

A black and white photograph of a busy city street at night. A tram is visible in the center, moving away from the viewer. Pedestrians are walking on the sidewalks. The street is lined with multi-story buildings, some with illuminated signs. The overall atmosphere is urban and active.

Navigating the New Digital Divide

Dutch edition: Digital impact on retail in the Netherlands

Deloitte.
Digital

FOREWORD

Welcome to the Dutch edition of Navigating the New Digital Divide, our research study into the influence of digital channels on in-store transactions. Over the last three years, Deloitte has conducted surveys with thousands of consumers in order to understand how they use digital devices in the shopping journey and to quantify the impact that digital technologies have on in-store sales and in-store consumer behavior. This year, for the first time ever, we performed this study at a global scale, surveying over 18,000 consumers across 9 countries. Today, we are proud to release the Dutch edition of this study, which takes into account the particular context of our local market.

While digital penetration and device usage in the Netherlands are among the highest in the world (81% mobile penetration), Dutch retailers have historically been playing “catch-up” in providing digital services to consumers. Online sales as a percentage of total sales in the Netherlands stood

at 7% in 2014 compared to 11% in the UK¹. There are indications that this gap may widen further. According to a 2015 Harvard Business Review study on digital evolution², the Netherlands was classified as a “stall out” – a country that achieved a high level of evolution in the past but is losing momentum and risks falling behind. In general, leading international retailers are investing much more heavily in digital in comparison with Dutch retailers.

With digital playing such an important role in global business growth, the deceleration of investments in the Netherlands and potential impacts to talent and capabilities are cause for concern. It also leaves open an opportunity for businesses in or entering the Dutch market to create competitive and sustainable advantage through digital investment. For these reasons, we hope that this study will be a call to action for digital plays in the Dutch market.



Erik Nanninga

Partner | Consumer Business Industry Lead

“With the competitive pressures of today’s world, consumer businesses cannot afford to wait to execute on digital strategies addressing both eCommerce and digital influence trends ”



Stephen Ward

Partner | Deloitte Digital

“I expect the findings of this study are not confined only to the retail industry. Digital influence is pervasive in financial services and the telecoms industry, too ”



Victor Hoong

Director | Retail Industry Lead

“The pendulum has swung back and clients are increasingly tackling the influence of digital touchpoints on indirect purchase behavior. Technology developments are making influence more measurable and a very relevant battleground for retailers today ”

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A grayscale photograph of a woman with dark hair, wearing a light-colored jacket over a dark top, sitting in a train. She is looking to her left while holding a tablet computer. The background shows the interior of a train with seats and windows.

THE RETAIL MARKET SIZE IN THE NETHERLANDS

Digital is transforming the face of retail. The pace of change is aggressive and the impact is extensive. From Amazon, Alibaba and Asos right through to Zalando, it's impossible to miss the changes. In response, the so-called "brick and mortar" retailers have launched their own forays into digital. The performance of most endeavors have been somewhat lackluster although there are a few notable exceptions. John Lewis, a leading UK retailer, for example, has shown what can be achieved when the digital response is timely and interventions are applied across channels.

eCommerce as a separate sales channel

Historically, the common approach retailers took towards digital has been to stand up teams specifically focused on the online channel.

Their sole mission: develop eCommerce platforms and maximize online sales.

Digital teams were separated, even protected, and their focus was the online consumer – described as an entirely different animal than the consumer seen in the stores every day. With this approach, the digital capability developed and matured, tackling this online consumer with a

laser focus on KPIs for online conversion and revenue. The result? Stories of year-over-year eCommerce growth rates in the region of 15-20% are not uncommon. At first glance, this might lead retailers to conclude that their digital strategies are successful. However, taking a step back to review the bigger picture we discover a different story.

Online sales growth has been at the expense of the store channel

When reviewing the growth of the retail market we find a 10-15% year-over-year growth rate for the online channel. Not a bad outcome. However, of the 0.6% increase in the total retail market over the past 5 years in the Netherlands we find that this is almost entirely driven by the online channel (+12%).

So while many digital teams are celebrating double-digit online growth rates this is often coupled with flat or declining store sales in the wider business.

As retailers are achieving only a limited share of overall revenue online, in truth very little ground has been won. Retailers stand over the enablement of little more than a channel shift. Few would regard this as a truly successful business outcome.

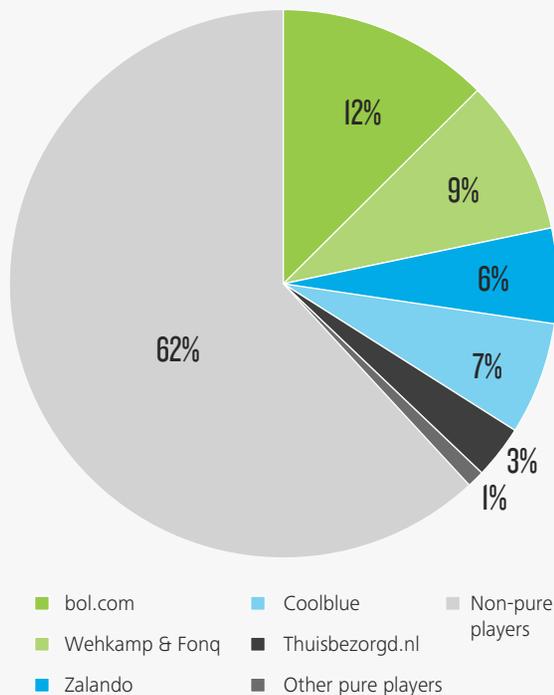
Fig. 1: Overview of total retail market sales in the Netherlands (online and offline)³



Round 1: Digital pure plays win...

The channel shift has, however, delivered some winners. These have been the pure plays such as bol.com or Coolblue who have taken the lion's share of the online market. In 2014, eCommerce sales stood at 7% (€5,5B) of total retail revenue in the Netherlands (€85,4B). Of this growth, the pure plays have captured a considerable 38% or €2,1B of the Dutch online retail market.

