2021
DELIVERING FRICTIONLESS COMMERCE

A guide to understanding customer expectations and growing brand loyalty

INSIGHTS REPORT | January 2021

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EXECUTIVE SUMMARY

E-commerce adoption has advanced dramatically during the COVID-19 pandemic. During the first 90 days of the pandemic, we vaulted forward 10 years in digital adoption, and 40% of consumers tried new brands or made new purchases with a retailer during the shutdown.*

The convergence of technologies in mobile, payments, data and logistics has raised the bar in terms of the possibilities of a seamless customer experience; however, many businesses were already behind the curve in terms of investing in e-commerce solutions before the pandemic hit. To remain competitive, brands need to adapt to consumers' emerging needs and evolving expectations with respect to how and where they intend to discover, shop and engage with the products and services they buy.

*DATA SOURCE: MCKINSEY / PERISCOPE

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In the current context, the ubiquity of e-commerce innovation and new access to delivery offerings has presented unique opportunities that re-imagine how to engage consumers with differentiated value. However, the economic uncertainty that many businesses will face over the next 2-5 years makes it critical that investments in improving the digital customer experience deliver the greatest possible return.

To do so, decision-makers must understand the underlying motivations that drive receptivity to frictionless commerce. The most precious, non-renewable commodity consumers possess today is their time. The contemporary consumer sees new technologies as empowering, disintermediating, gratifying and, in most cases, an opportunity to fairly exchange personal data for a better experience that helps them make the most of the limited time they have.

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SIX DIMESIONS OF
Frictionless Commerce

FULFILLMENT &
MULTI-CHANNEL
ALIGNMENT

CUSTOMER
SERVICE

SECURITY &
PAYMENT
OPTIONS

*KEY BARRIERS
TO SUCCESS*

*DATA MANAGEMENT
-
TECHNICAL DEBT
-
CULTURE
IMPACT*

POSITIVE
FRICTION

EASE OF
ACCESS, DESIGN
& NAVIGATION

PERSONALIZATION

GRAPHIC CREDIT:
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Understanding the relationship between the six dimensions of frictionless commerce and the associated barriers requires a tailored assessment of your customers and their expectations, and your organization's readiness to adapt to their needs.

Consumers indicate that, in order to build loyalty and affinity, brands must deliver on the following six dimensions of frictionless commerce: Fulfillment and Multi-Channel Alignment - Security and Payment Options - Ease of Access, Design and Navigation - Personalization - Positive Friction - Customer Service.

In optimizing how your brand delivers a user experience, an organization will encounter three key barriers to success: data management, technical debt and culture. Navigating these challenges requires an understanding of how strategy and structure must align to create a customer-centric strategy.

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FRICTIONLESS COMMERCE

DRIVERS OF SHARE OF WALLET

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49%

of consumers who shopped online in the past 6 months are dissatisfied with their overall e-commerce experience.

Brands must deliver a frictionless commerce experience to build brand loyalty and affinity.

WHAT DOES FRICTION LOOK LIKE TO CONSUMERS?

A review of social media conversations reveals the most prevalent friction points expressed by consumers:

- **Shipping Delays** –unexpected delays or complaints about the process taking too long;

- **Selection** – limited selection or too many sold-out products online;

- **Product Quality/Packaging** – complaints about receiving incorrect/ damaged or misleading products;

- **Customer Service** – poor experience when help is needed; including problems with services like curbside pickup;

- **Product Descriptions** – insufficient details on product sizing or dimensions, or not enough product pictures; and

- **Security** – concerns over trustworthiness, especially in relation to the payment process.

