BLACK & WHITE PAPER

451 Research | Advisory

Retail Reimagined

Experience - Not Price - Is the Battleground of the Future

US Survey

APRIL 2018

COMMISSIONED BY

adyen

About this paper

A Black & White paper is a study based on primary research survey data that assesses the market dynamics of a key enterprise technology segment through the lens of the "on the ground" experience and opinions of real practitioners — what they are doing, and why they are doing it.

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Introduction

KEY FINDINGS

- 'Spendsetters' are a cohort of consumers that have emerged in our research as a leading indicator of where broader customer demands in retail are migrating. They are strong users of technology and have the highest demands for digital shopping experiences.
- Spendsetters are eager for a next-generation shopping experience. We found that 53% would increase shopping frequency online if they could receive product recommendations and make purchases with a chatbot, and 65% said they would increase loyalty to a retailer if they could check stock online before heading into the retail store.
- There are three fundamental demands that customers have for a shopping experience: convenience, context and control. Many retailers are leaving deep voids between their customers' expectations and what they deliver. For instance, nearly half of consumers in our survey said anything more than a five-minute wait in line is too long, but only 35% of retailers use mobile point of sale (mPOS), and just 29% offer self-checkout.
- Retail organizations themselves are divided; those in leadership roles had differing views than those in store operations. For example, 83% of executive-level respondents said their business is prepared for fraud, yet only 60% at the operations level said the same.
- Luxury goods has emerged as the vertical that is experiencing the most pressure from Spendsetters. This is having a major influence on how retailers within that category are planning to serve their customers moving forward. Consider that 74% of luxury retailers are envisioning implementing cashless stores compared to just 46% of beauty, fashion and hospitality businesses.
- Failing to meet customer expectations results in a direct impact on the bottom line. Our analysis shows that retailers lost $15.8bn in potential sales to their competitors over the last 12 months because of customers making a purchase elsewhere due to long lines. As a whole, the retail industry lost out on $21.9bn in potential sales during the same time frame because customers abandoned a purchase due to long lines and never made the purchase elsewhere.
- The impact of limiting customers' choice in payment method is not trivial. We have found that retailers lost $1.1bn in potential sales over the past 12 months as a result of not offering customers' preferred forms of payment.

METHODOLOGY

In Q1 2018, we surveyed 1,003 US consumers aged 18 and above. The survey was designed to better understand their shopping experiences, preferences and behaviors, as well as to learn about their expectations for retailers and their shopping desires. The survey was fielded evenly between males and females with a high school and above education level, and included 9% of respondents with an annual personal income below $35,000, 14% at $35,000-49,000, 30% at $50,000-74,000, 28% at $75,000-99,000 and 19% with a personal income above $100,000.

To conduct a gap analysis, we simultaneously ran a survey with 250 business-to-consumer (B2C) retailers that operate in the US. The survey explored their current and planned implementation of a wide variety of digital transformation initiatives designed to enhance operations and the customer experience. The sample included retailers across four verticals and was composed of 42% fashion, 14% luxury brands, 14% beauty and 30% hospitality. Respondents included a mix of executives, directors and managers from various parts of the retail business, including e-commerce, customer experience, omni-channel, product management, retail operations, commerce/payments and risk/fraud. Business size was also varied: 5% of respondents were from retailers with annual revenue under $50m, 36% from retailers with annual revenue of $50-500m, 49% from retailers with revenue of $501m-5bn and 10% from retailers with revenue over $5bn.

New Shoppers Demand New Experiences

Because technology is becoming increasingly central to how individuals experience the world around them, it is shifting the center of gravity from businesses to consumers in an unprecedented way. Catering to shoppers' preferred ways of consuming information, engaging with brands and completing purchases is becoming an increasingly critical part of retailers' strategic value proposition and competitive differentiation.

With the explosion in new types of physical, digital and blended experiences, the battleground in retail is quickly moving beyond 'omni-channel' strategies. Users are increasingly expecting intelligent, pervasive and seamless experiences, all personalized to their own changing context.

The demand for immersive interactions is shifting competition in retail from price points to experiences. To compete effectively in today's environment, retailers must be able to go beyond selling a product or service to delivering experiences that cater to their customers' unique needs. Knowing who their customers are – and how they're evolving – is the first step in this journey.

