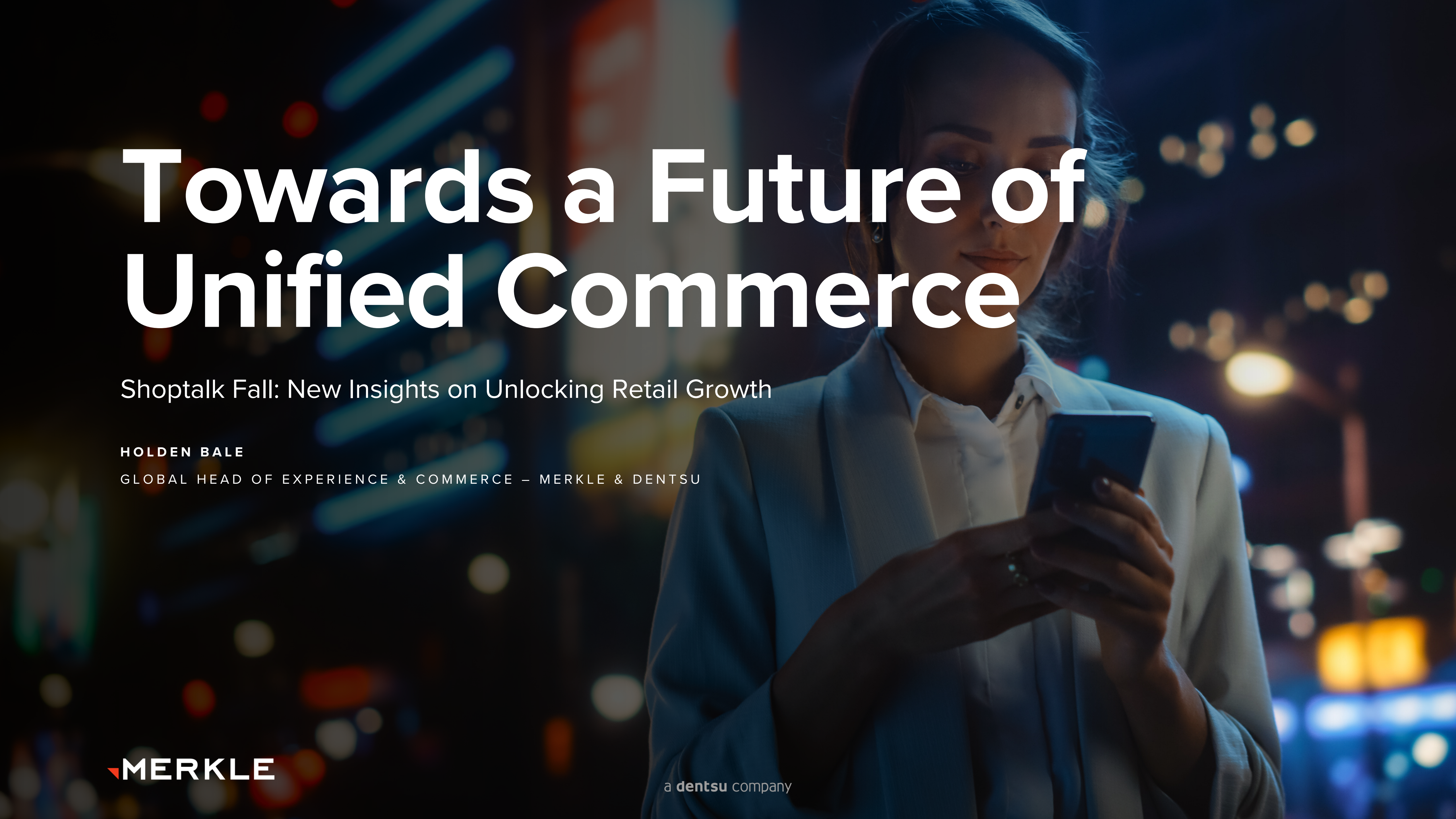


Towards a Future of Unified Commerce

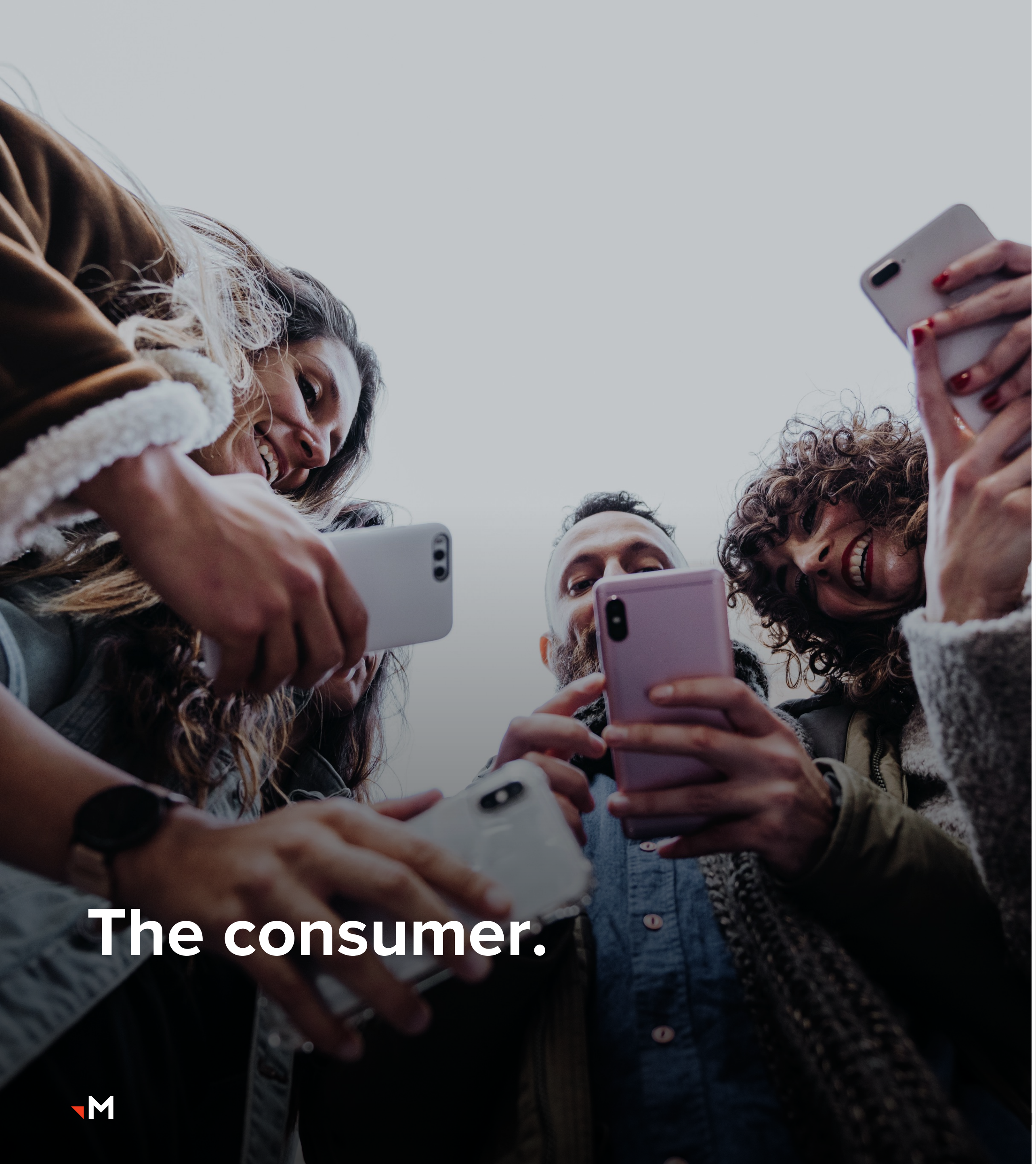
Shoptalk Fall: New Insights on Unlocking Retail Growth

