

White Paper

# Evolving Retail

How Digital Is Shaping the Future of Brick & Mortar in the U.S.



# Table of Contents

**3**

Executive Summary

**4**

Brick-and-Mortar Retailers Are Failing to Meet Shoppers' Needs

**5**

Understanding Today's Shoppers

**6**

What Shoppers Want: Unified Commerce

**8**

Strategy: Meet These 3 Shopper Needs

**9**

In-Store Checkout: Go Multi-Channel

**10**

What Retailers Should Do

**11**

Methodology



# Executive Summary

Few industries have evolved as much as retail in the past two decades. With the industry in flux and more competitive than ever, retailers need to stay close to the consumer to survive and thrive.

At Adyen, we recently commissioned a survey of more than 2,000 U.S. consumers and unlocked distinctly different preferences for in-store and digital shopping, with common threads unifying the two. While consumers have new expectations driven by online and in-app shopping experiences, they still love to shop the “old fashioned” way. To flourish in this ever-changing shopping experience, retailers must ride the digital wave, harnessing a harmonious balance to keep shoppers happy and physical stores flourishing.

Understanding how people currently like to shop – both online and in-store, what they expect in terms of future shopping experiences, and how the most tech-savvy consumers differ from other shoppers – helps retailers prioritize the technology they should adopt, and understand how the in-store experience must evolve to retain shoppers.

## The Bottom Line

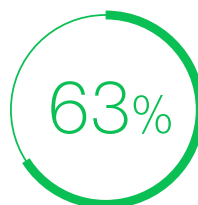
Understanding the balance of when and why consumers choose to shop in the store versus online will help retailers create a **unified shopping experience** and keep them shopping

- More than half of consumers shop online to **avoid lines**
- Conversely, over half also shop in stores because they like to **touch, see and try on items**
- Almost half turn to digital shopping to **avoid pressure from sales associates**

Those who understand, cater to, and invest in better, more unified shopping experiences will reap the benefits of **repeat shoppers**

- 63 percent said they would shop more – both in stores and digitally

**The good news:** giving consumers a seamless unified shopping experience means both in-store and online shopping will increase!



say they'll shop more both in stores and digitally

Shoppers have expectations for the experiences they'd like to see in the future. For retailers, the answer isn't about bringing the digital world into stores. Rather it's about creating unified commerce that embraces the preferred experiences in both realms.

- Almost half of consumers hope more on-demand delivery services will be the norm within a year
- By two years' time, more than half of shoppers expect mobile payments to be ubiquitous

To understand what consumers will come to expect in the next few years, retailers must prioritize the emerging group of first-movers, dubbed **Tastemakers**. This group is the first to jump on the latest trends and propel them into the mainstream.

# Brick-and-Mortar Retailers Are Failing to Meet Shoppers' Needs

As traditional retail undergoes a significant restructuring, it is important to remember it still maintains a stronghold on commerce as a whole: As of Q4 2016, e-commerce totaled just 8.3 percent of all retail sales.<sup>1</sup> While online sales are growing at a faster rate than traditional store sales, they still have only a very small slice of the pie. It's clear that while online shopping has a lot to offer, shoppers still value the offline experience.

That being said, it's critical for retailers to recognize what's holding back the in-store experience — aspects that could play a role in the surge in digital shopping. Our research uncovered three major sticking points with consumers. Here are today's barriers to the in-store shopping experience:

## 1 Long Lines

Consumers don't have a lot of patience for long lines. Nearly four in five shoppers leave stores due to long lines or waits, and the average threshold before bolting is 10 minutes.

## 2 Associate Fatigue

Shopping online allows consumers to browse at their own pace, uninterrupted. Many shoppers also want to experience this independent endeavor in stores. Almost half of shoppers don't want the help of a salesperson.

## 3 Not always buying

Online, you don't feel the pressure to pull the trigger because you know you can always come back to your cart later. This mindset carries over into the in-store experience as well, with nearly half of shoppers not feeling the need to walk out of a store with a purchase in hand. While traditional thinking dictates the whole reason shoppers make the trek to a store is to buy something, they clearly have different motivations, which tells us that having items in stock isn't enough — the larger experience really matters.