SPENDSETTERS VS. RESISTERS

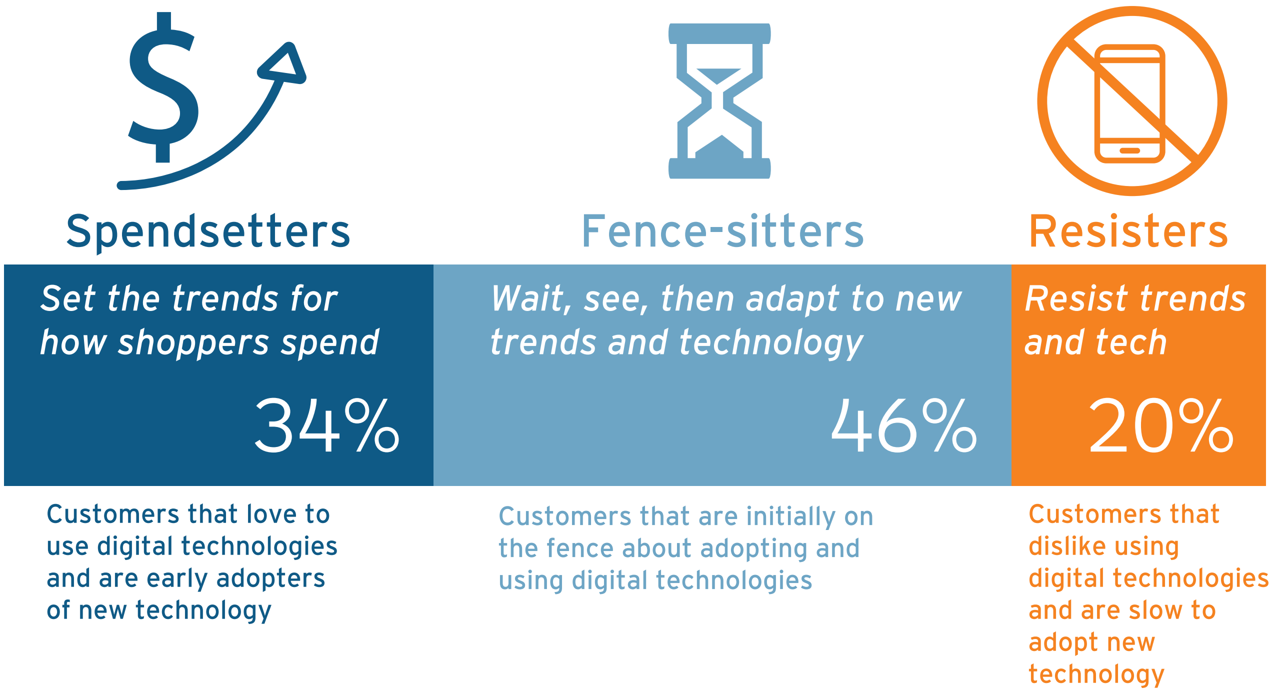
Our research has revealed that there are two primary groups of shoppers that retailers should familiarize themselves with: the 'Spendsetters' and the 'Resisters.'

The Spendsetter category is made up of customers who love to use digital technology and tend to be early technology adopters. Roughly one-third of all consumers fall within this category; in the millennial subsegment (18-34-year-olds), just over half (52%) of consumers are Spendsetters. As we discuss throughout the paper, this cohort of consumers has the greatest demand for digital shopping experiences and serves as a leading indicator of where broader customer demands in retail are migrating. We believe Spendsetters are setting the trends for how people will spend and shop in the future – hence the name.

Customers who make up the Resisters category are slower to adopt new technology, and they also generally dislike using digital technologies. One in five consumers are Resisters; tellingly, two in five respondents over age 55 fall within this category.

Those who do not fit into either category are Fence-sitters. This group falls somewhere within this divide based on technology use and adoption. We believe they have a strong propensity to evolve into Spendsetters as they begin to assimilate more digital technologies into their daily lives. Figure 1 shows the spectrum of where consumers fall.

