Think with **Google**

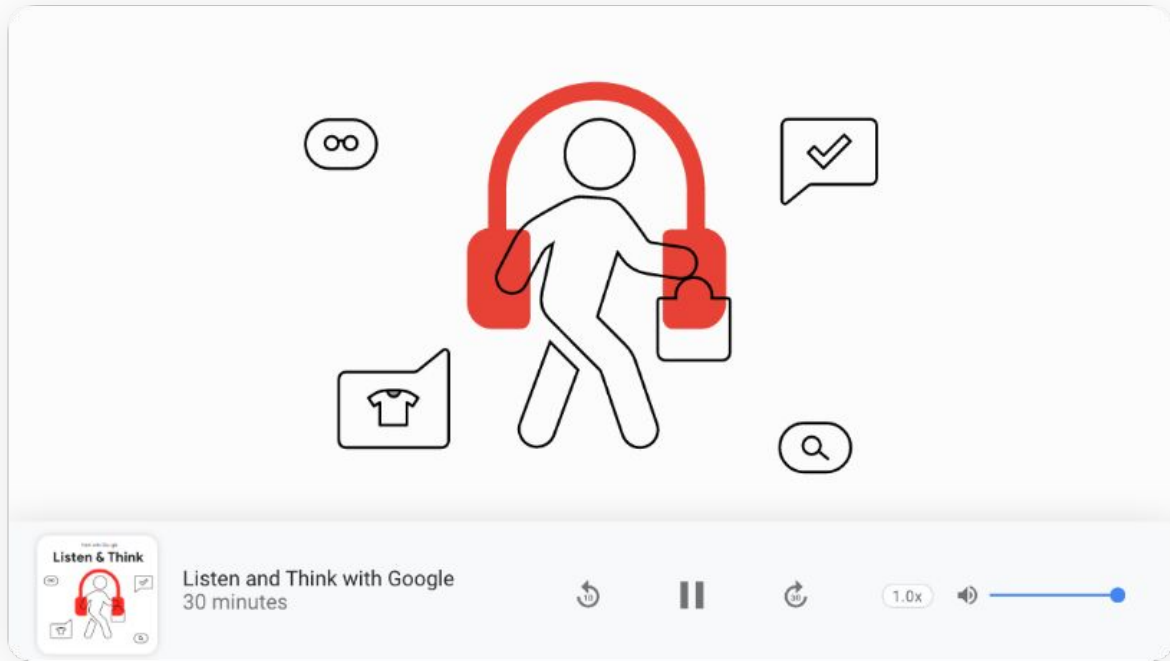# Listen & Think with Google

Podcast transcript

Intro

The digital transformation into e-commerce that had been pending for years finally came to fruition after pandemic-induced lockdowns forced retailers to close down their stores. Less able to rely on store space and non-digital sales channels, the retailers that succeeded found ways to innovate across all operational areas while ensuring a consistent experience for customers no matter what the channel. This podcast delves into what strategies retailers can apply for success and how they can prepare for the future.

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30 minutes

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Featuring

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Pablo Perez
Google Marketing Insights
at Google

GUEST
Stephanie Christensen
Analytical Consultant
at Google

GUEST
Stephanie Christensen
Researcher consultant
at Euromonitor

PART 1
Introduction

Pablo

Hello everyone, and welcome to Listen & Think with Google! This podcast will give you the latest industry trends, research and insights across the marketing industry. Where does the retail industry stand more than 12 months into the pandemic? That is one of the biggest questions in marketing. Today, we will answer that question in the next 30/40 minutes.

My name is Pablo Perez. I'm Head of Market Insights Spain and Portugal at Google and I will be our host for this episode. A few experts will join me.

They will be speaking about

1) where the retail landscape stands today,
2) the importance of an omnichannel presence
3) how brands have adapted in this new playing field,
4) and what actions businesses can apply going forward.

My first guest is Kyle Galvin, an expert at Euromonitor. We collaborated with him to put together a piece of research that will help us understand where the retail industry is headed.

Also joining us with her unique insights is Stephanie Christensen. Analytical Consultant at Google in Northern Europe. Thanks for joining!

