



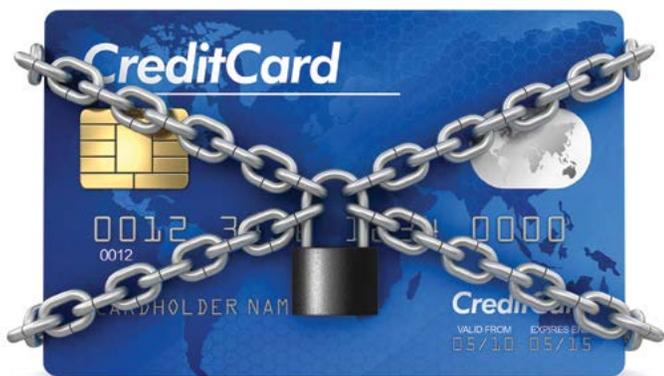
# MARKETINSIGHTS | JANUARY 2015



**HAVI Global Solutions** | Grow Smarter

# CYBERSPACE Security

Is your private consumer information at risk? Cyber security experts at multinational giant, Fujitsu, certainly think so.<sup>1</sup> Peak shopping periods, such as the U.S. market's celebrated Black Friday and Cyber Monday sales events, present increased security risks for retailers because the increase in transaction volume and internet traffic can allow hackers to go unnoticed. Despite recent—and significant—data breaches at U.S. retailers, **Target** and **Home Depot**, banks and retailers appear to be on opposing sides on how to address the issue moving forward.



## THE CHICKEN OR THE EGG

Better card security, in the form of microchip and PIN card technologies, could reduce the amount of credit card fraud because they are almost impossible to duplicate. However, adoption of these new technologies is slow moving. Banks want retailers to upgrade their terminals to use the new chips, arguing against the expense of issuing microchip cards that are not universally accepted. Retailers argue that the low number of microchip cards in circulation does not justify the expense of upgrading their payment terminals.<sup>2</sup> In the interim, shoppers are left to monitor and protect their own personal and financial information.

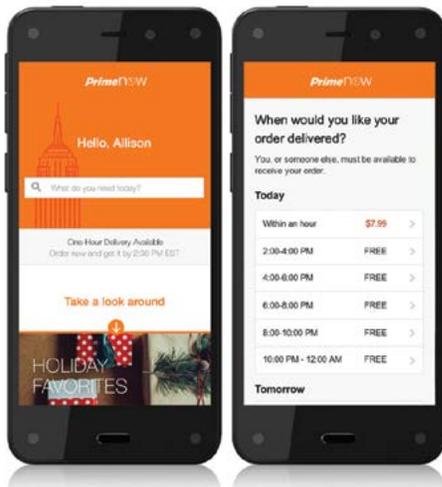
## BIG DATA DEFENSE

An increasing number of high profile corporate hacks has created a compelling case for change; quite simply, companies are not adequately equipped to fend off sophisticated cyber hacks. As a result, **Intel Security** is betting big on “intelligence awareness,” their approach to an integrated security architecture that links multiple security systems and Big Data to enable real-time communication and adaptability.<sup>3</sup> The result? Smart security systems that connect incident detection with adaptive response. The integrated security architecture allows a PC running Intel's anti-malware software to detect and alert other systems on the shared network to any security breach, enabling the remaining systems to modify their policies and controls to block the newly identified threat.



# RIGHT on Time

The concept of same-day delivery is relatively new and challenging for most retailers, yet it is gaining traction with consumers. According to a recent shopping survey conducted by **Manhattan Associates** and **IDG Research Services**, 50 percent of consumers are likely to use same-day delivery when purchasing gifts online.<sup>4</sup> As more consumers consider same-day service as a viable delivery option, retailers are experimenting with the concept to find the sweet spot among escalating demand, accurate inventory management and profitable fulfillment. Establishing a flexible, nimble supply chain with inventory visibility at a granular level will be critical to successfully executing same-day delivery, ensuring the right item is always in the right place at the right time.



centers, **Prime Now** speeds up order delivery times and provides consumers with the delivery of essentials like paper towels, shampoo, books, toys and batteries in an hour or less.<sup>5</sup> According to Amazon, the service allowing busy consumers to “skip the trip” will be rolled out to other cities in 2015.