Figure 1: Breaking down shopper categories



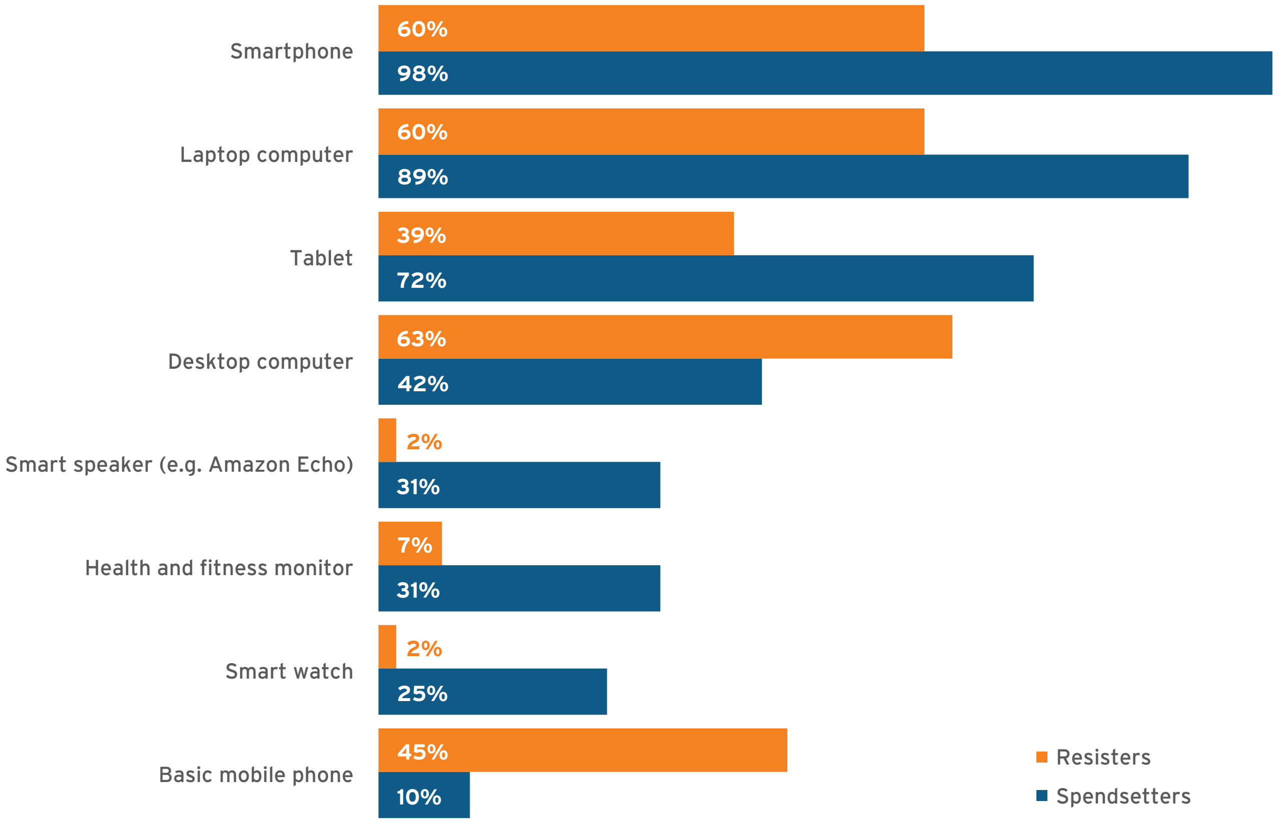
Source: 451 Research

Spendsetters and Resisters share an important similarity in that both groups identify with being price-sensitive. Competing on the basis of price to serve either audience would be an unproductive strategy and likely a race to the bottom. Instead, retailers should concern themselves with developing experiences that move the conversation away from price and toward value. Spendsetters, as we discuss, are best positioned to gravitate toward experiences.

The divide between Spendsetters and Resisters begins with technology ownership. Spendsetters are on the leading edge and see digital technologies as essential to their daily lifestyle. Smartphone adoption is nearly ubiquitous within the category, and nine in 10 own a tablet (see Figure 2). Spendsetters are also strong adopters of emerging technologies. They are more than 12x likely to own a smart watch and 15x more likely to own a smart speaker compared to Resisters.

Figure 2: Device ownership among Spendsetters and Resisters

Q. Which of the following devices do you own?



Source: 451 Research

Resisters lag significantly behind in device adoption in almost every category, except for desktop computers and basic mobile phones (both technology segments are typically considered to be less advanced). Just three in five own a smartphone, and fewer than two in five own a tablet.

Along with technology adoption, Spendsetters are distinguished by their enjoyment of shopping (see Figure 3). Spendsetters are 4x more likely to say they love to shop compared to Resisters. Spendsetters also more prone to be multi-channel shoppers. In fact, forty-two percent prefer to shop online, while only 18% of the Resister group prefer online shopping.

Figure 3: Shopping preferences and attitudes

Spendsetters		Resisters
92% under age 34 love to use digital technologies	DIGITAL	Only 9% over age 55 love to use digital technologies
42% are brand advocates	TOP ATTITUDE	33% will choose the easiest and most convenient option
49% love to shop	SHOP	Only 11% love to shop, and 50% absolutely hate it
42% prefer to shop online	LOCATION	46% prefer in-store, and only 18% prefer online
80% are comfortable using	DIGITAL WALLET	78% are not comfortable using

Source: 451 Research

Spendsetters are more likely to be brand advocates. Resisters, on the other hand, tend to choose the easiest and most convenient options rather than show an affinity for a specific brand. From a payment standpoint, Spendsetters have embraced digital wallets such as Apple Pay and Google Pay, while the overwhelming majority of Resisters still have inhibitions about using such technology.

WHAT WE CAN LEARN FROM SPENDSETTERS

The Spendsetter consumer group is a high-value segment of shoppers that we anticipate will expand over time. To court them, retailers must move beyond competing on price to encompass a broader value proposition. Spendsetters are eager for a 'next generation' shopping experience, where digital technologies both transcend and interconnect the customer journey.

Spendsetters will not be satisfied with an inconsistent approach to shopping, where e-commerce and in-store channels are disconnected. They want to be able to begin their shopping journey in one channel and complete it in another without interruption: In our survey, 65% said they would increase loyalty to a retailer if they could check stock online before heading into the retail store (see Figure 4).

Figure 4: What Spendsetters want

Omni-channel	65% would increase loyalty to a retailer if they could check whether an item is available online before going to the store.
New Interfaces	53% would increase shopping frequency online if they could receive product recommendations/information and make purchases with a chatbot.
Empowered	66% would like to receive personalized information (e.g., local offers, mall promotions) based on their immediate location.
Mobile	59% want to use a store-branded app to pay in-store (e.g., pay using the store app by scanning a barcode at checkout).
Frictionless	75% say a 'just walk out' payment experience would encourage them to shop more in-store.