Before we jump in, would you like to introduce yourselves?

Yes, hello, my name is Kyle Galvin, I'm a Principal at Euromonitor International and my role involves connecting the dots between our industry and consumer research to help Google and their retail partners make smarter and more informed decisions.

Kyle

Hi! And I'm Stephanie Christensen. I work as an analytical consultant at Google. My role involves analysing Google's first party and industry third party data. Using those signals to develop strategic commercial insights for our largest retail partners in the Northern Europe region.

Stephanie

Introduction

Pablo

And I'm Pablo Perez, and I'm responsible for retail-related research in Europe, Middle East and Africa.

It's great to have you today. I'm really excited about this format because we've been hearing a lot about screen fatigue as a result of all the online events we saw last year.

And that's why we decided to do a podcast because if you're listening, it's a great way to get off your laptops for a bit and enjoy an activity outdoors or at home.

Kyle

(JOKINGLY) Wait, so are you saying I should be taking a walk now?

Pablo

Well, unfortunately we're in the studio but if you're listening you can take a stroll, enjoy a nice drive, organize your office space, workout, whatever you need to do to catch a breath. Maybe this would be a good time to dive in, Kyle, would you be able to tell us a bit more about the Euromonitor research and how it started?

Kyle

Yes, for this research, we started with the idea of innovation. We went through so much change last year and it forced many retailers to figure out new ways of reaching their customers and building trust while under a period of stress.

Specifically, the research identifies shifts in consumer behaviour and helps guide retailers with strategies and innovations that can be implemented to succeed in an omni-channel environment.

Pablo

So, essentially, this podcast will be a "Where are we now" and "Where do we go from here?" for the Retail industry. I know this is an extensive piece of research, so a massive congrats on completing this.

As far as I'm aware, the research also covered a ton of markets and channels, correct?

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Yes, we covered a lot of countries including the US, UK, Canada, France, Sweden, the Netherlands, Turkey, Spain, as well as additional markets like India, Mexico, Argentina, and others.

And the channels we covered include: Grocery retailers, as well as non-grocery retailers such as beauty, apparel and electronics, luxury retailing, and off-price retailing (which include discount stores). We also looked at mixed retailing (which includes department stores, your mass merchandisers, and warehouse clubs) and of course, the breakout channel of 2020: (pause) e-commerce.
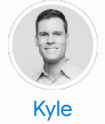
Kyle

Fantastic! It sounds like this research saw more corners of the world than anyone else did in the past year. If you're listening, I understand if you're feeling jealous right now!

Pablo

The retail landscape

So, let's start at the beginning. I would love to hear from you about what we saw happening in the Retail industry last year and where we can potentially expect growth in the next years.

Pablo

Definitely. Well, we saw a huge boom in e-commerce growth in 2020 due to the lockdowns that were happening around the world. And in the 14 markets we studied, the forecasted growth of e-commerce in the next four years is somewhere around 1.5 trillion dollars.

Kyle

I won't ask you how many zeros are at the end of that figure. What I do want to ask is what happened to retailers that didn't adopt e-commerce strategies?

Pablo

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PART 2

The retail landscape

Of course. Well, the only retailers who achieved growth during the pandemic were those who were able to grow their e-commerce sales.

Our Google/Euromonitor study revealed that out of the world's biggest omni-channel retailers, 45% grew online and offline sales, but 41% saw losses in revenue because they were unable to compensate their offline losses with online gains.

Kyle

So what you're saying is that online became a way of protecting offline?

Pablo

In a nutshell, yea. It's all about the ability to adapt and meet customers in the setting they feel most comfortable in.

And in 2020, people were comfortable at home and digital channels were the way to reach those consumers.

Kyle

Or they had to get comfortable with it!

Stephanie

How do you mean?

Pablo

Well, older generations who wouldn't usually be classed as "digital natives" for instance. For many of them COVID-19 was the first time that many of them shopped online! I know that for example my own mother is included in that. Her experiences when navigating the UX and going through the site are quite different than my own experiences.

That experience seems to be reflected more widely. I also read that according to the Danish National Statistics Bureau the adoption of e-commerce was driven by the older demographic of the population shifting to online shopping. So here it's important for retailers to remember that there is an incremental consumer who is a bit older. They need to keep in mind that their websites and experiences are really built for that group of customers.

