant growth by opening new [distribution centers solely focused on e-commerce](#) orders and it will increase its online product portfolio, specifically at the company's discount line, nordstromrack.com. Furthermore, online returns will be processable at Nordstrom locations and the company will expand its awards program, while simultaneously investing in technology at its brick-and-mortar locations. This strategy will cost the company \$1.2 billion 2015, or \$4.3 billion over the entirety of its implementation.

About PYMNTS

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About Vantiv

Vantiv, Inc. (NYSE: VNTV) is a leading, integrated payment processor differentiated by a single, proprietary technology platform. Vantiv offers a comprehensive suite of traditional and innovative payment processing and technology solutions to merchants and financial institutions of all sizes in the U.S., enabling them to address their payment processing needs through a single provider. We build strong relationships with our customers, helping them become more efficient, more secure and more successful. Vantiv is the third largest merchant acquirer and the largest PIN debit acquirer based on number of transactions in the U.S. The company's growth strategy includes expanding further into high growth payment segments, such as integrated payments, payment facilitation (PayFac™), mobile, prepaid and information solutions, and attractive industry verticals such as business-to-business, ecommerce, healthcare, gaming, government and education. For more information, visit www.vantiv.com.