

An app is not enough – a new research report for software-defined retailers

Executive summary

Digital technologies have created an expectation economy of savvy, increasingly demanding, digitally native consumers with the power to dictate how and where they purchase from their chosen brands. Retailers are left with a choice; keep up or die out.

The Centre for Retail Research¹ found that European ecommerce sales jumped one fifth to €156 billion last year, with the same rate of growth predicted for 2015. The US ecommerce industry is anticipated to grow by 14%. Mcommerce is slated to skyrocket in 2015 by almost 90% in Europe and over 60% in the US. In APAC², it's already all about mcommerce, with the majority of online purchases now being over mobile rather than ecommerce websites.

As online purchasing continues this astronomical rate of growth, simply providing the web and mobile apps that enable ecommerce is no longer enough. Consumers expect a highly personal experience every time they interact with a brand online. Omnichannel retailers must understand and anticipate how their customer's needs change throughout the day, in peak periods and over time - and provide a slick and engaging ecommerce experience.

For today's always-on consumers, the performance of websites and mobile applications (apps) is inextricably linked to brand credibility, customer satisfaction and loyalty. *An app is not enough* is a study by application intelligence leader **AppDynamics** which surveyed over 4,000 European and US smartphone and tablet owners. It examines the expectation economy, and shows that for retailers, software defines business success – with revenue and reputation hinging upon customer interactions with applications.

This report presents key findings from the study, including:

- Why application performance is critical to retail success
- How omnichannel and IoT is leading to increasingly complex application architectures
- The secret to delivering a 5 star customer experience

“Given the plethora of options open to consumers, the transparency in the market, and the ease of switching from one retailer to the next, earning customer loyalty is becoming more important than ever. A consistent and reliable customer experience is key to earning this loyalty. Knowing what customers want, and having the right organisation set up to deliver it, is typically the challenge that our clients face. Understanding where the pain points are in the customer journey is a good starting point.”

Brian Kalms, Partner and Retail Specialist, Elixirr

“Software innovation has revolutionised the retail experience, with app performance now directly linked to consumer perceptions of businesses. Not only does poor application performance impact revenue and a business' bottom line - but has a negative impact on brand. Retailers must monitor, manage, and analyse their applications in real-time, to ensure they deliver a flawless user experience to customers.”

Jyoti Bansal, Founder and CEO, AppDynamics

1 'Online Retailing in Europe, the U.S. and Canada 2015-2016' [study](#) by The Centre for Retail Research and RetailMeNot Inc, 2015

2 State of Mobile Commerce [report](#) by Criteo, Q1 2015

SHOP DIRECT

Retailer Perspective

“Today’s consumers expect a seamless shopping experience with minimal friction. This puts increased pressure on retailers to innovate and use the latest technologies to improve and augment the online journey so it delivers the thrill of visiting the high street in a more convenient way.

As an example, Very.co.uk has recently introduced image recognition technology that allows shoppers to take photos of clothes they like and search for similar styles across our product range. At the same time, mobile continues to play an integral role in increasing online sales, allowing customers to shop when they want, how they want and on any device. With retailers using a combination of technologies to deliver a competitive and flawless experience to shoppers, ensuring the performance of these applications is mission critical.”

Sam Barton, Head of User Experience at Shop Direct

The expectation economy in action: Retail apps must deliver for the always-on consumer

The rapid upwards trajectory of ecommerce and mcommerce is widely publicised, so it’s no surprise that all survey respondents had made online purchases over the last year. In fact, just over a third of survey participants are making more than half of their purchases online. This demonstrates that online channels are not just a value-add to existing retailer services - instead they are vital to commercial success. What’s more, Deloitte found that customers who spend time browsing multiple online retail channels will make 50% higher value purchases than those who just shop using a single channel³ i.e. just in-store.

But what does it take to deliver a great online experience? Convenience. While digital technologies have provided today’s retail consumers with an increasing amount of choice, they’ve never been so time-poor. Over a third of respondents stated that they utilise apps for convenience, and 40% would give a new app a go if it promised a more convenient shopping experience. Bricks and mortar retailers should take note that over a quarter of respondents would turn to a website or mobile app if a store fails to stock what they want.

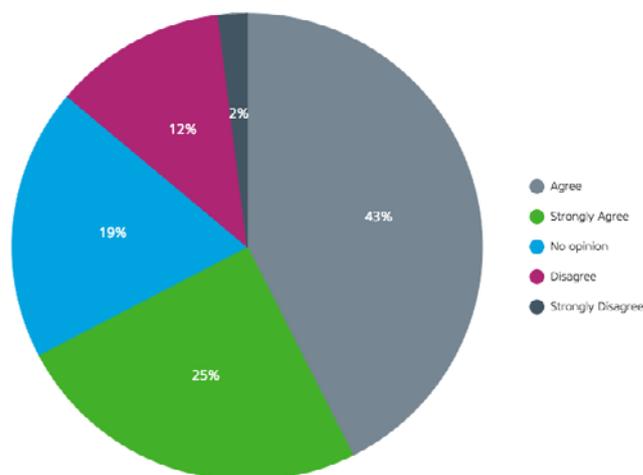
Why application performance is critical to retail success

It’s clear that consumers are drawn to apps that satisfy their needs at various micro-moments in their day. Retailers must ensure that their apps function optimally at all times in order to retain this generation of always-on consumers - and identify and nurture their high value customers who browse multiple channels before purchasing.

