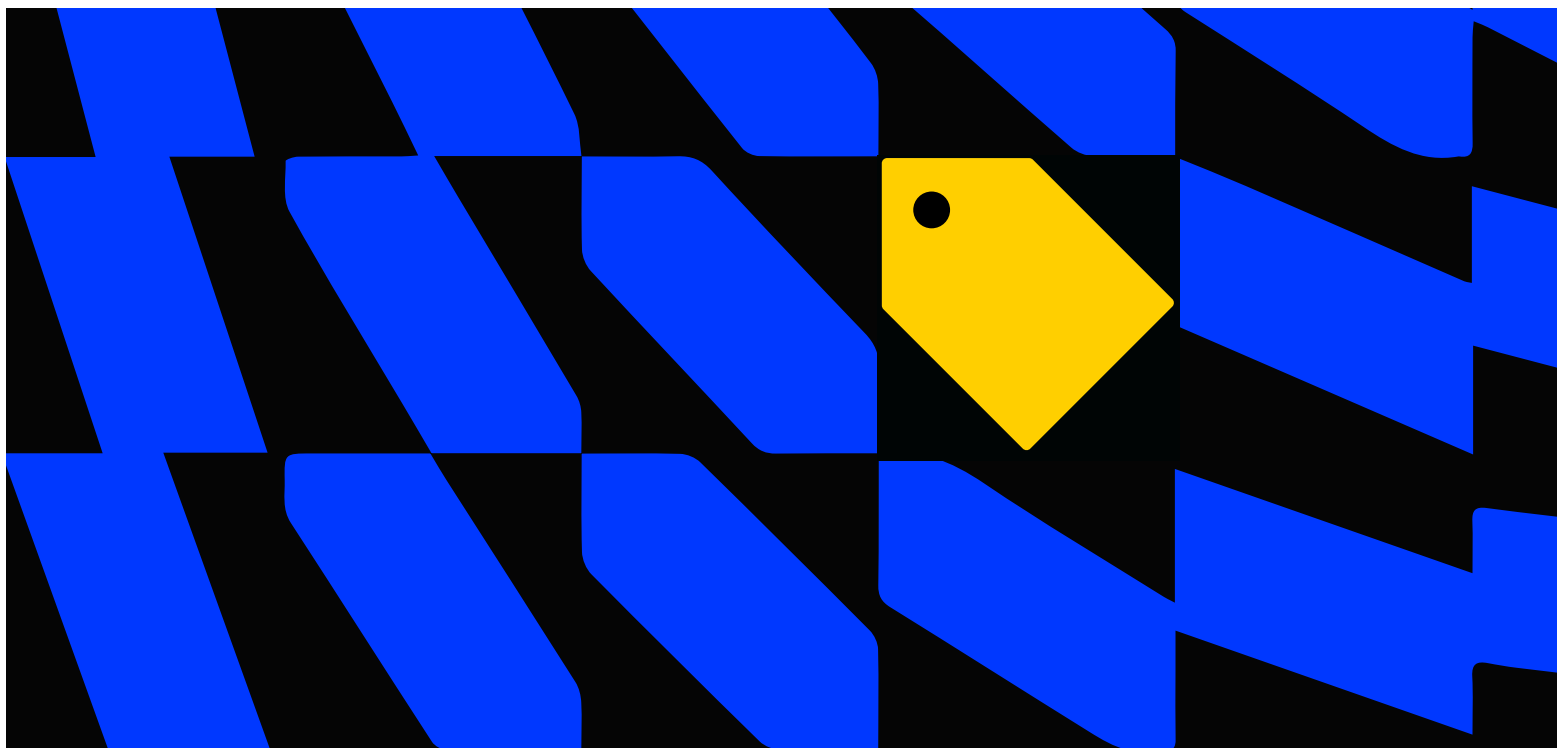
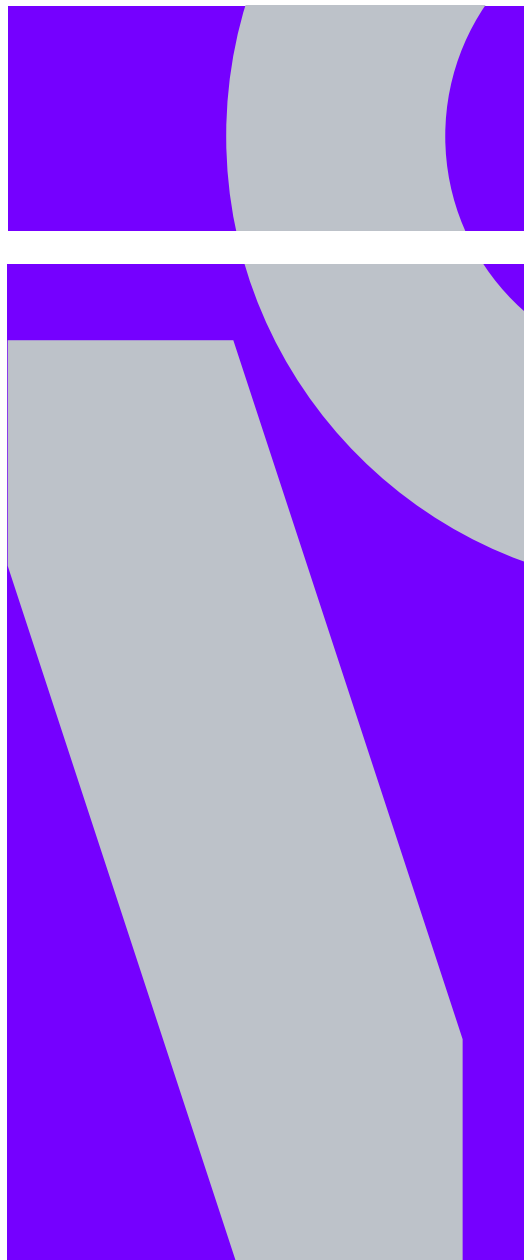


