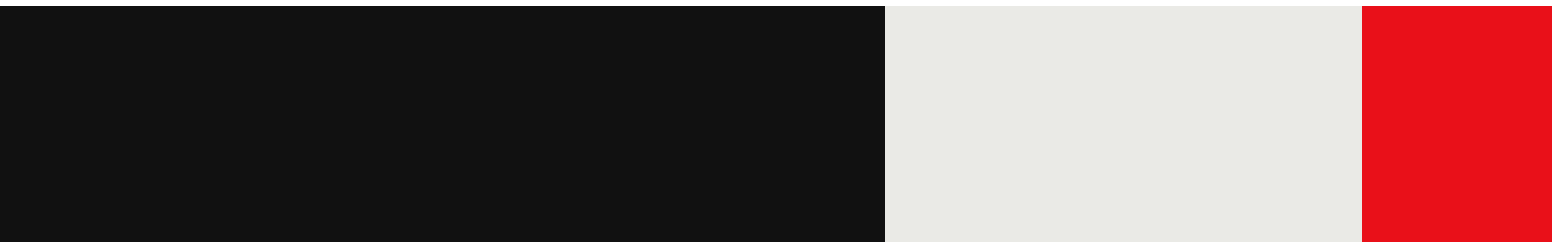# Reimagining Retail: What today's customer journey looks like and the top personal frustrations with it

Audio

On today's episode, in our "Retail Me This, Retail Me That" segment, we discuss what the customer journey currently looks like, where folks are discovering products, and how the funnel is collapsing. Then for "Pop-Up Rankings," we rank the top four personal frustrations in the customer shopping journey. Join our analyst Sara Lebow as she hosts analysts Sky Canaves and Suzy Davidkhanian.

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Episode Transcript:

Sara Lebow:

Hello, listeners. Today is Wednesday, March 1st. Welcome to Behind the Numbers Re-Imagining Retail, an eMarketer podcast, made possible by Ibotta Performance Network. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's topic is the Shopping Journey.

Joining me for today's episode, we have two of our analysts. First up is Suzy Davidkhanian. Welcome back Suzy.

Suzy Davidkhanian:

Thanks for having me.

Sara Lebow:

And we have another podcast regular, it's Sky Canaves. Hey Sky.

Sky Canaves:

Hey Sara. It's great to be back. All

Sara Lebow:

Right, let's get started with our first segment, news and reviews where I give the news and our guests tell me their reviews.

Today's story is a February 21st story from CNBC titled, Walmart CEO Doug McMillon vows to keep private labels priced low to fight inflation. McMillon says he won't participate in a

recession. I did not know we had an option, but keeping prices low could definitely work in Walmart's favor since so many people have already traded down from more expensive grocers to Walmart recently. So Suzy, your review of this headline and story in 60 seconds is?

Suzy Davidkhanian:

So, I thought it was a very strategic, the headline, right? Walmart just had their fourth quarter earnings call, the investor call. They did okay. They're a little bit weary about the coming year. The idea around consumers being squeezed and all the mixed headlines about whether there is a recession, can we avoid one? What's happening with consumer spending? What's happening with the savings rate? All of that coming together equals price sensitivity on the consumer side. And we already know that private label helps fill that void and drives traffic.

So it's really interesting and it's a juxtaposition to some of the CPG brands that have been headlining around how they're going to have to increase their prices yet again, and retailers are trying to fight back and saying, "No, we don't want that for our consumer." So very strategic, not a surprise. And the other thing that goes with this is that for private label, according to supermarket news, around 20% of sales in grocery are from private label. And that grew 11% at outpaced regular eCommerce growth last year, and definitely retail growth last year. And so it's no surprise that as Walmart is growing their grocery business, they're also trying to make sure that everybody realizes their private label is going to stay on par.

Sara Lebow:

Makes sense. Suzy, you came in about 65 seconds, so...

Suzy Davidkhanian:

I had so much more to say. I wanted to say they have control over their private label, but that's all I got.

Sara Lebow:

And just to reiterate, private labels are those store brands. So, the Walmart brand, what is it, Great Value for Walmart? I think they have a few.