HOLDEN BALE

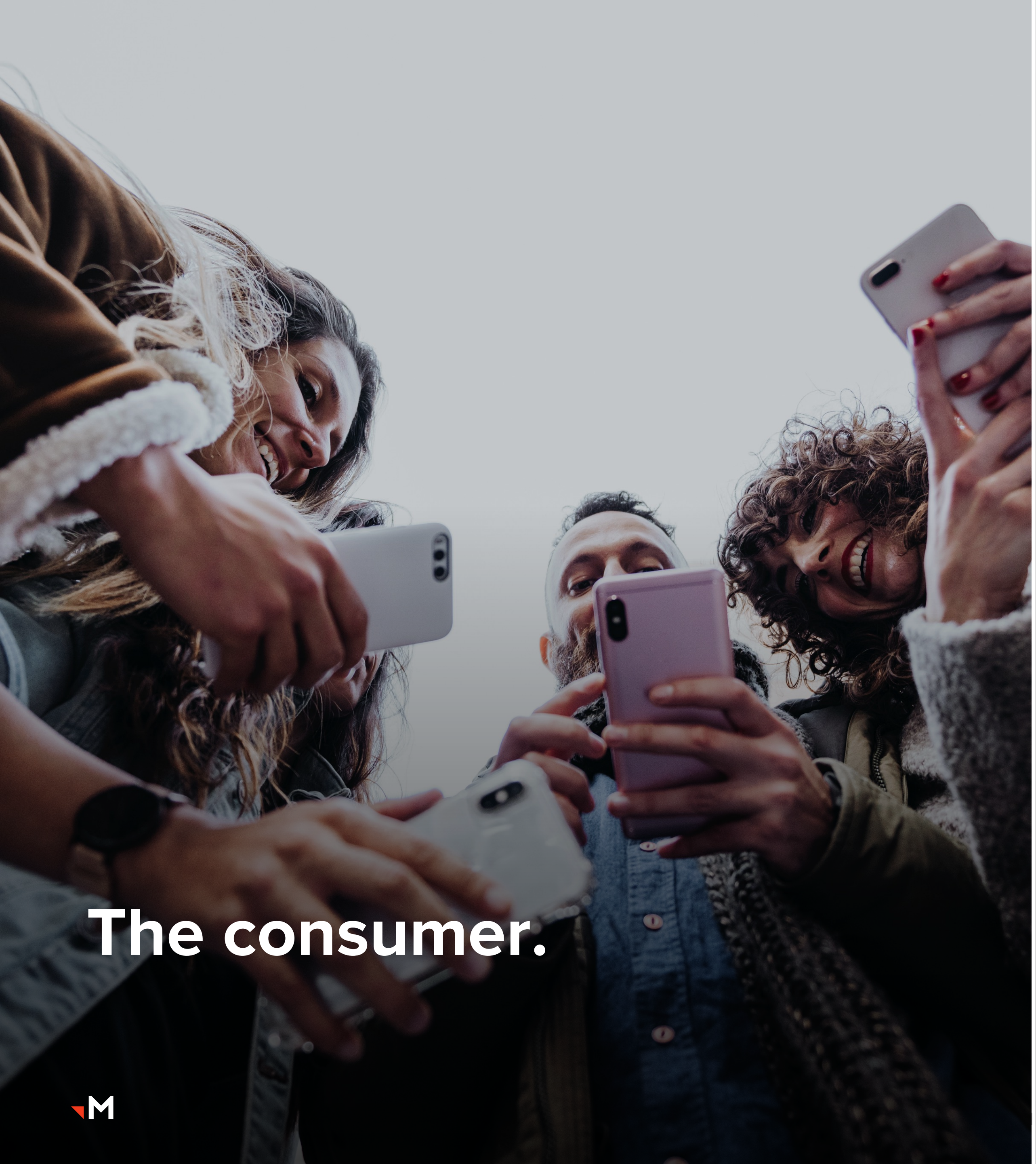
GLOBAL HEAD OF EXPERIENCE & COMMERCE – MERKLE & DENTSU

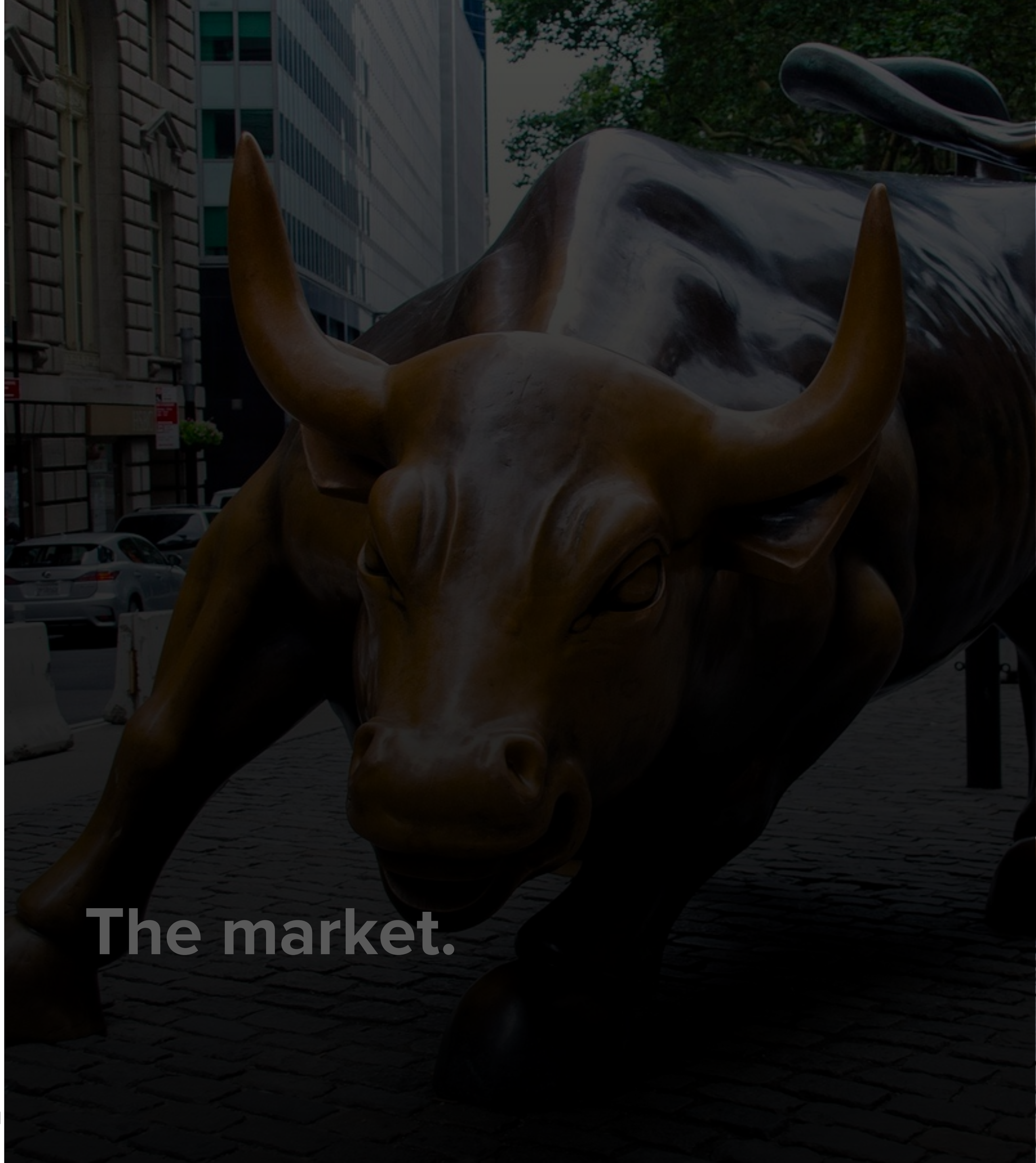
MERKLE

a dentsu company

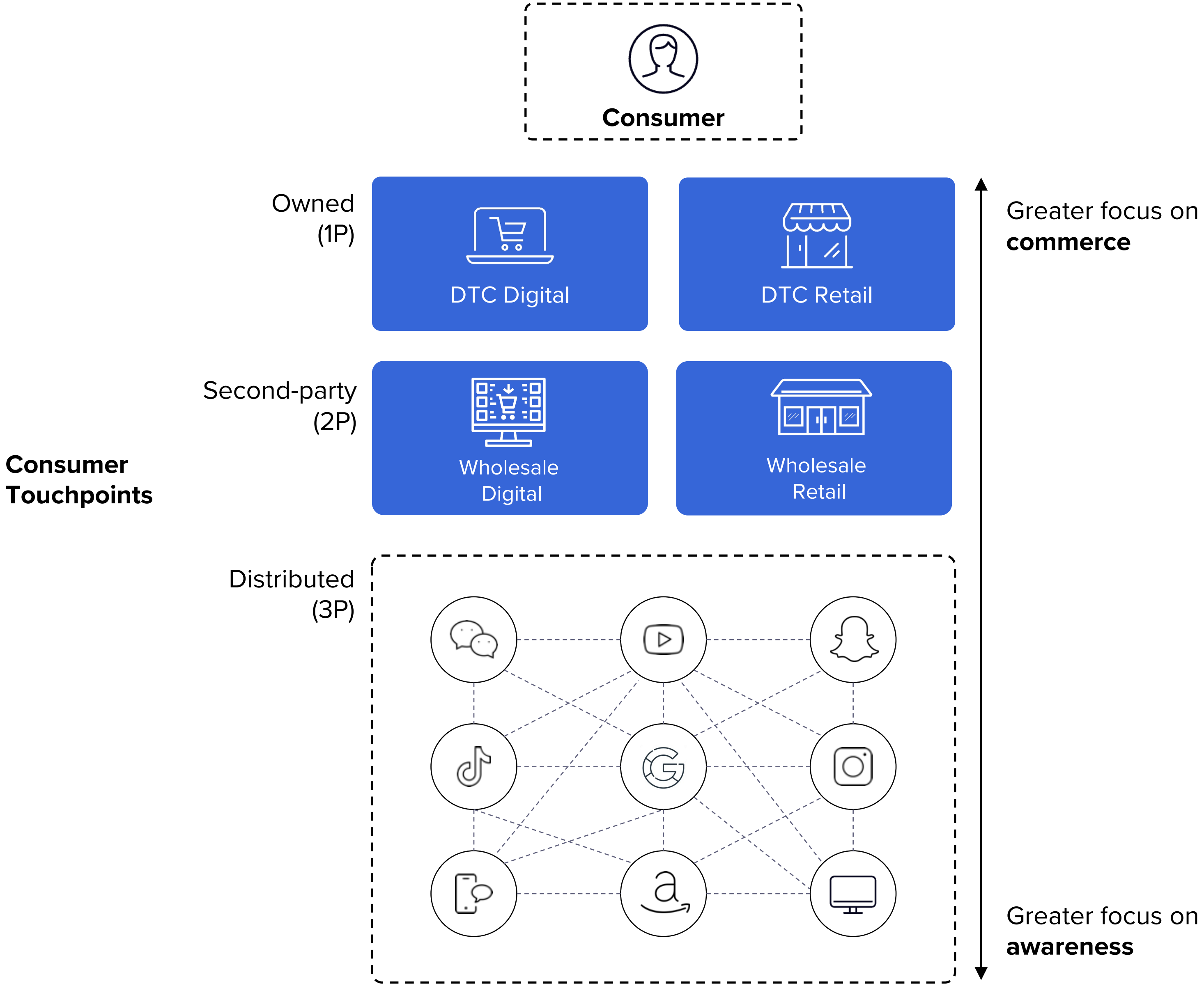

The consumer.