Unsurprisingly, our study found that for over 70% of respondents, performance of a mobile app would impact their perception of the retailer. More strikingly, over two thirds of respondents state that a negative experience with an app or website would deter them from engaging with the retailer and effectively gift their future business to the competition.

But it doesn’t end with perfect technical performance. An app is not enough - even one that is always available - if it is simply an online catalogue or mirror of the mobile site. Consumers expect a wide variety of features and services that engage, excite and enhance their experience at the Zero Moment of Truth.

A negative experience with a retail app or website would discourage me from making future purchases from that retailer.



“The way I shop is pretty chaotic - I’ll go from having a quick browse around the shops on my lunch break, to buying something quickly online or on my mobile, to treating myself if I get sent an offer. No matter where I spend my money, I will only pass over the cash where I know I will get good service, whether that’s online or in stores. Although it may make me sound a bit spoilt, I guess I figure that I don’t need to compromise.”

Anna Elson, Consumer Research Group Study ‘An app is not enough’

The retail application landscape is as competitive as the retail industry as a whole. The number of apps in use is growing by the day, meaning that differentiating your offering is crucial to attracting and retaining customers. A key gauge of success with any mobile app is the elusive 5 star rating. Our analysis of App Store reviews for 100 top retail mobile apps revealed that less than half of the reviews (44%) achieved this goal. To win in this market, retailers must differentiate themselves with a digital business strategy that delivers exclusive, contextual offers, rewards and content that entice consumers to find, download, and engage with their app. Over half of our survey respondents confirmed this approach has persuaded them to download retail apps.

Further to this, retailers have to realise that a customer’s app experience expectations are set and heightened by their use of other digital services. Today these are bleeding edge brands such as Uber and OpenTable. Digitally savvy consumers are aware of what’s happening in the market and demand the same level of product, service and delivery innovation from every retailer they engage with.

The silver lining is that consumers are keen to engage with brands and want their voices to be heard. According to research from [IBM⁴](#), 78% of consumers want to co-create new products and services that meet their needs. This presents a powerful opportunity for retailers that are willing to create opportunities for customer collaboration.

The blurring boundaries of omnichannel

The boundaries between online and offline retail experiences are blurring. Customers expect bricks and mortar stores and online channels to be fully integrated. Recent [insight](#) from Accenture⁵ finds that the interplay between stores and online channels is crucial to delivering services that seamlessly enhance customer’s lifestyles. For example, a third of ‘out of hours’ shoppers will browse and select an item online, then purchase in store when convenient, with an additional 15% utilising a ‘click and collect’ service.

But retailers have to go beyond ‘click and collect’ if they are going to deliver the omnichannel experience that digital customers expect. Almost three quarters of consumers call for mobile apps to help them bypass checkout queues in store. Interestingly, 57% of respondents would also love retail apps to provide store assistants with details of past purchases for a 360 degree, individually tailored, omnichannel shopping experience. This proves retailers must find the perfect balance between convenience and personalisation to achieve customer delight.

“Digital technologies have empowered consumers. They are sharing their retail experiences with peers and comparing prices, products and delivery options more than ever before. Consumer expectations of retailers are set sky-high by innovative, digitally native brands. Everyone else in the market is expected to keep pace. This is widely known as the ‘expectation economy’ whereby consumers know what the best-of-the-best looks like and want all retailers to deliver on this, now.”

Marco Blankenzee, Manager, Mobiquity Europe

Rapid tech innovation is forcing retailers to take agile approach to developing more complex applications and adopting a more sophisticated digital strategy; the goal is to innovate ahead of the competition. 69% of survey respondents would be encouraged to visit bricks and mortar stores if apps provided them with personalised offers when they were close by - so today’s forward-thinking retailers are using innovative sensor technologies such as beacons to entice customers on to the shop floor.

4 IBM [report](#) on Making Retail Smarter, 2010

5 Accenture [report](#) on How to Make Money in a Seamless World, 2015

“Consumers need retail apps to fit seamlessly into their time-poor lifestyles. If they can’t access the service at their specific ‘moment of need’ they will search for alternatives. Ensuring maximum uptime and exceptional user experience is critical to retaining customers and maximising spend. AppDynamics works with some of the world’s leading retailers, providing them with the certainty that their software applications will enable them to innovate and win, even in the most demanding conditions.”

Jyoti Bansal, Founder and CEO, AppDynamics

Fundamentally, customers are no longer distinguishing between online and offline experiences. Any engagement with a retailer will impact their overall perception and shoppers expect bricks and mortar stores and apps to work together to provide a stronger customer experience. Those who anticipate and deliver on these expectations will earn the loyalty of their customers and reap the reward of increased revenue and positive word of mouth.

