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Digital Window Shopping as Future Customer Preference in Industry 6.0

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ABSTRACT

For many of us, digital window shopping is a form of escapism and stress relief. In our busy lives, immersing ourselves in a world of potential purchases provides a welcome distraction. This activity serves as a form of 'retail therapy,' offering a sense of relief even without making a purchase. The joy of discovery in digital window shopping constantly captivates us. The online world offers an endless range of products, each click presenting a new surprise. This vast selection triggers a dopamine rush, a feeling familiar to many of us. It's the thrill of the hunt that propels us to continue our search for the next great find. The paper attempts to understand the consumer psychology behind digital window shopping.

Keywords: Consumer Behaviour, Digital Window Shopping, Industry 6.0

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INTRODUCTION

Impulsive shopping used to be reserved just for in-store, but not anymore. Shoppers are discovering and purchasing more online than ever before. Today's consumer is constantly on the search for new products. Brand loyalty is decreasing. Time spent online is increasing. This notion of digital window shopping speaks to a seemingly large white space; a place where people peruse and explore online the way we often did when we meandered around malls and boutiques for fun, stress release, killing time, or just engaging in some frivolous window shopping 'back in the day' (aka 14-16 months ago). It's not only BuzzFeed that is tapping into the opportunity to leverage the power that sits at the intersection of commerce and content; we're seeing other publishers and platforms test various online shopping offerings driven by their content. For example, Group Nine launched a holiday season mobile storefront leveraging its Swipe.Shop commerce platform for its various websites (e.g. Dodo, Popsugar). NBCUniversal is doubling down on shoppable content after adding NBCU Checkout, a direct checkout feature within shoppable TV ads, which has been teased ahead of its One21 event. Different strategies, from exclusive product offerings, influencer collaborations, and emerging adtech investments/acquisitions in the coming months as the timeline for reimagining retail was truncated & expedited from years to months as brands, publishers, retailers, and consumers all have rapidly changing demands and expectations, as well as frictions and mindset pivots that require immediate, tangible solutions for today's weird new world. It's more than just linking "where to buy" buttons to publishers' content; there needs to be the right mix of content, product offerings, audience understanding, and critical storytelling. But isn't this true of any offering – on or offline – for any product or service? It's not about technology/platform first; it's about identifying the consumer need, defining the ideal solution, and THEN determining what the right tools are to bring said solution to life. With more consumers turning to eComm – and screens in general – to fill every need from refills to product acquisition to killing time during a work Zoom to finding emotional fulfillment, the need for quality content and quality experiences has never been greater. Or potentially more lucrative. Especially as people have been forced to trial (whether they wanted to or not) the notion of buying nearly everything online in some capacity, as well as new forms of purchasing like DTC brands or auto-refill subscriptions, the reality is that many of these behaviors will slowly become ingrained because they provide tangible UTILITY and VALUE. The retail industry is constantly changing and undergoing significant transformations, which require retailers to

adapt in order to survive. Over the past couple of years, the rate of store closures has rocked the retail industry, with more than 8600 stores being expected to close in 2019 (Business Insider, 2019). However, according to the report "Retail Renaissance—true story of store openings/closings", 5.2 new stores open for each company that closes a store (IHL Group, 2019). In other words, some types of stores have almost completely disappeared, while in other industries these have increased (Amcoff et al., 2015). The emergence of new channels has been part of the transformation of the retail industry in recent decades (Egan-Wyer et al., 2021; Hultman et al., 2017), indicating that physical retail is not dying but merely changing. Another factor that has influenced this transformation is the expansion of e-commerce, which in 2018 accounted for 10% of total retail sales and continues every year (Statista, 2019). Even though e-commerce is growing, physical store shopping is still very much alive. However, the growth of e-commerce is forcing physical stores to evolve to stay relevant and meet shifting consumer demands. Today, many companies recognise the importance of integrating channels to provide a seamless experience. Such integration has both received attention in research during recent years and resulted in more complex consumer behaviours and customer journey patterns (Liu et al., 2018). Today, consumers largely alternate their shopping behaviours between both online and physical stores, choosing the channel that best fits their needs at the time (Bell et al., 2014) and provides the highest value (Flavián et al., 2016). As humans, we want life to be as easy as possible; that means as seamless and frictionless as possible. As we move through the pandemic, you may not know all of the behaviours you or your consumers will keep as scars or eventually dispose of as scabs, but I'm fairly confident the tools, platforms, and technologies that make your life easier, and help you digitize the dullness of everyday routines or needs, will become ingratiated into the suite of tools you turn to, like a digital, ever-present swiss-army knife of delivery. The reality is, when we move into the next iteration of "normal", we won't be putting down our smartphones and smartscreens; we had trouble detaching (is it really trouble if you have no interest?) long before the pandemic. But there will be a rectification as consumers try to determine which pre-pandemic and current behaviours they'll continue to adapt or modify, augmented based on what on/offline tools and platforms provide the most enriching utility and experiences that make life easier and simultaneously additive. Online shopping will continue to grow, and increasingly it will service the shopper looking for convenience: ie – replenishing non-perishable groceries, and buying items like home ware, gifts and books. In a country like

