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THOMPSON

Commerce

# FUTURES 2019

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## ABOUT WUNDERMAN THOMPSON COMMERCE

Wunderman Thompson Commerce is a global eCommerce consultancy that brings strategic clarity, technical know-how and creative inspiration to retailers and brands to define eCommerce strategies that deliver sales growth, customer ownership and a balanced eCommerce channel mix.

Our end-to-end offer includes strategy, people and technology enablement, plus channel execution. With over 1350 commerce experts, and key strategic partnerships with Adobe, IBM, SAP and Salesforce, we help global organisations deliver capability, platforms, and sales. Wunderman Thompson Commerce brings together WPP's leading commerce agencies: Salmon, POSSIBLE Commerce, Marketplace Ignition and Fusepump, alongside Gorilla and 2Sales, under the Wunderman brand.

Clients include AkzoNobel, DFS, GAME, Halfords, Jumbo, Sainsbury's, Selfridges, Specialized, Ted Baker, Xerox and Tempur.

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## WELCOME TO THE FUTURE

The world of retail is experiencing a revolution. Be it the closures of stores, the shift to more online spend, or the pure-plays' move into bricks and mortar – the rules of retail are changing fast!

Yet many organisations are still knee deep in their numbers, desperately trying to hit their quarter, half and full year targets, and ignoring some of the key macro trends that will define the future of retail. On the flip-side, organisations like Amazon and Alibaba are investing in the future of commerce, preparing themselves for the customer, service and infrastructural requirements to win.

And that's where Wunderman Thompson Commerce comes in. From our decades of eCommerce and client experience, our team of expert consultants has their fingers on the pulse of what's going on in retail. Armed with this knowledge, we've made it our aim to help companies lift their heads up and look into the future – and whilst looking forward, we've helped them establish visions, strategies and programmes of work to ensure they are not only successful now, but in the future too.

So welcome to Wunderman Thompson Commerce Futures. In this document you'll find some of the key trends that are shaping the future of commerce. You'll see how the interface is changing in new and sometimes frightening ways. You'll see how data needs to be the foundation of any successful retailer, and you'll see why eCommerce and digital retail success should be underpinned by physical infrastructure.

Take a moment to think ahead of this quarter's results, and, with our help, start to visualise what commerce will look like in the future... because whilst at first this quick-changing landscape might appear frightening, the opportunities for success are innumerable.

Here's to 2019, and here's to your future.



**Hugh Fletcher**  
Global Head of Consultancy  
and Innovation



## 01 | END OF THE SCREENAGER? THE RISE OF “VOICE COMMERCE”

With 51% of US and UK customers saying that they would be comfortable purchasing products via voice<sup>1</sup>, and with some estimating that the voice commerce market will be worth \$40bn by 2022<sup>2</sup>, the future of online commerce will be defined by voice and not screens.

And the infrastructure is already there. According to Nielsen, nearly a quarter of US households own a smart speaker<sup>3</sup>, and Adobe estimate nearly half of US homes could have a smart speaker by 2019<sup>4</sup>.

This is the world of zero-UI – where screens will cease to be our primary interface with the internet and where, in its first stages, voice will be how we access and interact with online services. This shift from screen to voice will powerfully influence how products are searched for, found, and chosen. It will profoundly affect how customers are stimulated to make purchases. It will force organisations to reconsider their corporate identity in a world where imagery and colours are less important than voice and personality. And data and artificial intelligence (AI) will be more important in ensuring that customers are targeted at the right time, with the right products, through this new screen-less medium.

Over time, the screen will become the “fall-back user interface”; used on the occasions when voice and other zero-UI interfaces reach the limits of their capability, and where only visuals will do. So times are changing, and the screen alone is no longer enough, and yet most organisations are still planning their futures with only screens in mind. Make sure you’re not one of them.

<sup>1</sup>The Future Shopper Survey, 2018 <sup>2</sup>OC&C Strategy Consultants (February 2018) <sup>3</sup>Nielsen MediaTech Trender Survey Sept 2018 <sup>4</sup>Adobe Analytics Survey Sept 2018