An Optimizely Survey

Retail is digital first. Are you?



Why today's retail business must embrace digital experimentation for the benefit of their customers (and their own growth).

↓ Insight

Growth in retail is coming predominantly from e-commerce ([Deloitte](#)). New engagement and transactional channels are making a digital-first strategy critical to the future of retail business. What's more digital retail is being dominated by the dual forces of emerging disruptors, digital natives, and the global digital dominators. This puts pressure on the whole market to accelerate an improved digital experience.

There is a correlation between the global digital dominator brands being in the position they are, and their relationship with experimentation. As a recent [Accenture](#) report noted: "Successful businesses like Netflix and Amazon are experimenting constantly on their digital experiences. Not only that, they are also experimenting through all veins of their operations – from their brand value propositions to their supply chains." This cultural affiliation to experimentation is a profound influencing factor in how they capitalise on the digital economy.

Success in e-commerce is not, however, determined by membership of the digital native or dominator tribe. It's determined by smart, data-led strategy and a willingness to experiment. Just look at the way HP has innovated within both its B2B and B2C e-commerce organizations. From ideation through prioritization, development, execution, and post-campaign analysis, HP's focus on experimentation has seen them run almost 500 campaigns that have together driven an incremental \$21 million in revenue.

Data is enabling brands to redefine their buying preference through personal, emotional connection. The personalization of the retail experience is critical to consumers - and so experimentation can service to help brands act in a way that's 'customer-first'. [KPMG](#) has asserted this in its Retail Trends 2019 report, which states: "In 2019 we will see retailers tap into real time behavioral data to understand consumers on an emotional level and take analytics technologies to the next level." But how do you keep your digital strategy dynamic when the pace of change is so fast?

01

Experimentation is the only option

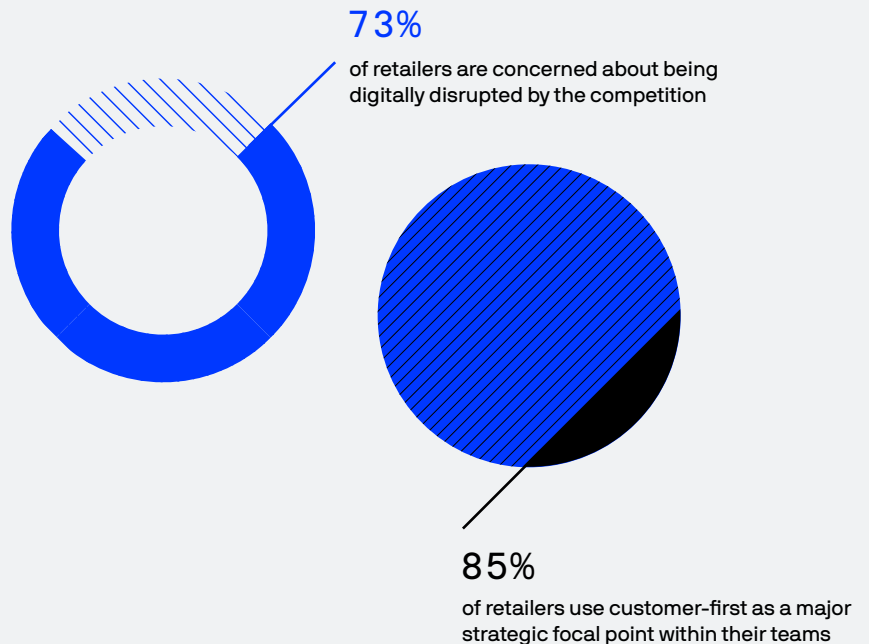
A third more retail businesses avoid 'fail & learn' compared to other sectors

Many businesses mistakenly adopt the mantra 'failure is not an option.' The irony is that in a digital-first world, this mindset prevents retailers from trying new things, and that's actually what leads to business decline. The vast majority (73%) of retailers are concerned about being digitally disrupted by the competition. Even more are becoming obsessed with a customer-first approach; 85% of retailers use customer-first as a major strategic focal point within their teams. In this context, creating the right e-commerce experience for your customers is totally non-negotiable.



