

Digital Influence in UK Retail

The true value of digital in-store



Digital technology is influencing 33% of in-store retail sales in the UK, equivalent to almost £100 billion in 2014.

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The impact of digital in retail

Digital is fundamental to the entire shopping experience, with three quarters of consumers using a digital device during their most recent shopping journey.

Consumer ownership of and engagement with digital technology is growing, and the rate of growth is accelerating. The fact that consumers are leading increasingly digital lives has an impact on how they consume products and services and the way that they interact with retailers and brands.

To assess the changing dynamic between the consumer and retailer, and both the physical and digital worlds, Deloitte conducted a study to find out how consumers currently use digital devices at different stages of the shopping journey. The focus of this study was to move beyond the “if” and start to quantify “how” digital is changing the way consumers learn about, shop for and buy products both in-store and online.

Checklist:

- Mobile site / app is optimised for in-store and online sales
- Digital, customer and retail strategies are integrated
- Scale of investment in digital technologies and services reflects the pace of growth and scale of opportunity

Our analysis showed that the influence of digital devices on in-store purchase behaviour has grown by 175% in two years.

Influence of mobile and digital devices on in-store retail sales

Footfall



78%

used digital devices for shopping related activities before / during their most recent shopping trip

In-store conversion



42%

higher conversion for shoppers who used a digital device prior to or during their store visit

Order Value



21%

spend more when using a digital device while shopping

Loyalty



56%

of those that used digital before / during their shopping trip would definitely shop at the retailer again

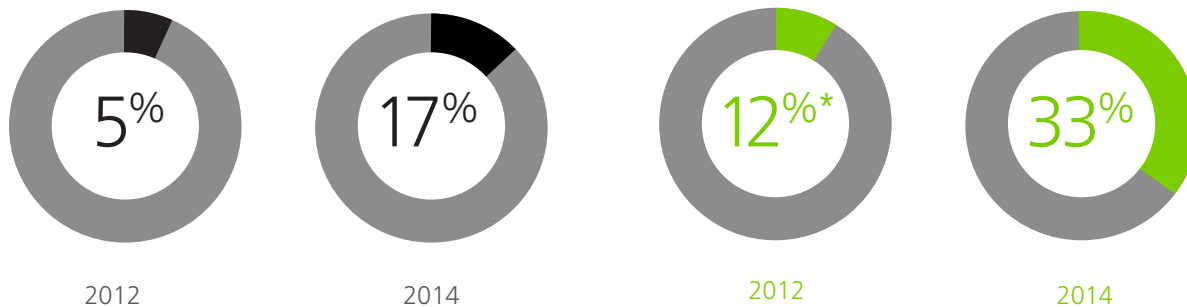
The digital influence factor

To understand the extent of this growth, we conducted a study with 2,043 retail shoppers to find out how they currently use digital devices throughout their shopping journey and how they plan to use them in the future. We tracked how digital devices were used by consumers on their most recent shopping trip.

Influence of mobile and digital devices on in-store retail sales

Mobile

All Digital



We found that digital technology is influencing 33% of in-store retail sales in the UK, equivalent to almost £100 billion in 2014. In particular mobile is affecting 17% of in-store sales or £50bn, 2.5 times the level seen in 2012.



Checklist:

- Involve store operators in defining mobile / app requirements and functionality
- Match your digital marketing budget with the digital influence factor

* The digital influence factor for 2012 was an estimate based on the digital influence calculations from the Deloitte US The New Digital Divide study.

Looking forward, we expect digital influence to continue to grow to reach 50% of all store retail sales by the end of 2015.

What is driving this growth in the use of digital devices in-store?



Speed of innovation



Device ownership



Networks



Convenience



Device sophistication



Context-based location services

Digital influence by category

The digital influence factor varies by category, ranging from half of all purchases of furniture down to one in four purchases of clothing and footwear.

The influence of digital technology varies by category as a result of different consumer demands. Product type, stock range, price and availability are all factors that influence the shopping journey. For example, the consumer journey for completing a grocery shop is very different to purchasing a new television or a pair of shoes.