## 60 MINUTES OR LESS

Offering fast shipping is an integral element of **Amazon.com**’s strategy to compete with brick-and-mortar stores, and in New York City, Manhattanites can now pay to receive 1- and 2-hour delivery service. Utilizing Amazon’s growing network of high-tech fulfillment

## FROM SEARCHING TO SHOPPING

As more online options become available to them, consumers are bypassing **Google** and heading straight to online retailer websites to find merchandise. To counter the loss in search revenue, Google has launched **Google Express**, a membership service that charges shoppers \$95 a year or \$10 a month for unlimited deliveries or \$4.99 per eligible order from well-known Google retail partners such as **Target**, **Petsmart**, and **Costco**.<sup>6</sup> Previously available in only New York City, Los Angeles, and San Francisco, Google is expanding its service area to include Chicago, Boston, and Washington, D.C. According to Google, the company is focused on building experiences that blend the online and physical worlds.



Google Shopping Express

# Retail Shopping SHOWDOWN



Could a shift in strategy help brick-and-mortar brands level the playing field against online retail juggernauts? The practice of browsing at physical stores, price checking against online competitors, and then buying desired products online—a behavior known as “showrooming”—has had a dramatic impact on the retail industry, particularly in price driven categories like consumer electronics and luxury goods. However, brick-and-mortar retailers are fighting back, tapping into shopper motivations to create unique in-store experiences that may turn the trend in their favor.

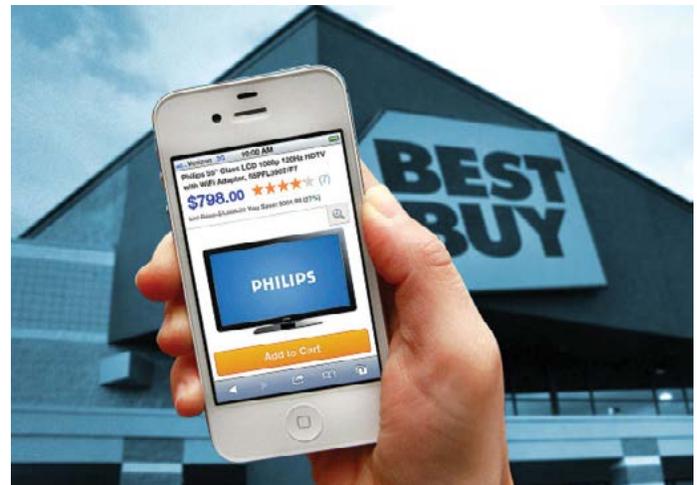
## SHOWROOMING HERE TO STAY

A global phenomenon, the growth of showrooming has slowed but remains a prominent force for retailers to contend with. Studies show that more shoppers are showrooming—both actively and passively—using their smartphones as instantaneous price checkers to comparison-shop while on the retail store floor. Recent research by **Tecmark** shows 50% of UK shoppers plan to comparison shop using their mobile phones, a figure that rises to 67% for consumers 34 and under.<sup>7</sup> New data from **CFI Group** indicates that 57% of U.S. consumers use their smartphones to assist with in-store shopping activities, with 38% actively planning to showroom.<sup>8</sup>

## OMNICHANNEL ADVANTAGE

The recent success of U.S.-based **Best Buy’s** “store-within-a-store” and in-store consumer engagement strategies demonstrate that brick-and-mortar brands have access to tactics that can counteract the impact of showrooming. With a renewed emphasis on driving online sales to capture their share of showrooming

dollars, enhancing the pre- and post-sale in-store experience and leveraging their multichannel presence to offer competitive alternatives to online retailers (e.g. price matching, store pickups, and stores acting as distribution centers) Best Buy has embraced their omnichannel strengths to tackle the effect of showrooming head-on.<sup>9</sup>