Stephanie

PART 2

The retail landscape

Pablo

That's fascinating! So I'm guessing the more information a retailer provided online during this time, the better they could protect offline as well?

Kyle

Oh, definitely. I mean you can even get as simple as the 'Google My Business' tool. If you search online for a retailer and you can't even find out something as simple as their opening times and days, then you're most likely going to look elsewhere.

Pablo

So, were there any store-based retailers that did see growth?

Kyle

Many store-based retailers who saw growth were grocery retailers. But this isn't to discount the fact that many local, physical stores suffered serious losses during lockdowns.

Stephanie

Restaurants closing down probably contributed to this too. We'll have to see how this compares to today, as many restaurants have started serving customers again.

Pablo

So is growth for in-store channels expected to continue at all?

Kyle

At the moment, it's mainly some growth within the grocery sector.

Non-grocery and mixed retail stores, for example department stores, look like they're declining quicker. But I think it's important to note that physical stores still have an important role, it's just that the changes and lockdowns we've seen have brought to light the importance of an additional, digital, omnichannel presence as well.

PART 2

The retail landscape

Pablo

Absolutely. Where was it that we saw the most spending in e-commerce?

Kyle

The biggest categories driving e-commerce spending in 2020 was Food and Apparel. and we'll likely be seeing Food and Apparel as the main drivers of continued growth through 2025 as well, followed closely by electronics.

Pablo

Well, why is that, actually?

Kyle

Well, a couple reasons:

1. Changes to mobility: people had to make all their meals at home and get loungewear wardrobes to match the amount of time they spent at home
2. Travel spending was suppressed so we saw an uptick in those other categories. We also saw a boom in home & garden spend if i'm not mistaken as people spent more time redecorating and taking up hobbies around the house
3. With restaurants being closed, electronics and entertainment at home was prioritised

I think this might continue into the next several years because we may not be spending as much time in the office as we were pre-pandemic... With relocations from cities into more remote areas, people are prioritising their home environments more.

Pablo

And e-commerce would drive retail growth through 2025 as well?

Kyle

Yes, that's correct, total retail growth will come mainly from e-commerce through 2025.

Pablo

Alright, so keep that in mind. OK. Now that we know what the retail landscape looks like, let's hear about some real life ways in which retailers have responded and innovated.

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PART 3

Innovation strategies

Pablo

In March 2020, we saw the start of an incredibly competitive environment.

And in your research, Kyle, there were five key levers that retailers used in order to overcome that. They include:

1. Experiential shopping
2. Digitally enabled stores
3. Order fulfilment
4. Automated logistics
5. Enhanced customer service

Now, I know I just said a LOT of words there… Which is why we have you here to clarify. Could you delve a little more into these levers and what advantages they pose?

Kyle

Yeah, so the first one was experiential shopping. We've seen this slowly trending over the years and it includes special in-store experiences such as live-stream events, live auctions, your social shopping, and influencer marketing.

One of the reasons this has grown over the last year is because shoppers have so many retailers to choose from, so brands need to step up and really try harder to connect on a one-on-one level.

Stephanie

There's a democratization happening, across all brands, not just Retail, where the consumer gets to choose where they go. It's not so much the brands deciding for us anymore. Even with luxury brands, which have traditionally not had that two-way conversation, we're seeing them having to become a lot more accessible across digital channels.

Pablo

Who was it that live streamed a fashion show again?

Stephanie

Innovation strategies

Stephanie

It was Fendi. They live streamed one of their shows and saw a big increase in searches for Fendi on YouTube. So really increasing that engagement in the online space.

Pablo

Maybe I can finally get a front row seat!

Stephanie

Exactly! I believe Swedish electronic retailer, Kjell and Co., did something with this too where they live streamed shopping events.

Kyle

Yeah, they produced something like 200 live stream shopping events directly from their stores, and online viewers could watch and then click on links of the items they were streaming.

Stephanie

Yes! I saw that they had around a 15-20% purchase conversion and saw a 100% increase in their e-comm growth.