The market.

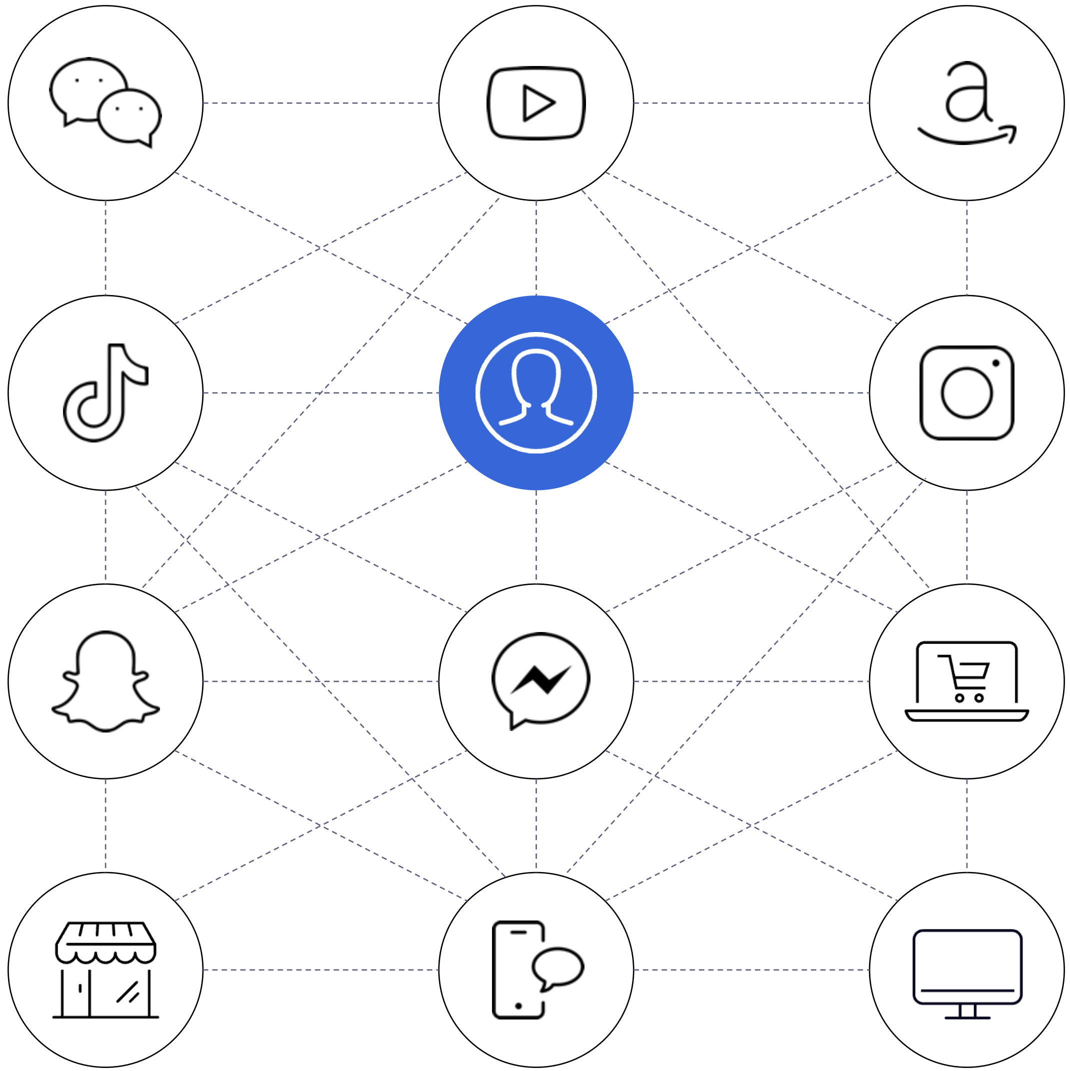

The consumer.


The market.

A historic brand view of the world



Meanwhile, on Earth



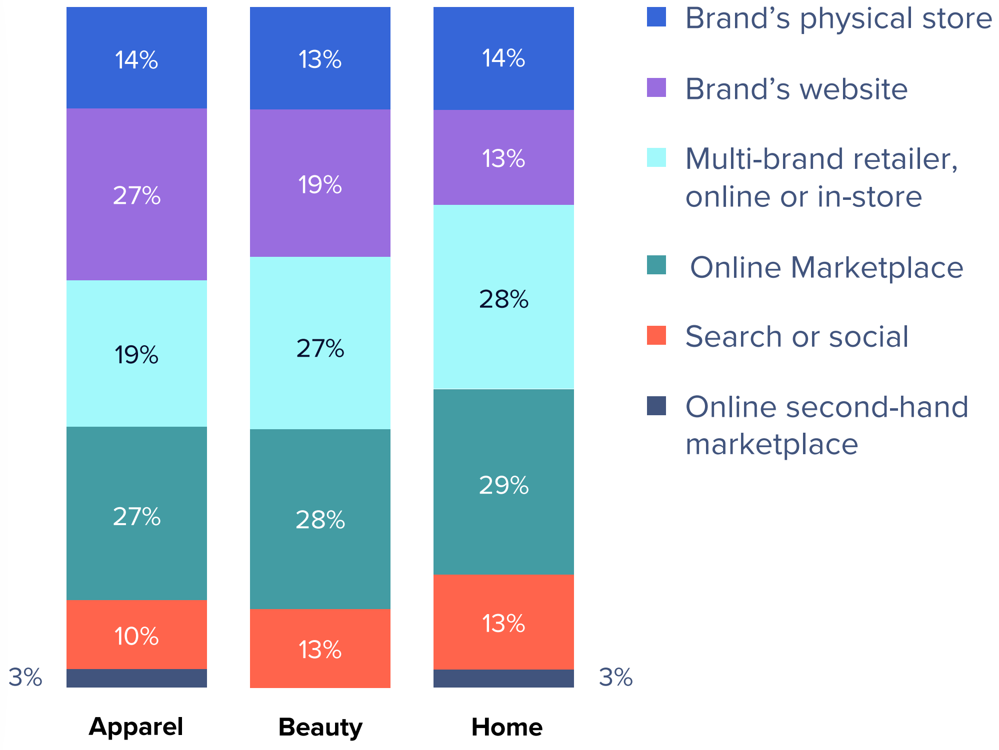
The job has **never been harder**

The greatest fragmentation of digital share of wallet **ever**

70%

Consumers who purchase across **3+ digital mediums** monthly

Where do you prefer to buy?



Source: Merkle Consumer Research, North America, 2024

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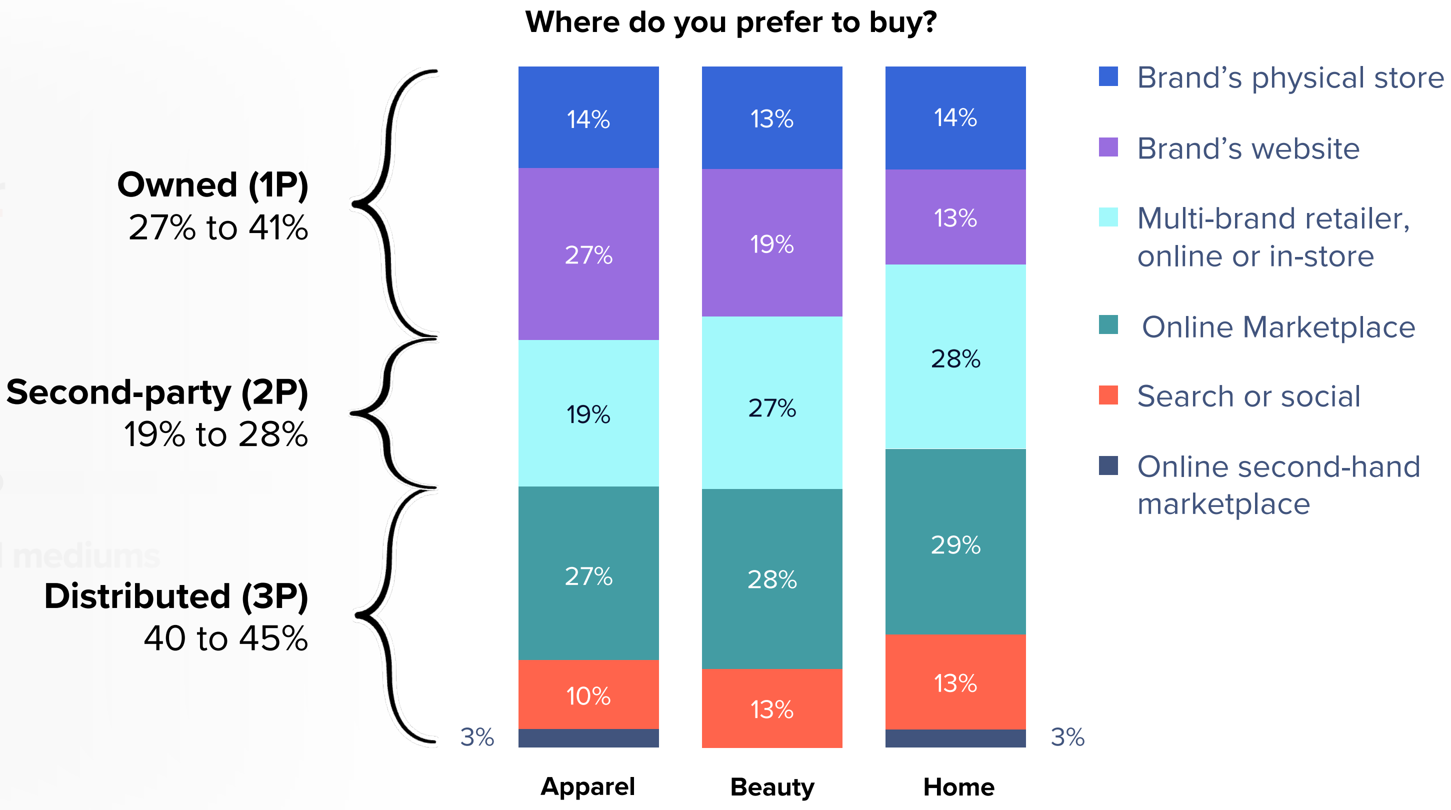


