RESEARCH

Department stores fight to remain relevant with omnichannel efforts: report

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Photo courtesy of Bloomingdale's

By SARAH JONES

As department stores find themselves facing increasing pressure from ecommerce-only players, a seamless omnichannel approach will enable them to remain competitive, according to a new report from L2.

With declining traffic and loss of market share in a more crowded space filled with mono brand boutiques and large ecommerce players, department stores have to leverage their in-store capabilities with their online channels to capture sales from consumers seeking a seamless, hassle-free shopping experience. From opportunities to upsell at point of return to allowing for varied purchase paths, bricks-and-mortar retailers can use their physical locations to their advantage.

"Retailers that have a physical store versus just online, for example Net-A-Porter, have a great opportunity to increase or recoup sales," said Giulia Prati, study lead, L2, New York.

"If you can develop your omnichannel capabilities to allow customers to pick up or return in-store, it gives consumers an additional touchpoint in front of merchandise, which is

proven to increase the likelihood that they will exchange or buy something else," she said. "While net returns of online purchases incur a 23 percent loss in net sales, omnichannel retailers offering 'buy online, return in-store' options are able to reduce this loss to 5 percent.

"Traditional department stores cannot afford to ignore their digital strategy. A strongly integrated digital experience actually bolsters in-store sales as the purchase path for many consumers begins with online research, even if the purchase itself occurs offline. In response, more than half of brands analyzed (56 percent) offer online purchase with in-store pickup. If department stores don't participate, they will increasingly loose sales to ecommerce players."

L2's Digital IQ Index: Department Stores report attempts to assign a digital IQ to 58 retailers, looking at the brand's site and ecommerce, digital marketing, mobile and social media.

IQ test

In L2's rankings, Nordstrom was the highest ranked luxury retailer, tying for second place with JC Penney right behind top ranked Macy's. Some examples of Nordstrom's "Genius" capabilities include a strong organic search presence due to extensive tagging, use of engaging social media and email campaigns that show off a range of products and drive consumers to the retailer's Web site and stores.

Nordstrom Pop-In microsite

Falling in the "Gifted" category are Bloomingdale's, Neiman Marcus, Saks Fifth Avenue, Net-A-Porter, Yoox.com, Harrods and Mr Porter.

Despite having one of the steepest drops in digital IQ, losing 20 percent, Selfridges remained in the middle of the pack with an "Average" ranking. Its dip was attributed to its Android-only mobile application and limited investment on social platforms.

Ninety-three percent of brands in the index include a direct-to-consumer ecommerce option, with one in five studied keeping this online store separate from their brand site, including Printemps.

Promotional image for Printemps ecommerce launch

This year, there was a general improvement in digital competence among retailers, with a large share of brands becoming "Average" or "Gifted" rather than "Challenged" or "Feeble." U.S. retailers have the highest average digital IQ at 118.

Eighty-two percent now have a loyalty program, compared with 53 percent in 2013. Over the same time period, there have also been steady increases in investment in video content, free shipping and real-time inventory.

Meanwhile, growth in live chat adoption and cross-selling before checkout has stalled in the past year.

Mobile-optimization has been a key focus, with 47 percent of stores now using responsive design, compared with only 10 percent in 2014. Almost all mobile sites now include a store locator and more than 40 percent show in-store inventory on mobile.

Barneys redesigned its Web site with a focus on blending content and commerce

More than three quarters invest in both a mobile site and mobile apps, using the added functionalities available via an app, such as push notifications and loyalty card integration. Apps may also be used to serve a specific purpose.

Net-A-Porter launched The NetSet, a new app separate from its main branded one that creates a social shopping environment (see story).

U.S. retailers were most likely to advertise on mobile, creating on average 15 times as many creative campaigns for mobile than their peers around the world.

Nordstrom ad on Vogue mobile site

Getting to know you
Half of index department stores now offer click and collect. European retailers are more apt than their U.S. counterparts to offer this service, while U.S. stores tend to offer in-store

returns for ecommerce at a higher rate.

Where click-and-collect is available, it drives after-hours purchases online.

Both Nordstrom and Selfridges have rolled out in-vehicle pickup in an effort to make click and collect even simpler for the consumer.

Selfridges' click and collect drive thru

A retailer's physical store footprint can help it compete with ecommerce-only retailers such as Amazon, providing an opportunity to use each of its bricks-and-mortar locations as a fulfillment center. Fifty percent offer next-day delivery, while only 17 percent guarantee same-day shipping, as the Net-A-Porter group does in select markets.

"Brands that have physical store footprints should use this point of differentiation to their advantage," Ms. Prati said. "To put things in perspective, Macy's brick-and-mortar stores now provide 12 times the geographic footprint of Amazon's fulfillment centers."

Sharing inventory is now common, with 61 percent of retailers offering a real-time availability feature on product pages, compared with only 16 percent in 2013. Further connecting the online and offline, 18 percent now allow consumers to save a specific store as a favorite and most enable users to search store events by location.

