Retail is not dead, it’s just spread.

“E-commerce has opened the doors to more ways to engage consumers.”

CHIEF INDUSTRY ADVISOR MARSHAL COHEN.

As more shoppers continue to migrate online, it will be more important than ever to create digital experiences that delight them. Successful brands and retailers will adapt to this shift, while laggards will continue to lose share.

In the past, the conversation around e-commerce often centered on brick-and-mortar vs. e-commerce (brick vs. click). They were considered two separate entities engaged in a fierce battle for consumers’ share of wallet.

That’s changing.

Retailers and brands that grew up in stores are increasingly hoping to grow their share—with bricks and clicks. The new term is “blended retail,” where brands and retailers develop an omnipresent approach, providing a seamless experience to consumers regardless of when, where, and how they shop. It’s never been more important to consider a blended retail strategy that incorporates e-commerce, especially considering its growth: online sales in the U.S. grew four times as fast as the total retail market as measured by NPD in the 12 months ending June 2018.

Retailers have taken notice; Target, Walmart, Macy’s, Kohl’s, and Nordstrom all reported strong quarterly sales as of September 2018. Marshal Cohen attributed this success to a robust blended retail strategy that combines the power and immediacy of online shopping with the personal experience of traditional retail stores. Given the established success of this strategy and continued online growth, retailers and brands increasingly must prioritize their online positioning.

In this paper we take a look at e-commerce trends, spending habits, and emerging players across apparel, footwear, tech, and small appliances. Overall, we find successful brands and online retailers leverage digital channels to promote engaging content that helps consumers.

“As direct interactions with their audiences increase, brands must curate the endless aisle consumers look for,” Marshal said. This means changing the traditional retail brand paradigm, either in conjunction with their retail partners or by selling or delivering directly to consumers.

These insights are sourced from NPD’s Checkout E-commerce Tracking service, which harvests information from online receipts collected from over 3 million U.S. consumers through NPD’s partner, Rakuten Intelligence (formerly Slice Intelligence).

Checkout delivers the most comprehensive view of consumer purchase behavior for general merchandise categories, across all retailers over time, to help you understand how to adjust your marketing to fuel growth.
Footwear and Apparel in a DTC World

Online Buyer Penetration*
12ME Jun’16 vs. 12ME Jun’18, U.S. Online

- Apparel online buyer penetration* up 4 percentage points from 2016.
- Footwear online buyer penetration* up 5 percentage points from 2016.

*Buyer penetration is the percentage of the U.S. adult online buying population that made at least one purchase in that industry during the indicated timeframe.

U.S. Brand Dot-coms Gaining Dollar Share Online
12ME Jun’16 vs. 12ME Jun’18, U.S. Online

- AMERICAN EAGLE
- FASHION NOVA
- EVERLANE
- ADIDAS
- NIKE
- ALLBIRDS

U.S. Apparel vs. Footwear Performance Among Top 10 Brands
12ME Jun’16 vs. 12ME Jun’18, U.S. Online Dollar Share

- Top 10 Apparel Brands -6 share points
- Top 10 Footwear Brands +3 share points

Source: The NPD Group/Checkout E-commerce Tracking
In U.S. apparel, the 10 largest brands in the 12 months ending June 2016 lost 6 share points over the past two years. Footwear offers an antidote to this trend: the top 10 largest brands in 2016 gained 3 share points since 2016.

Large apparel brands have been losing share online as new DTC upstarts like Everlane and Fashion Nova snatch up buyers. Only 1 percent of buyers of the top 10 largest apparel brands purchased from either Everlane or Fashion Nova in the 12 months ending in June 2016. By 2018, that number jumped to 5 percent.

In U.S. footwear, Checkout E-commerce Tracking data finds that while digitally native private label/DTC upstarts like Allbirds have gained share since 2016, established, store-based brands are performing even better. Adidas and Nike were the top-performing brand dot-coms in the U.S., effectively counteracting competitive pressures.