## WEBROOMING GAINS MOMENTUM

The shift in Best Buy's strategy to omnichannel service and positioning reflects a larger trend that works to the advantage of traditional retailers: reverse-showrooming or "webrooming." Accenture research reveals a surge in webrooming, with 71% of shoppers planning to browse for desired items online first, before purchasing from a local store.<sup>10</sup> The same study showed a small advantage in the trend toward webrooming (+3pts) versus showrooming, a slight shift in consumer behavior versus the same period last year.



## GIVING CONSUMERS WHAT THEY WANT

An omnichannel retail strategy helps retailers capitalize on what motivates shoppers to engage in webrooming in the first place. GfK's FutureBuy 2014 shopping study showed that webrooming shoppers in the U.S. were motivated to purchase offline by differentiators such as "see and feel before buying" (58% prefer brick-and-mortar, versus 9% online), "get products sooner" (53%

versus 16%), and "hassle-free returns" (35% versus 10%).<sup>11</sup> Employing tactics like knowledgeable sales staff, in-store pick-up of online orders, in-store Wi-Fi, and smartphone discounts, traditional retailers can tap into key purchase influences that impact decision-making.



## BEST OF BOTH WORLDS

The future of retail may not be online versus brick-and-mortar; it may be a hybrid of both. Rather than fighting changes in consumer shopping behavior, incorporating a consumer-centric, omnichannel approach to the retail business model seems key to winning with shoppers long-term. By better connecting the most compelling aspects of their online and physical stores, traditional retailers can offer consumers the benefits of both, creating a seamless consumer shopping experience that wins the sale and builds brand loyalty.

# BEYOND Promo Packaging

The use of promotional package design to boost sales is not new news; however, brands must now elevate package design to do more than simply communicate the promotion. The new creative bar for brands? Developing packaging that is both relevant *and* on-trend and also works in combination with the promotion idea to surprise and delight the target consumer.



## STADIUM STAND OUT

To ensure their brand made an impression while on the FIFA World Cup™ stage, Puma asked their star players to wear mismatched shoes when on the field.<sup>13</sup> The 2014 Tricks Collection, launched in celebration of the World Cup, was made available to fans in special edition presentation cases. The vibrantly colored case, contrasting matte and glossy print finishes, and the jewel-like texture of the shoes were designed to showcase the energy of Brazil and the one-of-a-kind look of the mismatched, pink and blue cleats, all while creating a memorable keepsake for fans of the brand and the game.

## A CELEBRATION OF HERITAGE

**Budweiser** introduced 10,000 limited edition, handmade wooden crates with 18 Budweisers and two pilsner glasses inside.<sup>12</sup> The bottles and glasses featured authentic classic labels, each marking a momentous occasion in the brand's history: 1918 (the last label before Prohibition), 1933 (the first label following the repeal of Prohibition) and 1976 (the 100th anniversary of the brand). For those consumers not fortunate enough to encounter one of the limited edition crates, Budweiser also rolled out 1.6 million cases of the classic labels on their 12-, 18-, and 24-pack bottles, leveraging their vintage appeal and celebratory spirit to reinforce the core characteristics of the brand.



# HARVESTING Food Waste

Each year approximately one-third of all food produced in the world is lost or wasted, the edible portion of which amounts to 1.3 billion tons and costs \$750 billion annually.<sup>14</sup>

Europe accounts for 100 million tons,<sup>15</sup> and the U.S. produces another 34 million tons of food waste annually. The amount of edible food wasted each year could feed the approximately 840 million people that face chronic hunger.