Fig.2: 2014 estimation of the online sales distribution⁴



Why have the pure plays been successful? In an online-only shopping journey, the pure plays hold the better hand. Without the physical constraints of traditional retail operations, assortments can be much deeper and broader. Cross-category, cross-brand and multi-product shopping journeys are typical of the online-only shopping journey and the home territory of the pure play. In addition, the larger volumes over these broader assortments enable larger average order sizes and therefore lower delivery costs per order. High volumes also often result in better economies of scale and the possibility to pass along these savings in lower pricing for consumers. Pure plays have a definite advantage with consumers in an online-only shopping journey.

Round 2: Calling for a new approach to digital

For too many retailers, the term "digital" has been literally translated to "eCommerce." While we do not dispute that online ordering to home is a must-have retail capability today, it is also the domain where the likes of our local champion bol.com will provide the most appropriate consumer match.

Despite the fast growth of eCommerce, 93% of Dutch retail trade today still takes place in the physical stores. Industry forecasts certainly indicate a continuing rise of online sales, but in the next 4 years the online channel will still only account for less than 10% of sales.

For these reasons, we believe that many retailers need to reconsider their approach and look beyond eCommerce.

Retailers do not need another digital strategy, but a strategy for the digital age. Digital is an inevitable evolution of the retail offering and innovations in this space must be adopted to improve the customer experience. However, the digital channels are not the only channels requiring evaluation and investment. Rather than competing with pure eCommerce players on their own turf, retailers should look to deploy digital in other ways to improve the overall customer experience. This is where we need to review the role of digital influence.

A black and white photograph of a man with a beard, wearing a V-neck sweater and jeans, standing in a clothing store. He is looking down at a smartphone in his hands. To his right is a rack of clothes, and to his left is a display of folded garments. The scene is dimly lit, with a strong light source from the right creating a silhouette effect on the man and the clothes.

THE DIGITAL INFLUENCE FACTOR

What is the digital influence factor?

The foundation of our research and our point of view centers on a concept that we call the digital influence. This is an accelerating phenomenon that is both shaping the way that consumers shop and make decisions in-store, and setting new and higher expectations for retailers' digital offerings. Our experience in the industry tells us that the traditional approach of focusing on digital as a channel drastically limits the value, the opportunity, and ultimately, the strategy.

Key definitions:

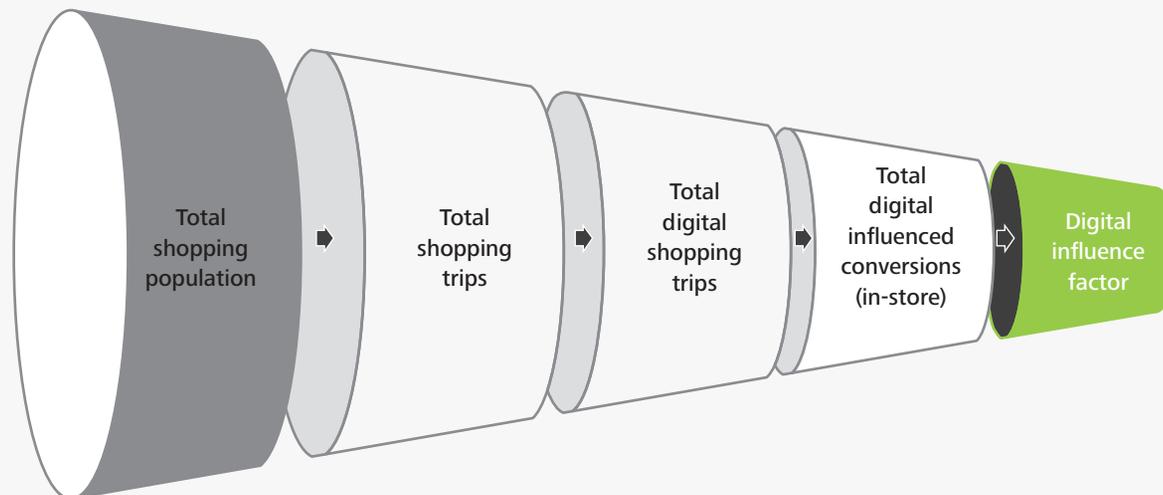
The digital influence factor: Measures the percentage of in-store retail sales influenced by the shopper's use of any digital device, including: desktops, computers, laptops, netbooks, tablets, smartphones, wearable devices, and in-store devices (i.e., kiosk, mobile payment device).

The mobile influence factor: Measures the percentage of in-store retail sales influenced by the consumer's use of a web-enabled device, including smartphones.

The new digital divide: The gap that we believe exists between consumers' digital behaviors and expectations and retailers' ability to deliver the desired experiences.

To assess the changing dynamic between consumer and retailer, as well as the physical and digital worlds, we surveyed a random sample of over 2000 retail shoppers in the Netherlands during Q1 2015, asking consumers how they currently use digital devices at different stages of the shopping journey and how they are likely to use them in the future.

Fig.3: Digital influence factor methodology



Notes:

Total digital shopping trips computed via frequency of device use.

Total digital influenced conversions (in-store) computed with segment-specific conversion rates (i.e., use device before shopping trip, use device during the shopping trip, use device both before and during, or not at all) to arrive at digitally influenced conversions.

Digital influence in Dutch retail

We found that digital technologies influenced **30% or €24B** of in-store retail sales in 2014. That is thirty cents on every Euro spent in the store. Mobile continues to be a powerful force as well, influencing **16% or €13B** of sales. These forces cannot be ignored. Digital strategies that focus only on the small slice of direct eCommerce sales and do not consider the ability to influence traffic or conversion in-store are missing a significant and crucial part of the digital game.