## 02 | IT'S THE THOUGHT THAT COUNTS – THE BRAIN-COMPUTER INTERFACE

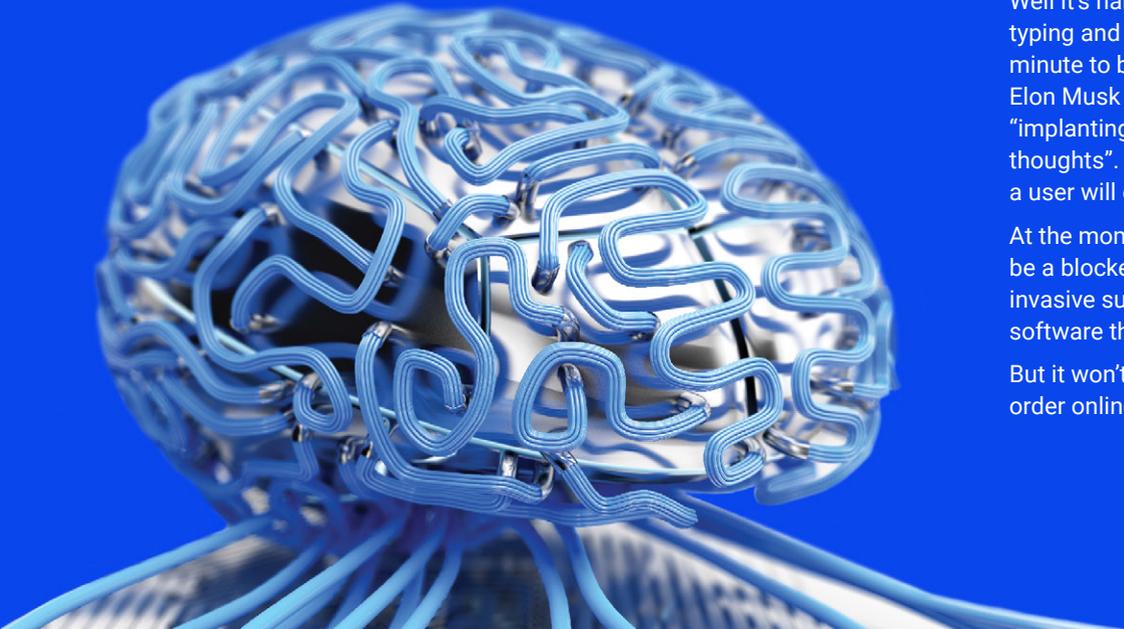
If zero-UI and voice is the future, then what's after that? The answer is the ultimate zero-UI; the brain-computer interface (BCI). BCI will shortcut the time from thought to action and evolutionise how we shop.

Back in 2017, Facebook predicted that within “a few years” its developers would produce a system that would let users type with their thoughts three times faster than they could type with a smartphone keyboard. So how is this prediction looking?

Well it's hard to judge. Facebook is building brain-computer interfaces for typing and “skin hearing”, and the current tech allows for about 8 words per minute to be typed, albeit with an electrode inserted into the user's head. Elon Musk too has launched a company called Neuralink with the aim of “implanting tiny electrodes in the brain that may one day upload and download thoughts”. Other companies like Nissan have trialled using BCI to predict what a user will do whilst driving, to gain vital milli-seconds of advantage for safety.

At the moment, most of these advances require invasive surgery, which may be a blocker to its mainstream uptake, and most neuro-scientists are against invasive surgery on healthy brains, so the race is on to find the hardware and software that can read the brain from the outside.

But it won't be too long until you only have to think about what you want to order online, and it will turn up at your door – thanks to BCI.



### 03 | THE FACE-LESS BRAND AND ITS IMPACT ON EQUITY

Brands will need to be more inventive in how they create and retain equity in a world where they are no longer seen. This is as a consequence of the rise of voice commerce, the brain-computer interface, automated purchasing and the growth of marketplaces. To rely on the traditional brand equity creation approach will be to put the nail in the coffin of your brand's future.

For the last few years, Wunderman Thompson Commerce has been warning that brand equity is at risk – with the traditional visual identifiers of brands much less valuable in a world where new, non-visual interfaces are taking over, and branding on marketplaces is thumb-nail sized at best. Even now, in eCommerce, brand is only the third most important decision making factor.\*

And the requirement for the right brand equity, which “locks in” customers through exceptional service, rather than visual branding, will only increase as subscription (which Nielsen says accounts for 20% of online spend already) and automated purchasing and replenishment (ie. Programmatic Commerce™) becomes more mainstream.

The day for the creation of the zero-UI corporate identity guidelines is now! The time to review how your brand is communicated on marketplaces and retailer sites is here. The pivot point from above-the-line to eCommerce branding arrived when our online spending started accounting for a significant portion of our retail spend.

Brands are not dead, but blindly pursuing the traditional brand equity creation approach is set to shrink your future.

