



Riskified's Digital Transformation Study

What we can learn from this year's best-in-class omnichannel merchants

In collaboration with

Capgemini 

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Introduction

A report by **riskified** & **Capgemini**

In the pursuit of relevance and success in an ever-shifting consumer landscape, merchants require constant calibration of their operations to thrive, especially in the digital space. With scores of shoppers moving online each day, customer loyalty is won through innovation, imagination, ease of use, and trustworthiness. That's where digital transformation comes in.

We compiled this report in a joint effort with **Capgemini** to showcase how merchants are adapting to the demands of an increasingly complicated marketplace. It's not a small order. As **Brijesh Patel**, the Vice President of Finance Transformation for Capgemini's Business Services explains:



BRIJESH PATEL
Vice President Of Finance
Transformation, Capgemini

“ Investment in omnichannel aims to deliver fast sales, convenience and access to a broader customer demographic, all the while creating data driven brand stickiness for profitable growth. For many traditional retailers, however, this journey comes with a trail of expensive mistakes or missed ROI when calculating the critical measures that matter. Often these propositions are launched without an end-to-end business perspective, creating further disconnect from the front-to-back office. More workarounds and hand-offs generate inefficiency, latency in financial performance reporting and a sub-optimal customer experience.

In navigating these issues, it is important organizations balance the speed, risk and scale by engaging the right people across the organization to ensure this retail investment is not short-lived and can create the right growth stream of revenue and profit, that can be tracked and managed. At the same time, ensuring organizations are protected from regulatory, financial, fraud and data risks which are prevalent when trading in a modern digital era.

In this report, we've highlighted the kind of thinking that is revolutionizing the eCommerce space. As a partner to several Fortune 500 merchants in the eCommerce revolution, Riskified takes pride in our work to ease the burden of friction, safely process over 1 billion orders, and help companies find ways to be profitable, creative, and efficient at all points in the journey.

Embracing mobile: Target's expansive shopping app & social media strategy

4th

Most downloaded mobile shopping app in US

34%

YoY eCommerce growth from 2018 to 2019

2X

eCommerce share of revenue since 2014

For most brick-and-mortar retailers, the first step to digital transformation was offering smooth online shopping via desktop: in 2012, mCommerce accounted for just around 10% of digital shopping. But the next pivot will be from desktop-first to mobile-first: mobile shopping volume is projected to grow by over 60% between 2019 and 2021. In fact, Riskified research found mobile shopping volume has **already surpassed desktop** even in tangible-goods verticals like fashion and cosmetics.

Target corporation was ahead of the game in realizing the two pillars of a good **mobile strategy**: a great mobile app, and a brilliant social media strategy.

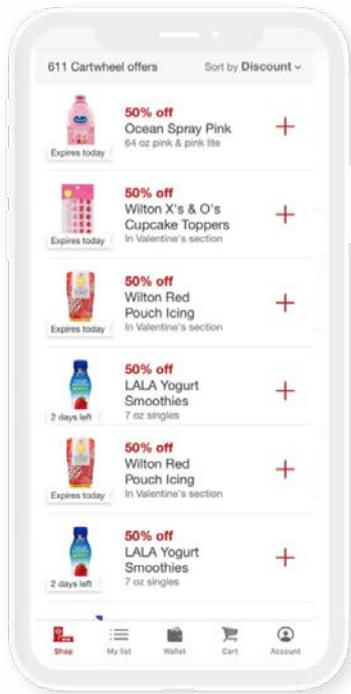
“ We're combining a number of different services to really make Target the easiest place in America to shop

BRIAN CORNELL, Target Chairman & CEO

What makes Target's app unique?

A great mobile app doesn't just encourage online shopping, **it complements in-store shopping** and **fosters loyalty**. Once a shopper downloads your app, they have your store right in their pocket 24/7.

On the homepage of the Target app, you're encouraged to browse by dynamic categories - the day before Valentine's Day you'll find a curated selection of gifts. In late August, parents will find all the back-to-school supplies their children need compiled in one place.