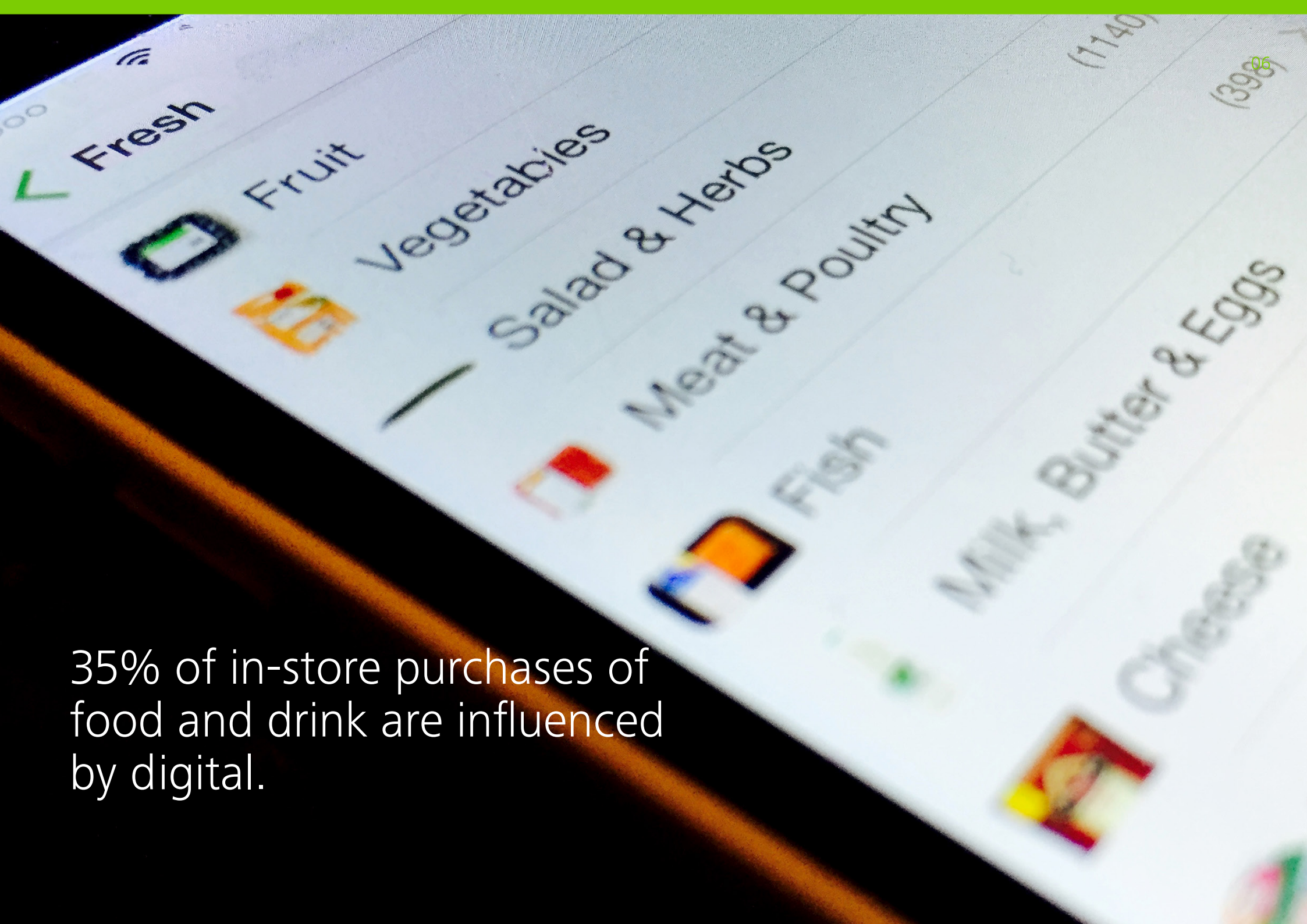
Digital influence by store type

Store type	Mobile Influence 2012	Mobile Influence 2013	*Digital Influence 2014
Furniture / Home Furnishings	10%	21%	51%
Convenience Store	3%	21%	40%
Health & Beauty	5%	21%	37%
Food & Drink	6%	17%	35%
Sports, Toy & Games	11%	20%	34%
Electricals	13%	20%	34%
General Merchandise & Department Stores	8%	13%	29%
DIY & Garden Centres	9%	16%	29%
Miscellaneous Specialists	5%	17%	29%
Clothing, Footwear & Accessories	8%	17%	26%
Weighted Average	7%	17%	33%

✓ Checklist:

- Consumers can easily access the content required to make an informed purchase
- Digital features and services on mobile sites are relevant to context and categories

* For 2014 we have expanded our Mobile Influence methodology to include all digital devices and in-store touch-points.