\*The Future Shopper Survey, 2018

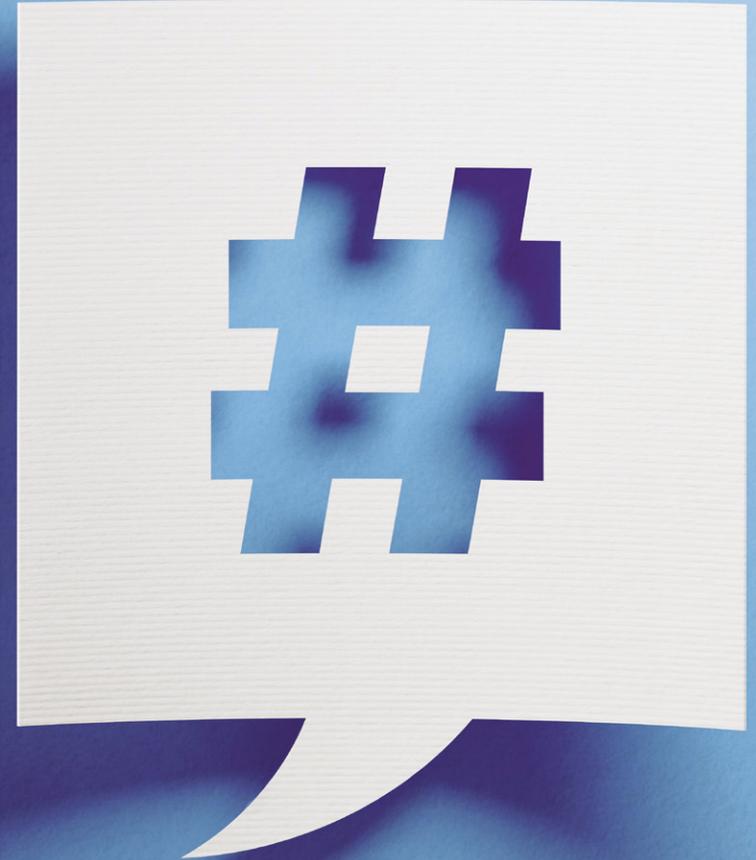
## 04 | TIME TO DOUBLE-TAP SOCIAL

Social commerce as a concept has been around for years... but finally the social media providers have cracked the code to unlock its potential – purchasing “within” the platform, and ensuring that the customer never needs leave their social media journey. With this, the eCommerce world has just welcomed into its fold a new set of retailers with a captive and eager customer base – Instagram, Snapchat, Facebook...

Social media already plays a vital role in customers’ online buying behaviours – with 23% using it for inspiration, 24% using it for product recommendation, and 19% actively purchasing products through it.\*

But the bigger news is the technological advancement of the platforms... Instagram now offers shoppable stories as well as shoppable posts, and in 2018 Snapchat partnered with Nike to sell its Air Jordan trainers directly on the platform. In fact, many of us, as consumers, don’t even realise we’re now buying from within the social platforms.

So the truth is that social media companies are no longer just social media companies. They are now retailers too. The big question is “is your brand and your organisation ready to take advantage of this new channel and new set of retail partners?”



\*The Future Shopper Survey, 2018

## 05 | BEHOLD THE RETAIL BEHEMOTHS

Amazon, Alibaba, Walmart... the continuing consolidation of retail around a small number of huge players suggests that the future will be one where the majority of our purchasing will take place with a small number of mega-retailers.

Amazon accounts for 35% of all online spend in the UK and 52% in the States<sup>1</sup> and is branching out into physical stores. Alibaba's revenue on Singles' Day was +\$30bn, while its financial arm, Ant Financial, is now valued at more than many Western financial firms such as Goldman Sachs and Morgan Stanley. Not to be left out, Walmart continues to grow its store business, not to mention its acquisitions, and has seen a 40% increase in its eCommerce trading in 2018<sup>2</sup>. The big are getting bigger!

For many of us, the instant reaction to this is one of regret and of nostalgia – lamenting the passing of the independent store and of variety. But the stats are telling us that what customers really crave is ease, speed and convenience. And the mega-retailers are offering this in a way that most of their smaller competitors can't. Add into this equation the enormity of the range of products that they offer, and it's hard to compete – although not impossible (see WACD, section 12). They've also understood that their skills can, and should, be leveraged across all the channels available to them, be they digital, physical or both.

What this trend tells us is that organisations need to design their eCommerce futures with a full understanding of the growing role of a small number of huge retailers. They need to ensure that their products are prominent, their content is on-brand, and their brand equity is protected when their own – and their competitors' – products are all sold by the same retail behemoths.

<sup>1</sup>The Future Shopper Survey, 2018 <sup>2</sup>Digiday

## 06 | ALGORITHMIC COMMERCE, AI AND THE SMART BUSINESS

What we as customers see, buy and consume will increasingly be defined by algorithms and artificial intelligence, which use our data to interpret, predict and react to our behaviours... sometimes before we even know about it ourselves!

Which means that data is key. Businesses need to get smart with how they handle and use their data in order to transform into “smart businesses”. Subjective opinion doesn't cut it any more. Business decisions, targeting and conversion should all be driven by data. Hiding behind “bad data” and a “poor CRM system” is no longer an excuse. Businesses now need to invest in their capability to collect, process and use data.

In fact, Wunderman Thompson Commerce has been talking about data and automated purchasing and replenishment for years, predicting a future of “programmatic commerce” where artificial intelligence will make purchase decisions on behalf of consenting consumers.

Because – let's be honest – whilst we like to consider ourselves as spontaneous, unpredictable, exciting beings, most of our behaviours and our data make us predictable to the extreme! And this data, which for so long has been unintelligible, is now readable, usable and actionable thanks to the advances in AI. So don't let dumb business practice be the blocker to smart business.

## 07 | LEGALISED SHOP-LIFTING – NO TRANSACTION FOR MAXIMUM TRANSACTION

New forms of transaction which hide the friction of payment are increasingly defining best-in-class customer experiences and bridging the gap between online and offline purchasing...

One of the master-strokes of Uber's rise to prominence was the removal of the key friction point in the taxi experience: payment.

Fast forward a few years and Amazon continues to launch and operationalise its Amazon Go store concept which does away with the checkout. And not to be left behind, Walmart, which has been on the automated checkout trail for years, is allowing users to scan barcodes and pay with an app with its "Check Out With Me" concept. Kroger too has a similar concept.