Perhaps more novel is the 'Cartwheel offers' section (the cartwheel and Target apps were recently merged into one), where you can **browse only items that are on sale**, and **sort by discount rate**. And the more you use Cartwheel, the more the offers are tailored to your tastes.

Critically, the app also supports in-store shopping. You can easily check unique offers and products at your local branch, and once you're in the store, an interactive map shows you where all products are on the shelf. Finally, the in-app wallet is a convenient place to **store your coupons** and gift cards, and allows you to **checkout using only your phone**.

Source: Target's app

Target on social media

In 2017, the average internet user spent over two hours on social media every day. That's about **17% of their waking life**.

Target built a robust following on Instagram - largely by leveraging the power of influencers. Their 2016 campaign for their 'Cat and Jack' line of children's clothing reached **2.6 million consumers** by connecting with just a handful of strategic influencer accounts.



Source: Target's Instagram

It's not just about building the brand - Target's 4 million followers can click right through to their site, and buy the products they see in the posts.

Target also leverages its Youtube channel to market the brand. Connecting with customers on an **emotional level** is one of Target's strategies for differentiating from Amazon and Walmart. Youtube is also used to showcase products - and like their Instagram, [Facebook](#) and [Pinterest](#) pages - lead viewers straight to Target.com to shop.

Target today:

- 4th most downloaded mobile shopping app in US
- 34% YoY eCommerce growth since 2018
- As of March 2019, eCommerce sales grew over 25% each year for the past five years

Riskified's fraud insights

MOBILE APPS ARE A HIGH-RISK CHANNEL



When investing in an app as a digital shopping channel, one consideration has to be CNP fraud. In many verticals, orders placed via mobile app carry the greatest risk of fraud. Bad actors can relatively easily download them, and check out using stolen card information. To read more about how stopping fraud can provide a revenue boost, check out our [free guide](#).

Williams-Sonoma masters content marketing

54.3%

of revenue from eCommerce

11%

eCommerce growth in 2018

11%

CAGR revenue growth since 2012

Why should a shopper buy from you rather than from your competitors? It's an important question - especially when some of your offerings can be bought from dozens of other merchants. Competitive prices and convenient shipping options are definitely key. But Williams-Sonoma has demonstrated that encouraging consumers to spend more time on one's website, even if they're not browsing products, can significantly drive online sales revenue. It's a numbers game: as of Q2 2018, eCommerce conversion rates were under 3% both for the US and globally - partially because placing an order is not the primary reason 80% of customers visit online shopping sites. But obviously, more site visitors at the top of the funnel means more conversions.

“ Our customers consume what we give them... the more content we give, the better engagement becomes.

JANET HAYES, Williams-Sonoma CEO

From catalogue sales to digital personalization

Williams-Sonoma was an early mover in the transition to digital. By 1997, there was already an internal understanding that selling digitally was the **direction the company needed to take**. From the start, they made some key strategic moves. For instance, making salesperson compensation channel-agnostic, so that store employees make commission for **online sales they initiate**. Another was leveraging the power of their customer database - which they built up over years of selling via catalogue - for digital personalization.

The company is still ahead of the pack in their personalization abilities. According to Gartner, Williams-Sonoma “can connect a name, email address, and physical address to 70% of purchases”. When you create an eCommerce account, there’s a good chance that Williams-Sonoma can already give you shopping recommendations based on your brick-and-mortar order history.

Turning browsers into shoppers

Think about all the items in your house. How many did you buy because you identified a clear need, and went shopping specifically for this product? On the other hand, how many of your possessions were impulse buys? Research suggests that impulse buys account for 40% of all spending on eCommerce sites.



So it’s important that people spend time on your site - even if not explicitly shopping. Visitors browse Williams-Sonoma’s flagship site for recipes, to learn everything there is to know about wine, and even to get help planning their wedding.

And the browsing time doesn’t have to be on your actual site to make an impact. William Sonoma’s Pinterest board (and their other brands, West Elm and Pottery Barn) are updated constantly with new food and home ideas. Many articles or posts subtly point readers in the direction of relevant products (and hopefully impulse buys!).