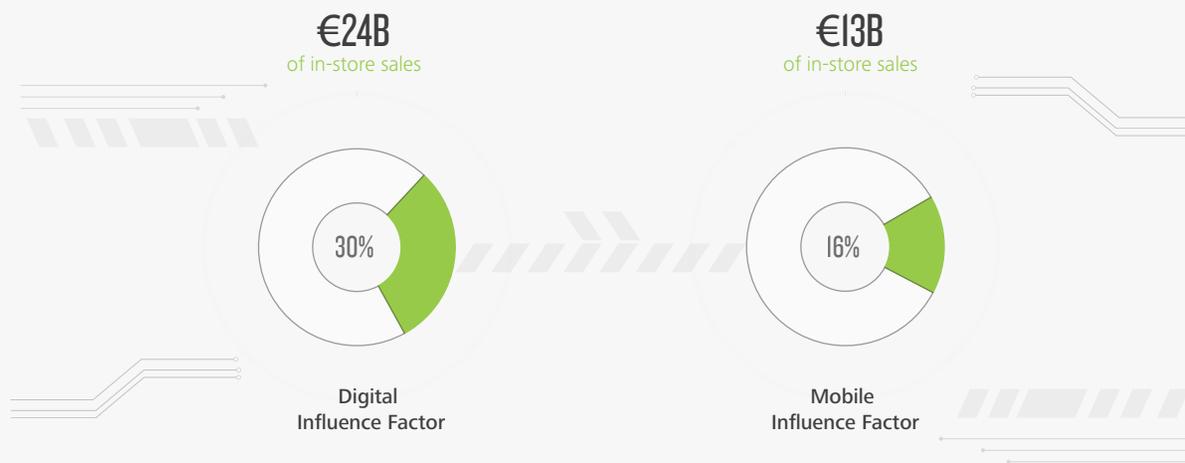
Head of CRM & Analytics for a large Dutch retailer

“Looking at the way the markets are developing and knowing that the Netherlands is usually following the US but a year or so behind, we’d better take stock and do something about it or we will continue to be in catch up mode. Dutch customer expectations will likely accelerate as soon as some of the larger and slower moving players begin to invest and raise the bar on their online offerings and experience ”

Our research indicates there is a significant opportunity for retailers lying in the hands of their very consumers. This opportunity is the influence of digital devices on in-store sales and purchase behavior.

While digital influence stands at 30% in the Netherlands today, we believe that this will trend upwards in the coming years. We have been measuring digital influence over the past three years in the US and last year it stood at 36% vs. 49% today⁵. The prevailing wisdom suggests that the Netherlands generally follows US retail trends. Of course, there are many factors that contribute to the differences across countries. However, we see this digital phenomenon accelerating consistently across all markets.

Fig.4: Digital and mobile influence on in-store sales



Conversion rates rise with the use of digital

Further analysis of our data set revealed that the likelihood that consumers made a purchase is positively correlated with the number of digital touch points across their shopping experience. Dutch consumers who used digital both “before” and “during” their shopping journey were 48% more likely to convert in-store versus those consumers who did not use digital. The data does not indicate the direction of the relationship – whether digital is driving conversion or the higher use of digital is due to an existing higher consumer purchase intent. In any case, the implication is clear. Retailers must invest in digital touch points either to drive shopper conversion or to access to the consumers with a high purchase intent.

Fig.5: Digital’s impact on conversion during the shopping process

Use of digital touchpoints

BEFORE (PRE-PURCHASE)		DURING (PURCHASE)		Conversion Multiplier
	+		=	1.00
	+		=	1.10
	+		=	1.43
	+		=	1.48

Notes:

Conversion rate is defined as traffic divided by the number of sales transactions

Conversion multiplier is defined as the percentage increase in conversion from the baseline



Digital usage and influence vary across categories

For those working in retail, we all know that talking about the industry trends as a whole often results in gross generalizations. Therefore, we will consider the product categories within retail and the differences in usage and influence.

We believe a number of characteristics determine the level of digital influence on a particular product category. These characteristics include how functional and feature comparative the products are, the complexity of the product offering, the cost of the product, its availability, the stock range and the level of value assigned to its aesthetics.

Fig.6: Dutch digital and mobile influence by category

Product Category	Dutch Digital Influence Factor	Dutch Mobile Influence Factor
Electronics [e.g., TV/audio, mobile phone, home appliances]	50%	28%
Automobile / Bicycle [e.g., bicycle, auto parts, new car, used car]	44%	23%
Furniture / Home Furnishings / Home Improvement [e.g., furniture, home décor, wallpaper, DIY]	41%	24%
Books / Music / Entertainment [e.g., books, music, games, movies]	39%	22%
Baby / Toddler [e.g., clothing, essentials, nursery items]	38%	25%
Health / Wellness / Beauty [e.g., prescriptions, OTC, medical equipment, fitness/sports equipment]	35%	22%
Apparel [e.g., clothing, outerwear, shoes, essentials]	34%	21%
Miscellaneous Supplies [e.g., pet supplies, office supplies]	27%	14%
Food / Beverage [e.g., delivery groceries, specialty foods and beverage]	22%	10%
Weighted Average	30%	16%

Types of digital interactions vary by category

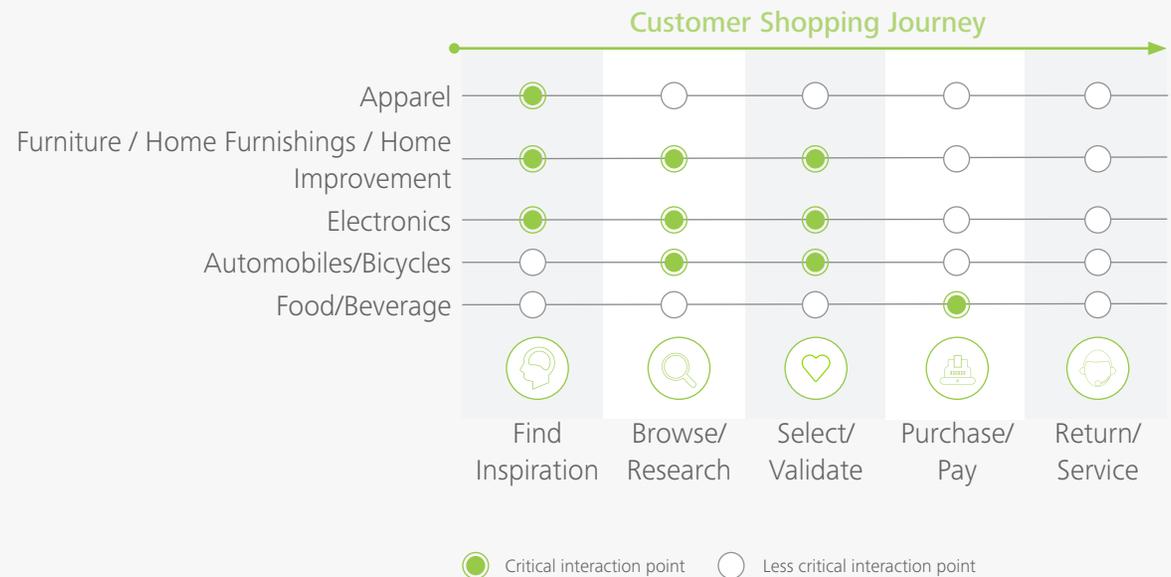
Our research revealed how consumers are using their devices at different points in the shopping journey for different purposes, depending on the category. Consequently, they will be most engaged by the retailers who provide tools that are appropriate for a specific category and their use of that device.