The simple truth is this: people don't like to pay, but accept that they have to. So the more you can hide the interaction, and allow customers to suspend their disbelief that what they're getting is free, the more interactions you are likely to have.

What does this mean? It means that retailers and brands need to identify better, faster, less friction-full and more innovative ways to check out, and in an ideal world, remove them entirely. And by doing this, they are likely to increase their number of total transactions.



## 08 | POP-UP COMMERCE AND THE PROLIFERATION OF CHANNELS

Every day it seems there's a new way to sell products digitally, and even completely new channels to enable this – take social media, for instance. Preparing your organisation to be technically able to “pop up” eCommerce operations is vital if you plan to succeed in the omnichannel world of eCommerce.

To pop up effectively, you must set up effectively. At risk of getting technical, to truly embrace all the new channels that are “popping up”, your organisation needs to have built the right technical architecture to be able to react with speed and accuracy.

APIs (application programming interfaces) and micro-services are key to building an IT architecture which enables you to provide product, inventory and sales information to clients, irrespective of the channel in which it is being offered.

How do you ensure that your product information is consistent across channels? How do you ensure your inventory data is up to date? All of this relies on systems and data, and the ability to quickly share this data across channels and platforms.

So in order for your customers to enjoy the newest sales channels, you need to make sure you've got the best architecture.

With more organisations using service design to counteract ignorance about their customers' experiences, not having a clear view of your customers' touchpoints just won't wash anymore. So be ready to “pop up” or be prepared to “pop off”.

\*The Future Shopper Survey, 2018



## 09 | DATA: AGGREGATE. COLLABORATE. DOMINATE.

Who owns the future of retail? The manufacturers of products? The suppliers of services? No, it's the organisations that can aggregate information to enable better, quicker and more relevant decision making and better customer experiences.

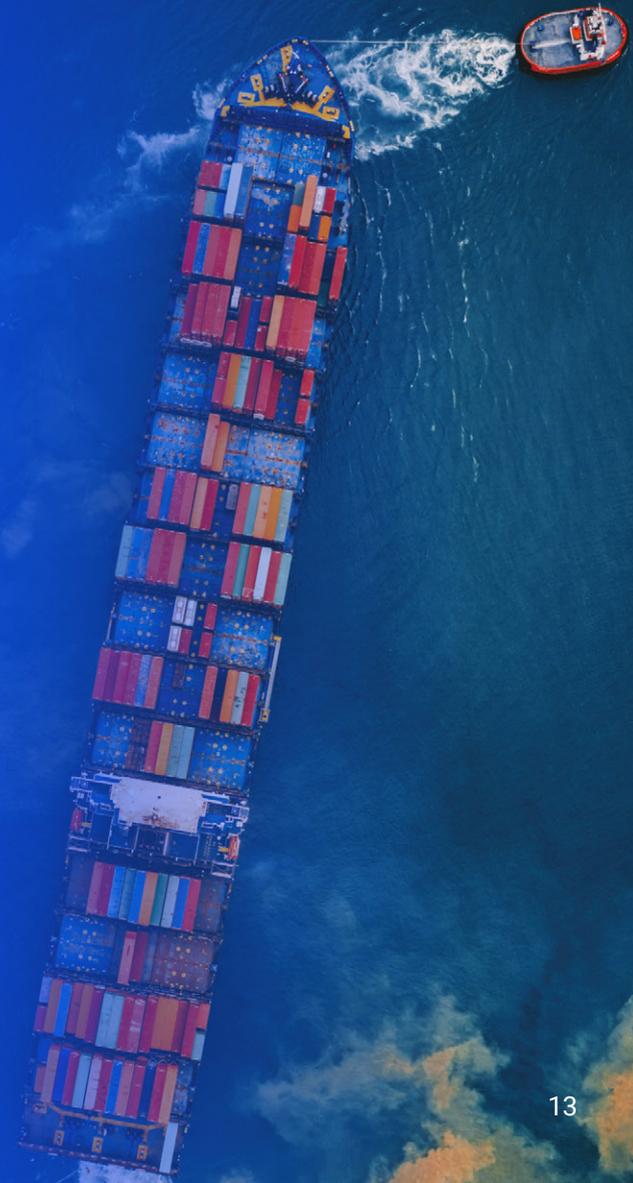
When organisations look at their competitor sets, they tend to look at organisations who do the same thing as them... manufacturers look at manufacturers, retailers look at retailers...

But increasingly, the way to a customer's heart is via aggregation of information, the collation of data, and the facilitation of decision making. The insurance industry is an example of an industry already disrupted – and to a degree controlled – by aggregation. This enables data- and digital-savvy new entrants to enter and disrupt traditional markets. So it's either time to watch out, or get involved!

Going one step further, and looking at the overall customer experience, it's clear that most experiences are fragmented, and provided by disparate organisations. So collaborating and controlling more of the customer experience could be where organisations win. But this would, of course, require organisations to work with – rather than against – one another. Difficult to achieve? Sure. But not impossible.

So don't just manufacture. Don't just sell. Don't just provide. Make sure you collate, aggregate, communicate, then dominate!