79%

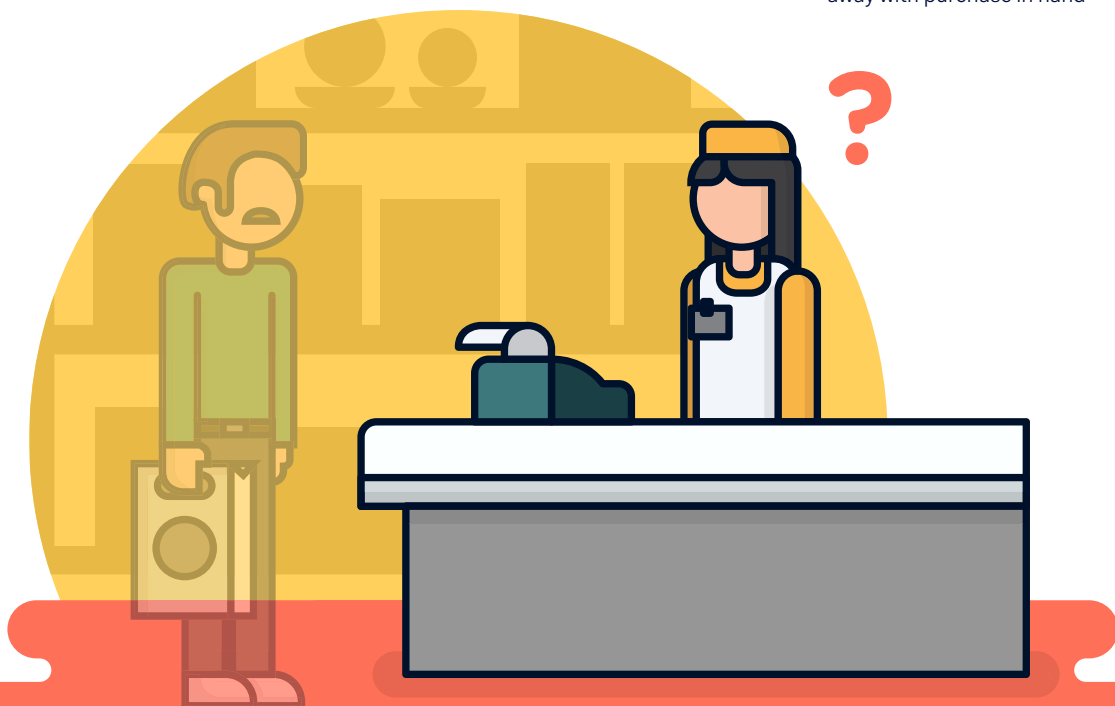
leave stores due to long lines

49%

are uninterested in sales help

49%

don't feel the need to walk away with purchase in hand



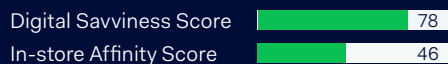
# Understanding Today's Shoppers

To really get at the psyche of the shopper, we looked at two primary factors. First, we considered the pervasiveness of digital technologies in their everyday lives – how do the most tech-savvy, frequent users of services like Netflix, Spotify, Uber and Blue Apron fare against those who don't rely on tech so heavily? Then, we also looked at the affinity for shopping in stores.

Cross-referencing the factors driving **digital savviness**, along with this **affinity for in-store shopping**, we discovered that shoppers weren't defined by the traditional age demographics of Generation X (38 to 55 year olds), millennials (23 to 37 year olds), and Generation Z (18 to 22 year olds). What surfaced were new shopper segments, with each group containing a mix of these standard demographics.