In both U.S. apparel and footwear, the 18-24 age segment grew fastest in online share in the 12 months ending in June 2018. When asked to describe themselves, the word Gen Zers choose most often is “unique.”

“They want to buy unique products from unique brands that are sold at unique retailers—and they’ve expressed that they’re willing to pay more for this.”

VICE PRESIDENT, SENIOR INDUSTRY ADVISOR, SPORTS, MATT POWELL
Recommendations

USE DIGITAL CHANNELS TO MESSAGE TRANSPARENTLY
With online apparel sales growing faster than offline sales, it’s crucial to communicate effectively in the digital space. Transparency and authenticity are highly prized by consumers, particularly among younger generations. “Forward-thinking retailers are already on the case, leveraging new and enhanced technologies and finding innovative ways to encourage as much demand as possible from this new breed of consumers,” said Marshal Cohen.

DEVELOP ROBUST OWNED-CONTENT ASSETS
Brands must keep tabs on the emerging players that are taking business away and compete by launching innovative products and platforms. In order to build a robust DTC offering, Matt Powell suggested brands (both new and established) should invest in excellent owned content, exclusive products, and mobile apps. Together, these three tactics create a powerful digital experience in which consumers actively follow social media accounts to get the latest content and stay in the loop with product updates. Fashion Nova, for example, gained much of its traction on Instagram, outperforming some of the world’s most popular brands in engagement.

USE LIMITED RELEASES TO EMOTIONALLY CONNECT
Through limited releases, brands can generate even more social media buzz by forging emotional connections with consumers. Adidas did just this when announcing its Dragon Ball-Z collection; Dragon Ball-Z is a nostalgic TV show many Millennials and Gen Zers enjoyed during childhood. Brands can also move consumers onto their own apps, gamifying the shopping experience by offering exclusive content and special access to limited releases. Matt Powell suggested apparel brands incorporate these tactics into their DTC strategies, and they should look to Adidas and Nike as models of established brands that transitioned well online.
Home Innovates

**Online Buyer Penetration***
12ME Jun’16 vs. 12ME Jun’18, U.S. Online

*Buyer penetration is the percentage of the U.S. adult online buying population that made at least one purchase in that industry during the indicated timeframe.

- **Small domestic appliances** online buyer penetration* up 5 percentage points from 2016.

- *Buyer penetration is the percentage of the U.S. adult online buying population that made at least one purchase in that industry during the indicated timeframe.

**Increase in ASP by Industry**
12ME Jun’16 vs. 12ME Jun’18, U.S. Online

- **Small Appliances**: +4.5%
- **Technology**: +3.0%
- **Apparel**: +1.8%
- **Footwear**: -1.3%

**Source: The NPD Group/Checkout E-commerce Tracking**

**Subcategories with Growing Average Selling Prices (ASPs) in the U.S.**
12ME Jun’16 vs. 12ME Jun’18, U.S. Online

- **Stick Vacuums (25%)**: $176
- **Heaters (9%)**: $71
- **Air Purifiers (12%)**: $119
- **Espresso Makers (10%)**: $180
- **Hairdryers (32%)**: $66

**Source: The NPD Group/Checkout E-commerce Tracking**
Of all industries studied in this Checkout E-commerce analysis, small appliances had the largest average selling price increase over the past two years. Innovative products protected the industry from commoditization.

“From multi-cookers to hair dryers, small appliance brands that find novel and creative ways to meet consumer demands for increased convenience are likely to be successful.”

HOME INDUSTRY ANALYST JOE DEROCHOWSKI

One-person households in the U.S. over-indexed the most in carbonators (1.33) and soda machines (1.19) in the 12 months ending June 2018.
Recommendations

FORGE A COMMUNITY

Joe Derochowski noted that home industry brands that are successful online often share three common characteristics: community, partnerships, and powerful brand stories. For example, upon discovering its online community wanted to cook pet food with its products, Instant Pot partnered with online company YaDoggie to offer delivery services for pet food that can be prepared in an Instant Pot. Companies that effectively leverage social channels to meet consumer demands will win.

