



IGNITION ONE[®]

RETAIL INSIGHTS:

**CONNECTING WITH
TODAY'S CONSUMER**

IGNITION ONE®

IgnitionOne introduces **RETAIL INSIGHTS**, a new series examining the dynamic changes at retail encompassing online and offline consumer habits and emerging trends.



Let us know if there is a particular topic you want us to cover.

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HERE'S WHAT YOU'LL FIND IN

RETAIL INSIGHTS: CONNECTING WITH TODAY'S CONSUMER

POINT OF SALE

Retail is evolving. Retail is reinventing itself. Consumers of all ages still want to shop in-store, but they now expect their shopping trip to be an experience and not just a hollow transaction. While it often begins online with search, this search data is now driving retail decisions. A multitude of digital touch points fuses the online and offline worlds driving consumers to shop in-store. Here, we'll look at the continued importance of pop-up shops, online retailers opening brick & mortar locations, the emergence of augmented reality and virtual reality as part of the shopping experience, and the growing importance of click & collect.

WHAT DOES THIS FOR MEAN FOR RETAIL?

The brick & mortar location will not cease but it must dramatically transform, especially if retail plans to capture and sustain shoppers of all ages into the future.

GENERATION Z

Take a look at your kids, your nieces, nephews, cousins, your neighbors, the babysitter—this is Generation Z. This emerging demographic has already been shaped by the events of September 11th and the Great Recession making them hardworking, practical, and self-reliant. They are social media obsessed, yet value their online privacy, focusing on a tight-knit social circle. They are not millennials. And, great news: they want to shop brick & mortar.

WHAT DOES THIS FOR MEAN FOR RETAIL?

Gen Z expects frictionless, engaging experiences merging their online and offline worlds.

STORYTELLING

Great brands tell great stories across generations. In today's dynamic world, those stories are a flow of ideas between the brand and the consumer through various forms of content marketing both online and offline. An emerging way to tell the story is through personalized dialogue that is populated with the help of data. Sophisticated analytics provide valuable insights that facilitate a unique conversation based on the consumer's shopping behaviors.

WHAT DOES THIS FOR MEAN FOR RETAIL?

Engage with the consumers at every touchpoint possible. Engage them on social media and through personalized offers. Ask their opinion while testing concepts and ideas. Incorporate their feedback. Shoppers want their voice heard and appreciate the individualized attention.

POINT OF SALE



Retail will transform into a multi-generational, tech-based experience. Shopping is no longer a hollow transaction. It's now a 360° activation across key touchpoints merging in-store, online, and social channels. Gone are the days of an e-commerce sale versus an in-store sale. Today, it is simply a sale.

HERE'S WHY: 67% of Generation Z prefers to make their purchases in-store most of the time and the remaining 31% prefer to do it some of the time, according to the National Retail Federation (NRF). Keep in mind this statistic is reflective of the fact that this under-21 crowd lacks access to credit cards. But if brick & mortar retail can win this emerging demographic, it will be possible to keep them in-store at age 30, 40, 50, and older.

Overall, Americans of all ages still shop brick & mortar. In 2016, U.S. retail sales approached \$5 trillion in value. The vast majority of that occurred inside a brick & mortar store. In fact, eMarketer estimates that by 2019, **9.8% of U.S. retail sales will be transacted over the Internet.**



AVERAGE TIME AND MONEY SPENT ANNUALLY BY AGE GROUP

GEN Z
spent nearly
600 HOURS online,
spending **\$1,266.65**

MILLENNIALS
spent about
1,100 HOURS online,
spending **\$1,999.98**

GEN X
spent a little less than
1,100 HOURS online,
spending **\$1,933.31**

Younger & Older
BOOMERS spent about
900 HOURS online,
spending **\$1,666.65** and
\$1,633.32 respectively

Source: Forrester's North American Consumer Technologies Online Benchmark Survey/Business Intelligence based on 2013 data



One of the components behind this stat is that shopping remains a social pastime across all demographics.

People of all ages love to go out and discover something new and share that experience with their social circle.

In fact, 80% of Gen Z, 82% of Millennials, 69% of Gen X, and 65% of Baby Boomers say that having a physical store is important, according to iModerate's Marketplace Insights.

According to that study, when shopping in-store, Gen Z seeks reassurance and trust through contact and connections. Millennials seek efficiency and quality. Gen X is looking for escape and new discoveries. Boomers are seeking comfort and space. It will be up to retailers to connect with customers online, stay top-of-mind, and reinforce the attributes that each segment is seeking so brick & mortar can continue to thrive in the future.

80% GEN Z
82% MILLENNIALS
69% GEN X
65% BOOMERS

↓
SAY THAT HAVING A PHYSICAL
STORE IS IMPORTANT



Source: iModerate's Marketplace Insights

EXPERIENTIAL SHOPPING:

As IgnitionOne analyzes retail trends, we'll look at all the ways consumers are spending—online and offline—and the strategic ways that brands are engaging consumers and motivating purchases.

NORDSTROM

In 2014, Nordstrom named Olivia Kim as its director of creative projects. She devised the PopIn@Nordstrom series. These are themed, monthly shop-in-shops that she curates to live in select stores and online.

- + Gwyneth Paltrow's goop brand (late May to late June): Goop-branded products were for sale as were curated products reflecting goop's brand ethos.
- + Get Wired (late June to late August): Featuring drones, cameras, smart homes, gadgets, and more.
- + Previous themes included road trips, France, community, and poolside glamour. The retailer worked with Nike, Topshop/Topman, Poketo, Aesop, Opening Ceremony, and others.

Find it under **#NordstromPop** and get inspired!

BLOOMINGDALE'S

Bloomingdale's is welcoming shoppers to its Glowhaus beauty boutique in its New York and California locations, with more shop-in-shop outposts expected in 2018.

Glowhaus will offer hundreds of beauty products and each one will be less than \$100. Sales associates will be brand agnostic, making this section of Bloomingdale's akin to Sephora or Ulta, focusing on high turnover, trending items. This allows shoppers to try items in a pressure-free environment as they mix and match brands. And, there will be a "Grab and Glow" section dedicated to novelty beauty items.

A key piece in targeting consumers to shop Glowhaus will be shoppable Instagram stories. Consumers will be able to tap through a Glowhaus/Bloomingdale's Instagram story, which will take them to a page where they can shop those items immediately.

In addition, the in-store experience invites shoppers to try beauty products and see how they look from all angles using suspended mirrors for a complete view.