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What is experimentation?

Experimentation is a key driver of effective, personalized digital engagement with your customers. It allows you to gain the reliable insight you need to continually fine tune every aspect of the customer journey. Many businesses operate on the basis of instinct - and this has its place - but when you apply hard data to the mix you can consistently deploy compelling experiences, maintain a competitive advantage and maximize ROI.



Whether it's pricing structures, promotions, product messaging or minimization of returns, experimentation allows you to explore meaningful touch points with your customers - and to make them more effective.

Experimentation lies at the core of creating these optimized digital experiences for customers. And this doesn't mean characterizing the customer experience with random and disconnected points of engagement. Quite the opposite. Whether it's pricing structures, promotions, product messaging or minimization of returns, experimentation allows you to explore meaningful touch points with your customers - and to make them more effective.

→ **87%** recognize that digital experimentation is important to transforming the digital customer experience.

88% of retailers believe experimentation will play an important role in keeping businesses competitive in the next 3 years

On paper at least, retailers understand the need for experimentation; 87% recognize that digital experimentation is important to transforming the digital customer experience. In fact digital experimentation is seen as the second most important driver of business growth in the next 3 years. No less than 88% of retailers believe experimentation will play an important role in keeping businesses competitive in the next 3 years. There's a good reason for this.

02

Experimentation has direct commercial impact

Retail customers are getting a worse experience because retailers are not invested in digital experimentation

Where digital experimentation is deployed, it has meaningful impact. Take a firm such as the UK's Evans Cycles. Founded in 1921, and with a 60 store presence, Evans Cycles wanted to take on a digital leadership position. Through a data-led experimentation strategy, the company has enabled its ecommerce business to make simple changes that lead to big outcomes - such as a 49% basket uplift and associated 4.3% increase in revenue. All this came through a simple amendment to the checkout process - the clear signalling of putting digital strategy at the forefront of growth.



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And Evans Cycles is far from being alone in this success. Digital experimentation has increased revenue by up to 9% in almost half (47%) of retail businesses. Perhaps unsurprisingly, retailers (31%) have benefited from experimentation delivering 10-14% revenue increase more than in any other vertical sector bar utilities (32%). Given the easy accessibility of experimentation as part of a digital strategy, that sort of revenue increase is low hanging fruit for many businesses. They just need to take the next step.

→ **47%** in almost half (47%) of retail businesses, digital experimentation has increased

31% retailers (31%) have benefited from experimentation delivering 10-14% revenue increase

99%

Through a series of two week long experiments Rocksbox increased its conversion rate by 99%.



There's also a lot to be learned from organizations that are seamlessly integrating experimentation into their strategy. In fact, established retailers could learn a lot from digital disrupters like Rocksbox. The San Francisco based online jewelry store enhanced its positioning and member experience - driven by experimentation - to build relationships with prospective customers and educate them about the how-tos of a fundamentally new shopping model. Through a series of two week long experiments Rocksbox increased its conversion rate by 99%. Retailers echoing these sort of success rates can make profound contributions to both the customer experience and associated business metrics such as average order value and topline revenue generation.

03

Retailers need to experiment

Retailers are trailing the industry average for acceptance of digital experimentation strategies. They should be leading!

The risk for retailers today is that if they allow themselves to get too far behind the curve, by avoiding the critical learnings inherent with experimentation, they could become undesirable or even irrelevant to your customers. In fact, 60% of retailers believe their lack of experimentation negatively impacts the customer experience.

And yet when it's time to deploy an experimentation-led strategy, retailers are still shying away. The benchmark across all industries for a positive response to experimentation-led strategies is 82%. Amongst retailers only 77% react positively. It's arguable that retail should be the leader in the charge towards experimentation, with the multiple touchpoint and numerous transactions offering rich ground for an optimized experience. Not only are retailers 5% behind the all-sector average, they're a full 15% behind the leaders - financial services.

Retailers are still shying away from deploying an experimentation-led strategy.



More worryingly still, 52% of retailers agree that their company culture stifles experimentation. They're missing out on the small moment-in-time learnings that are key to avoiding catastrophic misses in your customer experience. Perhaps that's why 49% of retailers say that their business is struggling to meet customer demand for digital experiences. They know they need to move forward but they're not ready to take all the steps required. For customers, digital experience isn't just a moment in time. As they go through the buyer journey from multiple entry points, and on multiple occasions, experimentation enables the kind of personalization that creates a truly user-centric digital experiences.