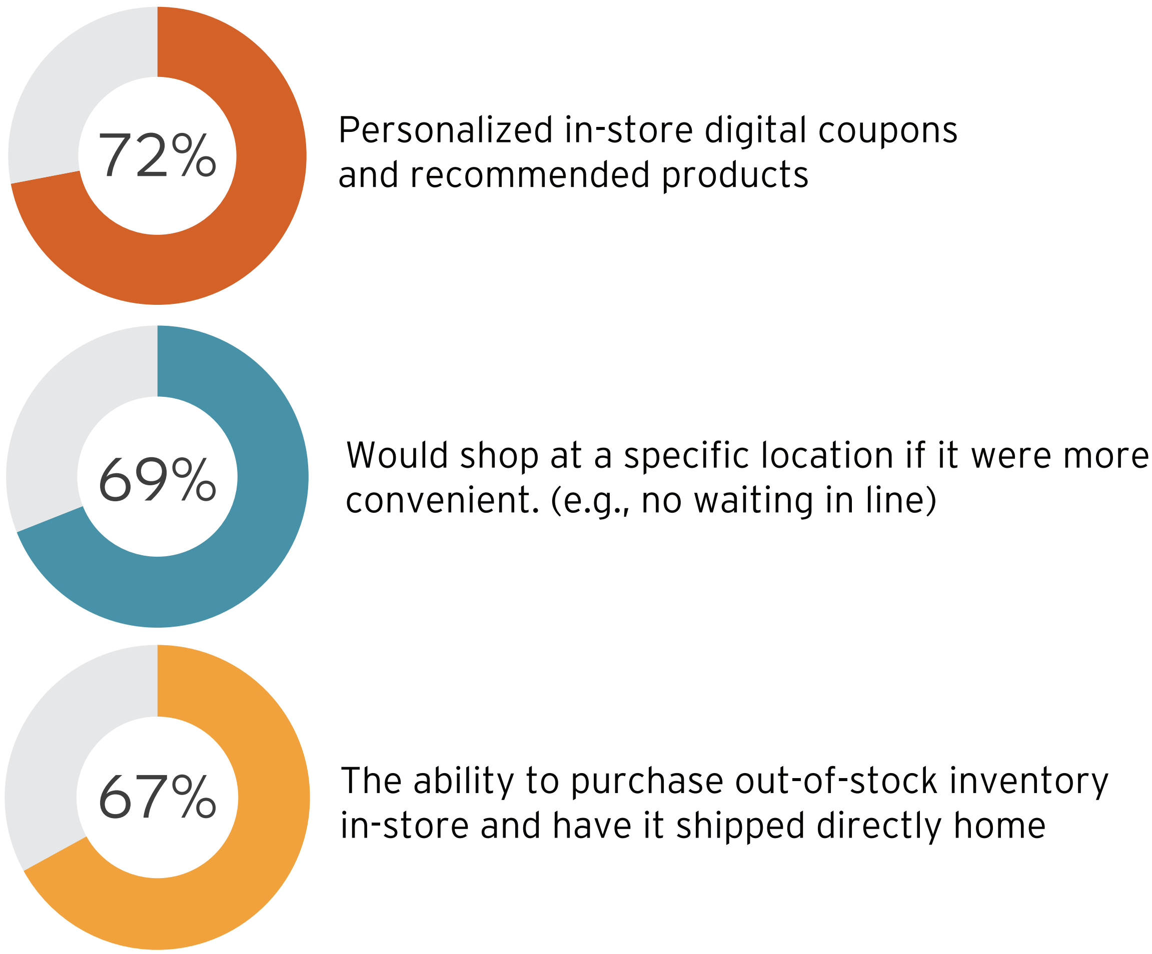
Source: 451 Research

Spendsetters are also eager to expand beyond the traditional means of interacting with retailers. We found that 53% would increase shopping frequency online if they could receive product recommendations and make purchases with a chatbot. Their demand for contextual interactions is also apparent; two-thirds said they would like to receive personalized information (e.g., a push notification upon entering a store) based on their immediate location.

Effective use of mobile apps is a critical success factor for serving this group. Aside from using the app to serve as a linchpin between channels and an anchor for geolocation, retailers should also consider augmenting their apps to allow for new checkout experiences. Three in five want to use a store-branded app to pay in-store (e.g., scanning a barcode at checkout in order to pay for goods), and three-quarters of Spendsetters said they believe a 'just walk out' payment experience (one that uses technologies such as computer vision, cameras and sensors to determine which items are taken from the shelves, obviating the need for customers to check out) would increase their propensity to shop in-store.

The previous statistic suggests that Spendsetters, who have a preference for online shopping, could be swayed to shop in-store more often if there were more compelling, digitized shopping experiences (see Figure 5).

Figure 5: Convenience, context and control drive behavior change for Spendsetters



Source: 451 Research

In particular, experiences that incorporate context (personalized coupons/recommended items), convenience (such as no lines) and control (ship out-of-stock products to home) are best positioned to increase Spendsetters' frequency of shopping at a physical storefront. For retailers, the message is clear: it is an absolute requirement to digitally transform brick-and-mortar storefronts to enhance their strategic value.

Avoid the Void

Customer demands have increased in response to a wide array of technological innovations (e.g., smartphones, the on-demand economy, one-click checkout), raising the proverbial bar for all organizations that seek to do business with consumers. To be successful, retailers must move beyond knowing who their customers are to delivering what they want. Unfortunately, many retailers still struggle to understand their customers' specific needs, and as a result, leave deep gaps between their customers' desires and the actual experiences they deliver.

The adage 'knowledge is power' rings true when it comes to understanding customer demands. The more a retailer does to learn what its customers want, the more favorable the business outcomes, which can run the gamut – e.g., heightened loyalty, improved conversion rates and increased frequency of visits.

Our analysis has revealed that there are three fundamental demands that customers have for a shopping experience: convenience, context and control (see Figure 6). We explore each of these demands in greater depth below, while detailing areas where retailers are missing the mark.

Figure 6: Consumers have three overarching shopping demands

Convenience

"I want it to be *fast, easy and frictionless.*"

Context

"I want it to be *tailored to me as an individual.*"

Control

"I want to *interact and engage on my terms.*"

Source: 451 Research

CONVENIENCE

Consumers want a shopping experience that is fast and easy. They expect to be able to purchase what they want, how they want, at the time and place of their choosing. Long lines in stores are understandably one of the biggest and most blatant barriers impeding this demand. Of the consumers who do not prefer shopping in-store, 55% say it's because they do not like waiting in line. Nearly half (48%) say anything more than a five-minute wait in line is too long (see Figure 7).