However, when we look at what is happening today, we find that most digital teams are set up as a separate unit supporting all categories of the retailer. For retailers selling across multiple product categories, the digital unit usually identifies and supports only the common requirements.

This approach may fall short of reaching the full potential impact of digital. Retailers should identify category specific needs and problems that consumers encounter and develop specific digital functionalities to deal with them. Retailers must focus on the “moments that matter” across the shopping journey that are relevant for their categories.

Historically, big box retail formats have benefited from scale – their ability to serve as a ‘one-stop shop’ for multiple product needs. Yet new technologies are threatening scale as an absolute differentiator. Digital access has driven down the cost to the consumer of shopping across multiple retailers. Choice is now becoming a commodity. As new competitors arise and focus on specific categories, at scale retailers must work even harder to remain relevant in their core categories. This is where social media and reviews can add value.

Fig.7: Moments that matter across the customer shopping journey



There are limitless ways that consumers can find inspiration, browse, validate, buy, and service their purchases. This means that the types of digital interactions that matter most vary by product category. Comparing digital usage data across all categories indicates, directionally, where retailers should increase their focus – accounting for category level differences.



In depicting the shopping journey in *figure 7*, we identified inspiration as a key moment in the digital journey if more consumers use social media to shop than the average of twenty-three percent across all categories. Among consumers who use digital devices to shop we found that:

- 34% of consumers shopping for apparel products consult social media at some point during their shopping journey.
- 26% of consumers shopping for furniture/home furnishings/home improvement products use social media to gather inspiration or shop.
- Conversely, only 20% of food and beverage shoppers use social media to shop - the lowest of any category.

Similarly, the browse/research and select/validate steps are key if consumers read reviews – either directly through a retailer’s website or app and/or via a review site outside of the retailer’s control. On average, 28% of consumers are turning to reviews prior to making a purchase:

- 46% of consumers shopping for electronic products turn directly to a retailer’s website or app to understand other consumers’ opinions on the product.
- 32% of consumers shopping for automobiles/bicycle products prefer to leverage third party review sites outside of the retailer’s control.
- Conversely, only 20% of apparel consumers turn to review sites, thus pointing to this as a less important decision point for shoppers in this category.

A black and white photograph of a woman with dark hair, smiling warmly. She is wearing a dark, textured jacket. The background is a blurred crowd of people, suggesting a social or public event. The overall tone is positive and engaging.

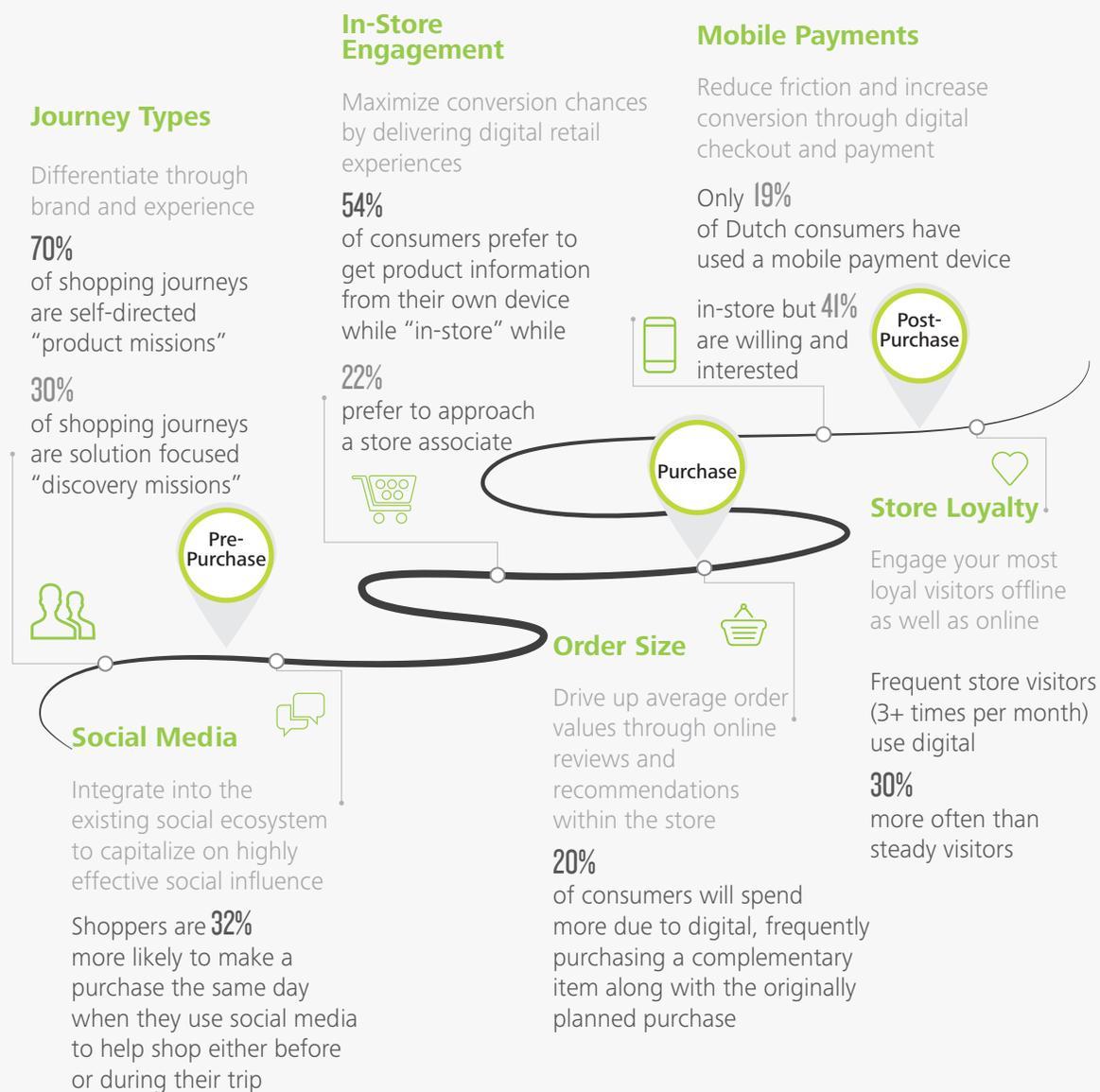
DIGITAL INFLUENCE ACROSS THE
CUSTOMER JOURNEY

It is probably not surprising that Dutch consumers are utilizing digital across different stages of the customer journey. While a large number of people often go online to actually buy something, we know that many are more likely to go online to start their journey, but will buy in the physical store.

