

Rebuilding Retail: Connecting with e-commerce customers in 2020

*Helping brick-and-mortar retailers transition to e-commerce
and retain relevancy in the post-pandemic economy.*

There has been a steady, but mostly linear trend of retail shoppers migrating towards spending more online. After a period of rapid growth among early adopters in the first decade of the 2000's, e-commerce had settled into a steady capture of market share over the past ten years. It was a problem that brick-and-mortar retailers knew was a growing threat but there was a lower sense of urgency across most of the industry. The majority of mid- and large-sized players had launched their own e-commerce efforts and it was expected that after a period of some turmoil or consolidation there would be a return to near status quo and market share would mainly be preserved.

The arrival of the COVID-19 pandemic in North America late in Q1, 2020 up-ended those assumptions. In the space of a few months we learned that people didn't need to work in an office and more importantly, that people will buy nearly anything online. Realtors are hosting virtual open houses while car dealers are desperately pivoting to online sales. We've had a glimpse of just how much commerce can be moved online. Brick-and-mortar stores have pivoted as quickly as they could to click-and-collect but a new existential threat has emerged that will be a greater challenge than the move to e-commerce: reaching customers.

In the past, attracting consumers was a well-understood problem for retailers. Through a combination of advertising and store placement you could expect to achieve a predictable return that translated nicely to a customer acquisition cost. So long as the lifetime value of that customer exceeded the cost to acquire them, you had a viable business.

Brick-and-mortar retailers – even well-established brands – are learning that in an online world the old ways of building awareness of the products they sell are too expensive or entirely ineffective. There is no online equivalent of premium retail real estate that shoppers drive past every day on their way to work. Paper

circulars do not deliver people to websites. The customer acquisition cost calculation is now entirely different.

So where are the customers? We have carried out several studies to fully understand how people find and buy products online. Through both software tools and surveys, we recorded details as shoppers were given several items to find and add to their basket. While they carried out their tasks we watched how they navigated sites, how they made value calculations and where they would ultimately purchase.

The details of what we learned are interesting on their own, but let's look at this cross-section of our results: Shoppers were tasked with choosing and adding to their cart a product that they had no history of buying online then given no further instruction. Their job boiled down to two distinct parts: researching and selecting a product, then choosing where they would buy it. Traditionally, this would be an ideal time for a retailer to attract a new customer. The shopper has no pre-conceived notion of what exactly they'll buy or where they'll buy it.

Across all demographics we found that these customers defaulted to Amazon more than 60% of the time to research a product. They reported that they had a greater expectation of success finding what they were looking for and that they believed that Amazon's review system would help them narrow down their options quickly. The remaining 35-40% of survey participants either went to other websites (about 10%), to a search engine (mainly Google, over 20%) or to YouTube (less than 10%).

When it came time to purchase the product they selected, more than 65% did so on Amazon *without investigating any other options*. About 20% visited more than one website before selecting where they would complete the purchase. Less than 5% used pricing comparison sites and less than 5% browsed beyond the first page of search results to find a retailer. Ultimately, more than 80% decided to select Amazon as the place where they

would place their order. These trends were comparable across most demographics.

The biggest challenge faced by brick-and-mortar retailers large and small as more shoppers move online is how to attract customers from Amazon and other e-commerce giants. Squabbling over 20% of shoppers with Google Ads and SEO is not a realistic option for most businesses. The resources required to win are simply out of reach for all but the biggest players.

Finding customers online is very distinct from physical retail. When potential shoppers go to Amazon, they don't pass-by a dozen other stores on their way, so there is nothing to be gained by being Amazon's virtual neighbour. We know where the customers are, but Amazon does not invite other retailers to advertise on their platform unless they participate in Amazon's punitive marketplace program.

NEAR has built tools to reach customers *where they're shopping* instead of expecting them to find you. Our software sits between a shopper and the websites they are searching, constantly in the background looking for local alternatives to offer beside the Amazon product. We're targeting them at the most critical time: when they're adding products to their shopping cart.

We've seen a significant push in all forms of media to "shop local". Consumers know that they "should" be supporting the businesses that employ their neighbours, pay taxes and sponsor their kids' hockey teams – but their purchasing behaviours don't reflect that. In our research the majority of shoppers either won't invest the time to find a product locally, or they believe that they'll find the same product online for a lower price.

NEAR's software helps overcome those objections by connecting online shoppers with inventory in their community in real-time, forcing shoppers to choose to enrich a far-away shareholder instead of supporting the merchant that donates to their local hospital.

For a retailer, there are two elements that are required to be successful on the NEAR platform: a comprehensive record of your inventory that is up-to-date, and for your customers to be running the NEAR plug-in or app.

Inventory management can be a struggle for retailers that have many hundreds or thousands of products they can sell – particularly when it comes to knowing precisely

what they have in stock. Ignoring this need for accuracy would be a critical mistake; our research has shown that *confidence* in local retailers is the leading reason they choose Amazon instead of attempting to buy from a local vendor. They trust Amazon's inventory, reviews and delivery process more than brick-and-mortar stores. When a customer makes a buying decision based upon your published inventory and the product isn't available when they visit your store you can expect them to lose confidence in your ability to address their next need.

The second piece, inspiring shoppers to download and run our software, has been a smaller challenge than might have been expected. Explaining that the software allows them to continue shopping online and only interferes when there is a locally available product makes them more comfortable and alleviates some of the "guilt" from browsing at e-commerce giants. When the software is backed by merchants they trust in their own communities they usually have even fewer objections.

To be successful longer term, retailers will need to change the way they do business. While a full-fledged e-commerce site of their own may not be necessary, the bare minimum will be having their inventory online so consumers know what they sell and what's in stock. Shoppers increasingly report that visiting a store to research a product is a last resort. Many have made their purchasing decision before they pass through your door.

Our belief at NEAR is that brick-and-mortar stores are critical to the health and success of regional economies, and that e-commerce giants are mining wealth from communities while giving nothing back. They are not good corporate citizens and the jobs they do provide are mostly unstable and poorly paid. Yet even as the businesses that are the backbone of our local economy were being squeezed by the pandemic, Amazon and others like them flourished and their stock prices exploded.

The e-commerce genie is out of the bottle. An entire new cohort moved their shopping online during the pandemic and more shoppers are hooked on the convenience of fast (and often free) delivery all the time. They expect reviews and positive buying signals before they commit to a purchase. Retailers *will* have to adapt to either meet these new expectations or find some other way to provide greater value to shoppers. The NEAR solution will help you adjust and succeed in our new retail reality.