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IMAGE CREDIT: GETTY IMAGES

UNDERSTANDING THE DRIVERS OF SHARE OF WALLET

Envrionics Research, in partnership with Pivotree, examined e-commerce satisfaction and brand loyalty across nine retail consumer categories, to identify category leaders and uncover key learning as to how brands can provide a meaningful experience and grow customer loyalty.
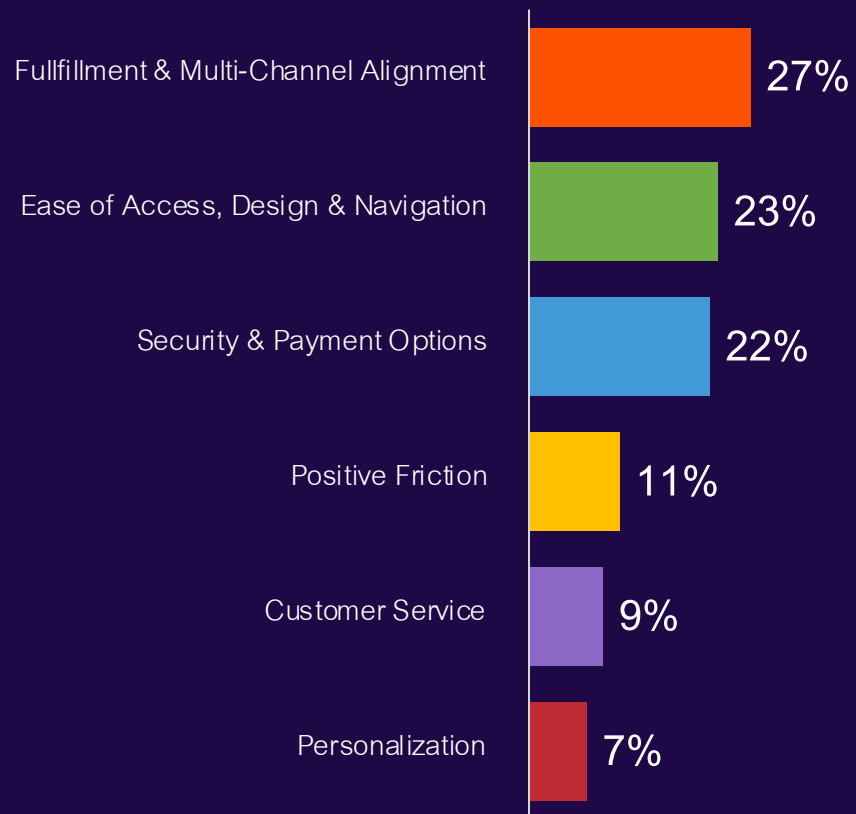
While customer satisfaction is useful for understanding whether a customer is likely to consider your brand for a future purchase, the real insight comes from understanding the share of wallet your brand receives compared to the competition.

The frictionless commerce experience varies vastly from category to category, and re-affirms that the drivers of share of wallet are as unique as the consumers that interact and purchase from them. In order to understand how brands can grow share of wallet, they need to understand what truly drives customer loyalty.