As with all good strategies, having a focus and the right set of performance indicators to guide investments is critical. If focus is solely on the features and functionalities that drive online conversion, that is a missed opportunity. The investments that are made to improve online conversion are often not what in-store customers want. So what do they want?

In this section we will explore some of the key insights from our research across the different stages of the customer journey.

Fig.8: Impact of digital across key stages of the customer journey



JOURNEY TYPES

Product vs. discovery journeys

Digital has fundamentally changed the research and orientation phase of the shopping journey. Through digital, today's consumer is well-informed and takes much greater control over their shopping journey. We decided to use our research to explore this change in shopper behavior and specifically two categories of the shopping journey:

- Where the shopper has a self-directed start and has already become aware of the product(s) they want to buy through means outside of a retailer or brand's advertisement/ communication. We refer to this category as **product mission** journeys.
- Where the shopper is less aware of the product(s) they want to buy and gets initial inspiration from a retailer or brand's advertisement/communication. We refer to this category as **discovery mission** journeys.

Our study revealed that Dutch consumers are only on discovery missions 30% of the time. The other 70% are leading their own shopping journeys on self-directed product missions.

*See more information on
journey types on page 17*



“Product mission” shopping journey

In this shopping journey, the consumer self-directs his/her search with a specific item (or items) in mind. He/she already has a basic understanding of their requirements and tends to be more focused on price comparison, convenience and validation/confirmation, often utilizing review sites for information. This shopping journey is more common across highly comparable feature/function products.

With a clearer idea of the specific product they are looking for, consumers on product missions are more likely to directly seek a webshop that can give them the best selection of products, prices and delivery terms. eCommerce pure plays will have the advantage here given their wide, cross-category and deep multi-brand assortments within a particular category. Also, their economies of scale and reduced costs due to not having a store footprint will usually lead to the lowest prices.

In their online offerings, traditional retailers should try to be on par with the pure plays both in terms of price points and ship to home delivery terms. To excel, they may try to link to in-store customer services or return options that pure plays cannot provide. However, this type of shopping journey favors the pure play and retailers will need to accept that they will inevitably lose consumers in this battle.



“Discovery mission” shopping journey

In this shopping journey the consumer has initial purchase intent and/or a defined set of needs, but lacks specific understanding of exactly what he/she wants to buy. Consumers on a discovery mission journey tend to be focused on solutions, and often seek additional content for an understanding of the benefits and usages of different products.

This journey offers retailers an excellent opportunity to find a niche and exploit it. Retailers can create a point of differentiation by delivering a richer customer experience for the category in which they are specialized. Brand content can inspire the consumer and deep category-specific content can address their discovery needs. With a narrower assortment, imagery is more manageable and richer, and premium visuals can engage the consumer. Retailers should also explore partnerships with specialist content providers for the retailers’ category. These partnerships allow the retailer to tap into already existing communities where target audiences often convene. Creating these associations and deep-linking across web assets will help to influence consumers to follow the desired conversion path.



SOCIAL MEDIA

The growth of social media has fundamentally transformed the way in which society consumes information today. Gone are the days when the most reliable and up-to-date news required you to buy a newspaper or watch a prescribed television slot. Gone are the days in which the best source of product information was from the brand manufacturers and retailers themselves. Consumers no longer need to actively seek such sources of information; instead the information finds them. Twitter, Facebook or mobile notifications from NU.nl deliver real-time feeds with the latest news.

Today's world forces retailers to explore new communication strategies if they want to have a voice in this conversation. Social usage is a critical pillar to digital influence and this is born out in our research results. Although the usage of social media is somewhat limited – used across only 23% of total shopping trips – the impact of this on in-store purchase behavior is indisputable.

Sharing is caring

In most cases the retailer response to social has been one of “build it and they will come.” Establishing and operating Twitter, Facebook, Instagram and Pinterest accounts are familiar territory in the retail world. This is a starting point but we believe more can be done.

Digital natives are social by nature. From the changing room selfie to the unboxing of the latest iPhone. It's evident that these are all shopping experiences consumers want to share. Retailers should capitalize on this opportunity by enabling their customers to share such experiences as conveniently as possible. Each moment of the shopping journey online or offline should be shareable. Digital communities can be brought into the physical world. The hashtag and social recommendations are examples of valuable social assets that can support engagement and conversion in the store.

Finally, use the power of the existing ecosystem – there are countless platforms with established communities. It's not necessary for retailers to own the platform that hosts the conversation but it is essential to be part of it. Identifying influencing sources and making sustained efforts to build deep links from these into the retailer's own digital properties, perhaps at category or product landing pages, will assist in guiding traffic towards the desired outcomes.

Fig.9: The impact of social media on shopping⁶



Dutch shoppers were **32% more likely** to make a purchase the same day when they used social media to help shop either before, during or after their trip.



Social media users are **approximately 3x more likely** than non-users to spend more or significantly more on purchases as a result of a digital shopping experience.



Respondents who considered themselves somewhat/very influenced by social media were **2x more likely** to spend significantly more than non-users due to digital shopping experiences.