NIKE

Nike's 55,000-square foot, five-level retail experience in New York City's SoHo district allows shoppers to test products in a real sports environment. Play on the indoor basketball court, jog on the treadmill, run on the 400-square-foot synthetic turf soccer field. The store features exclusives, collaborations with local designers, and shop-in-store with ship-to-home options. The Nike+ app offers an additional level of integration for purchases, tracking visits, and more.

WHAT DOES THIS MEAN FOR RETAIL?

Consumers want to shop in-store, but retailers must give them a reason to be there. Create ever-changing experiences to engage and excite. Some experiences will require a heavy investment in technology, while others might be as simple as an in-store appearance by a designer or limited-time brand collaboration between two strategic brands.

ADDITIONALLY, incorporating the **use of geo-targeting** allows retailers to convert real consumers in real time. Retailers can utilize geo-targeting to not only reach those in the vicinity of a brick & mortar location, but to reach those who have recently shopped. Use it to connect with shoppers when you have a new location or when you need to reach consumers at specific times of the year such as back-to-school. It can also help target hyper-local consumers for a specific promotion.

POP-UP SHOPS:

It is believed that the first pop-up shop was established by fashion label Comme des Garçons in Berlin in 2004. But it wasn't until the Great Recession that the concept hit a tipping point in New York City. The 2008 financial crisis left countless storefronts in New York City vacant and realtors needed a creative way to fill space.

The idea behind the pop-up shop was to surround a brand in buzz while luring consumers in to shop with immediacy. But it was also a chance for a brand to test a neighborhood, a concept, or a specific market. It proved to be a win on both sides and now pop-up shops are often a key component of a brand's marketing plan.

PopUp Republic, a service provider for the pop-up industry, estimates that pop-up shops comprise **\$50 BILLION of annual U.S. retail sales**, which totals about \$5 trillion.

TOP FIVE REASONS CONSUMERS VISIT A POP-UP INCLUDE:



Source: PopUp Republic Survey

There is perhaps no better way to demonstrate the above attributes than shopping in The Hamptons this past summer. As affluent consumers flock to this seaside community every summer, brands literally follow the money.

HERE ARE A FEW NOTABLES:

- + JIMMY CHOO OPENED ITS FIRST-EVER POP-UP SHOP IN EAST HAMPTON.
- + ONLINE RETAILER AYR, LAUNCHED ITS SECOND POP-UP LOCATION IN SAG HARBOR. IT CURRENTLY HAS A POP-UP ON LAFAYETTE STREET IN SOHO.
- + GWYNETH PALTROW'S LIFESTYLE BRAND GOOP HOSTED A POP-UP LOCATION INSIDE OF A HOME ON AMAGANSETT'S MAIN STREET.

Source: Douglas Elliman's Retail Group; comprehensive list of the 2017 season's pop-up shops

WHAT DOES THIS MEAN FOR RETAIL?

When partnering with brands, incorporate pop-ups into a marketing plan. Nurture a "got-to-have-it-now" impression for your brand and products. Consumers thrive on the fun of the immediacy and the discovery. Leverage 1st party data and geo-targeted promotions to bring in customers to your pop-up.

POINT OF SALE

THE INFLUENCER EFFECT: CONNECT WITH FANS

Pop-up shops are also being utilized by celebrities, athletes, and musicians as a way to connect with fans and further their own product lines. It's also a win for the retail partner and the ideal time to implement geo-targeting to reel in a customer base. **HERE ARE TWO EXAMPLES:**

Basketball star Dwyane Wade and his wife, actress Gabrielle Union launched D&G: A His & Hers Pop-Up Fancy Experience in February 2017 in New Orleans during the NBA All-Star Weekend. In collaboration with Fancy.com, the couple presented a curated collection of favorite brands such as Edie Parker, Invicta Watches, and Bumpboxx along with pieces from their own lines. Wade's Li-Ning Way of Wade 5 All-Star shoe launched exclusively at the pop-up.

Electronic musicians Daft Punk opened a Los Angeles pop-up shop for nine days in February 2017. Announced via Facebook and Instagram, the shop was hosted by Maxfield Gallery in West Hollywood and sold branded merchandise.



POINT OF SALE



CLICKS TO BRICKS:

Online-only retailers know that a physical location offers them more customers—a lot more customers. In 2015, e-commerce accounted for just 7.1% of all retail sales in the U.S., according to eMarketer. By 2019, eMarketer estimates that **9.8% of U.S. retail sales will be transacted over the Internet**. This means there is still tremendous room for sales growth online. It also means that brick & mortar is still a key component to selling any demographic in the U.S. As a result, many online-only retailers now have a brick & mortar outpost. The approach many are taking is to create a showroom atmosphere for consumers to try and buy. Consumers leave the store hands free as their purchases are shipped home.

WHAT DOES THIS MEAN FOR RETAIL?

While online shopping offers convenience, there's still countless reasons to shop in-store. Many consumers want to try before they buy. Turn "showrooming" into a positive experience for retail as consumers browse in-store, place their online order while in-store, and leave hands free thanks to ship-to-home services.

HERE ARE SOME KEY EXAMPLES:

+ **AMAZON.COM** opened a retail location in Seattle in 2015. Their first location outside of a mall opened in Chicago in spring 2017 along with their first location in New York City's Time Warner Center. There are additional Amazon pop-up shops in 16 states where consumers can purchase Amazon's devices (Echo, Fire TV, Fire Tablets, and Kindle), speak with experts, learn about Amazon services (Prime, Kindle Unlimited, Amazon FreeTime Unlimited, and Original Series) and, of course, shop. In addition to generating sales, these locations also allow Amazon to study consumer patterns.

Amazon's in-store displays are akin to the internet coming to life. Books are displayed with the cover facing out along with its rating by Amazon users. Local authors specific to each region of the country are highlighted in their respective store. Amazon app users can scan book covers for more information and to make a purchase.

+ **WARBY PARKER**, which launched online in 2010, changed the eyeglass industry by selling directly to the consumer at a much lower cost. In 2013, they opened a location on Greene Street in New York City and they now have locations in 24 states with seven locations in Manhattan. Shoppers walk out hands free thanks to ship-to-home service.

+ **BONOBOS**, the high-end men's clothing retailer, started life online in 2007. In 2012, they opened a Guideshop so customers can try the clothes on prior to purchasing. The order is expedited in-store and shipped home for a better customer experience. The retailer now has locations in 15 states. In June 2017, it was acquired by Walmart for \$310 million. The brand becomes part of Walmart's Jet.com acquisition.