Figure 7: Convenience plays an important role in the shopping experience

CONVENIENCE

Lines	Of those that prefer not to shop in-store, 55% say it's because they don't like waiting in line; 48% say anything longer than five minutes is too long to wait in line.	Only 35% offer mPOS today; only 35% offer in-store kiosk; only 29% offer self-checkout.
Fast & Convenient Payment Options	31% are 'not at all satisfied' with the availability of fast and convenient payment options; 46% of those who hate shopping say this.	Fewer than half of retailers say they want to provide customers with 'cutting edge' options to pay.
One-Click Checkout	24% say 'one click' would very significantly increase their loyalty to a retailer. - 33% of 18-24-year-olds say this. - 39% of those who prefer to shop online say this.	Less than 2 in 5 offer a one-click checkout experience online.

Source: 451 Research

While more than half of retailers agree that customers sometimes complain about waiting too long in line, most seem unprepared to address it. Just 35% offer mPOS systems, where customers can approach a store employee and check out. Similarly, 29% offer the capability for self-checkout, where customers can scan their items and facilitate payment on their own. Only 35% of retailers offer payment kiosks, which are designated locations within a store separate from a traditional checkout area.

Shoppers increasingly expect to be able to use fast and convenient digital wallets – such as Apple Pay and Google Pay – at checkout. However, many retailers said they don't believe that adding 'cutting edge' payment options is a priority, which negatively impacts customer satisfaction. Our survey has revealed that nearly one in three customers are not at all satisfied with the availability of fast and convenient payment methods. Retailers must understand that payments are a critical input into the overall customer experience.

The ability to check out with speed and efficiency online is also of high importance for shoppers. Nearly a quarter of customers say a one-click checkout experience would significantly increase their loyalty to a retailer, a figure that increases to 33% for 18-24-year-olds and 39% for those who prefer to shop online. Today, less than two-fifths of retailers are capable of delivering a one-click online checkout experience to shoppers.

CONTEXT

Customers don't just interact with businesses; they connect along a complex journey, with multiple detours and stops along the way across both digital and physical experiences. They may begin their journey on social media, browse for specific products on the mobile web and move in-store to experience and then acquire the item that best meets their needs. It's virtually impossible to plan for all potential customer journeys, because each is essentially a non-linear, self-directed interaction — or micro-moment — across a customer's channels of choice.

Beyond the traditional channels, certain segments of shoppers are also incorporating invisible interfaces (e.g., voice-activated speakers), social media and even augmented reality/virtual reality into their shopping journeys. The challenge for retailers is to reach shoppers wherever they are and engage with them in a way that is in tune with their own unique context.

Personalization has long been heralded as the future of retail and the hallmark of a contextual interaction. Underscoring its potential, nearly half of consumers that prefer online shopping said they would shop in a store if there were personalized coupons and recommendations. Our survey shows the retail industry has a long distance to go from an execution standpoint, however, because less than a tenth of customers stated that they find in-store product recommendations to be 'very satisfying' (see Figure 8). Two-thirds of retailers see merit in equipping associates with tablets or other mobile devices to better assist customers with more personalized service – a sentiment we agree with. Store associates must be empowered with access to customer and product information to deliver the dynamic and tailored service that shoppers want.

Omni-channel execution is imperative to a contextual experience. More than half of respondents (57%) said the ability to check whether an item is available online before going to the store would increase retailer loyalty. Another 56% said the same for exchanging an online purchase in-store. For their part, most retailers realize they have some distance to go before they can deliver on these demands. Nearly two-thirds of retailers said they need to strengthen collaboration between e-commerce and in-store operations.

The future of context will increasingly rely on automated, machine-learning-driven interactions. The emergence of voice-activated smart speakers (e.g., Amazon Echo, Google Home) brings an entirely new dimension to the shopping experience. By interfacing with a smart speaker, customers can get something quickly and easily shipped to their home, all without having to look at a screen, enhancing their ability to multi-task. Chatbots, another conversational interface, accommodate the anytime, anywhere commerce and service experiences that consumers expect from the businesses they engage with. Businesses can leverage chatbots to provide automated, personalized selling or VIP support experiences on-demand via major messaging apps such as Facebook Messenger and WhatsApp.

Conversational technologies can also be relevant to employees in customer-engagement roles – sales, contact centers/support and marketers – by acting as intelligent tools that can be incorporated into and used in conjunction with various employee applications, such as CRM. These technologies may manifest as data repositories or mechanisms for lead engagement/qualification or task automation that help employees gain insight and analytics, and be more efficient.

Yet retailers have yet to fully embrace them: only 13% allow customers to shop using a chatbot such as Facebook Messenger, and 18% allow the use of smart speakers. However, this is where consumers are increasingly looking to engage – 36% said they would increase shopping frequency if they were able to make purchases via a chatbot, and a quarter (24%) said they would increase shopping using a smart speaker.

Figure 8: Customers want personalization and innovative technologies in their shopping experiences

CONTEXT

Personalization	Only 7% find in-store product recommendations from sales associates to be 'very satisfying'; 49% would shop in-store more if there were personalized coupons and recommendations.	2 in 3 see a need for store sales associates to use tablets or other mobile devices to better assist customers.
Omni-channel Execution	57% say the ability to check whether an item is available online before going in-store would increase their loyalty to a retailer; 56% say the same for exchanging an online purchase in-store.	63% believe they need stronger collaboration between their organization's e-commerce and in-store operations.
Digital Innovation	36% would increase shopping frequency by purchasing with a chatbot, such as on Facebook Messenger; 24% would increase shopping frequency using a smart speaker (e.g., Amazon Alexa).	Only 13% allow shopping using a chatbot such as with Facebook Messenger; 18% allow for purchasing using a smart speaker.

Source: 451 Research

CONTROL

While shoppers desire more meaningful interactions with retailers, they also want to feel empowered. Being in control – over their data, payment method choice or product availability – provides an important sense of ownership over the shopping experience.