COMMERCE CATEGORY
Pet Care

Fullfillment & Multi-Channel Alignment — 27%

Ease of Access, Design & Navigation — 23%

Security & Payment Options — 22%

Positive Friction — 11%

Customer Service — 9%

Personalization — 7%

IMPACT ON SHARE OF WALLET

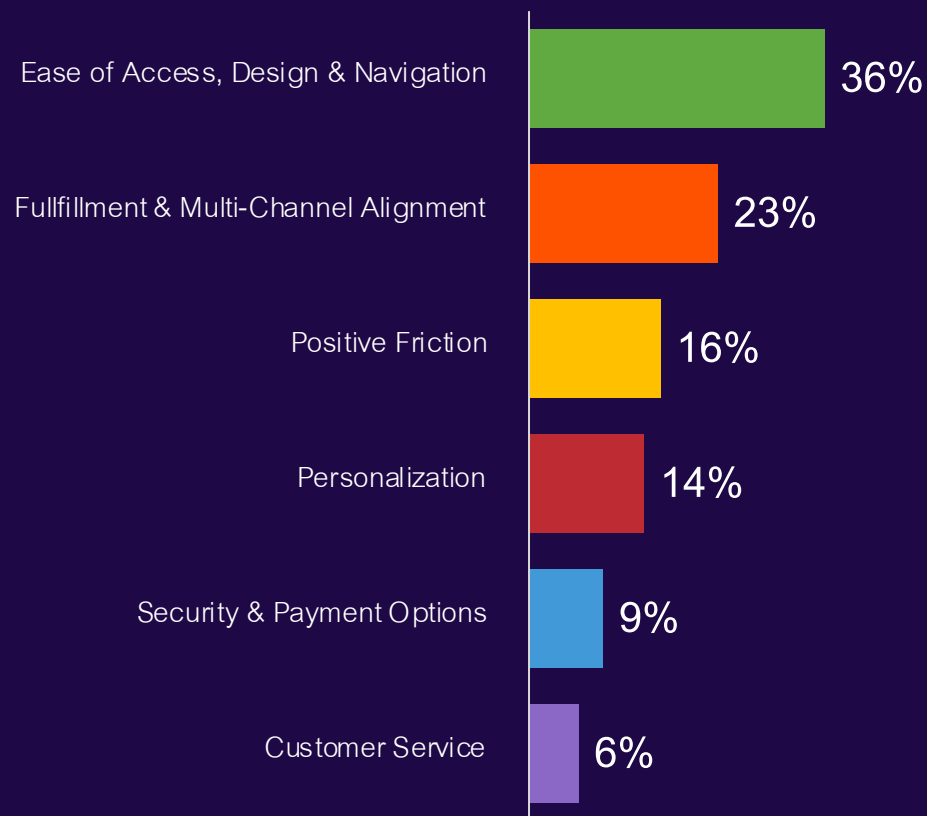DATA CREDIT:
ENVIRONICS RESEARCH

THE DRIVERS OF LOYALTY VARY BY CATEGORY

Large retailers consistently command a high share of wallet across multiple consumer categories. Take for example the pet care category, where the estimated share of wallet with Amazon is $31 out of every $100 a consumer spends, closely followed by competitors such as Chewy ($20/100) and PetSmart ($14/100).

In this category, consumer loyalty is primarily driven by **Fulfillment and Multi-Channel Alignment** (e.g., clear communication of fees such as taxes or tariffs) and **Ease of Access, Design and Navigation** (e.g., having a well-organized website). These two factors alone explain half of the variance in share of wallet for this category. Delivering moments of **Positive Friction** (e.g., delivery of products earlier than expected) and solid **Customer Service** (e.g., the availability of online customer service representatives) are a welcome bonus that can further differentiate the experience from competitor offerings.

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COMMERCE CATEGORY
Clothing & Apparel

BRANDS MUST PRIORITIZE GREATEST IMPACT ON LOYALTY

In the clothing and apparel category, a different set of factors drive share of wallet, where the role of **Ease of Access, Design and Navigation** when shopping for clothing dominates the customer experience. For the retailer's estimated share of wallet, Amazon commands $24 out of every $100, which is five times as much as the next three leading e-commerce competitors: Kohl's ($5/100), Old Navy ($5/100) and Walmart ($5/100).

Instilling confidence throughout the consumer's purchase journey begins by providing them with the information they need to make an informed purchase decision. Consumers prefer brands that offer the greatest selection of products and recommendations for what they might like to buy **(Ease of Access, Design and Navigation)**. Ensuring that customer packages are delivered directly to consumers, as well as keeping them informed about the status of their order, increasingly drives brand affinity **(Fulfillment and Multi-Channel Alignment)**.

Category	Impact
Ease of Access, Design & Navigation	36%
Fullfillment & Multi-Channel Alignment	23%
Positive Friction	16%
Personalization	14%
Security & Payment Options	9%
Customer Service	6%

IMPACT ON SHARE OF WALLET

DATA CREDIT:
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IMAGE CREDIT: GETTY IMAGES

UNDERSTANDING THE DIMENSIONS OF FRICTIONLESS COMMERCE

Businesses need an actionable framework for understanding customer expectations so they can deploy the best strategy to retain customers and drive engagement.