South Africa, where clothing sizes are not uniform and shoppers still value the social and tactile elements of shopping, the bricks-and-mortar experience is here to stay. However, the loss of foot traffic, and therefore sales, from online shopping has already started to affect the bottom line for many retailers. They not only have to up their game in terms of providing a "retail theatre" experience, but also keep a close watch on a new retail trend: the touch-screen shoppable window. The paper attempts to understand the consumer psychology behind digital window shopping.

LITERATURE REVIEW

A marketer has to look for different approaches to sell their products, and in the current scenario, e-commerce has become a popular way of selling goods. Whether it is durable or non-durable, everything is available from A to Z on websites. Some websites are specifically designed for specific product categories only, and some sell everything.

Prominent factors such as detailed information, comfort and relaxed shopping, time savings, and easy price comparison influence consumers towards online shopping (Agift *et al.*, 2014). Furthermore, factors like variety, quick service and discounted prices, feedback from previous customers make customers prefer online shopping over traditional shopping (Jayasubramanian *et al.*, 2015). It is the festival and holiday season, online retailers give ample offers and discounts, which increases the preference more by youth, as during the festival and holiday seasons, online retailers offer ample discounts, which increases online traffic to a great extent (Karthikeyan, 2016). Moreover, services like free shipping, cash on delivery, exchange and returns are also luring customers towards online purchases.

More and more people are preferring online shopping over traditional shopping because of their ease and comfort. A customer may have both positive and negative experiences when using an online platform to make a purchase. Some past studies have shown that, although there are many benefits, some customers still do not prefer online shopping as their primary medium.

While making an online purchase, customers cannot see, touch, feel, smell or try the products that they want to purchase (Katawetawaraks & Wang, 2011; Al-Debei et al., 2015), due to which it is difficult to examine the product, and it becomes hard for customers to make a purchase decision. In addition, some products are required to be tried like apparel and shoes, but in the case of online shopping, it is not possible to examine and feel the goods and assess their

quality before making a purchase due to which customers are hesitant to buy (Katawetawaraks & Wang, 2011; Comegys *et al.*, 2009). Alam and Elaasi (2016) in their study found that product quality is the main factor which worries consumers about making online purchases. Moreover, some customers have reported counterfeit and imitation products in their delivered orders, Jun & Jaafar, 2011). A low quality of merchandise never generates consumer trust on online vendor. A consumer's lack of trust in the online vendor is the most common reason to avoid e-commerce transactions (Lee & Turban, 2001). Fear of online theft and non-reliability is another reason to escape from online shopping (Karthikeyan, 2016). Likewise, there is a risk of incorrect information on the website, which may lead to an incorrect purchase, or, in some cases, the information is incomplete, preventing the customer from making a purchase decision (Liu & Guo, 2008). Moreover, in some cases, the return and exchange policies are unclear on the website. According to Wei *et al.* (2010), the reliability and credibility of e-retailers have a direct impact on consumer decisions with regard to online shopping.

Limbu *et al.* (2011) revealed that when it comes to online retailers, some websites provide very little information about their companies and sellers, due to which consumers feel insecure purchasing from these sites. According to other research, consumers are hesitant due to scams and feel anxious to share their personal information with online vendors (Miyazaki and Fernandez, 2001; Limbu *et al.*, 2011). Online buyers expect websites to provide secure payment and maintain privacy. Consumers avoid online purchases because of the various risks involved with them and do not find internet shopping secure (Cheung & Lee, 2003; George *et al.*, 2015; Banerjee *et al.*, 2010). Consumers perceive the internet as an unsecured channel to share their personal information like emails, phone and mailing address, debit card or credit card numbers, etc., because of the possibility of misuse of that information by other vendors or any other person (Lim & Yazdanifard, 2014; Kumar, 2016; Alam & Yasin, 2010; Nazir *et al.*, 2012). Some sites make it vital and important to share personal details of shoppers before shopping, due to which people abandon their shopping carts (Yazdanifard and Godwin, 2011). About 75% of online shoppers leave their shopping carts before they make their final decision to purchase or sometimes just before making the payments (Cho *et al.*, 2006; Gong *et al.*, 2013).