Source: Merkle Consumer Research, North America, 2024

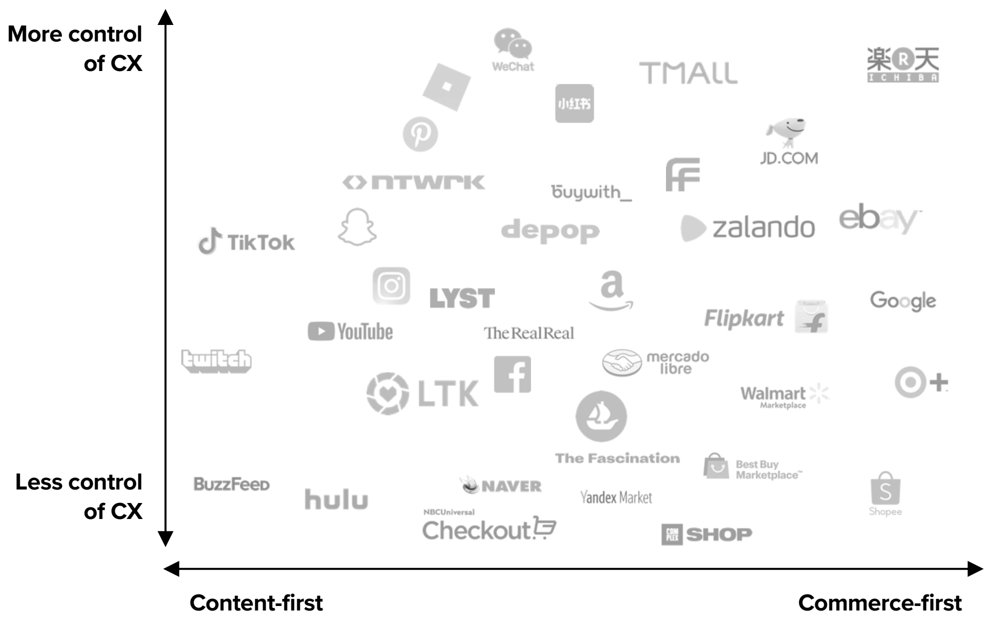
The job has **never been harder**

The highest risk of brand substitution **ever**

32%

Consumers who will abandon a brand they "loved" after **one bad experience**

A dramatic expansion of distributed & embedded commerce



Source: Merkle Consumer Research partnering Mintel, Global

The importance of great experience has **never been higher**

1.7x

Customer retention

7-16 %

Price premium

54%

Lower rate of burnout among employees

Source: Adobe, PwC, University of Georgia

Most retail and CPG consumers either **trust or feel neutral** about brands’ use of their data.

Source: Merkle Consumer Research, Global, 2024
N=2,100, 33% NAM, 33% EUR, 33% APAC
Shoptalk Exclusive

Retail and CPG brands are focused on investing in **mostly digital experiences** across their journeys...

Q: What kind of experience does your organization typically deliver to customers right now?

Researching	**More Digital (+48)**
Evaluating/Selecting	Equal Split
Purchasing	More Digital (+16)
Requesting Support	More Digital (+16)
Repurchasing	**More Digital (+28)**

= Digital Experiences Strongly Preferred (+20% or more net)

Source: Merkle Business Leader Research, Global, 2024
N=820, 33% NAM, 33% EUR, 33% APAC
18% Retail & CPG, Median Revenue $2.6B
Shoptalk Exclusive

Reality check: retail and CPG consumers strongly prefer **human connection** in many of the moments that matter.

	Q: What kind of experience does your organization typically deliver to customers right now?	Q: When interacting with retail/CPG brands, what kind of experience would you most prefer?
Researching	**More Digital (+48)**	More Human (+6%)
Evaluating/Selecting	Equal Split	More Human (+13%)
Purchasing	More Digital (+16)	**More Human (+21%)**
Requesting Support	More Digital (+16)	More Human (+7%)
Repurchasing	**More Digital (+28)**	**More Human (+42%)**

= Digital Experiences Strongly Preferred (+20% or more net)

= Human Experiences Strongly Preferred (+20% or more net)

Source: Merkle Consumer Research, Global, 2024
N=2,100, 33% NAM, 33% EUR, 33% APAC
Shoptalk Exclusive

Surprise.

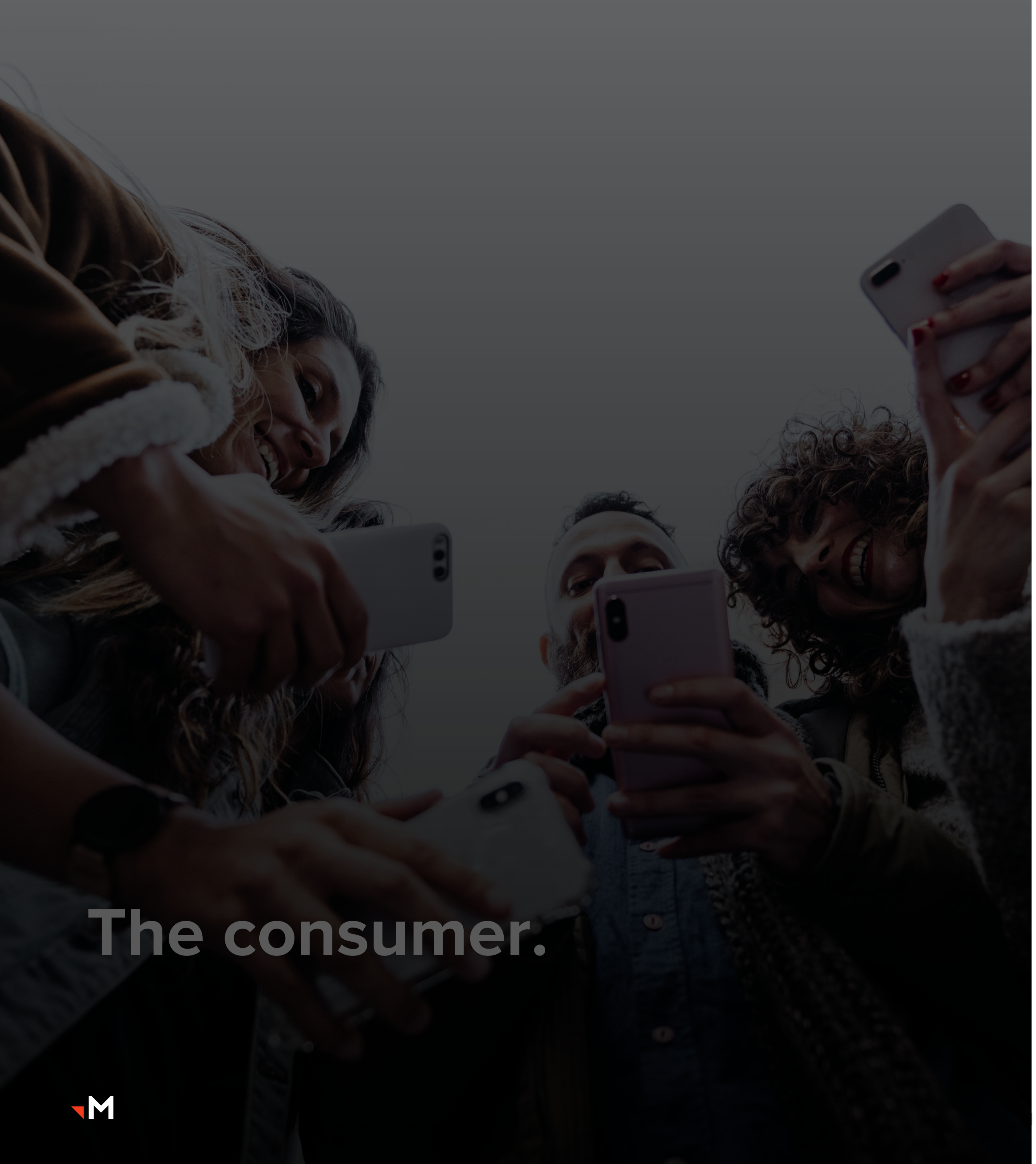
Gen-Z loves physical shopping

81%

of Gen-Z shoppers say they prefer shopping in person to online.