Environics Research and Pivotree can provide brands with a window into consumers' orientations toward technology and the digital age that serve as indicators behind why and how consumers engage with e-commerce, and what a frictionless commerce experience must look like in order to drive brand loyalty.

The six dimensions of frictionless commerce experiences that build brand loyalty & drive brand affinity are: **Fulfillment and Multi-Channel Alignment - Security & Payment Options - Ease of Access, Design and Navigation - Personalization - Positive Friction - Customer Service.**

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FRICTIONLESS COMMERCE

DIMENSIONS THAT BUILD BRAND LOYALTY

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The six dimensions of **frictionless commerce experiences** that build brand loyalty

1 **FULFILLMENT & MULTI-CHANNEL ALIGNMENT**

2 **SECURITY & PAYMENT OPTIONS**

3 **EASE OF ACCESS, DESIGN & NAVIGATION**

4 **PERSONALIZATION**

5 **POSITIVE FRICTION**

6 **CUSTOMER SERVICE**

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FULFILLMENT & MULTI-CHANNEL ALIGNMENT

FULFILLMENT & MULTI-CHANNEL ALIGNMENT

In our research, we saw an increased sense of immediacy among consumers – a desire to reach anyone and get anything at their fingertips. This led to an expectation of on-demand service and fulfilling expectations for instant gratification as the norm rather than the exception. Brands not able to meet customers – quickly! – where they are, will be at a disadvantage.

Online grocery shopping was repeatedly mentioned as a positive experience in both the Fulfillment and Multi-Channel Alignment categories. The reason for this is that, while there are multiple steps that must be taken to complete an online grocery order, consumers didn't feel that they were inconvenienced or left out of the information loop by the experience. Reported reasons for this frictionless experience included: the ability to fill the cart throughout the week (a running grocery list); a text from the grocery store if a product was out, followed by a recommended substitution; same-day fulfillment; and a seamless and organized curbside pickup. Additional insights about fulfillment and multi-channel alignments included, the ability to make an account so that all your information is pre-populated at check-out, undamaged packaging, and free delivery and returns.

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QUESTION: DESCRIBE A POSITIVE FULFILLMENT EXPERIENCE.

For the most part, packages come well-packed and without dents, etc. More often than not, the package arrives ahead of their estimated delivery date. I also really like the fact that you can track deliveries right from the retailer's webpage, and when a package arrives on your doorstep, the delivery person will take a photo of the package in front of your door and upload it to the website proving the package has arrived.

— study participant

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IMAGE CREDIT: GETTY IMAGES

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SECURITY & PAYMENT OPTIONS

SECURITY & PAYMENT OPTIONS

In a virtual transaction, some consumers are particularly anxious and uncomfortable with online companies' use of personal information, and express a need to safeguard their personal information and data vigilantly to ensure it does not get used to their disadvantage. Trust in a brand's ability to maintain utmost security and privacy is paramount among these customers.

Security seeps into all touchpoints of the consumer's journey. They want to feel confident that their personal information is secure and to be in control of the type of information that is being collected (e.g., they want the ability to opt-out of cookies). Clear written communication and relevant symbols that, for example, indicate that the website they're using is verified by a financial institution can help put the consumer at ease. Security also extends to the final stage of the consumer journey – delivery. Implementing verification of delivery tactics, such as sending a verification of successful delivery with a photo, is another level of security that consumers expect in a frictionless transaction. Providing payment options (e.g., MC, Visa, gift cards, PayPal) and currency options create a frictionless experience during the payment process, as well as clear communication about any tariffs or taxes that may be charged back to the consumer.

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QUESTION: WHAT MATTERS TO YOU WHEN YOU SHOP ONLINE?