\*The Future Shopper Survey, 2018



## 10 | FIGHTING FOR FULFILMENT

No matter how good your brand, your product, or your online shop, the fact is that customers will turn away if your fulfilment operations are substandard, and that includes both delivery and returns.

Amazon Prime has set the standard for delivery, but even their operations are creaking under the pressure of customer expectations, with 22% of UK and US customers expecting delivery in 12 hours, and 43% wanting delivery within 24 hours<sup>1</sup>. So if your delivery isn't good enough, then neither will your product be!

And according to our research, two of the most important factors in product purchasing online are “free shipping” and “fast delivery”. Customers simply won't wait for your product forever, so infrastructural and logistical investment is essential.

But it's not just about how fast you can get your stuff. It's also about how easy it is to return it; with 80% of online customers expecting free returns, and only 25% of retailers offering this<sup>2</sup>.

What is clear though, is that in this digital world of eCommerce, physical logistics and infrastructure are vital “digital” enablers. No surprise, then, that Amazon has already entered the field with its own shipping and delivery service, aptly named Amazon Logistics.

So even if you've got a great brand and a great product, your eCommerce operations will fail if your delivery and returns options are below the expectations of your ever-more demanding customers.

<sup>1</sup>The Future Shopper Survey, 2018 <sup>2</sup>Shopify Plus 2018 Holiday Ecommerce Returns Guide



## 11 | NATIVE AR – NOW AT THE TOUCH OF A BUTTON

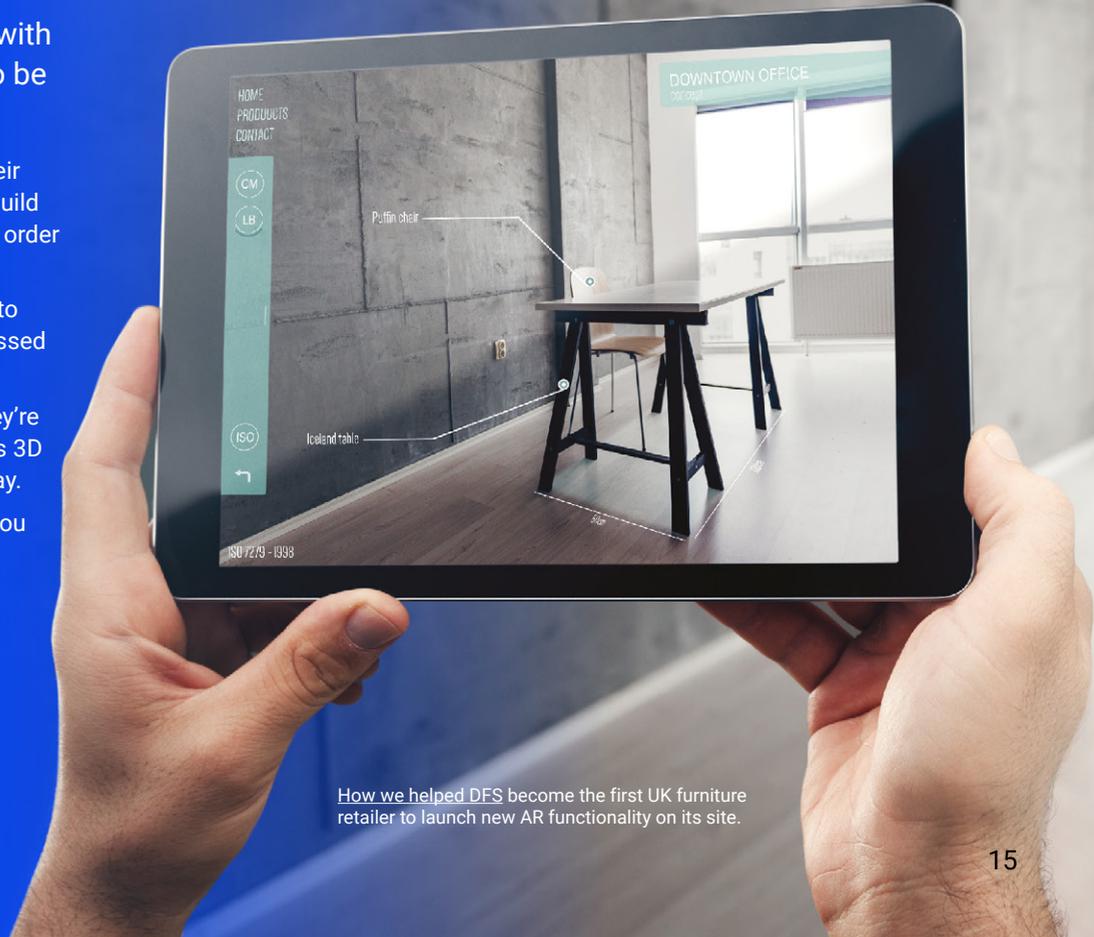
For years, Augmented Reality (AR), Virtual Reality (VR) and Mixed Reality (MR) have grabbed the headlines. But finally, with AR's integration into the browser, this technology is going to be used, rather than just talked about.

With Apple having already successfully integrated augmented reality into their browsers (with Google hot on their heels), organisations no longer need to build expensive apps, and customers are no longer required to download them, in order to take advantage of the possibilities of AR.