Moreover, some of the customers who have used online shopping confronted with issues like damaged products and fake deliveries, delivery

problems or products not received (Karthikeyan, 2016; Kuriachan, 2014). Sometimes consumers face problems while making the return or exchange the product that they have purchased from online vendors (Liang and Lai, 2002), as some sites gave an option of picking from where it was delivered, but some online retailers do not give such services to consumer and consumer him/herself has to courier the product for return or exchange, which becomes inopportune. Furthermore, shoppers unnecessary delays (Muthumani *et al.*, 2017). Sometimes, slow websites, improper navigation, or fear of viruses may drop the customer's willingness to purchase from online stores (Katawetawaraks & Wang, 2011). According to an empirical study by Liang and Lai (2002), the design of the e-store or website navigation affects consumers' purchase decisions. An online shopping experience and the consumer skills consumers use while purchasing, such as website knowledge, product knowledge, or understanding how online shopping works, influence consumer behaviour (Laudon & Traver, 2009). Consumers do not have faith, and there is a lack of confidence in online retailers due to incomplete information on the website related to the product and service they wish to purchase. Buyers are hesitant due to fear of online theft of their personal and financial information, which makes them feel there will be an insecure transaction and uncertain errors may occur while making an online payment. Some shoppers are reluctant due to the little internet knowledge. Furthermore, as per the study done by Nikhashem *et al.* (2011), consumers who are unwilling to use the internet for their shopping prefer the traditional mode of shopping, as it gives a more engaging experience and involves outgoing activity. Several studies have been conducted earlier that identify the factors influencing consumers towards online shopping, but few have concluded the factors that restrict consumers from online shopping.

Literature review Industry 6.0

Industry is defined as the production of goods and services of raw materials and resources into valuable products. It involves the creation of finished products or services through various stages of production that may include manufacturing, processing, assembly, packaging, and distribution. Industries have played a significant role in the economic growth and development of nations throughout history. They have contributed to the creation of employment opportunities, the development of new technologies, and the improvement of living standards. Over the years, the industrial sector has undergone numerous changes, each termed an "Industrial Revolution."

Industry 1.0: The Birth of the Industrial Revolution

Industry 1.0, also known as the first industrial revolution, began during the late 18th century and lasted until the mid-19th century. It was characterized by the widespread use of mechanized production, the utilization of energy sources such as coal and steam-power, and the emergence of the first factories. This revolution allowed for mass production to become possible and saw the emergence of the first industrial giants, such as the cotton mills and ironworks.

Industry 2.0: The Era of Mass Production

Industry 2.0 was marked by the introduction of electricity and the invention of new technologies such as the assembly line. This revolution led to increased productivity, efficiency, and quality in the production of goods, as well as the emergence of new industries such as the automobile industry.

Industry 3.0: The Rise of Automation

Industry 3.0, also known as the digital revolution, saw the use of electronic technologies to create computer-based systems, robotic production lines, and automated factories. This revolution enabled the emergence of the internet and the development of new technologies such as 3D printing, big data, and cloud computing.

Industry 4.0: Automation and Digitization

Industry 4.0, also known as the fourth industrial revolution, began in the early 21st century and is characterized using automation and data exchange. This revolution has enabled the development of the Internet of Things (IoT), artificial intelligence, and machine learning. It has also enabled the use of 3D printing, big data, and cloud computing.

The growth of Industry 4.0 is driven by several factors, including the need to increase productivity and efficiency, the emergence of new technologies such as artificial intelligence and machine learning, and the increasing use of the Internet of Things (IoT). The use of automation and data exchange enables faster, more accurate data processing and greater efficiency in the production of goods. Additionally, the development of new technologies such as artificial intelligence and machine learning allows for more efficient decision-making and problem-solving capabilities. Finally, the Internet of Things (IoT) allows for improved communication and data sharing between connected devices.