Delivering a 5 star customer experience for the expectation economy

What emerges from this study is that a retailer cannot run their digital strategy in a silo and expect to win. Customers are engaging with their chosen retailers across multiple channels and expect their digital experience to be seamless, consistent, and responsive to their needs. A digital interaction must still be understood as an individual human experience, so a one-size-fits-all approach is not good enough.

Retailers that utilise best-in-class analytics to identify

when, where, which and whose interactions are impacted by usability issues, will be able win back customers they were likely to lose. 75% of respondents said that if they were unable to complete a purchase, a prompt and personal apology or offer would persuade them to revisit the retailer. To win, retailers must have real time visibility of each individual’s app experience, and the capability to take immediate, appropriate action to retain their customers and inform their ongoing digital strategy.

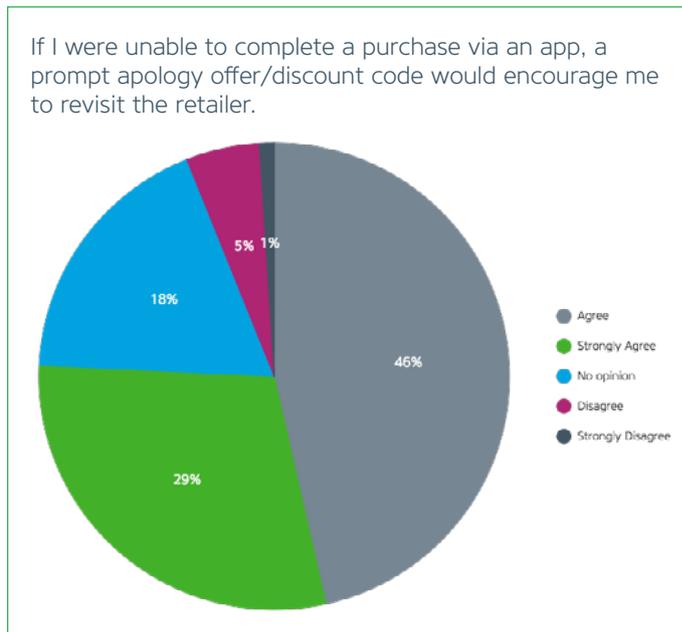
By using application intelligence to analyse retail transactions and customer behaviour, retailers can deliver an amazing app experience that is in tune with their customer.

Recommendations for retailers:

The expectation economy is changing the business landscape for retailers on a daily basis. The study ‘An app is not enough’ highlights the necessity of application intelligence to retailers in a world where the power balance is shifting in favour of consumers. If an ecommerce app is down or slow, consumers will abandon it and find alternatives at the click of a button.

Retailers must harness application intelligence to ensure a flawless consumer experience in order to remain relevant. To keep pace they need to take an outside-in approach, putting the ever changing demands of the customer at the heart of their businesses. An app is not enough to delight customers. All retail services must be available and offering optimal engagement methods for satisfying consumer needs. Capturing loyalty and wallets can only be achieved by both the provision of personalised, value added services, and flawless performance.

The bottom line for retailers is that app performance has a huge impact on how their business is perceived and whether consumers will continue to shop with them. With this in mind, Application Intelligence is critical, empowering retail businesses to identify and swiftly resolve application performance issues to protect and galvanise digital revenue streams.



Next steps for forward thinking retailers:

- Use a unified monitoring solution that safeguards the performance of key business transactions. The best solutions automatically monitor apps and associated technologies in context of the business period and the consumer, while having little or zero impact on overall experience.
- Choose an application management platform with a slick, role specific and intuitive user interface, making it easy for anyone across IT and the business to get instant benefit. Proactively detect issues, identify their root cause and resolve before the business and customers are impacted.
- Adopt smart use of analytics to optimise omnichannel strategy and consumer win back. Understand individual customer interactions of ecommerce and mcommerce channels in real time, the business value each channel provides and how to enhance operational performance. This insight will enable retailers to deliver exceptional guest experience in order to build brand loyalty and maximise all revenue streams.

NET-A-PORTER

Retailer Perspective

“The AppDynamics solution provides us with a unified view in real-time of user experience, application performance and availability. This helps us to offer an unparalleled experience to luxury fashion customers worldwide across our publishing, web and mobile app platforms, as it allows us to monitor business transactions in real-time and increase visibility into how everything is performing.”

Hugh Fahy, CTO at THE NET-A-PORTER GROUP

About AppDynamics

The AppDynamics Application Intelligence Platform helps today’s software-defined businesses proactively monitor, manage, analyze and optimize the most complex software environments, providing real-time, actionable IT operational and business insights into application performance, user experience, and business outcomes — all in real time, and all in production. With cloud, on-premises, and hybrid deployment flexibility, AppDynamics works and partners with many of the world’s most innovative companies. Customers include Edmunds, Expedia, Fox News, HBO, OpenTable, Salesforce.com, Sephora, StubHub, and Union Pacific Railroad. For more information, visit www.appdynamics.com

About the research

In June 2015, independent market researchers Atomik surveyed 1,000 UK, 1,000 US, 1,000 French and 1,000 German adults, aged 18 years old or more, who own a smartphone, tablet or both.