Sky Canaves:

Yes. Great Value.

Suzy Davidkhanian:

Is their biggest one. Yeah.

Sky Canaves:

Yeah.

Sara Lebow:

And Sky, your review of this story in 60 seconds is?

Sky Canaves:

So we saw on Walmart's earning call, they also notice how private label penetration of their sales has really picked up throughout the year and really picked up in the fourth quarter. I think with the holidays, when shoppers were making more bulk purchases while also trying to watch their budgets or stretch their budgets. And we know that Walmart's Great Value band is actually the most purchased private label in the brand according to research from Numerator from last summer. More than 70% of US consumers had purchased this brand. And I also came across an Insider article from last week, and it noted that one of the more popular brands of potato chips at Walmart was nearly twice as much retail price as the Walmart Great Value brand. So when consumers see those huge price differences in the store, they're really going to want to tend to go with that clear value option.

Sara Lebow:

Absolutely. I feel like there's no stronger conversion tool than having a product that's half the price of the product next to it.

Suzy Davidkhanian:

That is a product that is good, that has a bare standard quality sort of component.

Sky Canaves:

It really has a reputation as a decent brand now. Just like Costco's Kirkland brand, it's sought after or long past the days, I remember growing up we had generics in stores. It was a white box with black lettering, super plain private label back in the old days and now-

Suzy Davidkhanian:

Back then it was kind of taboo, right? Private label was not seen as a good thing.

Sky Canaves:

Yeah. It was sad.

Sara Lebow:

Yeah,.I definitely am a Kirkland fan, and if anyone listening to the podcast wants to let me borrow their Costco membership...

Suzy Davidkhanian:

Kirkland Beer.

Sara Lebow:

It won't be that useful to me because I don't have a car, so I can't really buy in bulk.

Sky Canaves:

I have not found Kirkland beer at my local Costco. They only seem to sell-

Suzy Davidkhanian:

I didn't know they had it.

Sara Lebow:

You got to go to Michigan.

Sky Canaves:

Branded beer, like third party brand beer.

Sara Lebow:

Okay. We could clearly talk about private label for a while, and we have before and I'm sure we will again. But now it's time for our next segment, Retail Me This, Retail Me That, where we discuss an interesting retail topic.

Today we're discussing the customer journey, which a few decades ago it was pretty clearly defined from initial impression to purchase. Suzy, I'm going to come to you for a very broad question. What is the customer journey now?

Suzy Davidkhanian:

So it's such a good question because I think the now is what throws us off in terms of the customer journey as really the path to purchase, which is also another way of saying it as the marketing funnel. And it really starts with either identifying that you have a need, a problem, something that you're looking to buy, you're in the market to buy something, and then you move to evaluating your different options and into that consideration set, what makes it into that consideration set. And then there's the decision to purchase or conversion, depending on what words you're using. And then we move into that loyalty around retention and then advocacy or word of mouth.

And so that path to purchase is the same. It's the touch points that are different now. Everything is much more digital. There are many more experiences that are not personal. People are doing things from far away. There are less helpers in the store. And so I think it's the touchpoints that are directly changing, but not the actual path to purchase.

Sara Lebow:

So we've taken a linear timeline and we've sort of scrunched it up, but we're still on that same journey.

Suzy Davidkhanian:

I mean, I would say it's linear, not so much anymore in that there are the different components of the path to purchase, but you might become aware that you need something at a party and then your friends are talking about it, and then you might go do a little bit more research on it and then you kind of forget about it, and then you get an Instagram ad. So now all of a sudden it's back into your mind of like, "Oh yeah, I really did have this problem." Then you start to see it on a feed somewhere else, someone else is talking to you about it. So, it's not that the points are no longer there in that sort of row, that's always going to be the way it happens, but the amount of time each component takes now varies. And you might circle around and come back and forth before you actually pull the trigger.

And of course that depends, that length of time in each part of the journey depends on how big is the purchase? If it's impulse, it's super quick. If it's a car, it might take a really long time to go through awareness and consideration before you actually make the decision.