The Evolution of Industry 5.0: Humans and Machines Working Together

Industry 5.0, also known as the Human-Tech partnership, aims to bring together the benefits of Industry 4.0 with the human touch. It emphasizes the importance of human creativity, innovation, and problem-solving skills, while also utilizing advanced technologies such as AI, robotics, and IoT. Industry 5.0 aims to create a work environment in which machines and humans collaborate, with machines performing repetitive and dangerous tasks while humans focus on more complex and creative work. This approach is expected to increase efficiency, productivity, and job satisfaction while promoting social responsibility and sustainability.

The need for Industry 5.0 is driven by the need to remain competitive in the global market, as well as the increasing demand for increased efficiency, productivity and quality. Additionally, the use of advanced technologies such as cognitive computing, artificial intelligence and machine learning allows for improved decision-making and problem-solving capabilities, as well as the potential for new business models.

Unique characteristics of Industry 5.0:

Collaboration: Industry 5.0 emphasizes the importance of collaboration between humans and machines. This means that humans and machines will work together to achieve common goals, with each one complementing the other's strengths and weaknesses.

Customization: Industry 5.0 is characterized by the customization of products and services. This means that products will be designed and produced based on the specific needs and requirements of individual customers.

Sustainability: Industry 5.0 places a strong emphasis on sustainability. This means that manufacturing processes will be designed to reduce waste and minimize the impact on the environment.

Decentralization: Industry 5.0 emphasizes decentralization, with a focus on distributed production and manufacturing. This means that production will be closer to the point of consumption, reducing the need for transportation and logistics.

Flexibility: Industry 5.0 emphasizes flexibility, with the ability to quickly adapt to changing market conditions and customer needs. This means that manufacturing processes will be designed to be easily reconfigured and adapted to meet changing demands.

Industry 5.0 is a revolutionary advancement in the industrial sector, with the potential to drastically improve productivity, efficiency, and quality across various industries. This revolution is characterized by using advanced technologies such as artificial intelligence, machine learning, and the internet of things (IoT). The prospects of Industry 5.0 are promising, as the use of advanced technologies and automation will continue to improve productivity and efficiency across various industries. Additionally, the development of new technologies such as blockchain, quantum computing, and advanced robotics will enable new business models and the creation of new products. Overall, Industry 5.0 is focused on creating a more sustainable, collaborative, and customer-centric manufacturing environment that leverages the strengths of both humans and machines.

Industry 6.0: Advancements and Challenges

Industry 6.0(Future Concept), also known as the sixth industrial revolution, is characterized by using advanced technologies such as quantum computing and nanotechnology over the pre-built Industry 5.0 architecture. These technologies will enable more efficient and effective solutions to complex problems, as well as new business models.

The use of Industry 6.0 technologies will also provide the potential for advanced robotics and increased safety and security in production and manufacturing processes. Additionally, the use of blockchain technology will enable secure, reliable data sharing and communication between connected devices, as well as the potential for new economic models. Ultimately, the use of Industry 6.0 will continue to revolutionize the way we produce, manage, and consume goods, services, and information, but as with any technological advancement, Industry 6.0 may also have some potential drawbacks or negative impacts.

Addressing the Drawbacks of Industry 6.0: Strategies and Solutions

The advent of Industry 6.0 presents a multitude of challenges that require substantial investment in the development of technological, social, and economic infrastructures to ensure their smooth integration into society. The development of new technologies and automation is likely to have a profound impact on employment, with many jobs being rendered obsolete or transformed. This may exacerbate existing inequalities in society and result in job displacement for many people, particularly those with lower levels of education or training. Additionally, the widespread adoption of Industry 6.0 technologies

may also result in increased environmental degradation, resource depletion, and pollution, which could have serious consequences for future generations. To address these challenges, policymakers must take a proactive approach to ensure that Industry 6.0 is implemented in a socially and environmentally responsible manner. This may involve implementing new regulations and policies to mitigate the negative impacts of automation and ensure that the benefits of technological progress are shared equitably across society.

Potential directions for Industry 6.0 could involve advancements in areas such as:

1. *Biotechnology Integration:* Further integration of biotechnology into industrial processes, including bioengineering, biomanufacturing, and bioinformatics.

2. *Sustainable and Circular Economy Practices*: Greater emphasis on sustainable manufacturing practices, resource efficiency, and circular economy models to minimize waste and environmental impact.