This is more than **every other generation.**

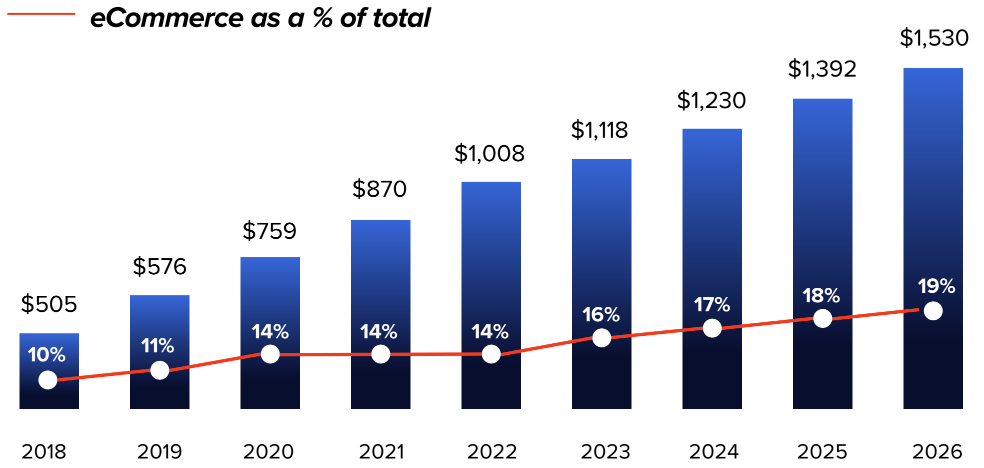
Source: Merkle & Dentsu Consumer Research, North America, 2024
N=1,000


The consumer.

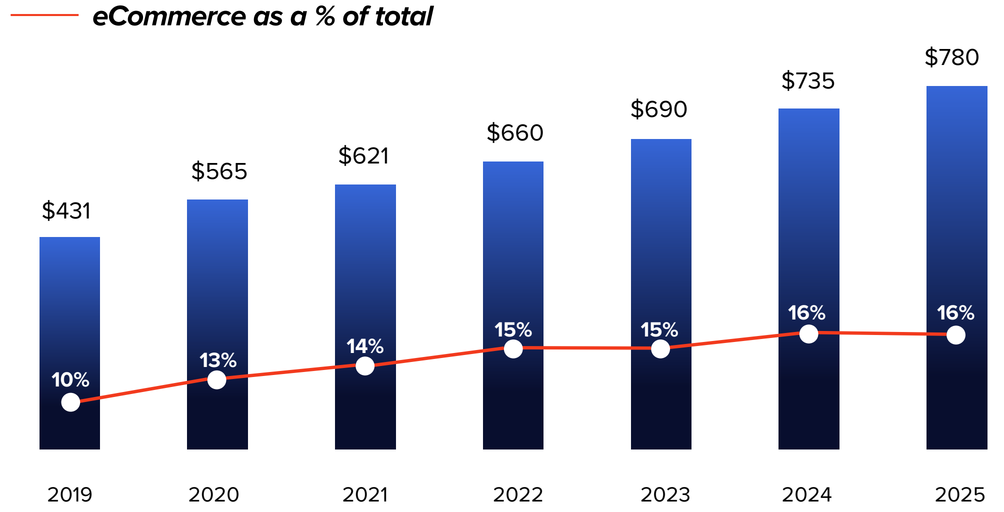

The market.

Welcome to the **boring middle** of eCommerce

US retail eCommerce over time ($ Billions)



European retail eCommerce over time ($ Billions)



Source: Merkle analysis and normalization across 12 sources
Historical US reflects adjusted Census Bureau data

The most common net-new revenue strategies for retailers

OWNED MARKETPLACES

Hypothesis
Expanding assortment drives incremental AOV (larger baskets), frequently drives net-new acquisition through improved reach (findability), and reduces balance sheet risk.

EXPERIENCE MONETIZATION (RETAIL MEDIA)

Hypothesis
Establishing an ad network on first-party touchpoints (web/app, increasingly on-box, in-store, direct mail, email) creates new revenue and collaboration opportunities.

CONSUMER DATA MONETIZATION & COOPERATIVES

Hypothesis
CI data can be repackaged to sell insights to brand partners, or to sell into syndicated data firms or consortiums.

SCALED CO-OPETITION

Hypothesis
Audience expansion through targeted multi-brand partnership (e.g., Ulta Beauty x Target) is a lighter-weight path to growth.

LOYALTY PROGRAM COMMERCIALIZATION

Hypothesis
Partnering with external partners can self-fund loyalty and expand it further into an on-going profit center.

SUPPLY CHAIN & PRODUCT DEVELOPMENT MONETIZATION

Hypothesis
Selling owned supply chain or latent product development capacity to other brands.

There's real value

OWNED MARKETPLACES

Hypothesis
Expanding assortment drives incremental AOV (larger baskets), frequently drives net-new acquisition through improved reach (findability), and reduces balance sheet risk.

15%

increase in average order value (AOV)

AOV increase for adding third-party marketplace to average multi-brand eCommerce catalogue.

EXPERIENCE MONETIZATION (RETAIL MEDIA)

Hypothesis
Establishing an ad network on first-party touchpoints (web/app, increasingly on-box, in-store, direct mail, email) creates new revenue and collaboration opportunities.

17%

3-year CAGR from 2024 to 2027

Projected year-over-year revenue increase in retail media network (RMN) dollar spend (buy-side).

Source: Merkle client benchmarks as of September 2024; Dentsu Ad Spend Report 2024

… and real complexity

OWNED MARKETPLACES

Hypothesis
Expanding assortment drives incremental AOV (larger baskets), frequently drives net-new acquisition through improved reach (findability), and reduces balance sheet risk.

74%

blame the retailer for marketplace issues

Consumers who say it would “negatively impact” their perception of the retailer if they had a poor marketplace experience.

EXPERIENCE MONETIZATION (RETAIL MEDIA)

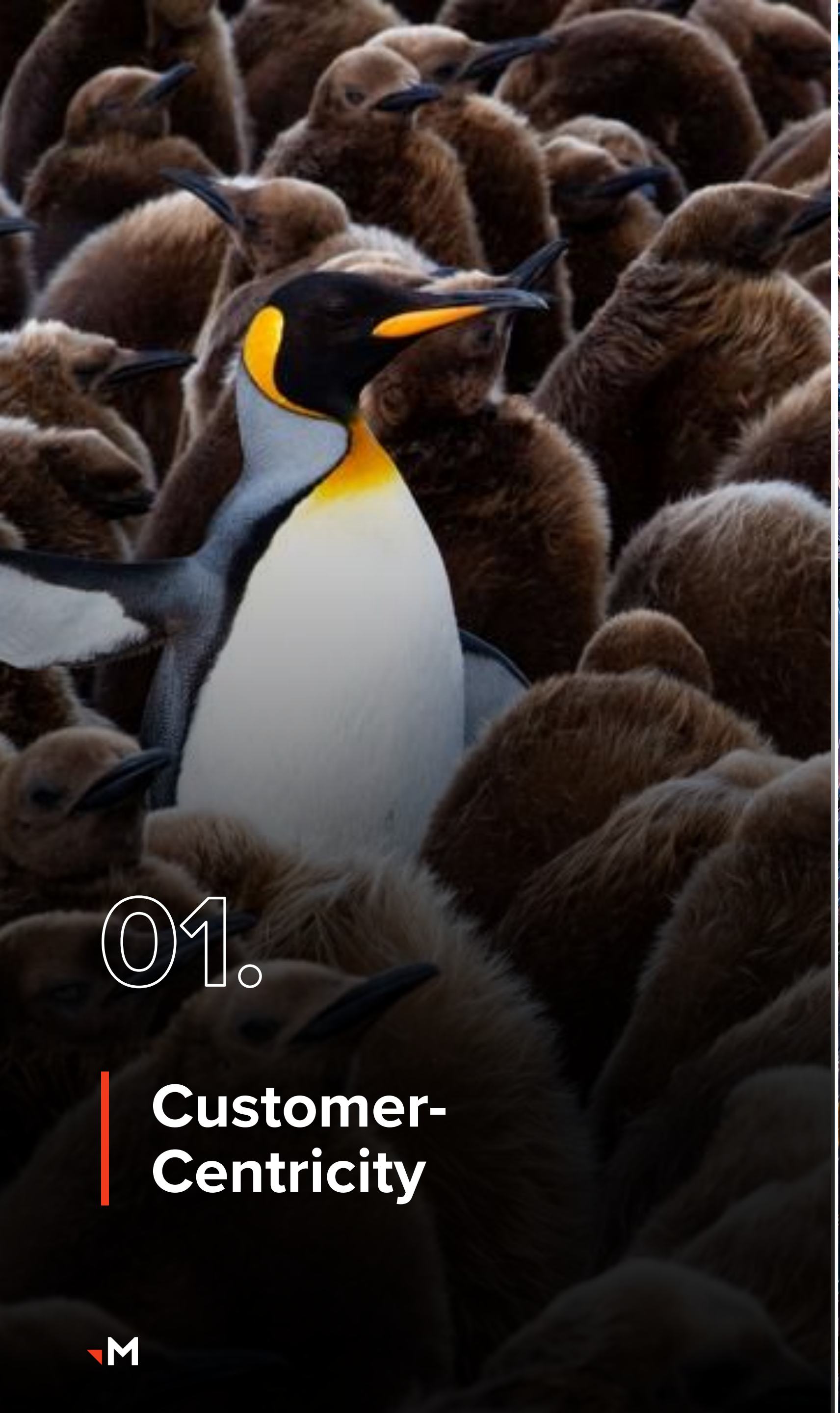
Hypothesis
Establishing an ad network on first-party touchpoints (web/app, increasingly on-box, in-store, direct mail, email) creates new revenue and collaboration opportunities.