+ **ELOQUII**, an online-only, plus-size retailer, opened a pop-up shop for three months earlier in 2017 in Fashion Centre Pentagon City, in Washington D.C. This city was chosen because of strong online sales from the surrounding area, according to the company.

+ Let's not forget **APPLE**. Apple opened its first location in May 2001 at Tysons Corner Center in Virginia. Apple is a pioneer in experiential shopping. Their locations now offer product support, classes, mini camps for kids, events, and, of course they also sell merchandise and accessories. Today there are almost 500 stores in 19 countries.

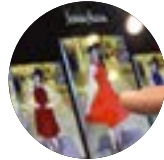
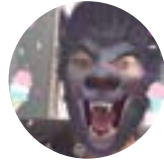
ENHANCING REALITY:

Have you vomited rainbows on SnapChat? Turned yourself into a werewolf on Facebook? The filters that make this all possible are augmented reality. It's what turns users into dogs, allows it to snow on a hot summer day, and makes it possible for you to have ice cream cones floating around your head.

On a more sophisticated note, have you tried the Memory Mirror at Neiman Marcus? Created in partnership with MemoMi, it allows shoppers to record themselves in a new outfit or trying on eyewear or makeup, download the video and share it on social media. The technology was integrated into the Le Métier de Beauté counters in select locations with plans to expand it to most Neiman Marcus locations later this year.

That's engagement with augmented reality and its use as a shopping tool, especially for mobile apps, will skyrocket within the next few years.

Source: <http://www.retaildive.com/news/how-neiman-marcus-is-turning-technology-innovation-into-a-core-value/436590/>



Augmented reality has no barrier to entry for the consumer and that's what makes it so appealing for so many industries. The beauty industry is among the first to really embrace the technology. Just this summer, augmented reality company ModiFace partnered with Estée Lauder for the launch of a lipstick chatbot for use on Facebook Messenger. It will help guide consumers to their perfect shade. Sephora just upgraded its app to Sephora Virtual

Artist allowing users to scan their face and virtually try on makeup at home using ModiFace AR technology. ModiFace says it has 200 custom AR apps for 80 partners and 75% of them are the top 100 beauty brands. Also possible from ModiFace is the application of virtual makeup on live videos conducted in real time on Facebook Live and YouTube Live.

WHAT DOES THIS MEAN FOR RETAIL?

Augmented reality and virtual reality may require a heavy investment on the part of retail and partnering brands. It may require further investment in training for in-store associates. But it's this type of approach that will engage consumers, especially Gen Z, inside brick & mortar.

Apple introduced ARKit in June allowing users to create AR experiences with their iPhone and iPad. Apple says, "users can blend digital objects and information with the environment around you. ARKit takes apps beyond the screen, freeing them to interact with the real world in entirely new ways."

There are now more than 90 MILLION IPHONES and approximately 80 MILLION IPADS in use in the U.S., according to Statista. The AR potential is now boundless.

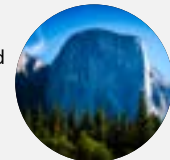


As AR reaches a tipping point for mobile, in-home virtual reality has been slower to take hold with consumers. There are two reasons for this. The cost of the headset and accompanying devices remains high for in-home use. When in public, most people are reluctant to wear a headset that closes them off from their surroundings and potentially makes them appear silly. Despite those barriers, fashion brands are utilizing virtual reality to up the ante on in-store shopping experiences.



TOMS shoes, in partnership with Vrse, created TOMS Virtual Giving Trip. Shoppers can try on a VR headset and experience the lives of the children who are helped with a pair of TOMS shoes. This VR experience was featured in more than 30 global retail stores and in trunk shows at select retailers such as Nordstrom in 2015.

Similarly, in partnership with Jaunt, The North Face offered in-store VR experiences in 2015. Shoppers were able to get a taste of Yosemite National Park and Moab, Utah.



The potential for virtual reality will unfold initially for the home décor, hospitality, and auto industries. Virtually decorate your home with new furniture and try new paint colors. Benjamin Moore's Personal Color Viewer allows consumers to upload pictures of their home and virtually paint a variety of surfaces in the photo. Virtually sit on a Caribbean beach. Virtually test drive a vehicle. All these options will engage consumers.



CLICK & COLLECT:

Click & collect allows consumers to shop online and pick up their items in-store. Sometimes known as BOPUS or BOPIS (buy online, pick up in-store), it's growing in popularity with consumers for a number of reasons. Consumers are willing to travel to a retail destination to get their items faster. This will lead to additional in-store purchases by the consumer. It's an ideal option for those whose housing situation doesn't allow for deliveries. Consumers are also willing to do it to save money on a purchase and save money on shipping, especially on large electronics. Grocery will mostly like be the next frontier for click & collect. Currently, Stop & Shop's Peapod and ShopRite from Home are two services allowing consumers to shop online and pick up in-store. Amazon's nearly \$14 billion acquisition of Whole Foods also offers a number of opportunities in this segment.

CLICK & COLLECT HAS BEEN AROUND FOR ALMOST A DECADE AND IS RESONATING WITH EVERY DEMOGRAPHIC:

52% → OF CONSUMERS AGES 55-64

33% reported an excellent experience and said they would do it again

50% → OF THOSE AGES 45-54

58% reported a good experience meaning it was fairly convenient and the shopper would probably do it again, according to Internet Retailer

43% → OF AGES 18-24

Source: Internet Retailer, 2015 report

Amazon has an estimated **65 MILLION PRIME CUSTOMERS IN THE U.S.**

That is more than the number of households in the U.S. with a landline phone.

Source: Barron's Amazon's Trojan Horse, June 5, 2017

WHAT DOES THIS MEAN FOR RETAIL?

Click & Collect is the ideal way to bring in shoppers and then sweeten future deals. Once inside, they can be offered a discount for future purchases, gift with purchase, or other incentive on future orders.

Take a look at your kids, your nieces, nephews, cousins, your neighbors, the babysitter—
THIS IS GENERATION Z.