This development means that augmented reality finally has the opportunity to become more mainstream, and can be integrated into online sites and accessed simply with the click of a button.

Of course, there's always a catch. And as with lots of online experiences, they're only as good as the content that can be accessed. But if an organisation has 3D models of its products already, then using AR is only a few simple steps away.

So perhaps this year is finally the time to make augmented reality work for you and your products.



## 12 | WACD – WHAT AMAZON CAN'T DO

With so much talk about Amazon's domination of eCommerce, it can sometimes be easier to think that you might as well just give up and give in. But the WACD movement shows that Amazon is not the be-all and end-all.

Sure, the marketplaces offer range, a one-stop shop for almost everything, and an algorithm-based dynamic pricing model... but is this always what customers want?

Does it curate its range? No, and haven't we all accidentally ordered some tat from some far-flung producer? Wouldn't it have been great if Amazon had been responsible for ensuring the product was good enough?

And what about advice? Sure, I can read the ratings and reviews, but often you can find out more about the reviewer than the product itself, by doing this. Sometimes I want an expert to tell me what the right product is for me, not an amateur telling me what's the wrong one for me.

In addition to that, there are some even more basic reasons why customers choose not to shop with Amazon: elsewhere, 25% said that other retailers had more attractive loyalty programmes; and 24% said they were looking for in-store experiences\*.

But beware, beating Amazon is not about taking them on head-on, but about providing services that they either can't or don't want to.

\*The Future Shopper Survey, 2018



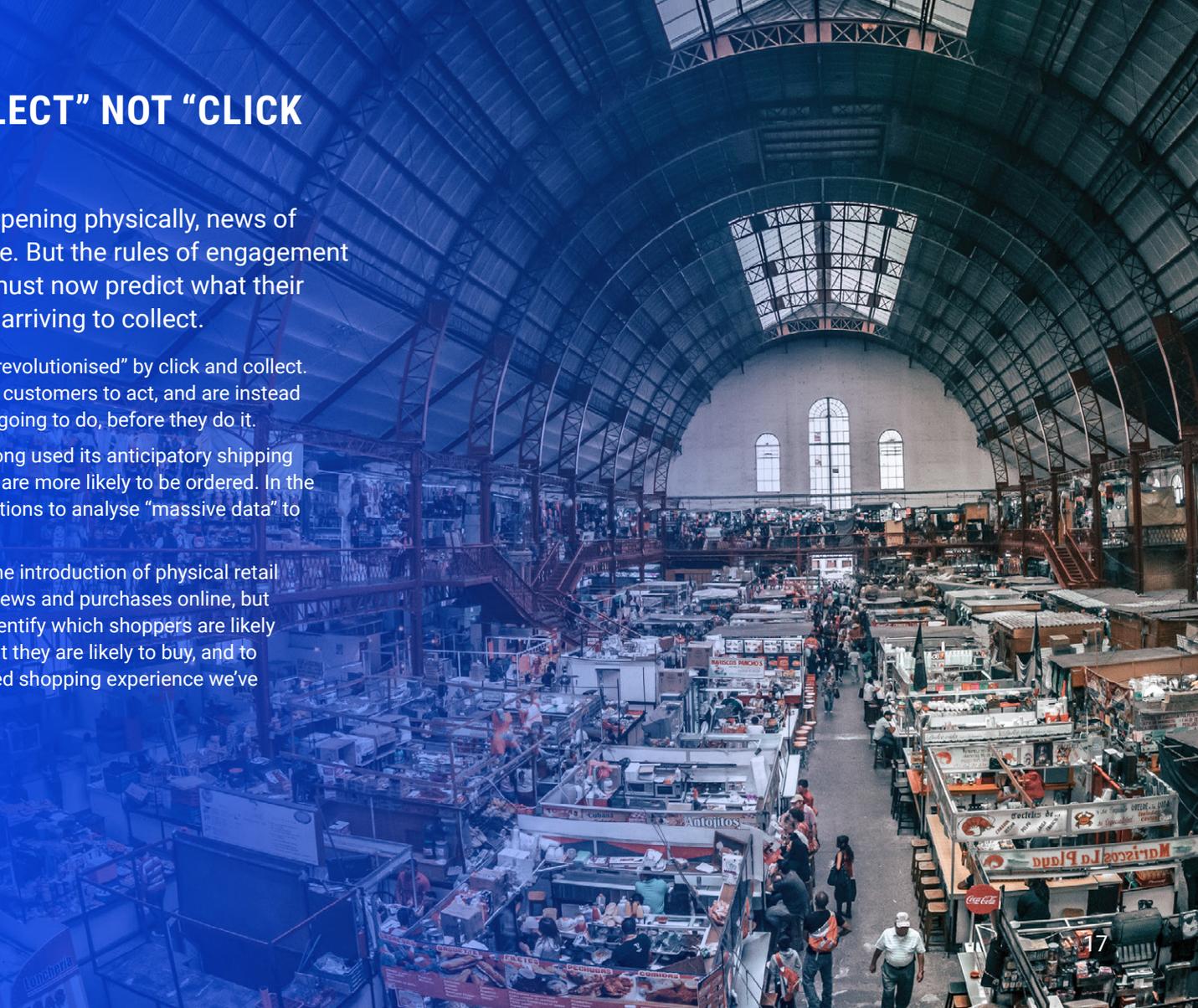
## 13 | “PREDICT AND COLLECT” NOT “CLICK AND COLLECT”

With over 75% of retail sales still happening physically, news of physical retail's demise are premature. But the rules of engagement have changed. Using data, retailers must now predict what their customers want, and when they'll be arriving to collect.