Given headline after headline about data breaches at top-tier retailers, control over personal information is increasingly top of mind for consumers. We found that one in five shoppers have been notified of a breach at a retailer they shop at over the past year. Data breaches are about more than information loss. They represent a breach of trust for consumers – almost a quarter of shoppers said security incidents significantly impact the likelihood they'll return to the retailer. Underscoring the seemingly incessant nature of the attacks retailers are up against, 49% of retailers said that fraud or risk mitigation is an increasingly challenging task. Still, many could be doing more to product their customers. For instance, just 41% of retailers have implemented EMV, and fewer than one in five have implemented more advanced fraud technologies such as device fingerprinting and behavioral biometrics.

Control over payment choice is another focal point for customers. No longer does accepting cash, checks and major credit cards cut it; customers want more cutting-edge options, including payments tied to mobile loyalty applications and digital wallets, as well as contactless payments. For retailers unable to meet demands for more advanced payment methods, the impact is concerning. About one in five consumers encountered a merchant that did not accept their preferred payment method in the last year. As a result, more than half of these customers decided to take their shopping elsewhere, or they spent less money. Many retailers still don't seem to be getting this message; fewer than half said they believe it's a priority to make available all payment methods customers want to use.

Control also comes into play with product availability. Shoppers don't want to feel that their time has been wasted by a fruitless visit to a store due to an out-of-stock item. Our research has revealed that this is a top deterrent for shopping in-store. However, more than half of all shoppers would shop more in-store if they could purchase out-of-stock items and have them shipped to their house. Retailers would need to invest in inventory management and technologies such as mPOS to make this type of experience more commonplace. Today, 41% of retailers offer ship-to-home options.

Figure 9: Ownership over the experience is crucial for shoppers

CONTROL

Personal Information	1 in 5 have been notified of a breach at a retailer they shop; - Of those, 23% say it significantly impacts their likelihood of returning.	More than 1 in 4 have been impacted by a breach in the past year; 49% say fraud/risk mitigation is an increasingly challenging task.
Payment Choice	19% say they have encountered a merchant that did not accept their preferred payment method in the last year. - Of those, 55% spent less or went elsewhere as a result.	Less than half want to ensure they offer all the payment methods customers want to use.
Product Availability	57% would shop more often in a physical store if they could purchase out-of-stock inventory in-store and have it shipped directly to their home.	Just 41% take in-store payments for out-of-stock products and ship to the customers' home.

Source: 451 Research

LEADERSHIP OUTPACING REALITY

Not only is there a void between what customers expect and what retailers deliver, but our research has revealed that retail organizations themselves are divided; those in leadership roles have differing views than those in store operations. Simply put, store managers often don't see the same problem areas as executives. This disconnect could have significant consequences, which could result in the retailer 'backing the wrong horse' regarding strategy and new technology adoption.

As retailers adjust to the age of empowered customers and their changing expectations, it is important to understand that digital transformation is more than just an IT strategy. It is a well-planned business and IT innovation approach; the goal is to align with a digital culture that drives investments in new approaches to remain relevant in the eyes of customers.