35% of in-store purchases of food and drink are influenced by digital.

Path to purchase

With greater interaction across various touch-points, consumers expect a seamless and integrated experience across all channels.

Checklist:

- Invest in context-based location specific services on digital devices
- Offer consumers a joined-up, frictionless retail experience

Consumers want to use digital devices throughout their path to purchase. In fact, 41% of shoppers thought that engaging with a digital device made their shopping trip easier.

When do consumers use digital devices?

In the past consumers relied on the information provided to them in-store by sales assistants. Now they can browse online for further inspiration, refine their search and filter to find what they are looking for, allowing them to be more informed even before they enter a store.

Through the increasing integration between online and offline models such as “Click and Collect”, consumers are encouraged to visit stores, increasing overall footfall. One in five consumers that engaged digitally either before or during their store visit spent more than they intended, highlighting the opportunity for retailers to drive store revenues through the use of digital.

At the end of the journey, consumers have access to social networks to share their experience with others to help influence their path to purchase also.

As consumers are now interacting across various channels, there is an expectation for a seamless and integrated experience throughout the entire purchase journey. Therefore e-commerce and bricks-and-mortar stores can no longer be treated as two separate channels. In fact, it has never been more important for retailers to integrate their digital and consumer strategies.

Digital devices and the shopping journey

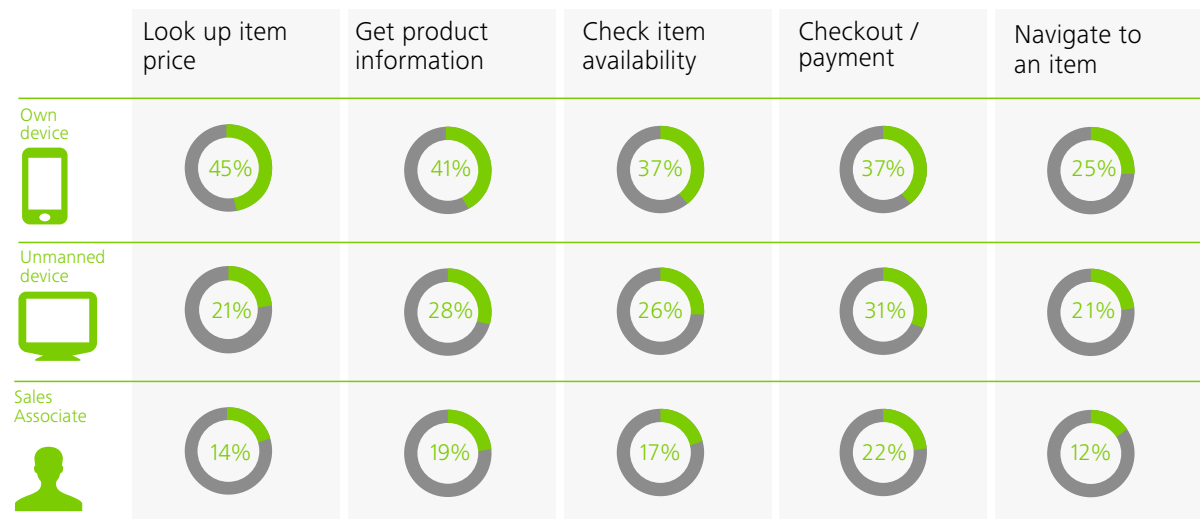
- 60% of consumers used a digital device prior to their last store visit.
- 23% used a digital device while in-store during their last store visit.
- 6% of consumers used a digital device after their last shopping trip.

In-store strategy

Bricks-and-mortar stores are an essential part of the shopping journey. Digital strategies should support the use of digital devices in-store.

Despite the growth of e-commerce and mobile apps, the majority of retail sales are still generated in-store (88%). Over half of consumers want to use digital devices in-store therefore business strategy needs to focus on how to support digital in-store.

Where do customers prefer to go for assistance in-store?



✓ Checklist:

- Consumers can easily shop online when in-store
- Staff and consumers have real-time store stock visibility
- Combine physical and digital P&L

Consumers prefer to use their own device for assistance in-store, rather than ask a sales assistant or check an unmanned device. This is increasingly more feasible with the growing adoption of smartphones.



Payment

The adoption of contactless payment will accelerate the growth of digital influence.

It was reported in our 2012 study, *The dawn of mobile influence*, that only 1% of those surveyed bought in-store using their phones as a payment method. With a growing adoption of mobile payment systems (e.g. PayPal, Square, Apple Pay, Google Wallet), this value has increased to 18%.