Before COVID-19, online shopping to me represented convenience. But now, the thought of going into a physical store to try on clothes makes me uneasy. I really value the fact that, with companies [online], I can shop safely without having to worry about my health, etc. I think now the experience represents more than just convenience to me – it represents necessity.

— study participant

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EASE OF ACCESS, DESIGN & NAVIGATION

EASE OF ACCESS, DESIGN & NAVIGATION

As technology becomes more and more integrated into people's lives – in many cases to make things easier, more convenient and accessible overall – consumers will no longer accept a user experience that is difficult, clunky and unengaging. Ease of use is table stakes, as the expectation for new technology and digital apps to be empowering and establishing a personal sense of control is prevalent among consumers.

Consumers are looking for an experience that is both intuitive and seamless. A clean, organized and minimal design contributes to the overall experience of consumers' visits. They want to quickly and efficiently find products; either through clearly labelled categories that use language they're familiar with and/or through a predictive and robust search engine. Having the right information to make purchase decisions helps create a frictionless experience. Reviews and detailed product/service descriptions and images enable consumers to make informed decisions. Additionally, when browsing through the site, they want an uninterrupted search journey that allows them to go back to the page they were just on.

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QUESTION: WHAT WAS YOUR NAVIGATIONAL EXPERIENCE LIKE?

The filter selection and shifting of the page [online] was frustrating, especially if I were looking through a category that had a lot of items. Going back to the top whenever I altered my search parameters wasn't great. [On another website], the drop down menu of categories would disappear when you tried to scroll and, since I couldn't see all the options, that was kind of annoying.

— study participant

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PERSONALIZATION

PERSONALIZATION

As products and experiences become more commoditized and indistinguishable from others, consumers are increasingly expecting a high degree of customization and unique personalization, curating for their individual tastes, needs and preferences. There are clear segments that relish – expectantly, as enabled by today's technology – the ability to create exactly their own style, persona or customized products that speak exactly to them.

Personalized experiences create opportunities to build brand connections and foster a joy of consumption. Personalization has many facets, and is not simply putting someone's name on a product, although it can be as simple as that. Incorporating images of diverse people (e.g., race, age, body shape, gender, sexuality and disability), customizing products to consumers' needs (e.g., tailoring clothing), and a loyalty program that rewards consumers on their unique product/service preferences, are all examples of practices that make consumers feel like they're having a personal experience.

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QUESTION: WHAT WAS MISSING FROM YOUR EXPERIENCE?

I wish the models they used to display the shirts looked more average. I am not a muscular, tall and lean model, so seeing pictures of these types of men, while it might be aspirational in the sense it shows people the type of aura they can project while wearing the clothes – it doesn't give a realistic picture of how certain body types will look wearing the clothes.

—Qualitative Study Participant

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IMAGE CREDIT:
GETTY IMAGES

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POSITIVE
FRICTION

POSITIVE FRICTION

Positive friction is an interruption in the consumer's commerce journey, by the brand, that enhances their overall experience. It can be thought of as an unexpected moment that provides the opportunity to delight the consumer. Positive friction is particularly powerful when these moments of delight are relevant and meaningful. The ability to tailor any engagement to a customer's specific needs and desires also depends on the ability to 'know' them; and so the ideal case is the customer who is comfortable sharing details of their personal information with brands to enable a better consumer experience. The trade-off between trust and added value must be there.

Recommending products/services that complement past purchases, offering alternative solutions if the desired solution isn't available, promotions or sales, reminders that you left products in your cart, and delivering products earlier than originally indicated, are all examples of experiences that pause the consumer journey, but ultimately bring joy.

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QUESTION: WOULD YOU SHOP AT THAT RETAILER AGAIN?

Absolutely! It's convenient, quick and saves a lot of time... you can add groceries to [your] cart throughout the week and checkout when I am ready to pick them up. This grocery store also provides a great customer experience. They call you when the order is ready, check about substitutions, see if you need to add anything else. It's very personalized.