## Tastemakers

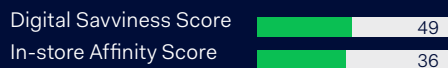
33% of consumers



- Tech streamlines, and essentially runs their daily lives
- Game for anything: Willing to experiment with new and emerging tech and tools

## Enthusiasts

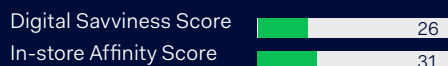
52% of consumers



- Get tech and embrace it, but don't live and breath it like Tastemakers
- Not so willing to experiment with new things unless they see value in it clearly

## Adapters

15% of consumers



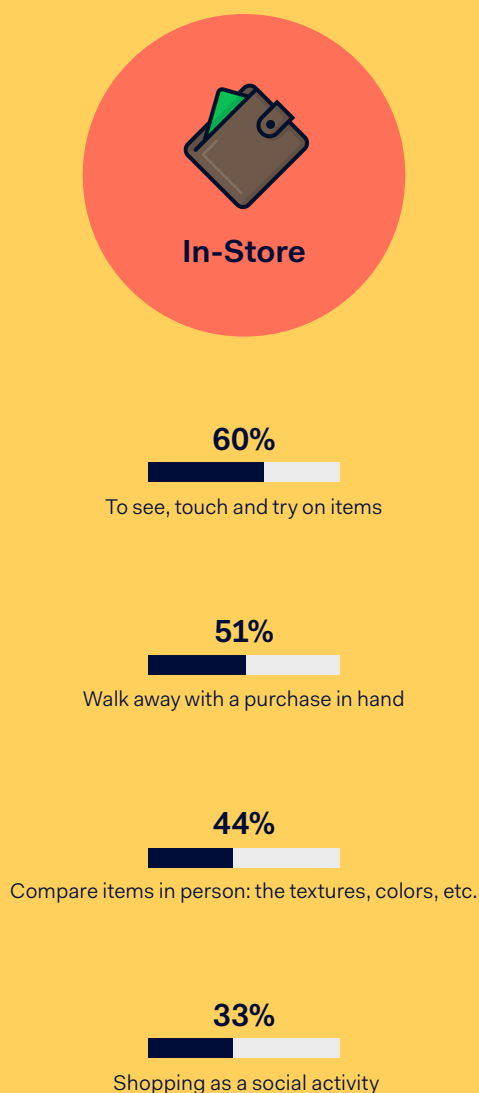
- Have used tech (and get it), but don't rely on these services regularly
- More likely to adopt tested, vetted, mainstream technologies; adverse to trying new things

# What Shoppers Want: Unified Commerce

A holistic look at the emerging shopper segments exposes some commonalities among the segments of how consumers like to shop. Across Tastemakers, Enthusiasts, and Adapters, we saw shoppers

gravitate toward the in-store experience for the aspects that shopping digitally doesn't fulfill. Likewise, consumers enjoy specific aspects of online shopping where going to a store won't suffice.

## Top reasons for shopping<sup>2</sup>



With this understanding of why consumers prefer online to in-store shopping and vice versa, we see that the shopping experiences consumers crave complement one another.

Consumers also revealed they're game for new technology. Within the next 12 months:

- 37% said they want mobile payments to be ubiquitous
- 34% percent want to be able to "just walk out" checkouts to be the norm

### Unified Commerce

There's a clear need for retailers to bridge consumers' digital desires and expectations with their affinity for in-store shopping to create a new, unified experience that brings the best of both worlds together. Rather than shying away from adopting technology in stores, or going whole hog into a digital-only model, retailers should tap into this digital desire. To fulfill these shopper expectations, a culture that blends the best of both shopping worlds for consumers — **unified commerce** — must happen.

While some of this digital in-store culture currently exists, consumers are already entertaining the possibilities of what this blended shopping experience could mean for them. When asked how interested consumers were in being able to go to a store to manage returns or exchanges of an item they purchased online, more than half (54 percent) of consumers cited they already expect to be able to do this, and more than a quarter (32 percent) said they would use this service occasionally.

That blended experience also applies to the initial transaction. More than a quarter of shoppers (30 percent) expect to be able to reserve or buy an item online, then go into the store to pick it up. To that end, almost half (48 percent) said they would use this service occasionally. Shoppers also want their credit cards to go the extra mile for them, with 20 percent of them expecting to be able to use their credit cards for their loyalty program information both in store and online. Over a quarter of shoppers (34 percent) also said they want this feature and would use it occasionally.