Another way in which retail brands can differentiate the user experience is through guided selling, currently used by 67 percent of department stores.

Using content within the ecommerce environment provides context for products. However, etailers are generally more adept at leading consumers down a purchase path from the content, sending them directly to product pages from editorial at a higher rate than their bricks-and-mortar peers.
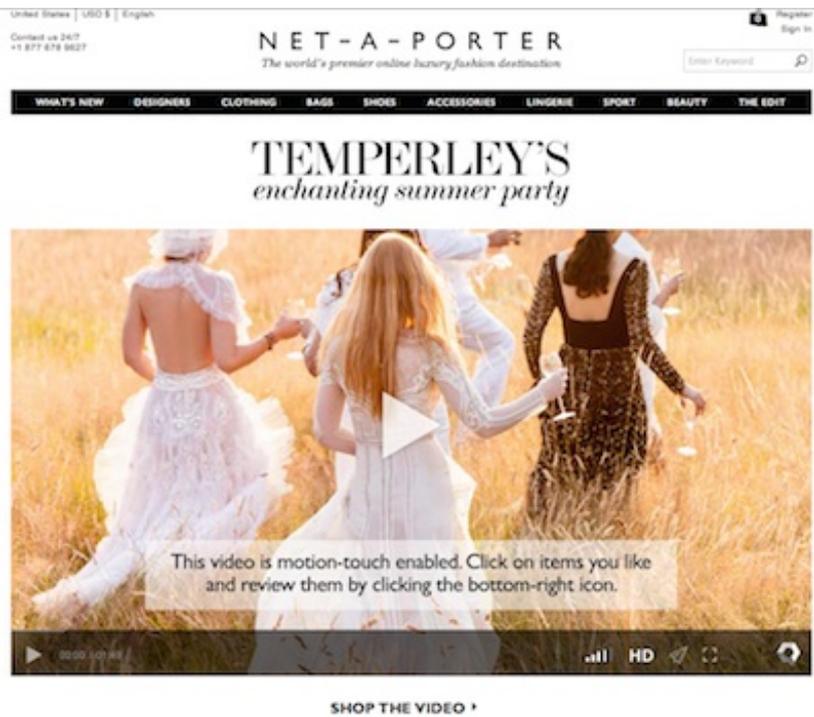
Net-A-Porter shoppable video

Part of providing a worthwhile experience for online shoppers involves personalization. This requires brands to be able to track specific user profiles across channels, but most retailers make it a task to sign up for emails, with an average of 7.8 fields to fill in.

Less than half ask the user's gender at sign-up and only 30 percent ask about product preferences, missing an opportunity to further customize the experience.

While 88 percent of marketers say they personalize their email communications, a recent L2 report found that about a quarter of brand emails are instead sent using a blast method that does not take into account individual preferences.

Customizing emails can help to boost conversion rates, since consumers are more likely to interact with a targeted message that is relevant to their wants and needs. Brands and retailers should be thinking of ways to bring a more personal touch to their digital marketing by using data and technology to create better relationships with their customers (see story).

Bloomingdale's and Neiman Marcus each send about 10-14 emails per week to their subscribers, four times the average for their peers.

Email from Bloomingdale's

Despite high open rates, less than 25 percent of index brands sent an abandoned cart email, with most sending them 48 hours after.

Social media is also an area where department stores engage with consumers and get to know them on a personal level, whether leveraging Twitter as a customer service tool or hosting user-generated content.

Retailers are also rolling out new ways to shop via social, further connecting their content with commerce.

Neiman Marcus and Nordstrom recently expanded their mobile commerce capabilities as launch partners for Pinterest's upcoming Buyable Pins feature.

Available for iPhone and iPad, Buyable Pins enables consumers to purchase items they admire without leaving the Pinterest application. This enables brands to generate sales as their followers are engaging and discovering pins on the app (see story).

Getting to the top of consumers' minds for a particular item and then delivering a positive experience creates a winning combination.

"Stronger brands are creating an integrated and seamless shopping experience for customers across in-store, desktop and mobile," Ms. Prati said.

"For example, by showing accurate inventory across platforms a customer will know the online product page will reflect the same as on their mobile device to know if they should buy-now, or perhaps use online features to be guided to a physical location," she said.

"Asos performed incredibly well in terms of visibility of search engines across the 17 geographies we looked at. Asos uses strong SEO tactics on their Web site, leveraging alt-tagging and fonts that are readable by Google's crawlers, so that Google can index their items more effectively across the Web.

"A simple tactic like ensuring all fonts that are used in describing the item can be read by crawlers increases dramatically the function of your SEO."

Final Take
Sarah Jones, staff reporter on Luxury Daily, New York

Embedded Video: https://www.youtube.com/embed/qGu5FkqUVrA