— study participant

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CUSTOMER
SERVICE

CUSTOMER SERVICE

While the online platform plays a key role in commerce, customer service and true responsiveness are, in many cases, better provided by people. There's the craving for digital experiences to be balanced by a 'realness' through authentic human connections. At the same time, there are customers who will be inclined to prefer this service and advice coming by way of virtual response rather than human beings – there is the sense that they can trust machines and tech-based advice more than humans because of their (assumed) unbiased motives. Chatbots and virtual assistants may be likely service partners in the online world.

Positive customer service experiences were primarily described as accessible, insightful and actionable. Easy access to a customer service agent meant that consumers could speak directly to an agent through the site, or could easily find a number to call or text an agent. If the agent was insightful, knowledgeable and could take action on their own, this provided an opportunity to improve an experience filled with friction and, in some cases, turn the experience into a positive one.

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QUESTION: DESCRIBE YOUR CUSTOMER SERVICE EXPERIENCE.

*The checkout process is easy.
I have an account in both places
[retailers], so it saves my name and
payment information for a faster
checkout. I should receive a call in
about 1 hr informing me about any
substitutions. When I get to the store,
I will park in 1 of 4 spots, call them and
tell them I have arrived and they will
bring out the groceries... open my trunk
and they will even load them in for me.
All payment is taken care of online.*

—Qualitative Study Participant

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KEY BARRIERS

WHAT DOES
THIS MEAN FOR
YOUR BUSINESS?

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IMAGE CREDIT: GETTY IMAGES

With an understanding of the six dimensions of frictionless commerce, decision-makers can develop strategies to grow their share of wallet. However, implementing these strategies comes with its own set of challenges. In response to the COVID-19 pandemic, many businesses made a quick pivot to expand their e-commerce offering out of necessity, while others have spent months bringing new table stakes like arranging curbside pickup online. In both instances, these businesses encountered three key barriers to success within their organizations: poor data management, technical debt and culture impact. Overcoming these barriers requires an understanding of how they each connect to the customer experience.

Depending on the nature of the organization and its market, it's possible to trace each of the six dimensions of frictionless commerce back to one of these three barriers.

DATA
MANAGEMENT

HOW DOES GOOD DATA MANAGEMENT REDUCE FRICTION IN THE CUSTOMER EXPERIENCE?

For example, consider a consumer making a purchase in the beauty or skincare category. As consumers who value **Personalization**, they are looking for products that solve very specific needs and provide useful information. When shopping for a product, they need to be sure that the product has the right formulation, correctly matches their skin tone, and often they are very focused on the product's ingredients. The result can be a dizzying array of comparing and understanding products SKUs, prices and product information.

Improving your brand's master data management solution can help you more effectively connect the right consumer with the right product by allowing customers to create customized profiles that curate relevant products with relevant information – reducing time spent searching, and opening opportunities to engage with the consumer through **Positive Friction**. This might be in the form of a tailored promotional offer, a recommendation that grows their basket size, or some other form of "thank you" that delights the customer, as your brand has leveraged the rich data you've collected from the customer to provide a differentiated experience.

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TECHNICAL DEBT

HOW CAN OVERCOMING TECHNICAL DEBT INCREASE YOUR SHARE OF WALLET?

Consider a consumer looking to purchase new home furnishings or appliances. These consumers often conduct extensive research before making a purchase. **Ease of Access, Design, and Navigation** of your brand's website plays an important role in engaging prospective customers at a critical stage of their consumer journey, wherein the consumer has refined their needs and are looking to compare models and pricing. Responsive web design that makes it easy for the consumer to conduct this product research is critical, but so too is ensuring that the underlying systems that store and retrieve product information and inventory can do so seamlessly.

If legacy platforms do not communicate with one another effectively, they ultimately act as a barrier to the customer's success. Similarly, once a consumer has found the product they're looking for, does your platform offer flexible payment options? Brand loyalty can be achieved through **Security and Payment Options** that offer the consumer their choice of providers and terms (such as micro-financed installment plans). As preference for alternative payment options grows, it will be increasingly important to reduce technical debt that might inhibit your ability to meet customers' expanding expectations.

