



SALTWATER SOFTWARE WHITE PAPER:

Turning Retail Disruption Into Digital Opportunity

Bucking 'Retail Disruption'

The headlines are everywhere and they're alarming. For a destination, the reaction to this news can be defensive-- to work harder, to make do with less, to cut and cover, but while this approach may be intuitive, it can also be an opportune time to consider where to grow.

For as the best minds in retail are showing us, the key bucking the disruption is investing in digital. Looking at the current consumer landscape, it is clear that patterns have changed. The most obvious shift has been towards mobile devices. We are more connected than ever, both online and to our mobile devices.

According to the Pew Research Center, 77% of Americans own smartphones. For the group between the ages of 18-29, that percentage skyrockets with 100% owning cell phones and 92% of those being smartphones. For this Millennial generation, the smartphone is undeniably at the center of their lives. They, like many of us, use mobile phones for internet access, email use, streaming, shopping, social media, messaging and only upon occasion, a phone call.

Everyone is on Mobile

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Smartphones
(ALL ages)

77%

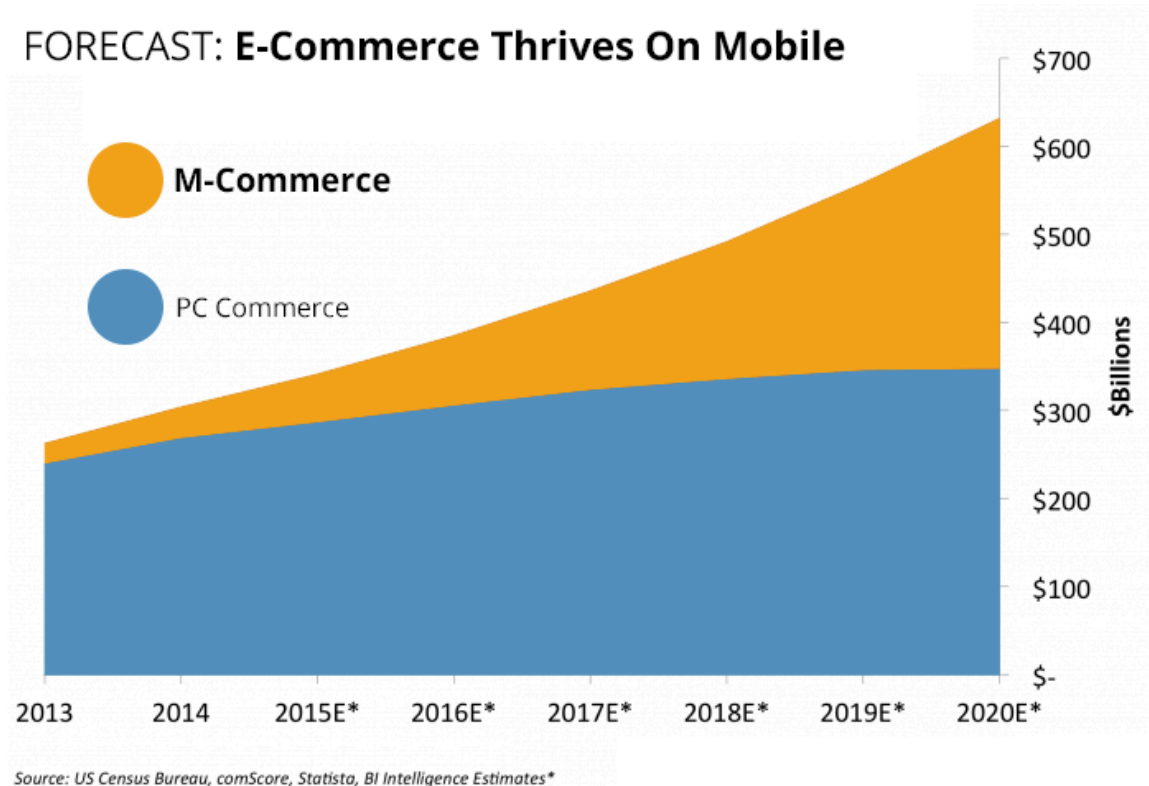


Smartphones
(18-29)

92%



FORECAST: E-Commerce Thrives On Mobile



One aspect driving the mobile dependency is the rise of social and digital media. It is expected that **by 2020, more than 7 out of 10 US internet users will use social networks**. Led by the under 35 generation, social media adoption has skyrocketed in the past 8 years with 46% of online adults using social networks in 2009, to close to 70% of users in 2016. With mobile at the center of so many lives and social media playing such a huge part, it's clear that the place to capture consumers' attention is unquestionably on their mobile phone and within social media.