49% of retailers say that their business is struggling to meet customer demand for digital experiences



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To shine some light on the relationship between meeting customer demand and experimentation, you just need to look at a firm like KLM, which has evolved to recognize the importance of digital within the competitive airline marketplace. While some firms operate to a minimum viable product, KLM wanted to focus on the minimum *lovable* product. Through the integration of data strategy and experimentation, the firm has been able to evolve the usability its digital products. This has played an important role in product optimization.

04

So what's stopping experimentation in retail?

Retailers are over 10% more likely to be scared to talk about changing their organizational culture

There is no single answer as to why retailers are struggling with their reticence to experiment. Instead it's a mixture of culture, bandwidth and organizational structures. Once again this tension exists between a belief in experimentation, and a lack of commitment to capitalizing on its benefits. Despite 88% of retailers saying that their organization's employees are capable of delivering a constant flow of new ideas focused on improving the digital customer experience, most are not actually doing it. So why is this?

All or nothing

The retail sector seems stuck in a model of all-or-nothing experimentation, with 68% (compared to a sector-wide average of 61%) prioritizing large disruptive experimentation over continual learning. This means retailers are locked in a negative cycle of 'learn occasionally' - rather than the more empowering 'learn often' approach.

Dodging change

A worryingly high 53% of retailers agree that their businesses is slow to implement new approaches to work. They're simply not ready to do things different, even though their customers are.

Lack of bandwidth

36% say that team members don't have the time to focus on developing new ideas. The skills may exist, but there's no room in the working day to deploy them.

Not an option

'Failure is not an option' for more than one quarter (27%) of retailers - strikingly high compared to the average of 20% across all sectors.

Stifling Hierarchies

33% say that organizational structures make it too difficult to turn an idea into reality. The business is just not modelled around idea generation and execution.

Internal barriers

say siloes cause issues, as responsibility for delivering new ideas is kept locked in one part of the team. If businesses are not set up to share ideas and experiment, they'll struggle to adapt to the shifting retail landscape.



Once again this tension exists between a belief in experimentation, and a lack of commitment to capitalizing on its benefits.

In general it seems the culture of working towards more dynamic digital experiences for customers has simply not been fully embraced in the sector.

05

What can retailers do?

Retailers are 11% more likely to prioritize large, disruptive experiments, over continuous smaller experiments

The time for change is now. Retail currently lags the cross-industry benchmark in all timelines for the adoption of digital experimentation. Fewer retailers see themselves adopting digital experimentation within a year (20% vs 22% across sectors). Equally, retailers (26%) exceed the benchmark (18%) of organizations that will take more than three years or never adopt digital experimentation.

So what are the key learnings from the data in terms of how retail businesses can accelerate their customer-first experiences through the use of digital experimentation?



Retail currently lags the cross-industry benchmark in all timelines for the adoption of digital experimentation.

Clarify your digital goals

Get clarity on your organization's digital goals. 48% of retailers agree that the term digital transformation causes confusion within their business - and yet it's meant to be an enabler for you and your customers.

Be honest about customer-centricity

For all the narratives about customer-first business that may prevail within the sector, 52% agree that customer centricity is not focused on enough within their organization. It's critical that retailers set out real, measurable and attainable standards for the user experience. And then experiment their way to delivering it.

Experiment often

retailers need to adopt a greater frequency of experimentation that will allow them to test, learn and deploy winning digital experiences.

Nurture departmental collaboration

Retailers are progressive when it comes to their thinking about the need to work across departments for the benefit of their customers. 83% believe the customer experience would benefit if product, marketing and IT/engineering teams worked together more closely - compared to the all sector benchmark of 79%.

Capitalize on your resources

Retailers are confident that they currently have the technical skills within the organization to embrace a culture of experimentation successfully, 31% are completely confident in this. This is positive - now it's time to use those skills!

A decorative purple line graphic that starts as a horizontal line, then goes up and right, then right and down, then down and left, and finally left and up to enclose the number 06.

06

Summary

As retailers battle to win at delivering an exceptional customer experience, they're still not using the full digital armory available to them. E-commerce strategies that are not led by a smart, data-centric approach, and backed by regular experimentation, just don't cut it. They can't give the customer what they need, because they're not adapting to the shifting nature of demand. On its current trajectory the retail sector will soon fall behind the more progressive experiences being offered by other sectors such as financial services. And unless they can adapt fast, many retail businesses will quickly lose ground to the digital natives and global digital dominators.

Retailers should be leaders in the delivery of an evolving customer experience. Today they are not - but the good news is that using experimentation they can learn fast and often. With the right approach to experimentation retailers can win the low hanging fruit of revenue growth, and build more impactful engagements with their audiences.

Learn More

Learn more about how you can use experimentation to drive revenue increases across your business by visiting www.optimizely.com