Sara Lebow:

Makes sense. So let's start at the beginning of that customer journey then. Sky, where are people discovering products?

Sky Canaves:

So, we have to think of how this has been changing over the past couple of years with the rapid acceleration of eCommerce during the pandemic and store closures that really shifted. Traditionally, people would browse in stores and find out about new products in stores, or they would rely on typical advertising channels such as commercials on TV or just print ads or ads on the internet. And that's moved a lot more into social and ecommerce with the evolution of ecommerce.

So I think people, for a while, people shifted most of their discovery to online, but now stores are back. So people are looking more to stores or recognizing the limitations of online discovery and looking back to stores to kind of provide that surprise and delight and introduce them to new products.

Suzy Davidkhanian:

Well, and I think there's lots of other ways people are discovering that they weren't before originally, traditionally, it was newspapers, magazines, word of mouth. For beauty brands, for example, it was younger people using beauty brands were inspired by what their moms were using or their parents or guardian was using, and that's what they were using and that was typically their first brand.

But now we know there's TikTok and TikTok made me buy it. And so I think when we think about the customer shopping journey changing, it's at each touchpoint that there are so many inputs and so many different brand moments, whether it's still word of mouth, you go to a party and someone's wearing a good lipstick and you're like, "Oh, where's that from?" To seeing it on TikTok to now there's all this shoppable media and live streaming. I mean, there are just so many more channels and ways to get information about products and brands.

Sara Lebow:

Yeah. And TikTok really is a valuable resource when it comes to something like makeup, right? Sorry to my mother who is a listener to this podcast, but TikTok has more information about buying makeup than a person might, or even Amazon, which I feel like is not particularly great for discovery.

Sky Canaves:

No, and that's been a big challenge for Amazon. It's trying to replicate some of the features of TikTok with its new, more video and visual inspired discovery feeds. But consumers still tend to turn to Amazon with very specific intent or they know what they're looking for and it's primarily search-based shopping, whereas TikTok is a lot more of a discovery platform. And they've recently started testing new features with some users, which I'm very sad that I'm not one of those users. I clearly don't use TikTok enough.

But new features that are allow users to filter by interest so they can just go to fashion and see a feed full of fashion content with fashion creators and brands mixed in there. And those are going to become more shoppable. They've also started integrating shopping very directly into the brand accounts. I tried to buy something this week to see what that path to purchase is like, but the brands are very youth oriented, so it's not exactly my style, but it looked pretty seamless and easy. I think there's still a way to go with developing the content to make it really engaging.

Sara Lebow:

Yeah. This is where I feel like TikTok has to be careful because they obviously want to be really shoppable, but if they get too shoppable using TikTok is going to feel like you're on a shopping website.

Suzy Davidkhanian:

Right. I also think, because today there are so many different ways of getting awareness, it's good for different brands. You have so many different ways of making sure that you're part of the consideration set as someone is thinking about making a purchase and trying to solve whatever problem they think they have that is going to help solve for that.

But it's also a problem for brands, right? Because now there are so many different channels to try and find that touchpoint with a client or a potential customer. And there are just so many more brands out there. So not only now do brands, versus 10 years ago, if we're thinking about how it's changing. Now, there are many, many more ways that consumers can get awareness and bringing that brand into their consideration set. Because there's a difference between being aware of brands and then being ready to make that purchase. You start to narrow down that funnel of like, oh yeah, there's a problem. The narrowing starts to become like, oh, but only two brands are the ones that are interesting for me. And then you have the

conversion where you pick the one of the two. So now there's so many more ways of raising awareness, but also so many more brands. So that's, I think, what makes it super complicated for retailers and brands alike.

Sara Lebow:

So let's talk more about channel, like you mentioned.q We've talked about omnichannel a lot on this podcast, but I know that a lot of people are moving toward thinking about hybrid or harmonious retail, which is something that retail expert, Steve Dennis, has coined. How do we differentiate omnichannel from these evolved terms, Suzy?