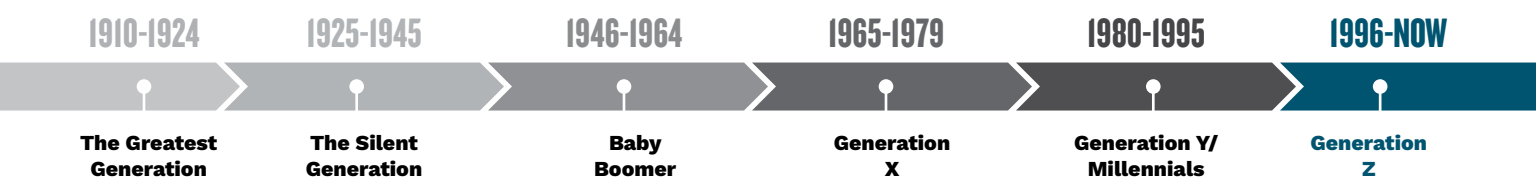
Born from approximately **1996** to the **PRESENT**, this group of Americans is currently under age 21 and sometimes referred to as iGen or Centennials. They are the children of Generation X and older Millennials. And, this group of Americans couldn't be more different from the much-talked-about and much-researched Millennial.



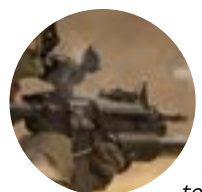
SNAPSHOT GENERATION Z:

67% PREFER TO MAKE THEIR PURCHASES INSIDE OF A BRICK & MORTAR RETAILER

Source: NRF Global Retail & Technology Report



IN FACT, DESPITE THEIR DIGITAL NATIVE STATUS, THEIR COLLECTIVE CHARACTERISTICS CLOSELY MIRROR THAT OF THE SILENT GENERATION (THOSE BORN IN THE MID-1920S TO MID-1940S). THAT MEANS THIS EMERGING DEMOGRAPHIC OF KIDS HAVE A LOT IN COMMON WITH THEIR GRANDPARENTS AND THEIR GREAT-GRANDPARENTS. THE TIES THAT BIND THESE TWO VASTLY DIFFERENT GENERATIONS OF AMERICANS ARE WAR AND ECONOMIC HARDSHIP.



Generational experts agree that the moment that defines this generation are the terror attacks of September 11, 2001. For this group, that day is simply a piece of history. They do not know what life was like before 9/11. The U.S. has been at war for the entire life of most Gen Z.



On the economic front, Gen Z's parents and extended family have just recovered or have yet to recover from the Great Recession. Older Gen Z may have siblings who are classified as young Millennials who, despite graduating from college, suffered setbacks in launching a career and may still be living with parents and saddled with student-loan debt.



This paints an emerging picture of a generation who is cautious, practical, self-aware, self-reliant, and hardworking. Gen Z was approximately 19% of the U.S. population (about 61 million people) in 2015 and their numbers are expected to rise to 25% in 2020. Keep in mind this is an emerging generation, many aren't even born yet!

FRICTIONLESS SHOPPING EXPERIENCE:

Born into a household with on-demand programming and Amazon Prime membership, this generation is impatient and expects a "Frictionless Experience" in all they do. This mindset is also the result of Gen Z moving seamlessly between virtual and physical worlds. Yet despite their connection to technology, 67% of Gen Z has reported that they prefer to make their purchases inside a brick & mortar retailer**. This may be partly based on the fact that this age group lacks access to a credit card to facilitate online orders. Shopping in a store remains a social outing for Gen Z as it did for their Gen X parents. The difference now is this current generation often likes to shop local, seeking out what is fresh, new, and different in a town center or urban setting rather than using the mall as their destination of choice. This generation enjoys low-price shopping sites such as Wish.com and Hollar.com. They want to stumble upon great brands and products via social media or unlock something special at an event.

FINANCES:

It is estimated that nearly **60%** of this generation receives a weekly allowance of approximately \$17*. Gen Z reports that 24% work part time, 22% make money online, 16% work for themselves and 9% work full time. It gives this group direct spending power of **\$44 billion****.

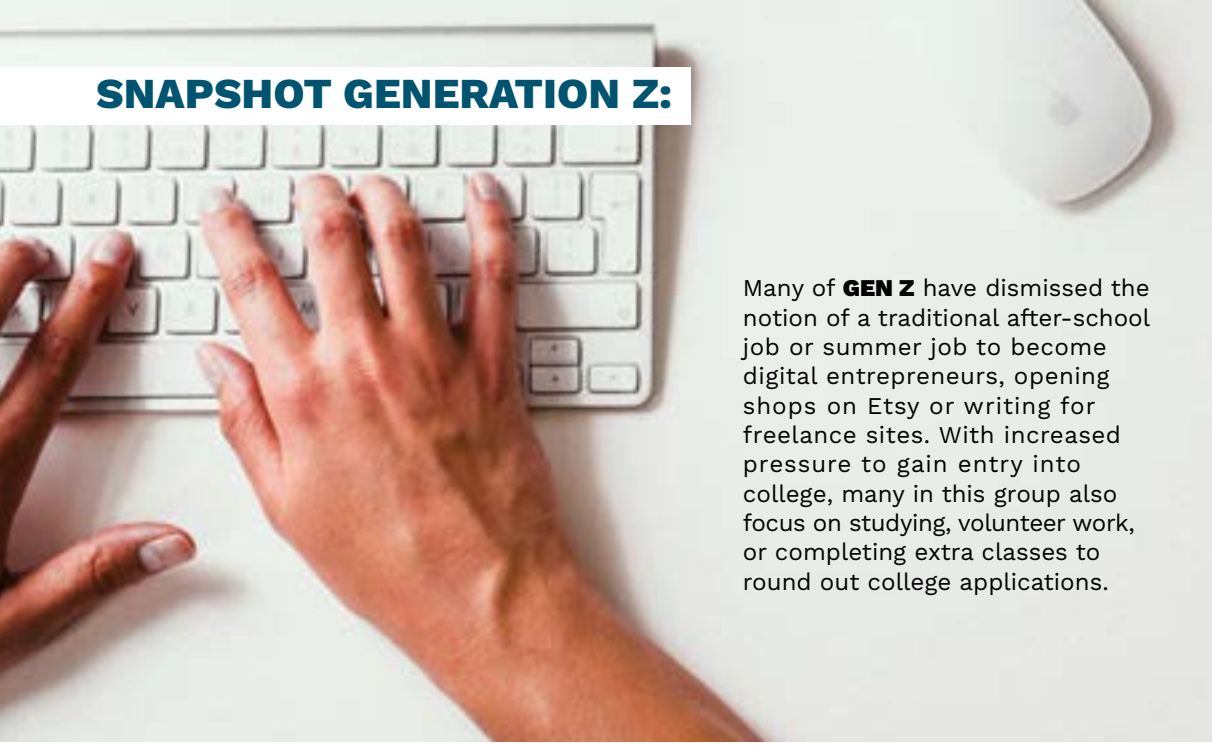
- WEEKLY ALLOWANCE **60%** →
- WORK PART-TIME **24%** →
- ONLINE REVENUE **22%** →
- SELF-EMPLOYED **16%** →
- WORK FULL-TIME **9%** →