Many years ago, the eCommerce market was “revolutionised” by click and collect. But increasingly, companies are not waiting for customers to act, and are instead using data to predict what their customers are going to do, before they do it.

Examples of this exist already – Amazon has long used its anticipatory shipping to move products to locations from which they are more likely to be ordered. In the telecoms world, data is being used by organisations to analyse “massive data” to predict customer issues before they ring in.

Could this work in the real world? We've seen the introduction of physical retail stores whose stock is defined by customer reviews and purchases online, but what's the next step? Surely, it's the ability to identify which shoppers are likely to visit the physical retail space, to identify what they are likely to buy, and to have it ready for them. Isn't this the personalised shopping experience we've all been craving?



## 14 | PROACTIVE PEAK FORMATION – SEIZE THE DAY!

The retail peaks of yesteryear are being taken over by new peaks, defined by retailers and centred around events and occasions which resonate with customers who are increasingly global and connected.

A few years ago, we identified how the likes of the Boxing Day and January sales were being displaced by new online peaks in the market such as Amazon's Prime Day in the West, and Singles Day in the East.

And this trend continues, albeit what we see now are more online peaks around "micro-occasions" – eBay's "Give Days", International Women's Day, Valentine's Day... As a result, online retailers have even more work to do with the subsequent proliferation of promotion management, events and inventory control.

Those organisations that are big enough should look to create their own peaks too. An international Coca-Cola day anyone? Or a Nike athletes' day? Those with enough reach and clout no longer need to wait for the retailers to activate and 'own' days – they can do it themselves.

Customers are now happy to engage with peaks which resonate with them, and offer them exclusive deals and products. So why wait? Create your own peak now.



## 15 | OMNI-STRATEGISING AND THE COMMERCE SPACE RACE

Last year we claimed that “space was not the next frontier, just another interface to control” and to date, there’s nothing to prove us wrong!

Our view was that the investment in “space” amounted to a play to own the infrastructure of space, which would in turn enable the controlling of commerce in the future, including production, warehousing and even distribution from orbit.

Were we right? Absolutely. Both Blue Origin and SpaceX exclaim with pride on their websites how the government has granted them contracts... showing already that their infrastructural investments are bearing commercial fruit.

And just a reminder of why we think space is so symbolic; firstly, it shows just how far ahead the likes of Bezos are in their thinking. While most organisations are fire-fighting on a daily basis, he is winning today and planning for our future 10 years ahead – he is, in essence omni-strategising. Secondly, it underlines the importance of owning infrastructure. And this ownership is even better if it’s infrastructure that your competitors need to access to survive.

So take a leaf out of Bezos’ and Musk’s books, and start to plan for a future beyond the end of this quarter – beyond this world even – and begin designing a future where your competitors need your infrastructure to survive.



## 16 | MEDIA AND THE FIRST MILE

With 51% of product searches in the UK and the US starting on Amazon, and just 16% coming through Google<sup>1</sup>, the old rules of media placement need to be replaced with a much more commerce-orientated media mix.

You'd think that the media companies would be all over this, wouldn't you? But the majority remain deeply rooted to their old media models; and their lack of commerce expertise means that customers aren't getting the media plans their brands need.

Take smart devices. The proliferation of these devices is already affecting how customers consume media, with 45% of smart speaker users listening to less radio, 38% using their smartphone less, 32% reading fewer newspapers and magazines, and 29% watching less TV<sup>2</sup>.

And what about the marketplaces? What percentage of your media mix is allocated to the place where your customers are now buying? How effective is it?

And what about zero-UI? How will this affect the media mix? And are your media partners testing image-less advertising space now?

In a world where commerce is changing at such a rapid pace, organisations need to review their media plans to ensure that they are advertising and converting where their customers are, and where their customers want to shop.

<sup>1</sup>The Future Shopper Survey, 2018 <sup>2</sup>Edison Research – The Smart Audio Report 2018

## 17 | FROM “PURE-PLAY” TO BRICKS AND MORTAR “DATA-PLAY”

Versed in data, and experts in its utilisation, the pure-plays are bringing their data-based knowledge from online to bricks and mortar, in an attempt to revolutionise physical retail.