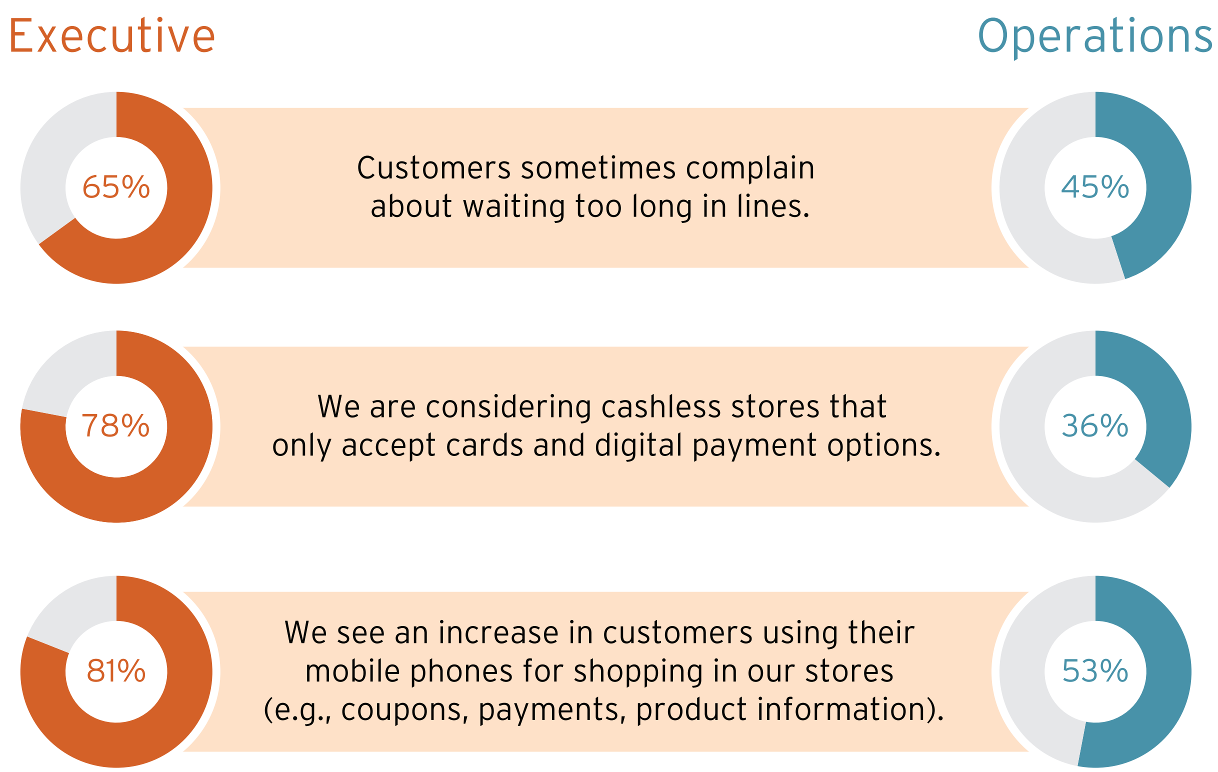
CUSTOMER EXPERIENCE

When it comes to customer experience, leadership and retail operations personnel see drastically different pictures (see Figure 10). For example, the two groups have different perspectives regarding lines in retail stores, an issue that customers said retailers need to improve. While executives tend to understand that lines are a pain point, operations personnel are less inclined to admit this is a problem.

Executives are also more than 2x as likely to say they are considering implementation of cashless retail stores to streamline payment acceptance. The divide could be evidence that operations employees –those closest to customers – are concerned about the impact eschewing cash could have on certain segments of shoppers.

Four in five executives said they see an increase in customers using mobile devices in stores for shopping (e.g., looking up coupons, facilitating payments, looking up product information), while just 53% of retail operations managers said the same. Rapidly adopting mobile technology has its benefits (and executives are pushing for it), but operations personnel aren't fully convinced that all real-world customers are ready for it.

Figure 10: Customer experience gap between executives and operations personnel



Source: 451 Research

BUSINESS EXECUTION

There are also disparities between operations personnel and executives regarding how the business is running (see Figure 11). An example is fraud. More than four in five (83%) respondents at the executive level said their business is prepared for fraud. Those at the operations level, with their proximity to real customers and real attackers, aren't so sure; just 60% said they believe the business is prepared. This could be an indicator that executives are misinformed or underinformed about the severity of the threat environment and attacks being launched against their business.

With regard to preparation for overcoming threats facing the business, those in the C-suite seem to have a better handle on understanding the likelihood of disruption. Almost three-quarters (70%) of executives believe they have an understanding of the types of disruptions they are up against, while only half of operations respondents said they have a grasp of the threats facing retail.

Executives and operations employees don't see eye to eye on the company's ability to innovate, either. Executives are bullish on their ability to innovate, but operations personnel (where it takes time for new innovations to reach) are less sure. Beyond this lack of confidence in the future, it could also be a sign that operations employees haven't yet seen meaningful results derived from recent innovations spearheaded by leadership.

Figure 11: Business execution measurement gap between executives and operations personnel

Source: 451 Research

VERTICAL DIFFERENTIATION

In retail, not all verticals are created equal. Verticals are in large part defined by the customers they serve, which, in turn, dictate their strategy and vision. Our research has identified luxury goods as the vertical experiencing the most pressure from Spendsetters, which are having a major influence on how retailers within that category are planning to serve their customers moving forward (see Figure 12).

Compared with other verticals, luxury retailers have overwhelmingly seen a rise in customers using mobile phones in-store for shopping activities; 85% have seen an increase, vs. 67% collectively among beauty, fashion and hospitality businesses. As such, luxury retailers are more inclined than other verticals to equip their sales associates with tablets to provide a more dynamic and informed sale.

Luxury retailers are often characterized by having a strong international following, and they see the strongest need to better tailor to the preferences of Chinese tourists. Luxury retailers are a popular stop for Chinese tourists visiting the US or EU, who want not only the latest fashions, but a guarantee that the product they're purchasing isn't counterfeit. Integrating local payment methods such as Alipay is an important first step in improving engagement with this audience.

The luxury segment, which, by definition, offers big-ticket items, is also more prone to be considering cashless stores. Three-quarters (74%) of luxury retailers said they envision implementing stores that accept only credit cards and digital payment options, compared to 46% of the beauty, fashion and hospitality businesses.

Figure 12: Luxury under pressure by Spendsetters

Luxury	Vs.	Beauty Fashion Hospitality
85%	We see an increase in customers using their mobile phones for shopping in our stores (e.g., coupons, payments, product information).	67%
79%	We see a need for store sales associates to use tablets or other mobile devices to better assist our customers.	64%
71%	We see a need to better tailor to the preferences of Chinese tourists.	43%
74%	We are considering cashless stores that only accept cards and digital payment.	46%

Source: 451 Research

Opportunity Lost Is Opportunity Cost

Failing to live up to customer expectations results in more than just a disappointing shopping experience. It often leads to abandoned carts and lost sales that have an immediate – and lasting – impact on the bottom line.

One of the clearest messages from our research is that most retailers struggle to provide a fast checkout in-store, resulting in significant friction for shoppers. Unfortunately for retailers, when lines get unwieldly (which, according to consumers in our survey, is generally any wait over five minutes), many shoppers will simply leave the store to make a purchase elsewhere – or not make the purchase at all.

The impact of this scenario is often overlooked, but it has a major impact on sales. Our analysis shows that $15.8bn in potential sales was lost by retailers to their competitors over the last 12 months because of customers making a purchase elsewhere as a result of long lines. The retail industry as a whole lost out on $21.9bn in potential sales during the same time frame as a result of customers abandoning a purchase due to long lines and never making the purchase elsewhere (see Figure 13).

Figure 13: The cost of convenience: long lines lead to losses

$15.8bn

in potential sales have been lost by retailers to their competitors over the past 12 months due to long lines.