65%

don’t expect to add new retail media to their plans

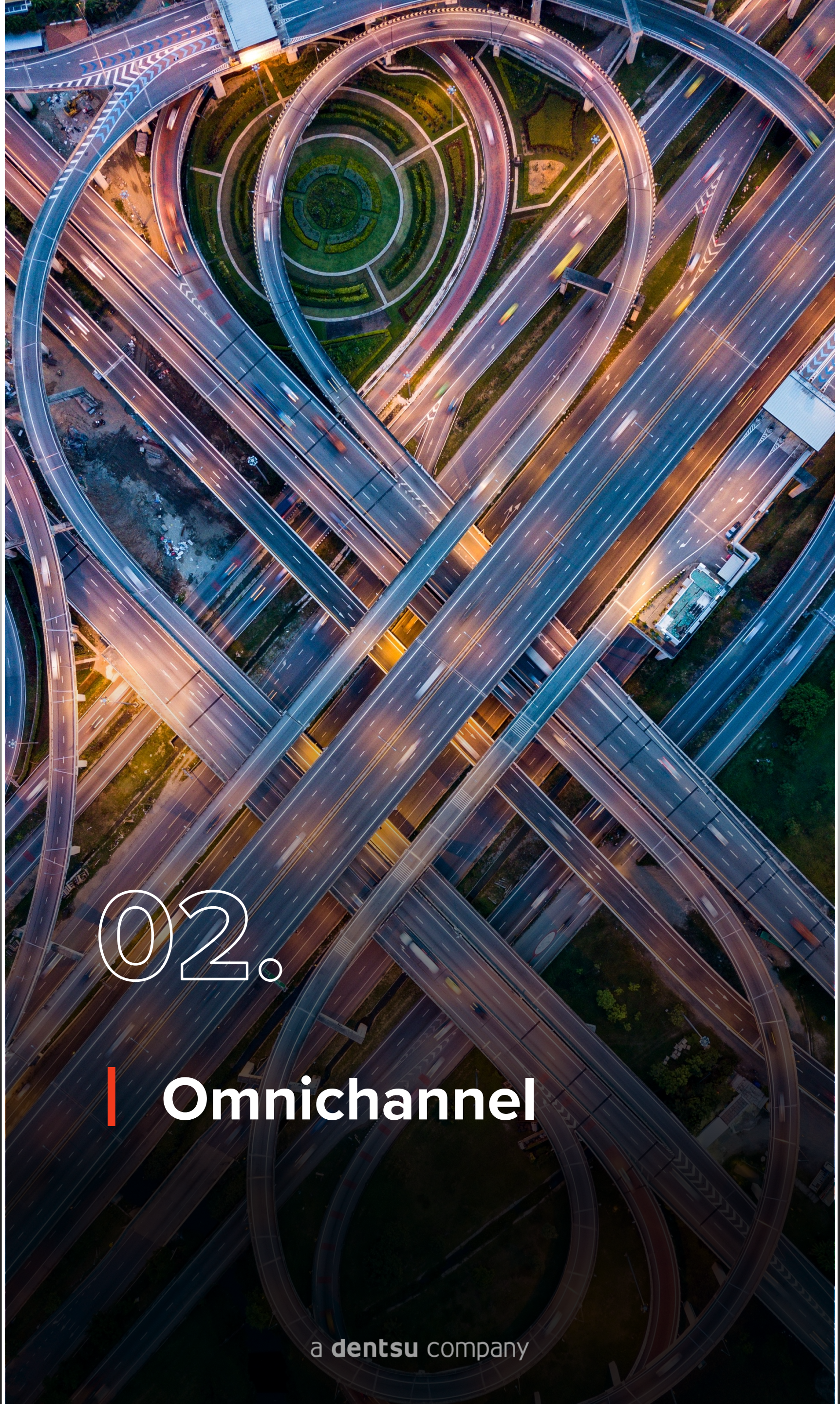
Percentage of advertising executives who don’t expect to add new retail media networks to their media mix.

Source: Merkle Consumer Research, Americas 2024; Association of National Advertisers July 2024



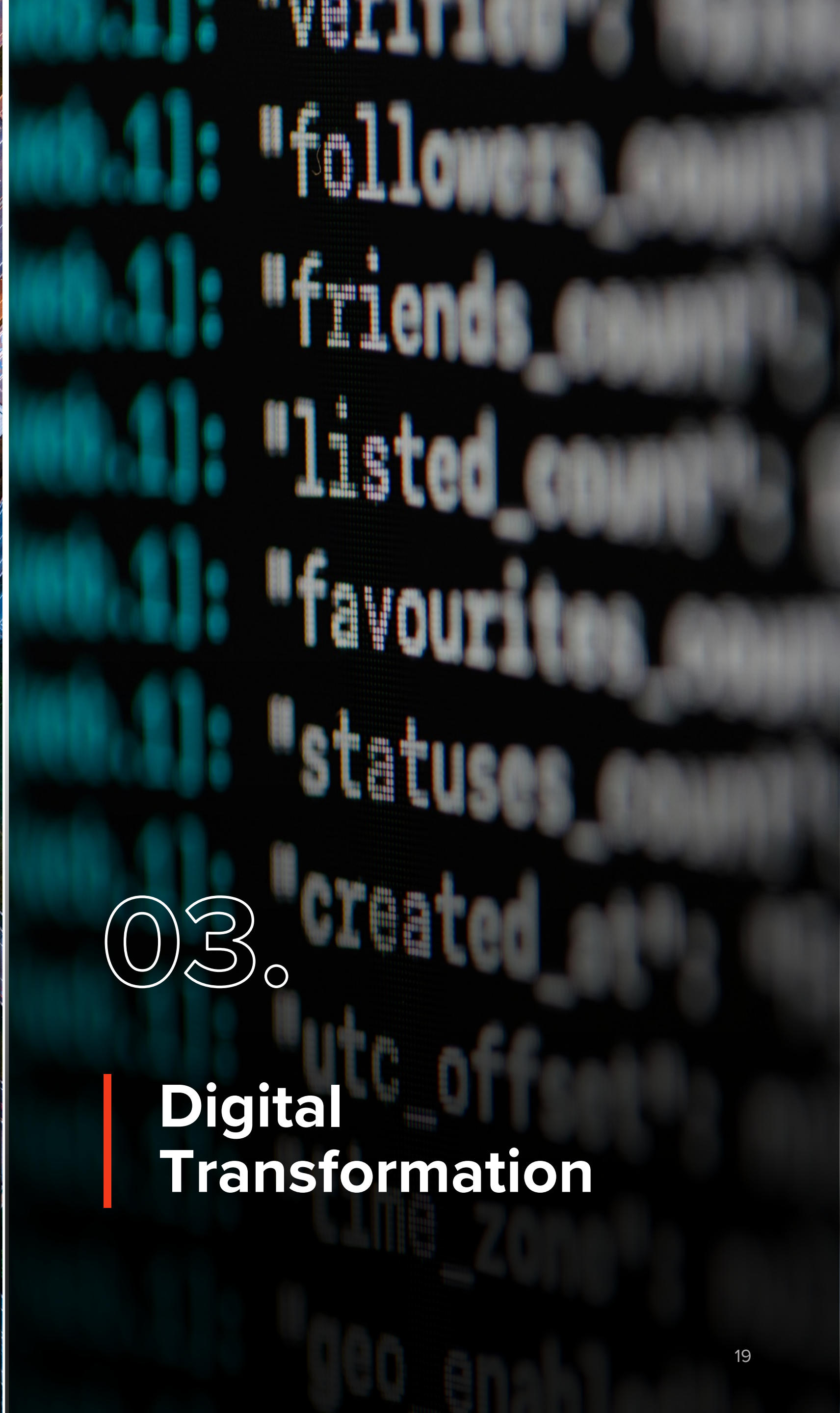
01.

Customer-Centricity



02.

Omnichannel



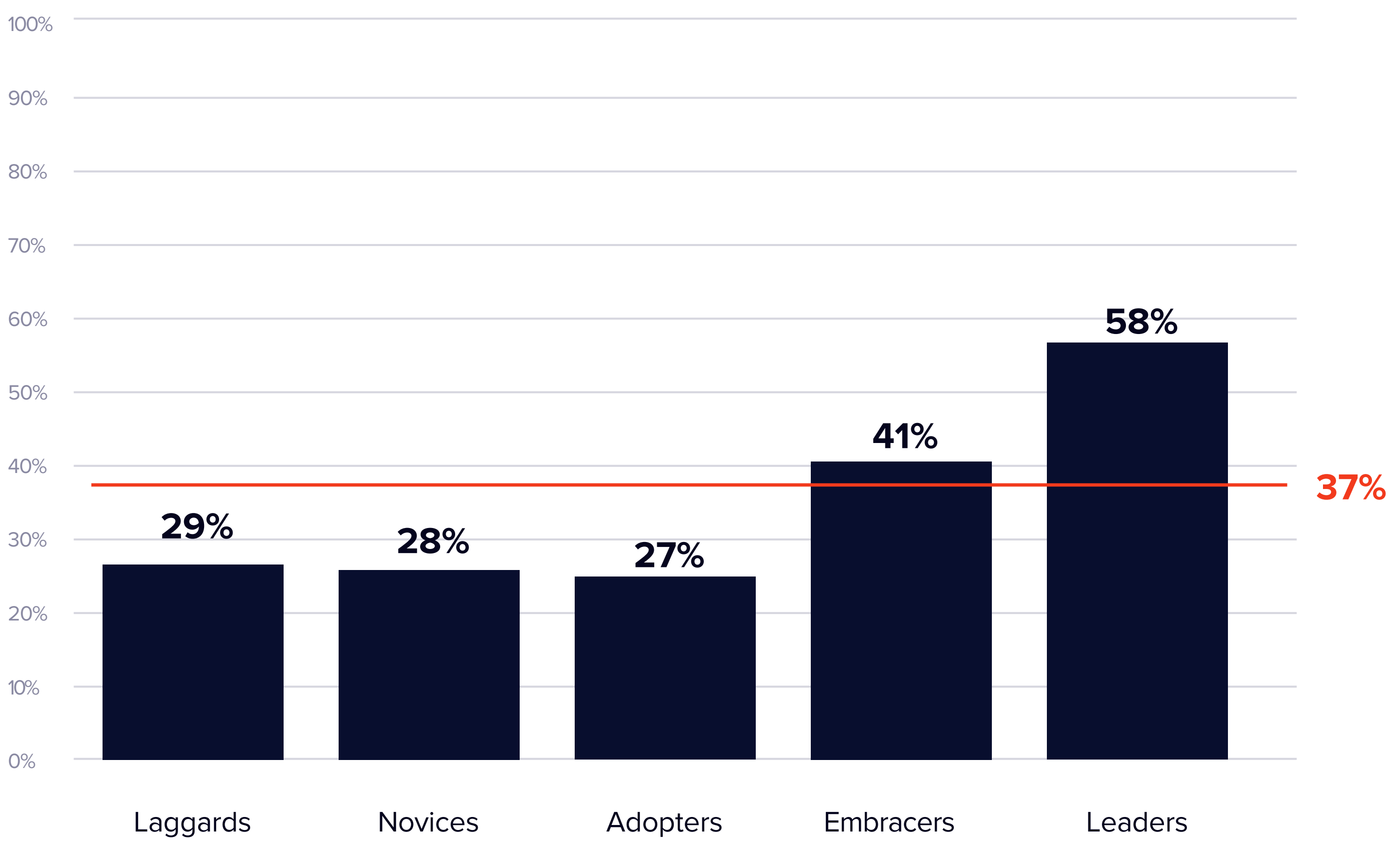
03.