## SCRAPPY ALTERNATIVES

WISErg, a Redmond, Washington-based start-up, began testing technology in 2010 that converted food waste into fertilizer. The company recently expanded their service to **Whole Foods**, **Red Apple**, and **PCC Natural Markets** and offers its clients two services: Harvester machines that enable grocers and food service providers to safely discard food scraps and the resulting liquid fertilizer (converted from the food scraps) for organic crop production.<sup>16</sup>

## GETTING TO THE ROOT ISSUE

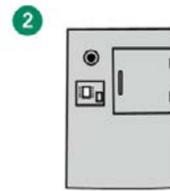
An additional benefit offered by WISErg that may address the larger issue of food waste is the business intelligence aspect of the Harvesters. Each machine is powered by smart technology that weighs food scraps, captures digital images of each deposit, and provides detailed analysis that helps reduce unnecessary inventory loss. Sample reports include the ability to track food disposal trends over time and the ability to gain high-level insight into waste management

performance across individual stores.<sup>17</sup> Although WISErg estimates that a national rollout of their machines is approximately two years away, the company has 27 contracts in place for new Harvesters, a promising sign that grocers and foodservice suppliers are exploring all options for sustainable food waste management.

### USING THE HARVESTER™



Deposit food scraps.



The Harvester™ grinds food, and the proprietary system creates a nutrient-rich liquid.



WISErg removes the liquid for off-site refining into liquid fertilizer approved for organic crop production.

# Credits

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<sup>2</sup>Hack Friday, Tal Kopan, [www.politico.com](http://www.politico.com), 11/28/2014

<sup>3</sup>Big Data: Cyber Security's Silver Bullet? Intel Makes the Case, Kurt Marko, [www.forbes.com](http://www.forbes.com), 11/9/2014

<sup>4</sup>Supply Chain Carols for Online Shopping for the Holiday Season, Darryl K. Taft, [www.eweek.com](http://www.eweek.com), 12/22/2014

<sup>5</sup>Amazon Launches 1- And 2-Hour Delivery In Manhattan, [www.foodlogistics.com](http://www.foodlogistics.com), 12/19/2014

<sup>6</sup>Google Gains Ground on Amazon With Same-Day Deliveries During Holiday, [www.adage.com](http://www.adage.com), 12/22/2014

<sup>7</sup>Britain Set for a Multi-screen Christmas, [www.tecmark.co.uk](http://www.tecmark.co.uk), 12/2/2014

<sup>8</sup>CFI Group. [2014] Holiday Shoppers Look to Showrooming for the Best Deals this Year [Press release]. Retrieved from: <http://www.nasdaq.com/press-release/holiday-shoppers-look-to-showrooming-for-the-best-deals-this-year-20141029-01010>

<sup>9</sup>On Comeback Trail, What Can JCPenney, Best Buy Teach Other Retailers?, Dale Buss, [www.brandchannel.com](http://www.brandchannel.com), 8/26/2014

<sup>10</sup>Accenture. [2014] U.S. Consumers Plan to Increase Holiday Spending This Year, Supported by Greater Optimism about Personal Finances, Accenture Study Finds [Press release]. Retrieved from: [http://newsroom.accenture.com/article\\_display.cfm?article\\_id=6219](http://newsroom.accenture.com/article_display.cfm?article_id=6219)

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<sup>12</sup>Anheuser-Busch. [2014] Budweiser Introduces Limited-Edition Wooden Crates and Classic Labels for Holiday Season [Press release]. Retrieved from: <http://newsroom.anheuser-busch.com/budweiserholiday/>

<sup>13</sup>Puma Tricks FIFA World Cup, [www.thedieline.com](http://www.thedieline.com), 6/18/2014

<sup>14</sup>Global Food Waste in Eight Numbers, [www.bbc.com](http://www.bbc.com), 7/3/2014

<sup>15</sup>Food Wastage: Key Facts and Figures, [www.fao.org](http://www.fao.org), n.d.

<sup>16</sup>Meet the Startup Turning Your Thanksgiving Scraps Into Fertilizer--and Cash, Jill Krasny, [www.inc.com](http://www.inc.com), 11/24/2014

<sup>17</sup>Reporting (WISErg), [www.wiserg.com](http://www.wiserg.com), n.d.

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