In fact, 33% of consumers said they wanted the ability to pay for goods in a digital format in future and our research shows that consumers prefer to pay on their own device, rather than using an unmanned desk or through a sales associate. This method allows consumers to complete their payment transaction with more convenience, ease and speed than ever before. It is expected that in the next decade, smartphones will begin to rival debit / credit card as a major payment method.

Mobile payment is a very powerful tool for retailers as data could be collected from apps to offer a more personalised experience in-store. Bluetooth Low Energy (BTLE) technology is increasingly used to target consumers with tailored promotions and ads while shopping in brick-and-mortar stores, helping to drive conversion.

Checklist:

- Consumers can pay and check out on their own device
- Trial new payment methods

33%

A white icon consisting of three concentric curved lines, representing a wireless signal or NFC technology, positioned to the right of the '33%' text.

of consumers said they wanted the ability to pay using a digital format in the future.



Conversion

With increased integration across multiple channels, businesses may need to change the methods and metrics they use for evaluating digital influence and performance.

Checklist:

- Encourage and reward cross-channel collaboration with management and staff targets / bonuses
- Accurately reflect the influence of digital in-store in management reports

Digital can have a significant and positive impact across four key performance indicators that we have identified:

Traffic – Consumers that engage digitally account for more than three quarters of store visits. Therefore increased integration between online and offline models should encourage consumers to visit retail stores more often, driving online traffic, as well as footfall.

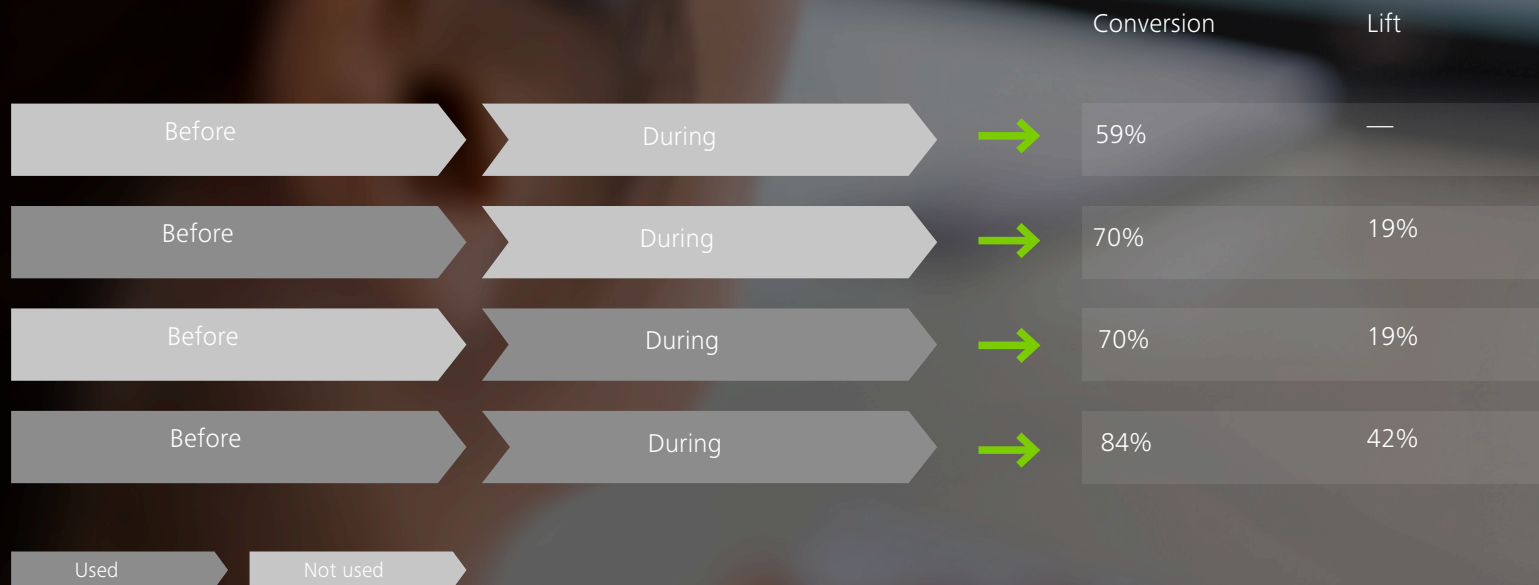
Conversion – Conversion is regularly used as the major KPI when considering e-commerce success. In fact, online cart abandonment is often seen as a failure. With the increased integration between online and in-store, more consumers are browsing online to inform their purchase in-store. Therefore conversion may actually decrease online while increasing in-store.