Digital Transformation

37%

Only 37% of businesses use **customer feedback** as a driving force in investments and corporate strategy.

Respondents whose investment decisions are based on customer feedback:



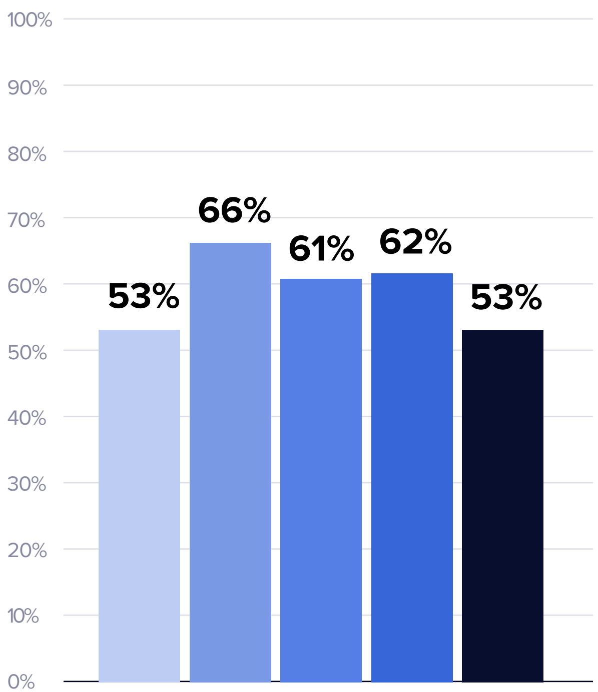
Source: Merkle Business Leader Research, Global, 2024
N=820, 33% NAM, 33% EUR, 33% APAC

4/5

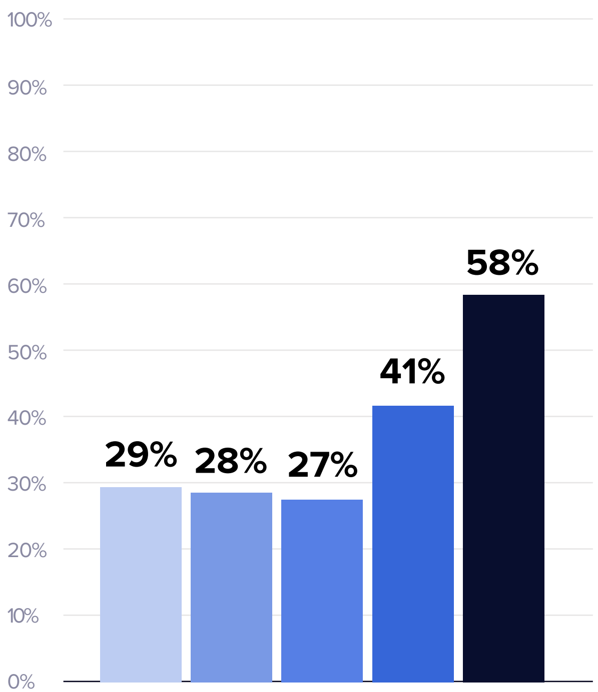
Category respondents prioritize **competitor insight over customer feedback**.

The only group who doesn't? CX Leaders – by a small margin.

Percentage of respondents whose investment decisions are based on **competitors:**



Respondents whose investment decisions are based on **customer feedback:**

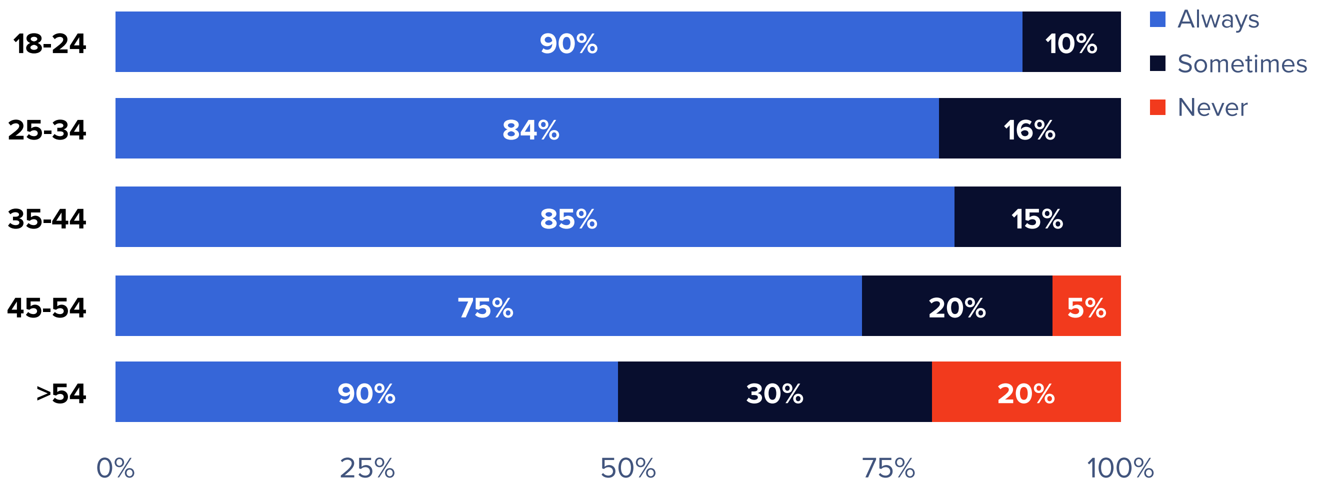


Laggards Novices Adopters Embracers Leaders

Source: Merkle Business Leader Research, Global, 2024
N=820, 33% NAM, 33% EUR, 33% APAC

Physical vs. digital is a false dichotomy

How often do you use your phone while shopping in store?



What do you primarily use your phone in-store to do?

1. Check prices
2. Learn more about your product
3. Check a shopping or wish list
4. Look up reviews of a product
5. Talk to friends/family for advice

Source: Merkle & Dentsu Consumer Research, North America, 2024
N=1,000

Omnichannel: “Mission Accomplished”?

How often do you regularly* use an online cart to...

80% Compare products

73% Save products for later

60% **Use as a shopping list for an in-person trip**

* *Once or more a month*

10% **Retailers feel that they have “solved”:**

1. Demand attribution
2. “Sales credit”
3. Omnichannel planning
4. Pricing & promotions optimization

<40% **of global executives**

have **any** common KPIs across media, CRM, eCommerce, and sales and service

Source: Merkle & Dentsu Consumer Research, North America, 2024
N=1,000
Merkle Business Leader Research, Global, 2024
N=820, 33% NAM, 33% EUR, 33% APAC
18% Retail & CPG, Median Revenue $2.6B
Shoptalk Exclusive

“Transformation” hasn’t been equal

51%

Organizations who have stalled or **abandoned transformations in the last 3 years**

50-70%

The average “failure rate” of digital transformations, with somewhere between 40-60% of projects with a custom technology element running over cost.