Another culprit in retail disruption is of course, **e-commerce**. With half of American households subscribing to Amazon Prime, its influence is hard to ignore. But for all of the business that Amazon generates, it is helping consumer habits shift from brick and mortar to other online retailers as well. According to the NRF (National Retail Federation), online retail sales is expected to be 3x higher than the industry itself, with total retail sales around \$430 billion. In contrast, brick and mortar retail sales growth are expected only to grow at around 2.8%. With a few smart retailers as guides, we can learn how to enhance your destination's growth by embracing these trends rather than ignoring them.

Let's look at a few examples...



Starbucks

In a time where gourmet coffee is as accessible as it's ever been—both at home and in stores, why would a company like Starbucks be growing? According to its Chief Executive, Kevin Johnson, there is “a seismic shift in consumer behavior” and it is in the process of having a “devastating impact” on brick and mortar retailers. (WSJ) Starbucks decided to combat this phenomenon with three new efforts--focusing on the lunch hour, growing in China and investing in digital. As a result, analysts are predicting a 10% growth over LY and a 5 year average growth rate of over 17%.



Nike

After a 19% drop in stock price in 2016, the sportswear market leader sprung into action. Their first step was to create the position of CDO (Chief Digital Officer) to spearhead a large digital push. They, like Starbucks, have been very vocal and forthcoming with digital being at the center of their growth. A large part of this strategy was the recent launch of Nike+, a platform that focuses on capturing the “social fitness” phenomenon. With Nike+, users can connect and share with other fitness enthusiasts, creating greater engagement in both their workout and the brand.



Cosabella

A family owned Italian lingerie company is not necessarily the first place where most would look for digital innovation, but Cosabella's recent growth has been nothing less than extraordinary. In 2016, the 35-year-old company eliminated all of its traditional advertising and marketing efforts and replaced them with an aggressive and progressive digital approach. After investing in both paid search and social media, Cosabella now reports that its social channels are responsible for 30% of its paid ad revenue and a 155% increase in revenue in Q4 of 2016.



What does this tell us?

Experiences Begin Online

If the proliferation of mobile and the adoption of social teaches us anything, it's that consumers start most journeys with digital. Whether it's a purchase, a meal or an excursion, the first stop is online exploration. Starbucks customers still want a hot cup of coffee, but their experience begins far before and long after that drink is consumed. To be a consideration to a consumer, your destination must be discoverable, engaging and influential.

The New Customer Journey

87% of Shoppers look for information BEFORE visiting a store. 79% WHILE visiting a store. 35% AFTER visiting a store.





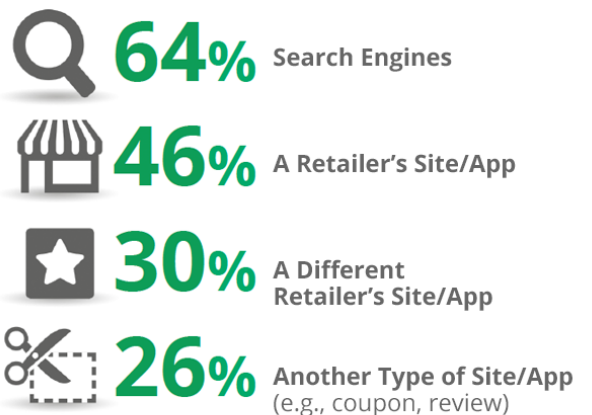
What can we do?

A Website Is Not Enough

For many destinations, reworking their website feels like a monumental task that gets lost in the chaos of daily activities. But with the growth of online activity, particularly on mobile, a website is no longer an ancillary element of a brand, it is the core of a brand. If that website does not go further by linking to social feeds and offering fresh, new content, your destination will not get the digital attention or the physical traffic it deserves.

Beyond The Site

42% of in-store consumers conduct research online while in stores using:





What is the new normal?

Digital Innovation is Constant

Like a website itself, digital media in all forms is constantly evolving. To be active in the digital space is to be constantly learning, relearning and adopting new practices. The social channels that thrive today may not be relevant tomorrow. The trends and applications will inevitably be different in the days to come. To capture today's momentum is to grow right now and be ready for what will come tomorrow.

Here Today, Gone Tomorrow



Top brands on Instagram are seeing a per-follower engagement rate of 4.21% which is 58 times higher than on Facebook and 120 times higher than on Twitter.

Engagement Outperforms on Instagram by:



58x HIGHER
Than Facebook



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In conclusion...

The current retail disruption in many ways mirrors the ongoing digital disruption. It has affected all businesses, but successful companies are proving to be those that anticipate and embrace the change. It is not a time to be scared or to ignore the seismic shifts. For destinations, this is an opportune time to get your digital house in order: evaluate your possibilities, make a plan, and invest in the right tools and team members to implement them. Most importantly, the strongest organizations will remain open as the interactive landscape continues to shift.

As William Arthur Ward famously wrote: “The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.”



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