### Big Benefits

If retailers are able to deliver on the demands of consumers, they'll reap the rewards. Sixty-three percent of consumers who were interested in having their preferred shopping experience of either retail showrooms (where the product was delivered later), on-demand delivery services, or augmented/virtual reality showrooms implemented said they would **shop more than they currently do**, either in stores, online or in apps.

<sup>2</sup>Based on what consumers ranked as most appealing and second most appealing when asked what they found appealing about shopping, either in the store or on a retailer's website or mobile app.

54%



expect to be able to return or exchange item purchased online in a store

63%



would shop more overall if preferred shopping experience implemented

15%



would shop in stores more frequently

14%



would be more likely to shop in-store than online

34%



would shop online or in an app more than they currently do



# Strategy: Meet These 3 Shopper Needs

Unified commerce blends the best of in-store and digital shopping, but how do retailers actually create this experience for shoppers? To be successful, their strategy must incorporate what it actually is that consumers like about unified commerce. Our analysis grouped the personal benefits they enjoy into three main buckets: efficiency, independence and personalization.



## Efficiency

Shoppers both want and expect a unified shopping experience that gets them what they want, when they want it – and fast.

- Shoppers want to be able to order online and pick up in-store. **78% want to pre-purchase and pick up in person.**
- Shoppers expect to be able to return a digital purchase in-store. Not want – expect. **86% want to return or exchange a digital purchase in store.**
- Shoppers want to know their shopping trip wasn't fruitless. **75% of them want sales associates to order and ship an item to them that isn't available in the store.**

Shoppers know exactly when and why they want to interact with sales associates.

- They DO want help finding products they couldn't find online or return or exchange a digital purchase.
- They DO want sales associates to help them find and purchase products.
- The interactions they want are transactional, rather than relationship building.
- They DON'T expect sales associates to offer them advice.



## Independence

The rise of online shopping and proliferation of mobile devices has changed the way shoppers look for products and fostered a strong spirit of independence.

- Shoppers want to research products on their own. **69% do not use sales associates for assistance.**
- Shoppers who know if something is in stock beforehand drive foot traffic. **66% say pre-checking item availability would increase store visits.**
- Shoppers are more likely to be influenced by friends, family and the influencers they follow on social media when making purchase decisions. **54% use social media for shopping.**
- Some shoppers are open to having a chatbot handle checkout. **26% are willing to purchase directly from a messaging app.**



## Personalization

When they do set foot in a store, shoppers want to feel that they're being offered an experience that's unique to them – what they like, what they've bought in the past. This is something that they've become used to, and they are starting to expect it in other environments.

- Shoppers want to make purchases and accumulate points and rewards seamlessly. **54% want their loyalty program tied to their credit card.**
- Shoppers are open to receiving incentives in the moment that sweeten their shopping experience. **50% want location-based discounts/coupons via mobile device**
- Shoppers largely want to be independent, but a select group appreciates when associates can personalize their experience. **30% want sales associate knowing preferences and having items available.**
- Some shoppers like a personal touch that reflects their history with a brand. **24% want product recommendations based on past purchases.**





# In-Store Checkout: Go Multi-Channel

Many of shoppers' frustrations with the in-store experience can be traced back to an unsatisfactory experience at the final touchpoint. Checking out should be a quick process, but often it's not. Retailers need to meet shoppers' need for speed through multi-channel checkout. In this way, they can offer a range of options to suit individual shoppers' preferences.

The cost of a single-channel checkout strategy can be severe. Almost three-quarters of shoppers said that if they left a line that was too long, they either decide to not purchase the item at all or, even worse, purchase the item from another retailer (either in-store or online). Inefficient checkout means lost sales and is driving revenue for your competitors.