Source: Williams-sonoma’s mobile site

Williams-Sonoma
today:

- eCommerce accounted for 54.3% of their revenue in 2018
- 11% eCommerce growth in 2018
- 11% CAGR cross-brand growth in eCommerce revenue since 2012
- Boasts one of the most widely-read syndicated blogs in the US

Riskified's fraud insights

MOBILE APPS ARE A HIGH-RISK CHANNEL

Keeping track of shopper behavior on your site is critical for accurate fraud management. For instance, Riskified's behavioral analytics have found that certain page visits – among them supplemental content like blogs, or wedding registry information – are indicative of a legitimate shopper. It's also a good sign if you see a visitor going back and forth between product pages to compare prices. Tracking on-site behavior can help you approve more transactions.

As mentioned above, customers tend to shop around. Riskified has found that 20% of customers who eventually make a purchase browse the site on at least four different days, and 10% of these shoppers accumulate over 11 visits before checking out. The general trend is that the higher the number of site visits, the safer the order, while fraudsters typically add high value items to their cart and quickly complete checkout.

You can learn more about using behavioral analytics to detect fraud [here](#).

REI embraces showrooming and rewards customers for shopping with them

18M

co-op members

\$200M+

paid out in loyalty benefits

6%

overall YoY revenue growth in 2018

If there's one thing the omnichannel trend has taught us, it's that people's shopping habits are complicated. Whether it's a relic of the brick-and-mortar age, or just human nature, it's still very important to shoppers to hold an item in their hands before buying - even if they ultimately make the final purchase online.

Some merchants consider showrooming - the practice of browsing in-store, then buying online - a threat to their bottom line. In a consumer survey conducted by Riskified this year, 31% of US shoppers reported buying an item via their phone while physically inside a store that sold this exact item - often on a competitor's site.

REI realized showrooming could actually be leveraged into an opportunity: customers shopping on their phones after browsing in person is great, as long as they're shopping at REI.com. That's where REI's best-in-class rewards program comes into play: once you factor in the perks, it makes economic sense for shoppers to stay loyal.

“ We see physical and digital working together. People want to engage and touch products... Getting you into the right pair of shoes, that don't cause a blister, is an art.

ERIC ARTZ, REI President And CEO, 2019

REI is a great place to hang out

The best way to fight showrooming is to keep these customers in your store and give them value. Don't overthink it: if they like your brand, they're more likely to buy with you – [51%](#) of shoppers say they're likely to pay more for an item if they get a personalized in-store experience. That goes for both checking out in-store, or shopping online a few days later.

REI gets this. If you're an outdoors enthusiast, you can easily spend an entire afternoon in an REI. And if you're not an outdoors enthusiast, an afternoon in REI may well change that. In-store climbing walls and yoga studios are just the start. Most stores have a regular rotation of events and product demos - like classes on navigating with a [compass and map](#), private [bike-riding lessons](#), and workshops on how to [choose trail-running gear](#).

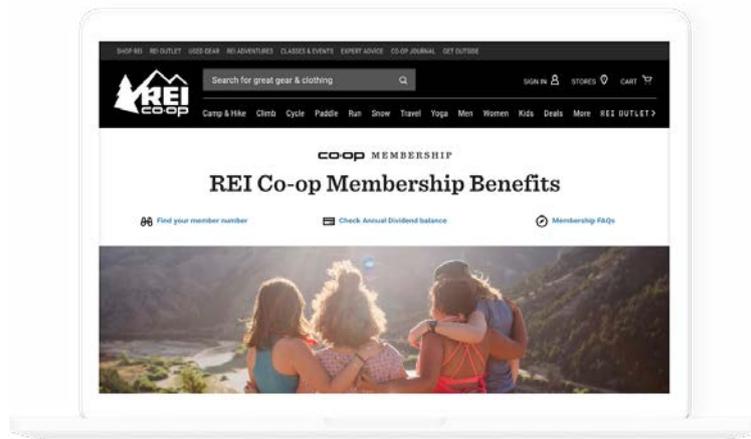
But you don't need to attend a formal class to get expert advice. One of the pillars of the REI brand is a fleet of [enthusiastic and knowledgeable employees](#) - most of whom have years of hands-on experience in their outdoors niche. While REI's blog and other online resources (like [the hiking project](#)) are very informative, there's nothing like a flesh and blood sales rep to help you choose the fishing rod or kayak that's right for you.