Order Value – Digital device usage as part of the shopping trip can lead to higher spending in-store with one in five consumers claiming that they spent more than they planned.

Loyalty – Consumers that use digital technology during their shopping trip are also more likely to return, with more than half of digital device users claiming they would definitely return to a store, 93% higher than those that did not use digital technology.

Key retail performance indicators and their impact on spending in-store

Digital's impact on conversion during the shopping process



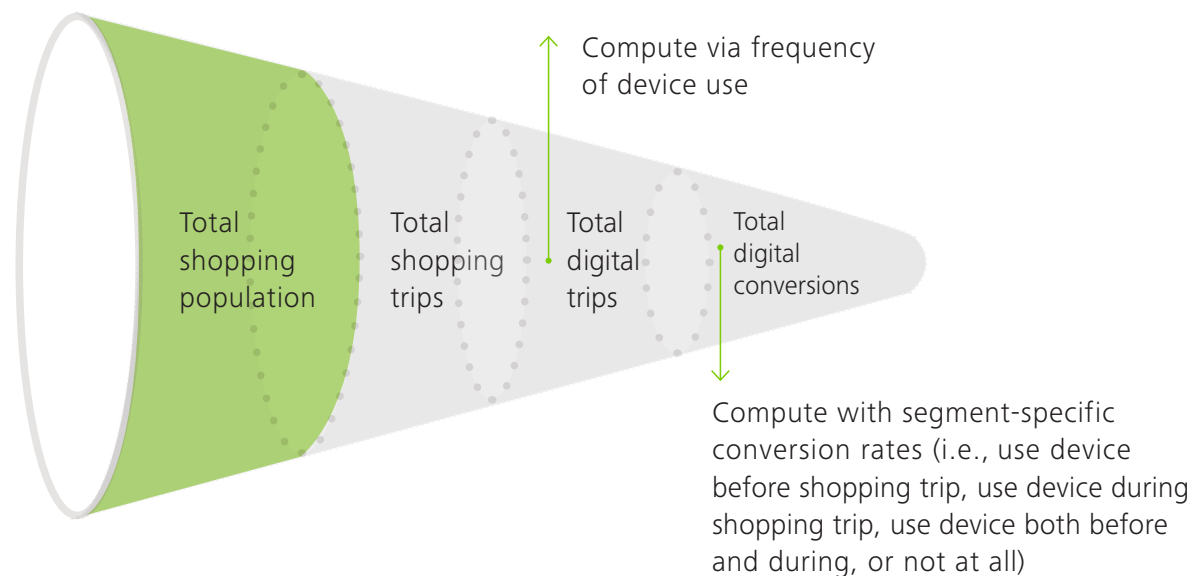
Methodology

The survey was commissioned by Deloitte LLP and conducted by an online research company in September 2014. The survey polled a nationally representative sample of 2,043 UK consumers.

Digital Influence Calculation

The digital influence factor was calculated using a proprietary methodology to arrive at the percentage of digitally-influenced conversions. Traffic for each store type was modelled statistically, then segmented into trips where digital devices were used either before the trip, during the trip, both before and during the trip, or not at all.

Segment-specific conversion rates were applied to arrive at digitally-influenced conversions. The aggregate digital influence factor is a weighted average by percent of total retail sales attributed to each store type.



Contacts



Ian Geddes
Head of UK Retail

igeddes@deloitte.co.uk
020 7303 6519
[@iandgeddes](https://www.linkedin.com/in/iandgeddes)



Colin Jeffrey
Director,
Deloitte Digital

cjeffrey@deloitte.co.uk
020 7007 0194
[uk.linkedin.com/in/
colinjeffrey](https://www.linkedin.com/in/colinjeffrey)



Ben Perkins
Head of Consumer
Business Research

bep Perkins@deloitte.co.uk
020 7007 2207
[@BenRPerkins](https://www.linkedin.com/in/benperkins)



Emily Ronson
Consultant,
Deloitte Digital

eronson@deloitte.co.uk
020 7007 3861
[linkedin.com/in/emilyronson](https://www.linkedin.com/in/emilyronson)

For more information
please visit:
www.deloittedigital.com/eu
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