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CULTURE
IMPACT

HOW DOES AN ORGANIZATION'S CULTURE IMPACT THE CUSTOMER EXPERIENCE?

Organizations that practice customer-centricity are well-positioned to grow their share of wallet. Your e-commerce solution should represent an opportunity to expand and integrate your view of the customer experience – not segregate it. Many brands operate their retail and ecommerce channels as separate business units, and fail to deliver on the **Fulfillment and Multi-Channel Alignment** and **Customer Service** dimensions because their organizations operate in silos.

Consider a consumer shopping for groceries online for curbside pickup. To deliver great **Customer Service**, many layers of the organization need to work effectively. An online order needs to be processed efficiently, in-store staff need to prepare the order, and customer service representatives need to be able to respond to any issues with the order after the transaction is completed. If at any point in this customer journey one of these business units isn't committed to putting the customer first, the chain is broken. Most importantly, for the customer, friction along the journey impacts their likelihood to shop with you again in the future. Organizations with a strong, customer-first culture are able to competitively overcome the inevitable operational barriers to solve customer problems in a more effective way.

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IMAGE CREDIT:
GETTY IMAGES

CONCLUSION

The pandemic has placed a spotlight on the need for brands to adapt the way they service their customers. Yet, an evolution in consumer needs – specifically, the increasing value placed on one's time – underscores that the acceleration in e-commerce adoption we've experienced over the past year represents a lasting change in how consumers expect to interact with brands. These expectations will be further accelerated over the next 5 years as the convergence of new technologies in data, mobility and energy yields compelling solutions to consumer problems.

To differentiate themselves from competitors, brands must act quickly to adopt solutions to solve organizational barriers, and address the dimensions of frictionless commerce that matter most to their customers by understanding the underlying motivations that set the context for consumer choice.

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ABOUT
THIS STUDY

ENVIRONICS
RESEARCH
& PIVOTREE

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ABOUT THIS STUDY

Insights in this report were synthesized from over 3,800 interviews with North American consumers, conducted between August and October 2020. Environics Research and Pivotree's Frictionless Index is a toolkit that provides business decision-makers with a lens for understanding why and how they engage with e-commerce, and ultimately the drivers of brand loyalty.

Our quarterly research covers:

- Consumer satisfaction across a range of sectors, including clothing and apparel, personal care, sporting goods, home furnishings and electronics, food and beverage, and more.

- Industry-specific analysis of the drivers of brand loyalty by category.

- Custom questions provided to subscribers.

IMAGE CREDIT: GETTY IMAGES

ENVIRONICS
RESEARCH

ABOUT ENVIRONICS RESEARCH

Environics Research provides organizations with actionable, evidence-based solutions to real business problems.

We partner with clients to understand the business challenges they face, and leverage innovative and creative solutions to generate understanding and insights.

Environics Research is a leader in understanding social values. Social values represent a person's mental posture or fundamental world view, and set the context for reactions to situations, events, opportunities or challenges.

Our unique interdisciplinary approach combines market research, business intelligence, design-thinking and sector expertise to help clients go the last mile between insights and final direction on business problems.

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ABOUT PIVOTREE

Pivotree is an end-to-end provider supporting clients from strategy, platform selection, deployment and hosting through to ongoing support: a single expert resource to help companies succeed in an ever-changing digital commerce landscape.

Pivotree solutions start with reliable, world-class Commerce and Master Data Management platforms fitting a variety of client needs, situations and budgets.

Our vision is to accelerate a world of true frictionless commerce by delivering practical solutions using available technology and adapting relentlessly to make it accessible to all.

Pivotree is a trusted partner to over 170 market-leading brands and forward-thinking B2C and B2B companies, including many Fortune 1000 companies.

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