Why REI customers are loyal

At its founding in 1938, REI was a true co-op: members chipped in a one-time fee of a dollar for the right to borrow expensive recreational equipment. Though today they're a private company with an annual revenue of nearly [\\$3B](#), much of the co-op culture lives on through their loyalty program.

Twenty dollars gets you a lifetime membership, which is worth it for the [dividend](#) alone: members receive an end of year rebate worth around 10% of their annual purchases. On top of that, membership grants you first access to [garage sales](#) - where lightly used returned goods are sold at a steep markdown - discounts on their events, plus a slew of additional coupons. REI's unrivaled return policy gives shoppers one more reason to stay loyal: you can return goods within one year for a [full refund](#), and if you're a member you don't even need your receipt.

Add up the loyalty program, the in-store atmosphere, popular publicity from moves like closing on Black Friday to give employees a day off, and donating 70% of profits to the outdoors community, and you get something pretty amazing: REI shoppers aren't just loyal for the discounts - they legitimately want to be associated with the brand.



Source: REI's website

REI today:

- 1 million co-op members joined in 2018, for a total of 18 million
- 6% overall YoY revenue growth in 2018
- \$13M sales per retail location in 2017 (3rd highest in the industry)
- 22 straight years on Forbes' Top 100 Places to Work

Riskified's fraud insights

PROMO ABUSE

Coupons and giveaways are important tools to foster customer loyalty and differentiate from competitors - but they're also vulnerable to abuse. Bad actors can game your marketing programs by creating fake customer accounts and collecting multiple rewards. But preventing abuse without bothering good customers is a tricky business. A web beacon, which can detect multiple accounts being opened with the same IP address, from the same device, is a good start. But even then, blocking these accounts is too harsh - what if, for instance, this is a family computer? To learn more about how Riskified can help protect your marketing budget without creating friction for good customers, [click here](#).

Zara's in-store automation drives eCommerce sales

40%

eCommerce growth in 2018; 10% of Inditex's total sales

20%

of company investments are dedicated to upgrading technology

100%

Zara's site traffic is 100% organic

In July 2019, a \$69.90 polka dot dress designed by the Spanish retailer Zara went viral, managing to break the internet and European fashion in one spotted swoop. An Instagram account called [hot4thespot](#) emerged to document the seemingly countless sightings of the dress. **The Telegraph** [created a guide](#) for frustrated fashionistas titled "Fed up with seeing everyone in your Zara dress? 5 ways to find fashion that nobody else is wearing," while the BBC [offered tips](#) for what to do with a dress that everyone else already seems to have.

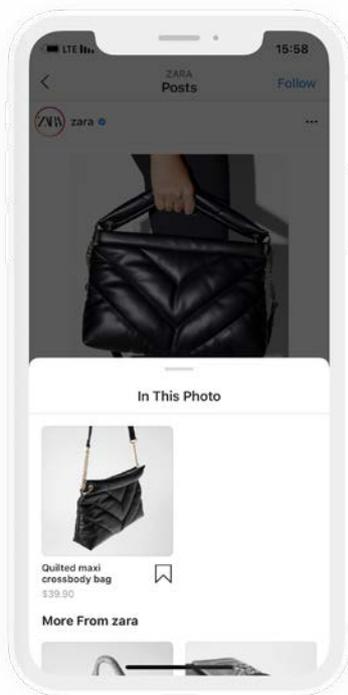
More than a passing trend, the famous Zara dress tells the story of a retailer that succeeds in unconventional fashion... if you will: As **The New York Times** noted, Zara [managed](#) its coup "without conspicuous help from royals, social media influencers or celebrities." Though style may be fickle, Zara's success speaks to its constant calibration of fast fashion, omnichannel savvy, and technology, none of which would be possible without a focused investment in its digital operations. Through networks of consumer data, "click-and-collect" innovation, speedy delivery, and a quick-firing design and assembly line, Zara has become known for being nimble, which has rightly scared its more expensive rivals.