Pablo

Wow! Would be fun to watch that in person as well.

Kyle

Yeah! And sometimes experiential shopping overlaps with our next lever which is Digitally Enabled Stores.

Pablo

Ah, yes, what are some examples of this?

Kyle

So digitally enabled stores can include anything from interactive digital displays, mobile interactions, digital queues, and even digital communications with store staff and experts.

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PART 3
Innovation strategies

You could even say that some digital enhancements are so interesting and unique they could even count as an example of experiential shopping?

For example some of the best-in-class omnichannel retailers reference both the offline and online within their experience. An example could be having tablets on hand to place an order for an item that wasn't in stock in the store and get it send to your home.

Stephanie

A bit yes, which is why they tie together. There's a South Korean beauty brand, Amorepacific. They introduced an augmented reality mirror that lets customers test makeup on themselves in the store without the need for a sales clerk to apply the makeup.

Kyle

It's a great way to get inspiration without actually going to a physical store!

Stephanie

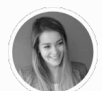That's the power of augmented reality right there!!!

Kyle

Pablo

Hmm, that's an interesting way to build trust, too right? You're letting your audience know: "Hey, I know you can't use tester products right now but it's okay, we've got you covered."

Exactly.

Stephanie

Pablo

Well, that brings us to the third lever on the list: Order fulfilment. Is order fulfilment anything like wish fulfilment?

Kyle

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Innovation strategies

Kyle

Hahaha you could argue that all of retail is wish fulfillment.

But of course order fulfillment covers same day delivery, curbside pickup, your membership clubs, pickup location networks; anything that ensures a flexbile, speedy and safer delivery.

Pablo

Wait wait wait... Before we go on, what exactly is curbside pickup?

Kyle

A totally fair question. Curbside pickup is a fulfilment option where shoppers order online, but pickup just outside the retailer, or along the curb, hence the name curbside. It became quite popular since the pandemic, particularly in the U.S. and it's a great option for consumers not wanting to have to go inside a store and can be done from the convenience of their car, bike or scooter.

Stephanie

True, in 2020 there was a huge jump in searches for curbside pickups. The challenge now is that customers expect this all the time.

Pablo

So these curbside pickups and pickup location networks. Are you telling me that this is an entirely new operation?

Stephanie

For some areas, yes. It wasn't everywhere that retailers used to ship to, so the better retailers were at creating these pick-up networks, the better their performance during the lockdowns.

Kyle

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Innovation strategies

Kyle

Like we saw with Turkish e-commerce marketplace, Trendyol, they were able to increase their pick-up locations and parcel locker availability to meet online order demand, with 12 thousand locations set to be added by the end of 2021.

And in 2020 alone, they saw 5.9 billion USD in e-commerce sales. Not bad!

Pablo

Not bad at all! So lever four is called automated logistics. I'm guessing that this refers to retailer operations behind the scenes?

Kyle

Right, automated logistics can span from automated order filling, you've got your robot and drone delivery to intelligent inventory allocation. UK retailer Ocado is a great example of a retailer that's using bots to create efficiencies during rapid turnover.

Pablo

How does that work in the context of the consumer?

Kyle

In the context of the consumer, these operational efficiencies are what enable order fulfilment, so speedy delivery. I believe Google had some research on how this impacted consumer brand preferences, am i right?

Stephanie

Yes, this was our Decoding Decisions research which studied behavioural principles that guided the customer journey. So essentially figuring out which levers to use to really motivate a consumer to make a purchase.

We saw that if a retailer could deliver an item quicker than another brand, shoppers would be more likely to switch to them... (PAUSE) Even over their favorite brand. It's a really POWERful way to get new consumers to consider your brand.

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Innovation strategies

Pablo

Wow!

Stephanie

Google Trends research also showed that almost all categories showed more consideration for speed. For Example over the last 12 months the search interest in "next day delivery clothing stores" grew by 700%, "next day prescription glasses" by 500% and even "next day plant delivery" by 200%. We really want our clothes, glasses, and plants!

Pablo

And we want them now! There were other behavioural principles that were studied in the Decoding Decisions research as well, right?

Stephanie

Yes, which I believe you can find on... Think with Google!