TELL THE INNOVATION STORY

Social channels are also effective tools for communicating innovation. For example, when Dyson recently released a $500 23.75-karat blow dryer, the brand used online video to share the story of how it engaged with a “Master Gilder” to preserve a traditional craft, while highlighting several steps of the production process. Despite being more expensive than the competition, Dyson had 33 percent dollar share of the online hairdryer market in the 12 months ending June 2018 (the highest of any brand in the U.S.), and was the top DTC retailer in the category.
Technology’s Retail Adaptation

Online Buyer Penetration*
12ME Jun’16 vs. 12ME Jun’18, U.S. Online

45%

Consumer technology online buyer penetration* up 3 percentage points from 2016.

*Buyer penetration is the percentage of the U.S. adult online buying population that made at least one purchase in that industry during the indicated timeframe.

Traditional Retailers Make up 46 Percent Dollar Share of High-ASP Tech Items

High-ASP: 46%
Low-ASP: 13%

Source: The NPD Group/Checkout E-commerce Tracking, 12 ME June 2018

Subcategories Gaining Share Online
12ME Jun’16 vs. 12ME Jun’18, U.S. Online

- Smart Watches
- Streaming Audio Speakers
- Stereo Headphones
- Security Cameras

High-ASP: 46%
Low-ASP: 13%
Traditional retailers’ (those who have a brick-and-mortar as well as an online presence) dollar share is far greater online for high average selling price (ASP) items (like TVs and PCs) than for low-ASP items.

Traditional retailers owned 46 percent of U.S. consumer electronics online dollar sales, with pureplay and DTC channels making up the rest. For low-ASP items, traditional technology retailers accounted for only 13 percent of dollar sales, as pureplay online retailers still dominate this more grab-and-go segment.

In 2017, women represented 50 percent of U.S. technology buyers, up from 47 percent in 2015. Women outspent men in categories like digital fitness devices and instant cameras in 2017. However, across technology, male tech buyers spent nearly double that of women. Understanding the categories that drive spend among women can help tech brands more effectively segment and message to them.
Recommendations

CURATE, CURATE, CURATE

Barry Schwartz’s 2004 book *The Paradox of Choice* explained the unintuitive: more choices aren’t always better, and they often cause confusion, anxiety, and *choice paralysis*. Traditional retailers’ websites have succeeded recently with high-ASP products, in part due to effective curation. “They’re leveraging expertise to present consumers with the options that best meet their needs, rather than offering them everything under the sun,” said Vice President, Industry Advisor, Technology Stephen Baker.

LEVERAGE ALL CHANNELS

Stephen Baker explained that research for consumer technology goes both ways: some consumers research in store and shop online, while others do the reverse. As a result, brands must partner with retailers both online and in-store to offer content that excites consumers, leveraging the best practices for each channel. The ability for consumers to test out headphones in store, while receiving sales associates’ help to navigate the store’s website, can lead to a positive customer experience. This encourages consumers to use the web to identify different colors and limited releases that aren’t stocked in the store, blending the best of offline and online shopping.
“The age of transactional shopping is over.”
VICE PRESIDENT, SENIOR INDUSTRY ADVISOR, SPORTS, MATT POWELL

With e-commerce growing faster than brick-and-mortar, a blended retail strategy that incorporates an online focus is now crucial. E-commerce provides not just a new way to transact with consumers, but also a new way to engage with them.

As consumers migrate online, they’ll have more choice than ever—so much choice, that it can sometimes prove overwhelming for shoppers. Brands and retailers that use digital content effectively to help consumers make sense of these choices—while proving why their product is the best—will be well situated to win online.

Learn More
This is a snapshot of our e-commerce insights across fashion, home, and tech. For more on how to amp up your e-commerce strategy with Checkout E-commerce Tracking, visit our LinkedIn page, contact your NPD account representative, call 866-444-1411, or email contactnpd@npd.com.