IN-STORE ENGAGEMENT

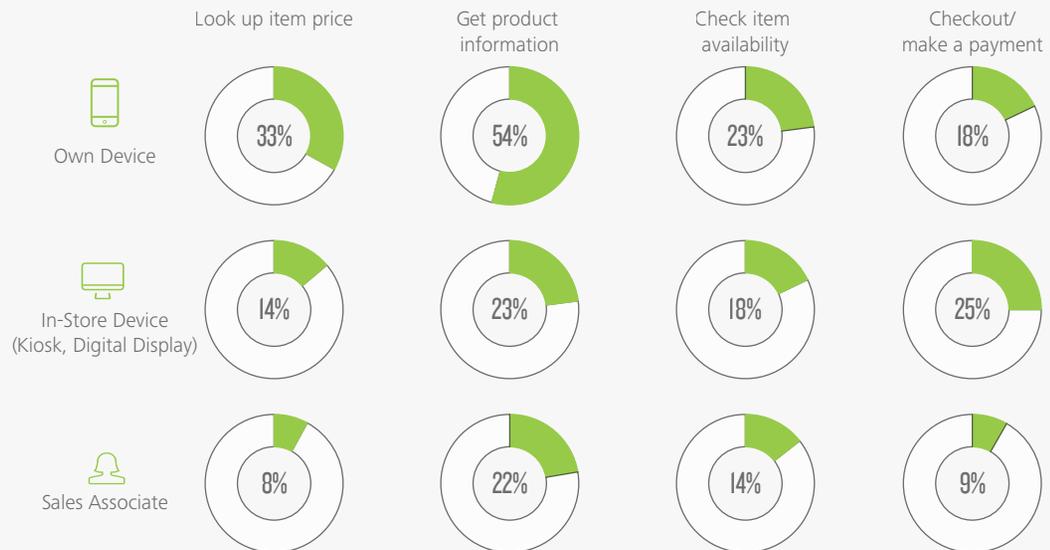
The shop has not changed, but the shopper has...

With 93% of retail sales still taking place within the walls of a physical store, the in-store digital experience is vital to a retailer's success. In the past, consumers visited the store to browse and research products often making their decision during that store visit. Today's consumer behaves differently. They are connected to a vast number of information sources and often arrive at the store more informed than the store associates themselves. Upon arriving they can check competing retailers via their mobile device and even leave empty-handed with options to order online and have the product delivered shortly thereafter.

When in the store, our findings suggest that consumers prefer to turn to their digital devices for information instead of approaching a store associate. Add to this our earlier finding that consumers using digital are twice as likely to convert (see figure 5) and we are presented with a big opportunity for those retailers capable of capitalizing on these digital moments. Shoppers delivered with the right information through their digital devices could be retained in the purchase funnel and tipped towards conversion. Those consumers who do not find their answer may look further for other sources of information and discover the competitors' offerings.

With consumers using their digital devices for information during their store visits, in-store staff must find a new role. Equipped with iPads and specialized card readers, they can transform into a roaming POS to increase customer convenience. If consumers are willing to share their purchase history, sales associates can also act as personal shoppers - reviewing past purchases and revealing recommendations support by analytical "next best offer" models.

Fig.10: Where consumers prefer to go for assistance in-store



Case Study: Schuh Footwear

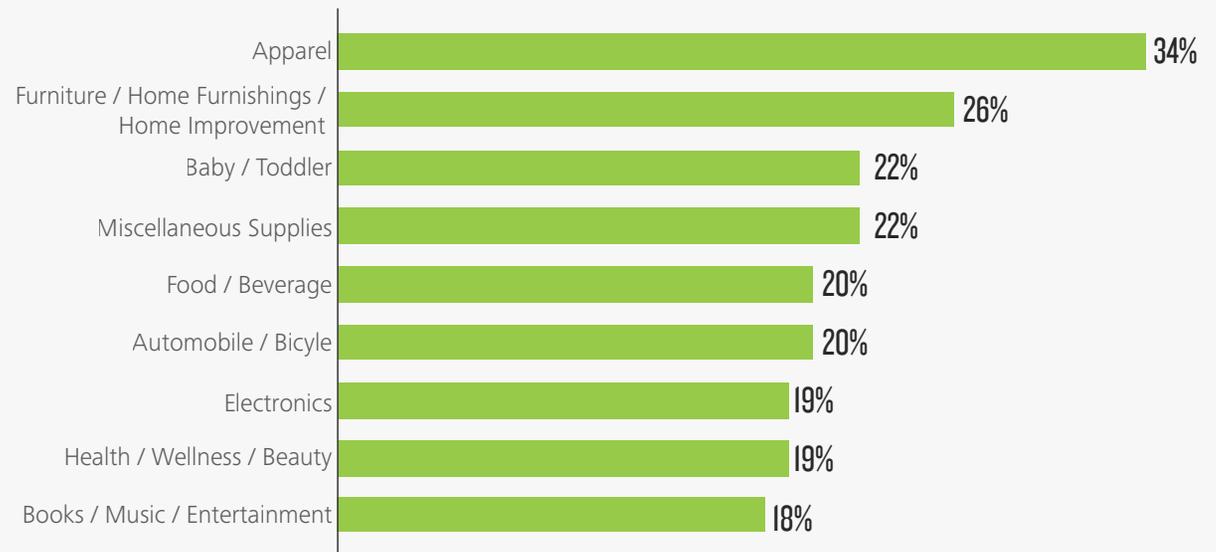
Schuh footwear launched a mobile- and tablet-optimized site which aimed to assist customers during multiple stages of the shopping journey, particularly while in-store. The site enabled customers to not only browse through and purchase shoes, but also to easily check inventory at stores in the vicinity through geo-localization, giving them the opportunity to pick-up their favorite shoes immediately. As customers often prefer to turn to their own device instead of a store associate, Schuh was able to digitally influence a large number of in-store purchases.

ORDER SIZE

A retailer's digital offerings and experiences can persuade consumers to spend more. 20% of Dutch consumers buy more in-store when using their digital devices, providing retailers a prime opportunity to engage and upsell. This trend is consistent across categories, but the opportunity to grow basket size is greatest in Apparel and Furniture/Home Furnishings/Home Improvements.

So what can retailers do to increase order size? Most encouraging for retailers is the fact that 35% of the Dutch consumers spent more because they bought a complementary product. Recommendation engines and reviews are a very powerful tool for inspiring consumers and creating new needs states.

Fig.11: Percentage of consumers who spent more because of digital (by category)



Reasons why Dutch consumers spent more than they normally would have...