Suzy Davidkhanian:

So I think traditionally, when I think about omnichannel 15 years ago, it was really the website on your desktop or laptop and the store. And over time, I think retail has evolved into many different channels, whether it's voice commerce, car commerce, social commerce. I mean, we can go on and on about how you can discover and then purchase a product, but omni just feels dated, even though after looking it up and doing some research, it does technically mean multiple channels, but I just think it's stuck with a 1990s vibe and that's why people are starting to talk about it in different ways. I'm trying all channel, but it's not working well.

Sara Lebow:

Okay. Suzy's officially coined all channel on this podcast. Sky, anything to add on those touchpoints?

Sky Canaves:

I think it's really about being where the consumer is and serving them most efficiently. And again, we can bring up the example of beauty brands where they've really seen a diversification of how they distribute and how they reach consumers. They're on social, they do direct to consumer, they're in physical retail from the specialty beauty stores like Sephora and Ulta to the big box stores like Target and at Walmart. They have their own stores and they're even on Amazon because they just know that the consumer is looking to buy everywhere and they have to be there and make it as easy to get those products to them as possible.

Sara Lebow:

Sure. So I want to talk more also about where all those touchpoints are. We talked about top of funnel going to bottom of funnel, so initial touchpoint ending in purchase and loyalty. How is that funnel collapsing, Sky?

Sky Canaves:

So I think social commerce and shoppable media is really where we're seeing this take place most rapidly because you can go from learning about a brand, discovering it, to purchasing it and then getting it and reviewing it and creating user-generated content that then influences others to purchase that brand all within one social app. And we're also seeing that stores are becoming more important for discovery as consumers seek out more experiences and want to get out and get inspired and entertained while they shop.

Sara Lebow:

And then just as a last question for this segment, what are the challenges now to tracking consumer behaviors and are there any improvements?

Suzy Davidkhanian:

So, I think the hardest part here is that legacy retailers, so not the newer ones, not the digitally native ones, but the legacy retailers just have so many different systems and because they started with website different from store, the data is in different places. And that's really where the mobile app and having a good app that helps bridge the gap between online, in store can help with the consumer behavior tracking. But until retailers have a way of really having that 360 view of the customer and that's finding the right organizational ways of getting their data together, it'll be really hard.

Sara Lebow:

Sure, yeah, that absolutely vital for tracking first party data. That's all we have time for in the first half. In the second half we're going to talk about frustrations of the customer experience. But first a word from Ibotta Performance Network.

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Welcome back from the break. Now it's time for pop-up rankings where we take a look at specific examples and we rank them. This week, Suzy and Sky will rank four major personal frustrations in the customer journey. We're going to do two online and two in store. Let's start with some online ones. Sky give us a major frustration in the customer journey.

Sky Canaves:

Sure. And this is one that I think is becoming more important with the rise of retail media. And that's the proliferation of sponsored search results, particularly on Amazon, which is also the leader in retail media. You go to the site, you have a high purchase intent, you know exactly what you're looking for and you want to buy. You enter the specific product and the results are cluttered with advertisements for different products. Unless the brand that you happen to be looking for is also a heavy advertiser with Amazon, then they will get higher placement. But that mixture of the organic and paid results where you can't find what you're looking for can then push shoppers to go elsewhere to find what they want such as Google or another retailer.

Sara Lebow:

Yeah. And I mean Google's kind of like that too. It's sort of a mess also. Not quite as much as Amazon, but...

Sky Canaves:

They're a little neater because they limit their, on Google shopping at least, they limit their search results to a top and bottom bar of sponsored ads. And everything in the middle is as close a match as you can get to what you're looking for. Google will even scour like resale sites or secondhand sites to get you the exact product match.

Sara Lebow:

Okay. So we have cluttered search results due to sponsored content. What is another digital frustration in the shopping journey?

Sky Canaves:

And this one comes at the end of the shopping journey when you're ready to buy a product, and particularly on mobile phone, that's having to enter any kind of information really. I think

in the age of face ID and one click checkout, having to enter any kind of information on a mobile phone is very frustrating, particularly credit card information and billing address if it's not already saved there or stored somehow. And I think this will become more important with the rise of Gen Z consumers because they're overwhelmingly iPhone users and they are going to be funneled into kind of like Apple's payment and ID ecosystem, which can create a very frictionless shopping experience when a retailer or brand is aligned with it.