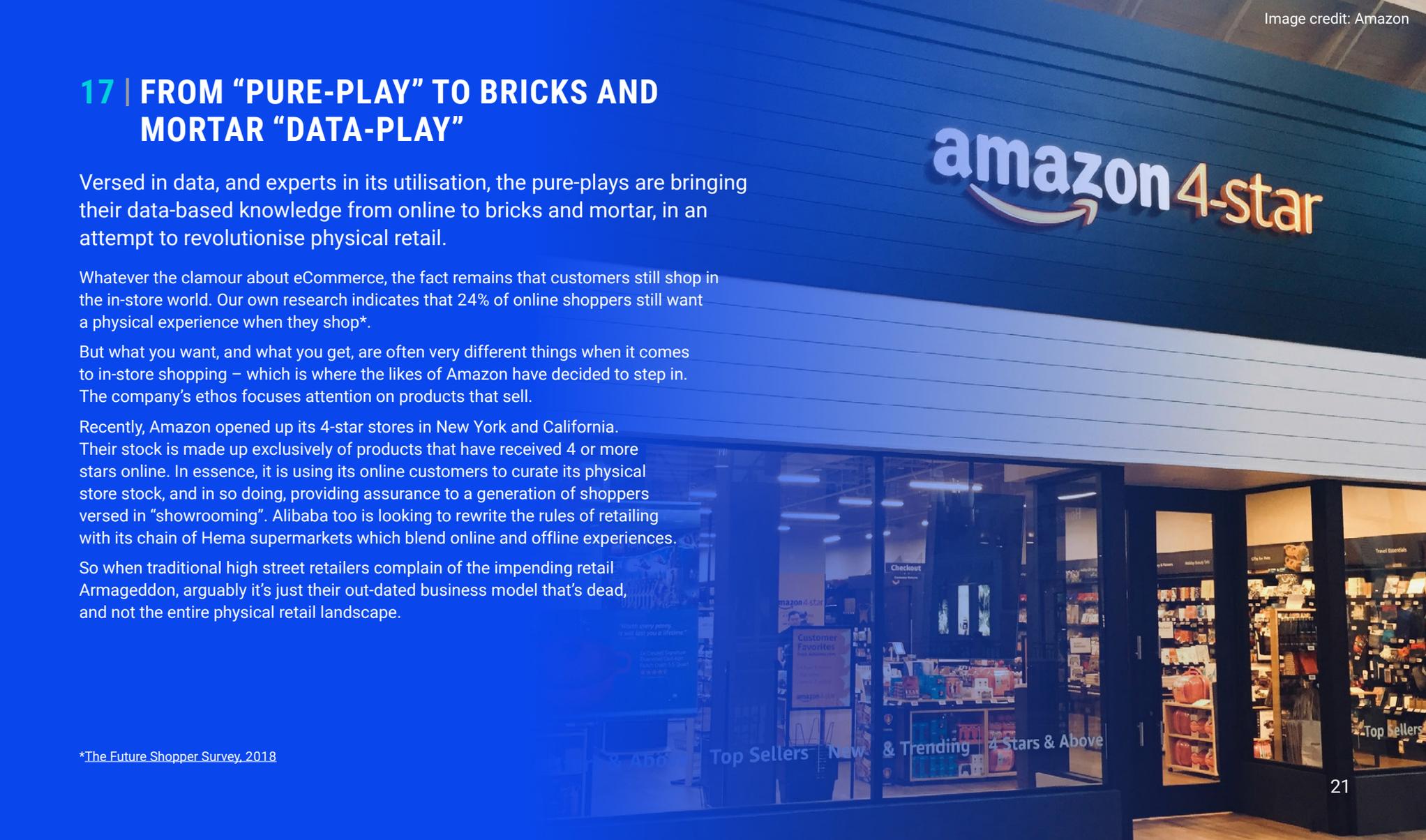
Whatever the clamour about eCommerce, the fact remains that customers still shop in the in-store world. Our own research indicates that 24% of online shoppers still want a physical experience when they shop\*.

But what you want, and what you get, are often very different things when it comes to in-store shopping – which is where the likes of Amazon have decided to step in. The company’s ethos focuses attention on products that sell.

Recently, Amazon opened up its 4-star stores in New York and California. Their stock is made up exclusively of products that have received 4 or more stars online. In essence, it is using its online customers to curate its physical store stock, and in so doing, providing assurance to a generation of shoppers versed in “showrooming”. Alibaba too is looking to rewrite the rules of retailing with its chain of Hema supermarkets which blend online and offline experiences.

So when traditional high street retailers complain of the impending retail Armageddon, arguably it’s just their out-dated business model that’s dead, and not the entire physical retail landscape.

\*The Future Shopper Survey, 2018

The image shows the exterior of an Amazon 4-star store. The store's name, "amazon 4-star", is prominently displayed on a dark blue, horizontally-slatted facade. The "amazon" part is in white with the signature arrow, and "4-star" is in a glowing orange. Below the name, a large glass window and entrance reveal the interior. Inside, shelves are stocked with various products, and a "Checkout" sign is visible. A sign in the window reads "Customer Favorites". The store is well-lit, and the overall aesthetic is clean and modern.

amazon 4-star

So, this gives you some idea of how we see commerce in the future – and how your organisation should start to visualise it. We also speak to consumers to understand how they see – and want to see – the future. You can read what they told us in [The Future Shopper](#).

**Wunderman Thompson Commerce** brings strategic clarity, technical know-how and creative inspiration to help brands navigate present and future commerce strategies.

Let's discuss how we can help you.

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