35% bought a **complementary** item along with the originally planned purchase (e.g., due to research/reviews).



21% took advantage of a **discount/coupon** found online, but ended up spending more overall on a great number of products.



18% bought a **higher priced** product due to research, reviews or recommendations.



12% developed **confidence** that the product was a good fit for their needs due to product information and reviews available online.

MOBILE PAYMENTS

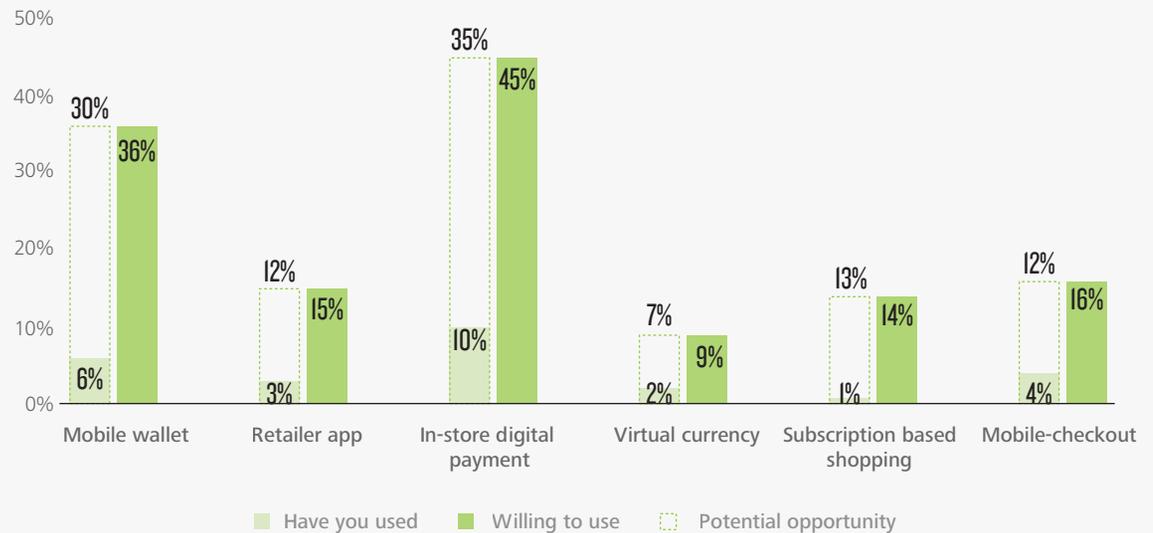
Convenience is still one of the most valued features of online shopping. Full price transparency, real-time inventory availability, and multiple shipping options provide consumers with complete control over the shopping process and have become the new norm. The challenge that many retailers are now struggling with is bridging that online convenience to their highly valuable in-store experience.

Our research shows that Dutch consumers are ready and eager to further utilize digital payments. Only 19% of Dutch consumers have used a digital payment to make an in-store purchase, but 41% are willing and interested in this payment format. Further testing and exploration of digital payments offers an interesting opportunity for Dutch retailers.

Frictionless online transactions is the nirvana every webshop team is attempting to reach with eCommerce. This has culminated in services such as the one-click shopping experience made famous by Amazon. This same line of thinking should be applied to the store. Once the shopper has made the decision to buy, how can we facilitate an effortless transaction? Minimizing barriers will maximize revenues.

In addition to conversion uplift, there are further benefits to consider. Organizations are constantly looking for ways to connect and recognize the online shopper (and all the rich data that comes with them) while they are in the store. Online profile recognition will help to improve cross-channel customer analysis and sales attribution modeling, which is something many retailers are currently struggling with. Consumers are also subject to benefit. They value the convenience of having different payment options at their fingertips as well as the loyalty benefits that many retailers offer.

Fig.12: Usage of mobile payment types vs. willingness to use



STORE LOYALTY

When online channels first appeared, doomsayers in the retail industry claimed the webshop spelled the beginning of the end of the physical store. Consumers – particularly the digital savvy segment – would value the convenience of shopping online. Online traffic would replace store footfall and the brick and mortar store would become superfluous.

Our study revealed an interesting trend that counters this hypothesis. We plotted the frequency with which consumers made a physical shopping trip against the frequency with which they were going online for research prior to a shopping trip. If online and offline shopping trips were substitutes for one another, we would expect a flat or downward slope, with decreasing numbers

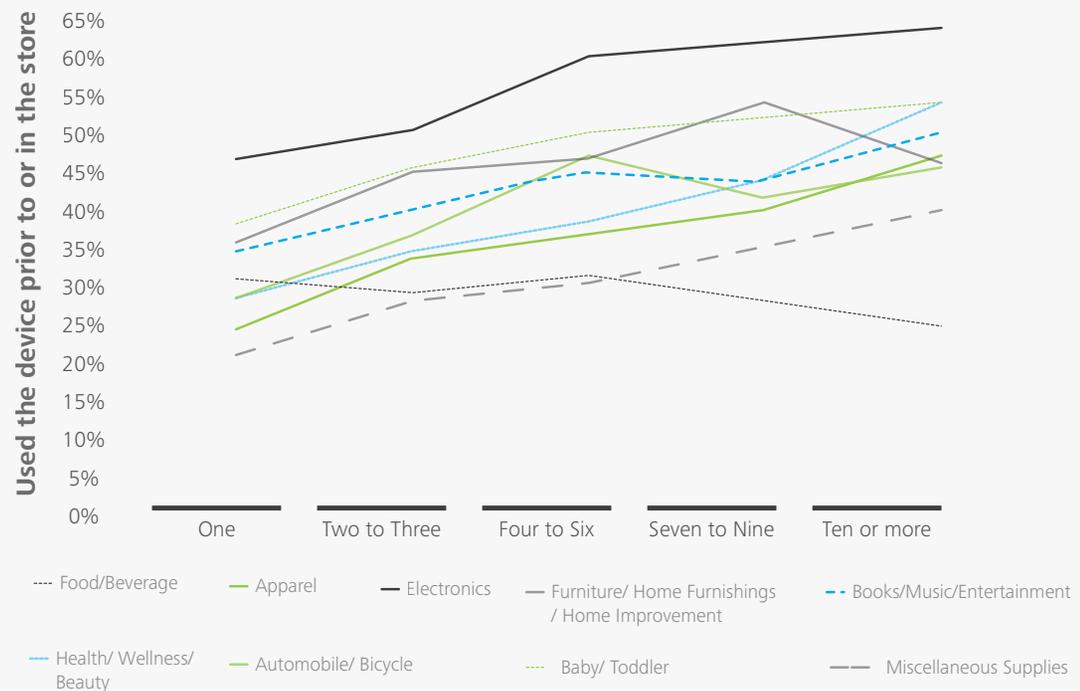
Head of Digital for a DIY Retailer

“Our online traffic exceeds our store traffic and it is essential for us to understand the contribution per channel in the sales funnel to optimize our customer experience and to acquire new plus monetize existing customers. Digital is a key enabler and a critical part of our customer strategy”