$21.9bn

in potential sales have been lost by the retail industry over the past 12 months due to customers leaving as a result of long lines and never making the purchase elsewhere.

Source: 451 Research Unified Commerce Forecast

However, long lines are not the only cause of meaningful losses. As digital wallets and other emerging payment options start to stick with consumers, shoppers expect to be able to pay how they want; after all, it's their money, and they want to be able to make the purchase in the way that works best for them.

The last thing a retailer should do is create friction at the inflection point of the shopping journey – at checkout – by limiting the customer's choice of payment options. Still, as we have discussed in this paper, many retailers provide their customers with limited payment options. Our research has shown that this can result in smaller tickets, or worse: the shopper leaving the store and making the purchase elsewhere.

The impact of limited choice in payment method is not trivial. We have found that retailers lost $1.1bn in potential sales over the past 12 months because they did not offer customers' preferred forms of payment (see Figure 14).

Figure 14: The cost of control: lack of payment choice results in lost sales

$1.1bn

in potential sales have been lost over the past 12 months as a result of retailers not offering customers' preferred payment methods.

Source: 451 Research Unified Commerce Forecast

TO WIN BUSINESS, FOCUS ON CONVENIENCE, CONTEXT, CONTROL

Heightened demands for context, convenience and control in all commerce interactions require retailers to reevaluate how they serve their customers across the shopping journey. To truly satisfy shoppers, avoid losses and ultimately drive revenue, retailers need to focus on delivering experiences that blend these elements.

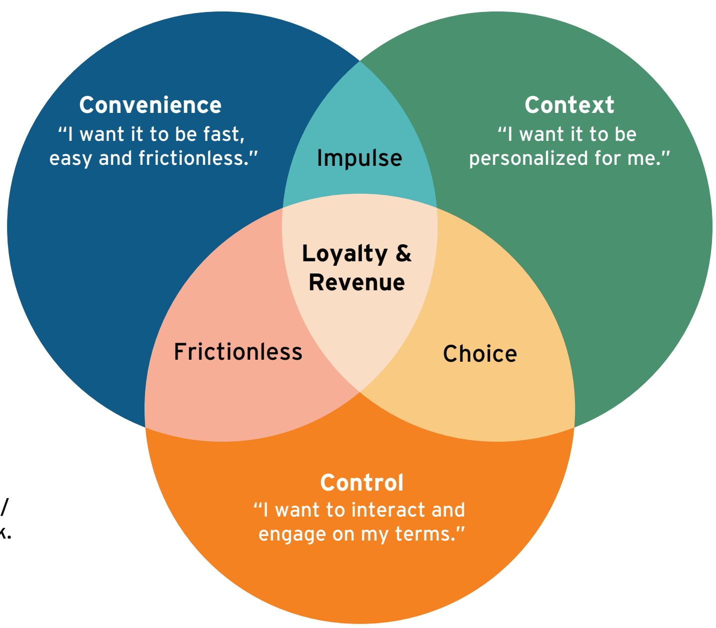
We recommend retailers look to Spendsetters as a guide in this endeavor. This cohort of shoppers is driving the conversation about emerging payment and commerce technologies, and the segment is not only high-value, but an indicator of where the competitive battleground in retail is moving.

Figure 15: Learning from Spendsetters: increasing revenue and loyalty

74%
say the ability to check whether an item is available online before going in-store would increase their loyalty to a retailer.

80%
will increase shopping frequency online though marketplaces.

50%
want to complete an online/in-app purchase in one click.



44%
want personalized experience based on past purchases and preferences.

58%
would increase shopping frequency if they received product recommendations/information and could make purchases with a chatbot.

60%
want to reserve items online/in-app/over the phone and then pay and collect in-store.

Source: 451 Research

As shown in the Figure 15, the blending of various aspects of convenience, context and control can enable greater choice, frictionless purchases and impulse buys. However, building experiences that blend the three goes beyond delighting shoppers to delivering tangible business results.

By building rich experiences that are easy, tailored to shoppers and delivered on shoppers' terms, retailers can create deeper and longer-lasting relationships that enhance shopper loyalty and, ultimately, the bottom line.

Conclusion

Technology is quickly becoming the catalyst for one of the most profound changes ever to occur in the relationship between shoppers and retailers. Retail, in turn, is being redefined from a transactional relationship between people into a more nuanced, tangled relationship between shoppers and the automated systems and devices they use to obtain the products and services they want. With this new relationship comes a dramatic shift in the balance of power between many retailers and their customers. Prices and products are no longer enough to influence decisions. Instead, people place a higher value on experiences.

Shoppers have access to more information, choices and opportunities, and they can now dictate the terms of engagement with many of the retailers they choose to do business with. To survive (and thrive), retailers must leverage new technologies and underlying platforms to deliver differentiated experiences. Ultimately, they will have to work harder than ever to cater to individual preferences.

The future of retail will require participants to architect meaningful – and ultimately profitable – experiences that are informed by contextual cues tailored to each shopper's own behaviors, stated preferences and surroundings. It's critically important for retailers to know their customers, and also to be able to orchestrate their experiences across the customer journey to promote engagement across digital and physical touchpoints. Success will come not just from knowing when to interact, but also knowing which method a particular shopper prefers, such as web, self-service, mobile chat/text, Facebook Messenger or Twitter.

Digital experiences represent a revolutionary shift in the retailer-customer relationship. Shoppers now have a stronger voice and more power than ever, and they expect the companies they do business with to rise to the occasion. Digitally transforming to attract, win, retain and support customers is no longer a luxury, but a necessity for retailers' survival.