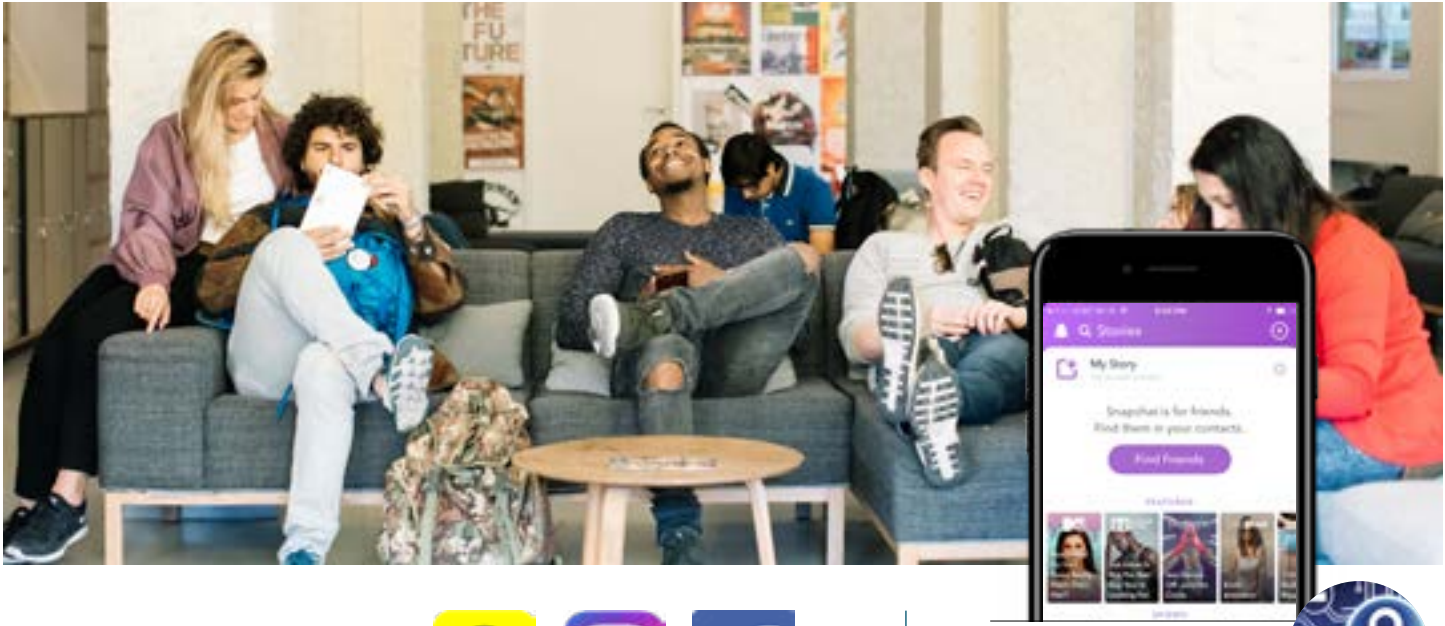
\$44 BILLION SPENDING POWER

*Source: Sparks & Honey Advertising Agency; Meet Generation Z ** Source: National Retail Federation

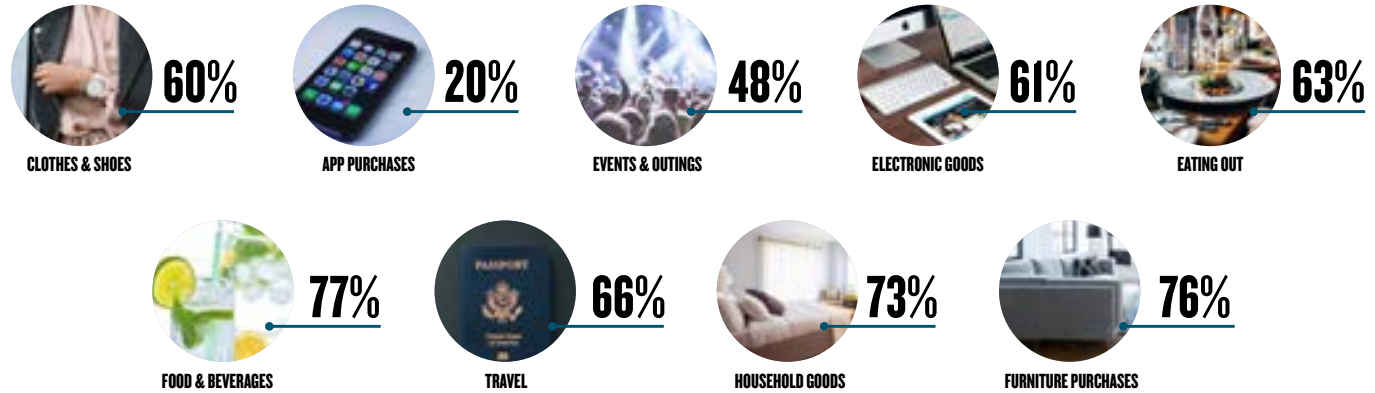
SNAPSHOT GENERATION Z:



Many of **GEN Z** have dismissed the notion of a traditional after-school job or summer job to become digital entrepreneurs, opening shops on Etsy or writing for freelance sites. With increased pressure to gain entry into college, many in this group also focus on studying, volunteer work, or completing extra classes to round out college applications.



IN ADDITION TO SPENDING THEIR OWN MONEY, IT IS ESTIMATED THAT THEY **HEAVILY INFLUENCE** THEIR **FAMILY'S SPENDING** WITH 60% OF GEN Z IMPACTING SPENDING ON **CLOTHES AND SHOES**. GEN Z ALSO IMPACTS 20% OF **APP PURCHASES**; 48% OF **EVENTS AND OUTINGS**; 61% OF **ELECTRONIC GOODS**; 63% OF **EATING OUT**; 77% OF **FOOD AND BEVERAGES**; 66% OF **TRAVEL**; 73% OF **HOUSEHOLD GOODS**; AND 76% OF **FURNITURE PURCHASES**.



Source: National Retail Federation

FRIENDS & SOCIAL MEDIA:



Gen Z focuses its time on three major social media platforms: Instagram, Snapchat, and Facebook. Instagram and Snapchat are used equally by 88% of Gen Z specifically for connecting with friends and family.