“ [Zara is] possibly the most innovative and devastating retailer in the world.

DANIEL PIETTE, The Chairman Of Louis Vuitton

Fast fashion meets speedy delivery

Part of what carried Zara profitably through a tough phase in retail is the company's lightning quick production line, which eliminates the traditional lag time between the catwalk and the store shelves. Nearly 60% of what Zara brings to market is produced in facilities near its headquarters in northern Spain, shortening the entire supply chain to just a few weeks.



Source: Zara's instagram

Then, there is Zara's all-important eCommerce arm. The constant creation of new items drives countless consumers online, where they can view the latest offerings and order them to be shipped or picked up in a nearby store. Heightening the stakes even more, in 2018, the brand announced it would introduce same-day shipping in several major metropolitan areas, along with next-day delivery in all of its markets by 2020.

The benefits of Zara's quick production turnaround, rapid-fire delivery options, and pulse-of-it-all dynamic mean that the company doesn't have to devote resources to online ads or targeted listings.

How robots make “click and collect” quick

When one-third of your online orders are placed ahead of time to be picked up in stores (BOPIS), you better give customers what they want - a fast, smooth, worthwhile experience. Having to wait in line at a store for the items, or to undergo identity checks, can defeat the purpose of buying online. Last year, as Zara shoppers arrived at stores to collect their purchases, robots were waiting to assist them in their pick-up journey.

The automation of this service speaks to how merchants are adapting to new eCommerce technology. Rather than wait in a line, a customer arrives at a store, heads to a collection point, and scans or enters a code. This process triggers a

robot to locate the customer's package in a small warehouse, and then deliver it quickly to a drop box. Shoppers pick up the package and go on their way. Or stays in-store. As our consumer data already shows, arriving in-store to collect a purchase often leads customers to make an additional purchase.

These advances create the perfect pairing for a retailer that already sends data from stores to the headquarters, helping the company make strategic decisions. Meanwhile, the robots represent the full integration of Zara's online and in-store services — this time for the immediate benefit of the customer. While other retailers are still getting their "click-and-collect" infrastructure off the ground, Zara offers the service in 44 of the 94 countries where it has a presence.

Zara today:

- A loyal shopper visits a store four times a year; a loyal Zara shopper visits the website 17 times a year
- Offers click-and-collect in 44 of the 94 countries where it operates
- Pledged to sell only sustainably-made clothes by 2025
- Zara gets 85% of the full price on its clothes, 15-25% higher than the industry average

Riskified's fraud insights

FRICITION

Premium shipping, especially when it serves as the default setting, means that merchants often streamline fraud review by turning to automation. In 2017, the average North American merchant manually reviewed 8% of their orders (and 11% of orders for over \$100). The chance of an order being manually reviewed makes the guarantee of next-day shipping very risky.

As Zara shows us, the click-and-collect (BOPIS) option presents a great opportunity to boost revenue. But it can also present a challenge in both quick execution and the avoidance of fraud.

One of the main issues with click-and-collect is that customers choosing this option do not provide a shipping address when they pay. For many merchants, one very common fraud review method requires a shipping address when checking for a billing/shipping address mismatch, using third party data sources to verify the homeowner at an address, or measuring the distance between the shipping and IP addresses.

As a result, many BOPIS orders are verified through a manual review process, which is costly, time-consuming, and creates friction in the purchase journey. Another reality is that when fraudsters buy stolen credit card details online, they also receive the billing address associated with the card. This can include the house number and ZIP code – information that allows fraudsters to trick AVS filters or select a store in the same area for pickup. For a safe and comprehensive way to make click-and-collect pay dividends without the fear of fraud and friction, check out our guide [here](#).

Riskified & Capgemini

About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms.

More about us

Riskified is an end-to-end eCommerce solution that helps enterprise merchants realize more revenue and cut costs.

By leveraging advanced machine learning algorithms to weed out fraudulent orders, Riskified empowers merchants to fulfill a higher percentage of legitimate orders.

To find out more about our solution, visit our [website](#) or contact us directly: hello@riskified.com