49%

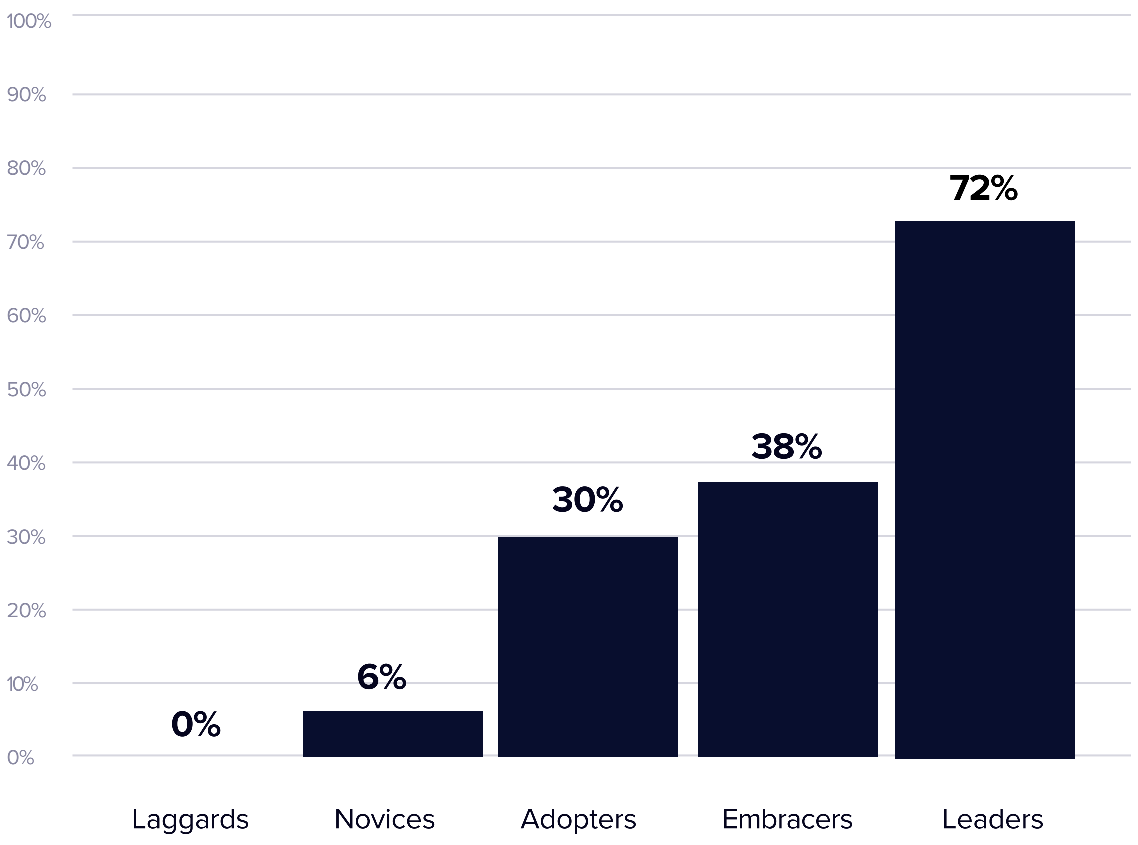
The percentage of digital leaders (CDOs, CMOs, eCommerce, CTOs) who identify **“operating model” as their biggest challenge**

Source: Merkle Business Leader Research, Global, 2024; Forrester; MIT Sloan

50%+

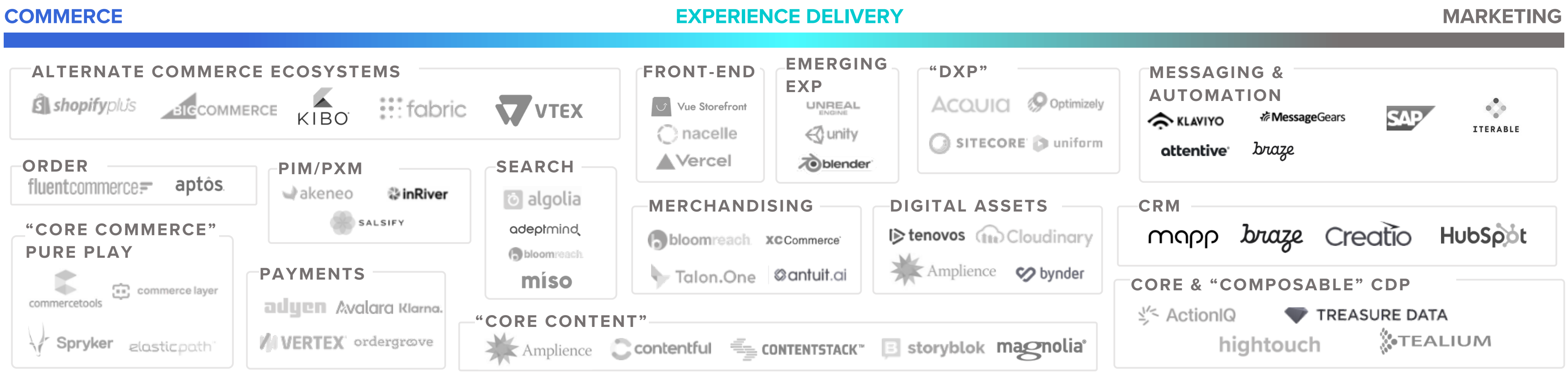
The gap between CX leaders and all other businesses in **AI adoption.**

Percentage of respondents whose organizations have **invested in/implemented AI-driven CX solutions:**



Source: Merkle Business Leader Research, Global, 2024
N=820, 33% NAM, 33% EUR, 33% APAC

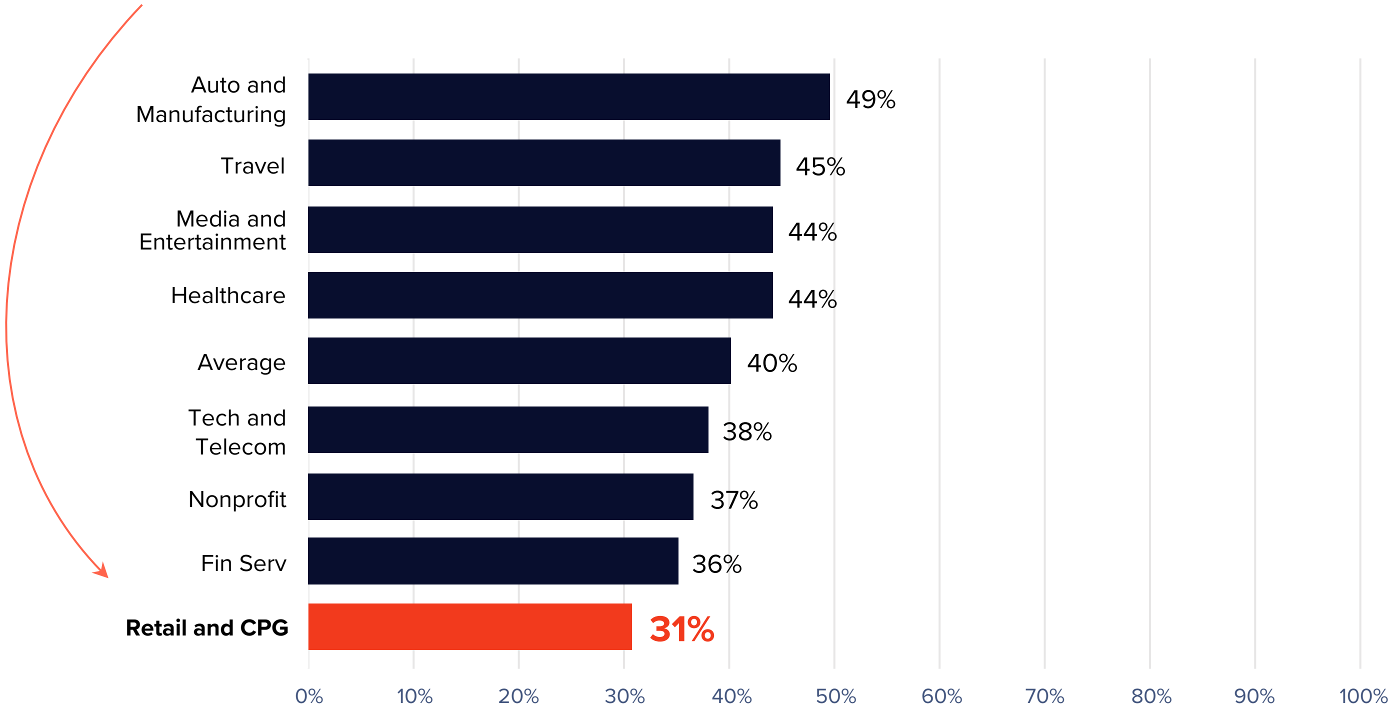
Cheap Capital & Cloud = an explosion of choices



Retail is the **lowest ranking category** for "well integrated" and "high performing" technology

Well integrated & high performing technology ecosystems

Least likely: Retail & CPG (31%)



Source: Merkle Business Leader Research, Global, 2024
N=820, 33% NAM, 33% EUR, 33% APAC
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TECH STACKS
DATA PLATFORMS
UNIFIED
COMMERCE
CORPORATE
STRUCTURES
CUSTOMER
EXPERIENCES

Marketing

- Unified **customer strategy** driven by predictive lifetime value and cost to serve
- **Connecting media to CRM** to drive brand engagement and execute moment-oriented strategies across acquisition, conversion, and re-engagement
- Investment in **content supply chain** to drive efficiency, alignment to brand, and ”hyper-scaled” production

01.

Merchandising

- Future-looking **commerce channel strategy** that orients touchpoints to targeted value mechanics (e.g., social commerce for CAC reduction)
- **Digital shelf intelligence** and **unified merchandising excellence teams** that bring together 1P, 2P, and 3P insights
- Investment in **automation of merchandising workflow and content creation** and centralized syndication

02.

Technology

- Living, **enterprise roadmap,** demonstrating priority, key KPIs, and dependencies across every initiative
- One **common technology strategy** that directly lines up to corporate strategy, with a clear view on build/buy/borrow, value realization, and partners
- Investment in **cohesive identity resolution** (1P direct through 3P syndicated) to power personalization across touchpoints

03.

Supply Chain

- **Integrating 2 and 3P commerce demand** into forecasting, routing, and network strategy
- **Automated intelligence** to pull marketing and competitor insights into decisioning in planning, pricing, and rapid OTB management
- Investment in **algorithmic fulfillment optimization** to continue to cost to serve in order routing and omnichannel fulfillment

04.

CX imperatives PART II

WINNING IN TODAY'S EXPERIENCE ECONOMY

What CX leaders do differently

MERKLE dentsu