of visits to the store as their online trips increased. We discovered the opposite. The data revealed that the more often consumers were visiting online sites, the more often they would visit the physical store as well. Consumers are not trading online visits for store visits they are simply more actively or less actively engaged consumer segments in shopping. The most active shoppers want to learn more about the products or brands they are shopping for. They don't recognize the choice of channel, they just engage in shopping wherever the opportunities arises.

This finding brings home the importance of complementary online and offline journeys. The most active shoppers will want to be engaged and have consistency across multiple channels. With digital so embedded into consumers' lives, the shopping journey is being fragmented into a number of shopping moments. Retailers should identify the moments when consumers are open to influence and develop an arsenal of interventions to promote their brand and products in online or offline assets.

Fig.13: More frequent store visits, greater use of digital



A grayscale photograph of a woman with long blonde hair, seen from the side, looking at a smartphone. She is standing in a clothing store next to a rack of various garments, including jackets and sweaters. The image is dimly lit, with the text overlaid in white.

RECOMMENDATIONS – HOW TO IMPROVE YOUR DIGITAL INFLUENCE

In the previous pages we have focused on the importance of digital influence. But how can you exert digital influence? At Deloitte, we have been tackling this problem for a number of years. There is no single recipe to drive consumers along the preferred shopping path, but we have summarized some of the key weapons of influence you should consider.

The strongest perspective we can provide all retailers, large and small, who are trying to navigate the digital divide, is to first reconsider their actual performance. Even the largest and most sophisticated retailers often do not fully understand how fundamentally digital has changed their business. You should stop evaluating your strategy and investments through the traditional channel-specific lens.

Key recommendations for the Dutch market



Integrate your channels

Develop a clear strategy to bridge the online and offline channels. Identify opportunities to bring online content into the store, including reviews/recommendations, and clearly communicate the assortment differences between online and offline.



Find your niche

Build a clear value proposition that is distinct from the eCommerce pure plays. Online pure plays will always have the advantage of scale, with a broader assortment or deeper promotional schemes. Therefore retailers need to compete across other dimensions. Focus on content, brand and experience so that you can serve a particular consumer need.



Break down the organizational silos

One of the biggest barriers to successful digital evolution is the existence of internal silos amongst departments. Digital should not be treated as a separate department but rather as part of everything that is related to the customer experience. It is important to blend product vs. brand focus and to evolve your operating model. This allows key departments (including IT, Marketing, and Commercial) to work in a more integrated way. KPIs and performance recognition structures must be designed to support cross-channel retailing.



Build the appropriate IT backbone to coordinate experiences across channels

The key to success is a centrally managed IT backbone. This can bring together disparate data sources for tailored experiences across key consumer touch points. Companies that are able to deliver against their personalization promise have very sophisticated customer data and marketers. But be careful! Poor attempts at personalization can destroy both trust and loyalty – retailers must balance product information, context and privacy.



Partner with the existing ecosystem

Build smart partnerships and investments across the ecosystem instead of starting from scratch. Ecosystems bring together multiple players of different types and sizes who can serve consumers much better than a single organization. This is especially important for social media where established networks with dense followings have become the norm. Make sharing experiences as easy as possible across all stages of the customer journey.



Emphasize brand and content

Focus on building unique branded content that explores and addresses customer needs and pain points. Use the power of your brand to build a unique value proposition for your consumers and offer exclusivity (e.g., exclusive product launches, special pre-launch information, etc.). Building a community around the retailer brand will also open up opportunities to monetize that community through supplier-promotions.



Don't ignore the needs and incentives of your franchise network

Bring franchisees along in your digital evolution. This is especially important in the Netherlands, which has one of the highest densities of franchisees across Western Europe. The perspective of digital influence should resonate strongly within this community. Review franchisee agreements to ensure that incentives are appropriately aligned. Start with small tests and prove the value of digital to your franchise network.

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Research Analysis Methodology

Deloitte commissioned an independent market research agency to conduct the fieldwork for the study in the Netherlands. Fieldwork was conducted using an online panel among a quota sample of adults aged 16-70 in the Netherlands (n = 2008) between 6th February and 18th February 2015. Data were weighted by age, gender, region and working status to be representative of all adults aged 16-70 within the Netherlands according to census data.

A 95% confidence level was used to test for significance. Below are the margins of error for specific sample sets in this study:

- Total sample – 95% confidence, margin of error 2.2% (+/-)
- Device Owners – 95% confidence, margin of error 2.2% (+/-)
- Smartphone Owners – 95% confidence, margin of error 2.4% (+/-)
- Tablet Owners – 95% confidence, margin of error 2.9% (+/-)

Additionally, a subset of consumers were randomly assigned to provide information about how they use a digital device to shop for two different product sub-categories (such as shoes or books and music). Sample sizes ranged from 69 to 88 – 95% confidence, margin of error 10.4-12% (+/-). Specific digital behavior data represents consumers who use digital devices to shop.

Endnotes

1. According to Plant Retail. See <http://www1.planetretail.net/>
2. According to "Where the Digital Economy is Moving the Fastest." Harvard Business Review. Feb 2015
3. According to Plant Retail. See <http://www1.planetretail.net/>
4. According to Company Annual Reports, Twinkle100.nl and Deloitte Research
5. Navigating the New Digital Divide: Capitalizing on the Digital Influence in Retail" Deloitte US, 2015.
6. Shoppers who spent 'somewhat more' spent up to 25% more. Shoppers who spent 'significantly more' spent over 25% more.

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