3. *Quantum Computing and Quantum Technologies:* Utilization of quantum computing and other quantum technologies to solve complex optimization problems, enhance data security, and revolutionize computation capabilities.

4. *Advanced Robotics and Autonomous Systems:* Development of more sophisticated robotics and autonomous systems capable of handling complex tasks in diverse industrial settings.

5. *Augmented Reality (AR) and Virtual Reality (VR):* Expanded use of AR and VR technologies for training, maintenance, design, and collaboration in industrial settings.

6. *Advanced Materials and Nanotechnology:* Continued development of advanced materials and nanotechnology for applications in manufacturing, energy, healthcare, and other industries.

7. *Decentralized Manufacturing and 3D Printing:* Increased adoption of decentralized manufacturing models enabled by advancements in additive manufacturing (3D printing) and distributed production networks.

8. *Cyber-Physical Systems and Digital Twins:* Integration of cyber-physical systems and the widespread adoption of digital twin technologies for real-time monitoring, optimization, and predictive maintenance.

In summary, Industry 6.0 is a futuristic industry that transcends previous revolutions, emphasizing sustainability, intelligence, and holistic integration. Its impact will be profound, shaping the way we work, interact, and live in the coming decades.

Evolution of visual merchandising in the context of ecommerce

The rise of ecommerce as a dominant force in fashion retail means that traditional visual merchandising techniques need to adapt. Unlike a traditional physical store there is no opportunity to create captivating seasonal displays or window displays, nor is there the same opportunity to induce buying frenzies with carefully positioned bargain items and related products. Products with special features, such as textures or sustainable credentials are even more challenging to highlight. When a shopper comes into an online store, there is no telling which direction they are coming from or which products they see first. This makes it impossible to lead them on a journey in the same way as you would with the layout of a physical store, so one have to approach this differently. The online medium has many benefits and features which a physical store does not – making it possible to accomplish entirely new (digital) visual merchandising tricks:

- Smart algorithms can group products together when they are frequently purchased together, or look at the search patterns of each customer to suggest products that relate to them and their other purchases.
- High-resolution photography enables shoppers to see details of item textures and materials with greater acuity than would be possible with their own eyes.
- Lighting can be customized
- during each photo-shoot to provide the maximum effect – in a brick-and-mortar store this is always a challenge.
- Careful staging of each photograph can also ensure that complementary colours bring the best out of each item.
- Video is now becoming a more integral part of the online visual merchandising strategy, and this is widely used by many of the more disruptive retailers who leverage video via social platforms to directly instigate sales.

- Augmented Reality (AR) technology gives retailers interesting options for bringing the physical retail experience to distant shoppers, and for joining the digital world with visits to physical stores.
- AR technology can also be used to show how items look when worn by the actual customer – bringing a new level of closeness to the customer-retailer relationship.
- 3D modelling of clothes that shows them in motion, with the movement of the fabrics accurately simulated, gives a new option to showcase products including those that have not yet been made or which are made-to-order.

Reinventing window shopping

It's that time of year when two distinct shopping tribes emerge: those who are going to flock to the malls for their Christmas shopping, and those who are going to avoid them at all costs. The avoiders (and I count myself in this group) are not only crowd phobic, but more importantly hyper allergic to the fabricated festive cheer that engulfs shopping malls at this time of year. For me, it's not so much the garish decorations and fake snow that offends, but rather the soundtrack that malls feel they have to bombard the shoppers with: an incessant loop of Christmas carols, with a track or two of Boney-M thrown in for good measure. Unfortunately, that brings out a Scrooge-like reaction in many people. However, for the "bah humbug" shoppers there is light at the end of the tunnel – or rather a touch screen. Online shopping is evolving at an incredible rate, and while retailers started out looking at the online vs offline shopping experience as two separate entities, it is becoming very clear that it is going to be a hybrid of the two shopping experiences that is the new emerging trend. Online shopping will continue to grow, and increasingly it will service the shopper looking for convenience: ie – replenishing non-perishable groceries, and buying items like home ware, gifts and books. In a country like South Africa, where clothing sizes are not uniform, and where shoppers still like the social as well as tactile element of shopping, the bricks and mortar experience is here to stay. However, the loss of foot traffic, and therefore sales, from online shopping has already started to affect the bottom line for many retailers. They not only have to up their game in terms of providing a "retail theatre" experience, but also keep a close watch on a new retail trend: the touch screen shoppable window. UK supermarket chain, Tesco, was the first retailer to explore the concept of taking the store to the customer. They allowed