Pablo

And last but not least, the final lever retailers have used is Enhanced Customer Service.

Kyle

Yes it is, and this would include things such as personalized shopping experiences and recommendations/expert advice.

Pablo

I'm sure this is an innovation that customers will get used to and not want to give up over time?

Kyle

Exactly, this is one of those actions that focuses on building deep and lasting relationships with customers. And the more that customers see this, the more they'll expect it going into the future.

We saw this with DTC German bike manufacturer Canyon, when they set up a mobile bike shop for repairs, which created an incredibly strong post-sales communication channel with their customers.

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Innovation strategies

Pablo

So these are five strategies you've identified in your research exploring the last 12 months.

What would you say are some of the advantages of these strategies?

Kyle

Well, the thing about these strategies is that you can take strengths in one area and apply them to another. Like how shopping in a store can be such a personal experience, you can create that atmosphere online as well.

And vice-versa, you can take the convenience of online shopping to the store through digitization.

The more successful retailers, were the ones who used a combination of strategies and applied them where it made sense.

Pablo

Ah. Would you say that retailers who focused only on one business model had more trouble?

Kyle

Some of them, yes. It gets tricky because that channel that they've been relying on may have been successful for them before the lockdowns. Let's step outside of retail for a second.

Two years ago, you wouldn't have thought about going to an online museum or amusement park because it lacked the same experience as going in person. For those businesses, there was no reason to explore other channels. But as a result of lockdowns, it forced these businesses to think outside the box and explore other channels to reach consumers.

How do you bring the experience of being at a museum or amusement park to the digital space? It could be about online engagement with park characters or a virtual reality art exhibit that can be done from the comfort and safety of your home.

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Pablo

Very interesting, please go on.

Kyle

Right, when Covid hit, you could really see some retailers' lack of investment in other channels, such as their country websites and delivery services.

This was the case for many pure play retailers who were confronted with the importance of omnichannel. And vice-versa.

Pablo

So what would be your advice to retailers going forward? Is there anything they can do in the short term?

Stephanie

Well, I think one thing that a lot of retailers still struggle with is mobile shopping.

I saw an article on Think with Google that talked about some mistakes we're still seeing. Apparently a lot of mobile sites still take a long time to load and some of them have so many options that people encounter a phenomenon called "scrolling fatigue."(elaborate) So that's just one example of a short term action retailers can take, and as I mentioned, a way of keeping a newer, older audience in mind.

Pablo

And what about applying the strategies Kyle just explained to us? Should they adopt all of these levers or a combination of them?

Stephanie

Most likely depends on the market needs, right?

Kyle

● ● ●

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Yeah, a combination.

For mature markets:
- E-commerce has been evolving for a while.
- You should focus on enhancing services that are already available.
- So that means innovating in experiential shopping or digitally enabled stores as well as figuring out ways to handle order volumes in a sustainable way.

In markets where e-commerce is still new:
- Your investments should be on the basic infrastructure, like
  - Order fulfilment and basic elements of store digitization, such as self-checkout.

Kyle

Right, gotta make sure you have everything in order first. It sounds to me like retailers have their hands full of options they can explore.

Pablo

Oh, definitely. A whole lot of options!

Kyle

PART 4
CONCLUSION

Well, I believe that's it for today. Before we go, I would love to round off this discussion with a question to each of you, and that is:

What is your biggest tip for retailers today?

Pablo

Kyle

PART 4

Conclusion

I would say, be mindful of what strategies will and won't help you. Just because it's working for another retailer, doesn't mean the same will apply for you. You have to look at your business's specific needs.

Kyle

That's a very good tip! My biggest tip is more on the leadership front. Right now, our world is going through a big change so leaders should stay flexible and adapt to those changes too. No-one can accurately predict what will happen in retail. As such, we need to make instant informed decisions, so go with the flow and don't put all your eggs in one basket.

Stephanie

Pablo

Thank you both so much, Kyle and Stephanie!

As for you listeners, I hope that this has been an insightful conversation and that you can take some of these learnings into your approach for the future.

For more information, please visit us at thinkwithgoogle.com or follow us on social media.

All the best.

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