Gen Z expects retailers to have a social media presence with 60% of them reporting that they prefer to shop at a retailer that connects with them over social media. A reported 78% of Gen Z wants retailers to share new products via social media, 62% want access to promotions and coupons, 50% want to learn about new trends, and 46% want to learn about upcoming in-store events.

And, when it comes to shopping, Facebook still dominates engagement: 43% of Gen Z report using Facebook for product research, 40% use it for shopping ideas and inspiration, 43% using it for interacting with retailers and brands.

Gen Z also uses Instagram for shopping with 24% reporting that it's an ideal way to garner shopping ideas and inspiration. And, 20% reporting they use it to connect with brands and retailers.

Source: www.retailperceptions.com/wp-content/uploads/Retail_Perceptions_Report_2016_07.pdf



Many experts reported that while Gen Z is the heaviest user of social media across any age group, they are also fiercely protective of their privacy. They usually choose to share videos, images, and experiences with a select group of friends. This differs from older Millennial and Gen X users of Facebook, for example, who may have 1,000-plus "friends" in their network.

The message of Generation Z is connect, shop, and share with a tight-knit group of friends and family. It's how they operate both in the virtual and physical worlds.

GEN Z SOCIAL MEDIA USAGE BY GENDER:

INSTAGRAM: 51.9% male and 67.9% female
Facebook: 57.6% male and 47.7% female

Source: storage.googleapis.com/think/docs/its-lit.pdf
 Percentage based on Google/YouGov web-based, U.S.,
 PollingPoint panel: n=1,100 respondents age 13-17, June 2016.

GEN Z & FREE TIME:

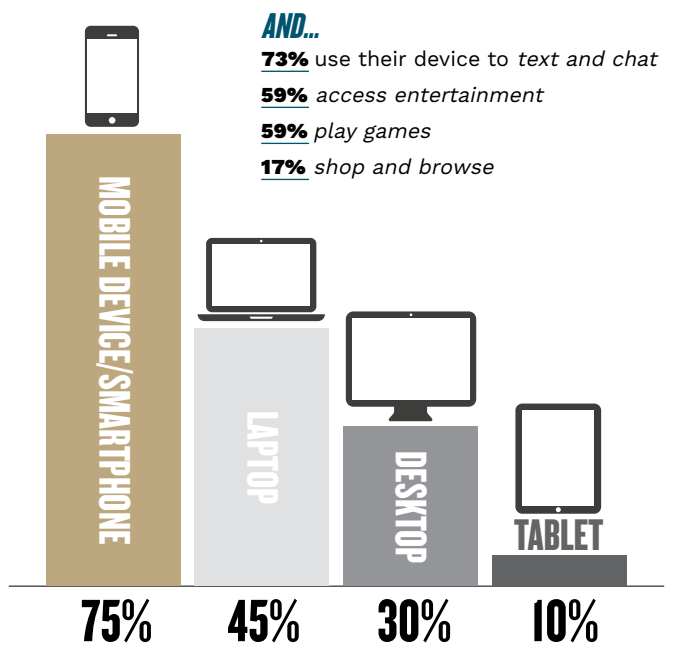
74%
SPEND THEIR
FREE TIME ONLINE



- 44%** → WATCH TV AND MOVIES, HANG OUT WITH FRIENDS, SPEND TIME WITH FAMILY
- 29%** → TRY TO EARN EXTRA MONEY
- 23%** → PARTICIPATE IN EXTRACURRICULAR ACTIVITIES

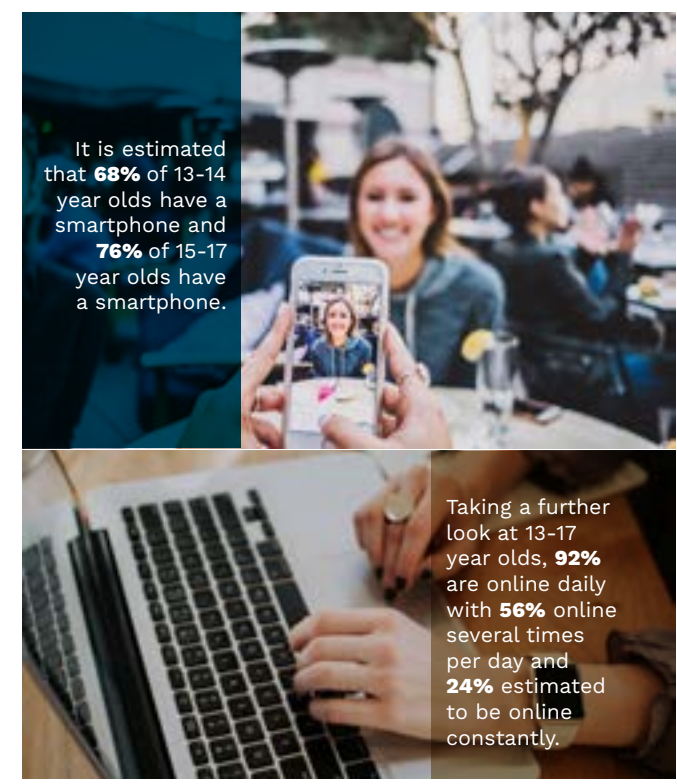
Source: National Retail Federation

GEN Z'S DEVICE OF CHOICE:



AND...
73% use their device to *text and chat*
59% access entertainment
59% play games
17% shop and browse

Source: National Retail Federation



It is estimated that **68%** of 13-14 year olds have a smartphone and **76%** of 15-17 year olds have a smartphone.

Taking a further look at 13-17 year olds, **92%** are online daily with **56%** online several times per day and **24%** estimated to be online constantly.

Source: National Retail Federation

CONNECT WITH GEN Z ON INSTAGRAM

As Gen Z lives on social media, it's imperative for brands to connect with them across multiple platforms. Instagram is key with nearly 70% of Gen Z females engaging with it on a daily basis and more than 50% of Gen Z males using it too.*

HERE IS A LOOK AT SUCCESSFUL CONNECTIONS WITH THIS EMERGING GENERATION ON INSTAGRAM.

+ ColourPop built their product development and marketing strategy on Instagram and recently announced they're distributing through Sephora too, according to the National Retail Federation. A recent video on their website, How to: Insta Baddie, shows a makeup artist giving a demo on how to achieve the look for Instagram. All the products used in the video are available for purchase accompanying the video. Also, tag a photo on Instagram with #COLOURPOPME for a chance to be featured in their gallery. These efforts turn their website into a resource and gallery rather than just a place to shop.