customers in South Korea to do their grocery shopping, using QR codes, whilst waiting on subway station platforms. Since then, this concept has not only spread across the globe, but it has also evolved, revolutionising the shopping experience for customers, but at the same time giving traditional retailers sleepless nights. eBay is taking the lead in this e-tailing journey. A few months back they launched a series of "shoppable windows" in New York. The concept was simple but revolutionary. They set up giant touch screens in the windows of vacant shops. These screens allowed passers-by to stop and browse through an online catalogue (their first collaboration was with fashion brand Kate Spade), and if they found an item they liked and wanted, they could buy it immediately using an on-screen QR code and the online payment portal, PayPal. The biggest novelty factor in this shopping experience was not so much the fun of touch-screen shopping, but eBay's promise that any purchase would be delivered to an address of your choosing within the hour. Having to actually carry shopping bags is soon going to be "so 2010". Explained the concept to someone recently, they asked, "What's the point of shoppable windows, when you can just buy online?" The answer is two-fold: immediacy and social interaction.

Shoppable windows bridge the gap between the solitary nature of online shopping with the enjoyment of shopping with someone, in a public space. It also speaks to the impulsive shopper (which is why so many people actually enjoy shopping) but then goes one step further and provides the convenience of not having to carry the package around with you. For the shopper, this is truly a revolutionary digital, retail experience. For brands, this concept opens up a whole new world of possibilities because what shoppable windows (as well as online shopping portals) provide is the luxury of presenting your full stock offering digitally, without having to physically have the stock on your shop floor. The impact this will have on stock control, manufacturing, overheads and therefore cash flow is immense. The only people who are not going to embrace this form of hybrid retail are of course the landlords. Shoppable windows will allow brands to have a presence in locations without having to commit to long leases, or have to deal with the expense of shop fittings. All of those costs will now be funneled into warehousing as more and more people become accustomed to the benefits of online retail.

Case studies on Window Shopping: How Retailers Are Rethinking Their Businesses for the Digital Age

Case Study 1 - Allbirds

Allbirds is a go-to example of a mature DTC brand that's now invested heavily in brick-and-mortar – the mirror image of legacy retailers repositioning their store footprints for ecommerce. The store presence is important for Allbirds because repeat customers who engage with the brand online and in stores spend 50% more than repeat shoppers who buy either in stores or online, but not both, according to CEO Joey Zwillinger, during the company's second earnings call since going public in November. Digital channels remain "far and away" the largest source of new customers, said CFO Mike Bufano. Ecommerce is also still 80% of the company's overall sales. But the retail presence improves the overall profit margin. Shoes cost the same wherever, but it's more profitable for Allbirds to sell a pair at a store rather than ship to someone's home. Allbirds is also considering its first major wholesale deals, following two small tests with Nordstrom's. Wholesaling is a risk – Allbirds doesn't own the data or customer relationship, but gains visibility, which Zwillinger said is critical because only 11% of US consumers are familiar with the brand. It would be "really disappointing" to see a retailer offering big Allbirds sales, he said, since the company historically doesn't discount – it experimented with discounts for the first time during the Thanksgiving shopping stretch in 2021. "We had 97% full-price yield for the year last year, which is really high for the industry, and maybe even unhealthily high, frankly," Zwillinger said. "And we would never enter into a relationship with someone who we thought might degrade that."

Case Study 2 - Best Buy

Best Buy is a late-mover to subscription memberships and an ad platform. But it's investing heavily now and expects to see the benefits by 2025, the company told investors this month. Totaltech, Best Buy's $200 membership program, counts 4.6 million members –3.7 million of whom were auto-enrolled from the retailer's legacy customer service programs. Then there's Best Buy Ads, the in-house media business launched in January. For now, advertising shows up in Best Buy's finances in the form of margin expansion – It's not a standalone revenue producer, but is recorded as an offset to overall cost of sales, said CFO Matt Bilunas. (For instance, Best Buy could serve ads to customers rather than offer low-price promotions. If the campaign drives as many sales

but to full-priced products, then the ad spend still improved the profit margin. An ad campaign that prompts online shoppers to store pickup rather than home delivery also saves the company money.) Eventually, businesses will use Best Buy Ads to understand customers more broadly, not just to drive sales in a Best Buy store, as the platform is used today, said CEO Corie Barry. Which kind of customers become power users? Who requires constant customer service visits? What kind of marketers want to reach Best Buy-type customers, even if they don't sell products in Best Buy stores? Once Best Buy Ads is used by marketers in a more involved way, Barry said, advertising will form its own revenue line, rather than materializing as a form of margin control.