Sara Lebow:

Yeah, it's funny you mentioned those younger consumers because I think those are the same consumers that also can spot paid content, paid ads from a mile away. And so they probably have that same first frustration also.

Okay. So, those are our two online e-commerce digital concerns. Suzy, what is a frustration in the shopping journey related to in-store?

Suzy Davidkhanian:

So coming from my previous life and just in general, in-store is such a big part of retail, right? It's 80% of sales today, even more, are in store. So getting the store experience right is critical and can be a major deterrent if it's not right. And so part of that is inventory. And I know the last three years we've been talking a lot about inventory, not having enough and stock outs and empty shelves, clearly a big frustration.

But another one is also having just too much stuff, too much clutter, too many sizes, too many colors, too many T-racks, not knowing where to go when you walk into the store and you're looking for jeans and all you see are t-shirts, over t-shirts over. And you don't even know where to go because the store is not organized in a way that helps you get to where you're going with the right signs, with less stuff, then you kind of almost walk in and walk out.

And for some retailers, they bank on that, right? The off-price, TJ Maxx's of the world are trying to create this treasure hunt. But when you're going to a department store or a mass retailer, you're really trying to just get in and get out and get what you need. And so while it's bad for the discovery component, you're also kind of scaring people away. So you need to find that balance between just enough inventory so that people find new things, but not so much that they get turned off and move away.

Sara Lebow:

So inventory, for sure, probably the most important part of in-store shopping. What is another frustration in the in-store shopping experience?

Suzy Davidkhanian:

So I think this might be for younger folks than for older folks, and I'm going to throw myself into that younger folk category, at least for this example. But I think one of the things is as retailers try and push their app and using the app to connect the online in-store experience as they use the app as a tool when you're in-store to get your own help around inventory and price checking. And Sky and I went and checked out a big department store here in New York City and we found that we have that same problem. There are parts of the store that just don't have good wifi where you can't connect. Whether it's in the basement or a different part of the store, and you're really trying hard to help yourself through the app or through their website on your phone, and you just can't do it.

And so I think not having good wifi that is free or making the password available, which they shouldn't do a password enabled because that just makes it a friction filled experience, right? There should just be strong wifi. In today's world, there is no reason to not have free wifi, especially if you want me to use your app.

Sara Lebow:

Is a reason to not have free wifi that I might go on Amazon and see if I can find that product cheaper?

Suzy Davidkhanian:

I mean, technically most phones are data enabled, so you just walk up to the stairs to where you find a hotspot or no hotspot technically, but just like a spot where there is wifi that you can connect to your data. So I don't think that, this idea of show rooming is important and it is not new, but I think you are doing yourself a disservice as a retailer if you're causing extra friction that doesn't need to be there. And for something as simple as wifi.

Sky Canaves:

And especially when you have an app available that's trying to make the shopping experience more friction free and seamless and connected to technology.

Sara Lebow:

Yeah.

Sky Canaves:

It's a very basic tech blunder.

Sara Lebow:

We definitely keep coming back to this idea of that retailers need folks on their apps and they need to find ways to get them on. And one of those ways is wifi. Okay, well that is all we have time for today, so thank you, Suzy.

Suzy Davidkhanian:

Thanks for having me

Sara Lebow:

And thanks Sky.

Sky Canaves:

Thanks Sara.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram @behindthenumbers_podcast to see a picture of Suzy's Garden, or as Marcus calls it, Suzy's one plant.

Suzy Davidkhanian:

Hey. My garden is beautiful.

Sara Lebow:

Thank you listeners, and to our producer Victoria who helps us along our podcasting journey. We'll be back next Wednesday. We'll be coming to you live from our Attention Summit with a very special episode of Re-imagining Retail an eMarketer podcast, brought to you by Ibotta Performance Network. And tomorrow, join Marcus for another episode of the Behind the Numbers daily.