*Source: <https://storage.googleapis.com/think/docs/its-lit.pdf>. Instagram: 51.9% male and 67.9% female
 **Source: Immersive Youth Marketing <http://www.immersiveyouthmarketing.com/work/walt-disney-world>

+ Walt Disney World Parks & Resorts partnered with Immersive Youth Marketing's YouthVine in an effort to drive higher visitation intent to one of the six parks that comprise Walt Disney World among families with tweens (ages 9-13). YouthVine took a multi-pronged approach to develop a social channel voice, drive intent, create a content strategy, and more for Instagram and YouTube. Starting from scratch Disney was able to grow a Gen Z-focused Instagram account from zero to more than 238,000 followers in 18 months. The YouTube channel went from zero to more than 80,000 subscribers with 24 million views in that same timeframe.**

Additional brands cited by experts for positive connections on Instagram with Gen Z include Steve Madden, Nike, Adidas, Doritos, GoPro, and retailer Brandy Melville. Each of these brands has been able to connect by working with A-list celebrities and influencers, engaging consumers with contests that invite very active participation, staying value conscious, and using rich imagery on Instagram to craft a lifestyle.

WHAT DOES THIS MEAN FOR RETAIL?

Gen Z shops brick & mortar, but you'll need to wow them with in-store experiences. Capture them early and you'll keep them shopping in-store for decades to come as they move through all of life's stages. At the same time, we know they live on their devices. They are engaging with friends on social media, watching content, playing games, and shopping. Create a frictionless customer experience allowing them to exist in both worlds.



EVERYONE LOVES A GOOD STORY.

Stories are how we connect, experience, and remember. Great brands are a series of great stories. But, it's how brands share those stories that has evolved across generations.



In the 1950s, brands pushed stories and products into consumers' hands through television, radio, and print advertising. Decades later, with the emergence of social media, there was a shift. Consumers began to push back in the form of instant feedback—both positive and negative—and brands pulled in an effort to catch up at the speed of a hashtag. It is no longer a push-pull relationship. It's now a flow. It's a flow of stories helping brands plant a seed with a consumer and then watch as that relationship grows across channels and eventually into sales.

Content Marketing is that seed. Content Marketing brings forth a valuable message to a clearly defined audience with the intent of driving profitable consumer action.

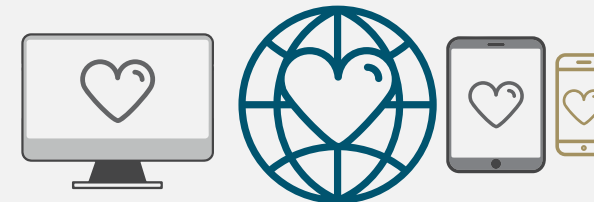
Content Marketing redefines today's buying cycle, which shows how consumers essentially walk through the four stages of shopping: Awareness, Research, Comparison, Purchase. The consumer becomes aware that they need something. Google defines this as the "Zero Moment of Truth" (ZMOT). It's that moment when you type something in and begin the search. Research is done online and friends and family are consulted. Additional online comparison shopping occurs and then the purchase happens.

Consumers are clearly spending most of their time and effort in the Research phase of the journey. In fact, they seem to dwell in it. Social media and native content keep them perpetually living in the research stage as they are bombarded with messaging and implied endorsements from celebrities and social influencers. This stage becomes critical as brands need to carefully craft their story and constantly—yet subtly—reinforce their message, and eventually leverage it to make a sale.

STORYTELLING REINFORCES YOUR BRAND VALUES

Dove's "Real Beauty" campaign continues to challenge society's perception of beauty and our outlook on aging. While they have empowered women with this campaign, they wanted to be sure they didn't lose notoriety with their male customers. Dove also has an extensive line of products for men. So, **Dove launched the "There to Care" campaign** celebrating the men in our lives: a dad, an uncle, a grandfather, a coach, a teacher.

One campaign segment features a video telling the story of a military dad serving in Afghanistan. He discusses how hard it is to be away from his wife and kids. As a surprise, Dove arranges for him to be reunited with his family. This reunion includes meeting his two-month-old son for the first time. This campaign was timed around Father's Day where Dove also announced that they are joining forces with Operation Homefront to reunite 300 service members with their families. There's no mention of Dove's products and there's no sales pitch. It's simply a wonderful way to connect with consumers on many levels. It celebrates men and fathers. It honors those serving in the military and the spouses on the home front. Each of these demographics are often overlooked. These feel-good videos, the celebration of men, as well as Dove's commitment to the military will have a halo effect that will ultimately enhance brand loyalty and drive in-store sales.



Storytelling is key to introducing your brand's personality and connecting with consumers in a way that elicits emotion and brand loyalty. **It is not about the products or services that you are providing, but the feeling and stature that comes with the brand association.** For example, the way Nike invites consumers into their world and encourages them to become part of their movement for social change. Or, the way Warby Parker inspires consumers to buy their glasses—not just because it is a cheaper, hipper alternative to eyeglass shopping, but the halo effect of helping the less fortunate with every purchase. This brand mantra is told over and over again in different ways and across different platforms. It leaves an impression much greater than a standard advertising message and stays with consumers for a long time.

Share your brand story in an engaging, unique way and make consumers feel that they will truly benefit from being a part of your world.

WHAT DOES THIS MEAN FOR RETAIL?

Consumers like to hear stories and brands can leverage this simple human trait to share stories that will make their brand memorable and likable to create a positive point of differentiation. In today's retail environment, the brand has numerous opportunities to tell their story in a targeted, relevant way. While standard ad platforms like print and TV help introduce the story, brands can reinforce it and connect with consumers on a deeper level thanks to strategic data insights. Consistent messaging to your customer base will keep your brand top-of-mind, but personalized creative or offers that are served across search, display, and social media based on previous actions, will make them feel like a VIP. This 1:1 dialogue takes your story one step further and helps convert interest into sales and grows brand loyalty.

THE POWER OF DATA

As storytelling continues to evolve, the way a brand's message is delivered to a consumer will change as well. But the goal remains: connect with consumers and make the sale. A very sophisticated level of data is now driving the flow of these conversations between the consumer and a brand.

It's now possible for brands to take the lead in the conversation with heightened accuracy. Gone are the days when a brand placed ads in a series of newspapers with the hope of blanketing the right audience.

As consumers search, engage, and live online, brands are able to track and target their every move and customize messaging every step of the way. Brand messaging can be curated in such a way that the consumer feels as if the brand is speaking directly to them.