Case Study 3 - Express

The mall-based brand Express is on a mission to modernize.

It now reports metrics similar to DTC or ecommerce-native brands, such as online video reach across YouTube, TikTok and Instagram Reels, organic Google brand traffic and monthly app users. "All important indicators of the health and vitality of our brand continue to increase," CEO Tim Baxter told investors. These measures are important to Express because, as Baxter said, its app-based shoppers make on average five more store visits and spend over $300 more per year than those who visit only the store or site. Express is tracking DTC brands in other ways as well. Express's UpWest brand, an ecommerce-native unit launched in 2019 that positions itself as a "brand with a purpose" to drive sustainability, now has a wholesale business – Express and Allbirds each announced their forays into wholesale on recent earnings reports.

Case Study 4 - Macy's

Like other major brick-and-mortar retailers, Macy's is in the midst of a transformation led by a loyalty program, and sitting atop a new ad platform business. The name on Macy's transformation program is Polaris, the name of the north star – and its north star is lifetime customer value, said CEO Jeff Gennette. "To best realize our strategic goal of building profitable lifetime customer relationships, we successfully built a new enterprise data and analytics organization that is helping us to embed data and analytics into everything we do," he said. For instance, by strategically offering personalized discounts rather than storewide sales, Macy's creates more multi-item online carts, rather than one-off purchases, he said. That means the company spends less on per-hour labor to package and ship that purchase as a percent of the overall cost. Macy's also now uses personalized pricing to move specific

inventory it needs to clear out or consolidate to specific stores, again as a way to preserve its labour hours. The Macy's Media Network, as the ad business is called, generated $105 million in revenue last year, according to CFO Adrian Mitchell. But as with other retailers early in their ad platform development, Macy's advertising is more about profit margin management than growing one revenue line. As Gennette noted in his examples of personalized pricing benefits, advertising is a way to save labour costs on online orders as much as a revenue generator. Macy's tracks ad revenue as part of its Selling, General & Administrative expenses – similar to Best Buy, and in contrast to Walmart and Target breaking out ad revenue.

Case Study 5 - Target

Target is off to the races in terms of its retail media and first-party data products. Following Amazon and Walmart, Target broke out its ad revenue for the first time this quarter, reporting a cool billion dollars in 2021. "From its humble beginnings in 2007 with just 5 team members, [then] known as Online Vendor Marketing, Roundel is now a 500-plus person strong fully integrated Target team," said CEO Brian Cornell. Roundel and Circle, Target's 100-million-person loyalty program, are the linchpins of Target's strategic shift from broad promotional discounts to personalized deals, according to CFO John Mulligan. The company tested storewide price discounts against personalized sales during the holidays last year. Personalized offers converted 70% compared to 40% for mass discounts, and averaged $8 to $10 larger carts at checkout. "How we are leveraging media to know our guests better and create a more relevant and personalized experience for them is incredibly exciting," Mulligan said. And Roundel's impact extends beyond the $1billion dollars Target reported for the business, he said. "A meaningful portion of Roundel's income reduces our cost of sales, benefiting our gross margin." That's because the ad unit is tied very closely to store shopping behaviour."We know the way we run our stores is the secret to growing digital sales," Mulligan said. More than half of online orders are processed at the store. Orders purchased online and picked up at a store – "the quickest fulfillment at the lowest cost" he said – are the fastest-growing segment of Target's entire business.

RESULTS & FINDINGS

The digital transformation facilitates and enables new ways of value creation because it allows for the fulfilment of long-standing consumer needs in unprecedented ways. As sources of value creation, automation, individualization, ambient embeddedness, interaction, and transparency and control combine a plethora of activities and processes. The basic premise is that customers will likely prefer to interact with players that best accomplish value creation on these dimensions.

CONCLUSION

With the ongoing transformation of retail, and the ever-evolving development of digital social media, the virtual place has become increasingly important. With this, the digital service offering challenges traditional concepts of what constitutes a customer experience and customer value. Hence, physical stores are being challenged to become smarter and to provide greater value to both consumers and retailers. With the transformation of retail, consumer expectations are rapidly changing, making it important for retailers to keep up in order to meet consumer needs.

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