Now that you have identified who your best customer is, it's time to increase the reach and precision of your target audience. The best solution is through look-alike modeling which identifies high-value users who behave similarly to your best customers and converters. Since these new audience segments are similar to your current customers, you'll enjoy a higher likelihood of conversions.

LET'S LOOK AT HOW THIS EVOLVED.

Sometime around 2000, companies began using browsing habits and other data collected from users to personalize ads. Nearly 20 years later, online advertising has become very sophisticated. Online retailers not only track purchases, but what else the customer browsed and what they left in their shopping cart. Brands are now able to leverage this data to interact with consumers on a personalized level.

One way to do this is through machine learning. There is a vast amount of data available and every additional variable and transaction, provide an opportunity to hone your brand's message and craft a targeted offer. The data powers marketing personalization. It's the reason why customer A and customer B are sent very similar email offers but might feature different products. Or, the way new parents are presented products and services that conveniently align with the stages of their child's life before they even started looking for it.

It can help also predict whether a customer will respond to a promotion. No consumer wants to think they are that predictable, yet the metrics show that it works. The more we can quantify human behavior and use algorithms to predict it, the more successful a brand's advertising efforts become and connect with consumers on a deeper level.

One facet of machine learning helps predict how likely it is that a customer will remain with a certain product or brand. If Customer Lifetime Value (CLV) can be predicted, it can help companies optimize the cost per acquisition for almost any type of consumer in the long run. This allows brands to focus their investment and efforts on acquiring the customers that are more valuable.

Leveraging the intelligence of data ups the ante for brands, but it also greatly raises customer expectations. Consumers are learning to expect an entirely seamless brand experience at every turn. Present the right ads to the right customers at the right time to improve the customer experience and strengthen your brand image.

THE FUTURE OF TARGETING

Like it or not, technology and data are redefining the entire shopping experience. Whether consumers are consciously sharing preferences and information through loyalty programs or the data is being extrapolated through multiple sources behind the scenes, messaging and advertising will never be the same. Embrace the future and harness the power of data.

As more and more consumers come to rely on their smart devices for everyday activities, the Internet of Things (IoT) will also influence and dictate retail purchases. The IoT is the inter-networking of connected devices. It enables objects to collect and exchange data. For example, it's the technology that allows brands to send targeted promotions to consumers that have visited the brand's website when they approach the physical store location. Imagine the creative push notifications brands can send to expedite the path to purchase. Analyst firm Gartner estimates that there will be over 20 billion connected devices by 2020*. It is going to change the way consumers live and will present amazing opportunities for brands.

Sources: [hubspot.com/marketing-statistics](https://www.hubspot.com/marketing-statistics) via WordStream, 2016; [ubspot.com/marketing-statistics](https://www.hubspot.com/marketing-statistics) via Google, 2016; [hubspot.com/marketing-statistics](https://www.hubspot.com/marketing-statistics) via Search Engine Land, 2014; computer.howstuffworks.com/advertiser-custom-ads.htm; hbr.org/2016/04/targeted-ads-dont-just-make-you-more-likely-to-buy-they-can-change-how-you-think-about-yourself; whatis.techtarget.com/definition/machine-learning; *Source: <http://www.gartner.com/newsroom>

60%

OF ONLINE MARKETERS PLAN TO DO CUSTOMER JOURNEY ANALYSIS TO IMPROVE THEIR ONLINE CONVERSION RATE.

Source: <https://sessioncam.com/20-conversion-rate-optimization-stats-you-need-to-know/via> MarketingCharts

50%

LOCAL SEARCHES LEAD 50% OF MOBILE VISITORS TO VISIT STORES WITHIN ONE DAY.

Source: <https://www.hubspot.com/marketing-statistics> via Google 2016

78%

OF LOCAL-MOBILE SEARCHES RESULT IN OFFLINE PURCHASES.

Source: <https://www.hubspot.com/marketing-statistics> via Search Engine Land, 2014

RETAIL: RESET. RETHINK.



As retail evolves from a basic transaction to a 360° online and offline experience, retailers will have to reset and rethink how they interact with the consumer. The pace of change is happening so quickly that now is the time to move forward with the change or cease to exist.

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FRictionless EXPERIENCES:

The first step in almost any shopping experience is now the at-home search. It's this search that's blending the online and offline worlds. It's what drives a consumer to ultimately shop in-store, online, or to click & collect. Whichever option they choose, make the shopping experience a seamless one. There are many ways to accomplish this.

Shop in-store. Leave hands free. Turn the dirty word "showrooming" into your best asset. Make shopping a first-class experience with trained, informed associates who can help customers try items in-store and buy online from inside that location. Leaving hands free will make customers' lives easier. Offer click & collect incentives on future orders. Also, offer deals to keep shoppers in-store at the time of pick up.

KNOW YOUR CUSTOMER:

The endless amounts of real-time consumer data provide valuable insights to connect with consumers and message them in very personal, customized ways. Use it wisely to engage with your current audience and build brand loyalty with special offers created just for them or provide early access to a new product line. Use it to mine a new audience through look-alike targeting and your brand is instantly on the radar of your best potential customer. Geo-targeting and geo-fencing help reach consumers who are most likely to engage with your products and visit your retail location.

Reaching the right customer at the right time has always been the challenge, but the strategic use of data makes it so much easier, and so much more efficient. It's a smarter way to market and connect with consumers.

WHAT'S NEXT?

Technology is clearly redefining the way consumers shop and engage with brands. Augmented reality and virtual reality are just two ways to engage shoppers in-store and at home. Entice customers with augmented reality apps where they can try on products at home and then place an order. Bring them in-store with virtual reality experiences. Consumers want to try new technologies and their feedback is invaluable.

And, there is no doubt that the Internet of Things (IoT) will have a tremendous impact on consumer spending across the board. This inter-networking of connected devices embedded with software, sensors, and network connectivity will remove many steps of the typical consumer decision journey. Analyst firm Gartner estimates that there will be over 20 billion connected devices by 2020. The impact of how this changes shopping has yet to unfold, but the data and insights will allow brands to influence and initiate purchases before the consumer even realizes they needed something in the first place!

Source: <http://www.gartner.com/newsroom>

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CONNECT WITH US TODAY. SUCCEED IN THE FUTURE.

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HELPING RETAILERS CONNECT WITH TODAY'S CONSUMER

IgnitionOne solutions enable brands to leverage their data to find & activate their most valuable audiences. Working alongside our customers, our services teams use our proprietary technology and platform to create, launch and optimize digital campaigns across all digital channels.

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