73%

of sales are LOST when a checkout line is abandoned

## Current Expectations

Shoppers expect retailers to recognize that these lines are a huge problem. As part of their desire for independence and efficiency, almost three-quarters of shoppers have embraced self-checkout and nearly three in five have used in-store pickup services.

70%

have used a self-checkout kiosk

59%

have ordered online and picked up item(s) in store

## Emerging Expectations

Nearly half of shoppers are also beginning to expect other forms of convenient payments while in the store. This can be a sales associate with a mobile device, where essentially the "register" comes to the shopper, or the ability for shoppers to pay with their mobile devices.

36%

prefer to pay with a mobile wallet

42%

prefer to pay with a "floating" mobile device in a store

49%

prefer to pay in-person, and ship direct

## Tastemakers

Tastemakers have far and away the strongest preferences for what the future shopping experience should be. Surprisingly, they also have the highest affinity for in-store shopping. Tastemakers define what the new normal will be, so retailers would be wise to cater to their preferences.



On-demand services



Biometrics-based payments  
(no fingerprint scanning!)

Paying with a phone

Paying with a wearable device

# What Retailers Should Do

Despite apocalyptic proclamations to the contrary, brick-and-mortar retail is here to stay, but our research indicates it sorely needs a digital update. Here's how to maximize the value of our insights.

## **People like shopping, so make it easy for them.**

Even with parking hassles, overbearing salespeople and inefficient checkout methods, in-store shopping offers things even the best e-commerce store cannot: the ability to compare, touch and try on items; the instant gratification of walking away with a purchase in hand; and harder-to-come-by social time with friends and family. When planning for the next decade, and the decade after that, retailers don't need to start from scratch. Instead, they just need to evolve the current experience.

## **Investing in better shopping experiences pays off in the long run**

One reason retailers are resistant to change is that change is hard – and it can be expensive. But in the face of increasing competition online, maintaining the status quo is no longer an option for brick-and-mortar retailers. Fortunately, retailers can reap tremendous rewards by aligning their investments to consumer desires. By implementing their preferred shopping experience, whether that is how sales associates interact with them a shopper or changing how they check out, an astounding 63 percent of shoppers claim they will shop more overall, in store, online and in apps. Shoppers have spoken – if you want more of their business, listen to them.

## **Unified commerce is the way forward.**

There's no silver bullet to fix retail – it's not as simple as just taking what works online and applying it to the physical world. There are distinctly different elements of in-store and digital shopping that consumers prefer. The sweet spot is finding the middle ground to create a unified experience that blends what consumers love about online and in store. This the only way to give shoppers exactly what they're looking for – and if it's done right, both online and in-store spending will increase.

## **Continue to lean into digital by following the Tastemakers.**

One of the most refreshing findings from this research is that even the most tech-savvy consumers, who people assume shop exclusively online, still value and enjoy the activity of shopping in a store, warts and all. Even more surprising, they actually like to shop more than most.

This is the group of consumers who have shown they make the right bets on technology and best understand the role technology can play in improving their lives. By isolating what their preferences are, retailers can see what areas they need to invest in and build a blueprint to evolve their business for the next generation of shoppers.



# Methodology

In February 2017, Adyen commissioned a survey with a national sample of 2,010 U.S. consumers, between the ages of 18-55, to understand perceptions of shopping and payment experiences currently and in the future. The 12-minute online survey was implemented by Morar Consulting. Survey fieldwork was carried out between February 20-25. Sampling variation of survey results is 2.2 percent.

New shopper segments were identified by the respondent's affinity to tech (digital savviness), combined with their in-store shopping affinity. The overall digital savviness score is achieved for each consumer segment by calculating the average adoption of all tech/app categories. Likewise, the in-store shopping affinity score was derived by calculating the average appeal of shopping as an activity based on responses to select questions directly related to in-store shopping activities.

## People like shopping, so make it easy for them.

Adyen is the technology company reinventing payments for the global economy. The only provider of a modern end-to-end infrastructure connecting directly to Visa, MasterCard, and consumers' globally preferred payment methods, Adyen delivers frictionless payments across online, mobile, and in-store. With offices all around the world, Adyen serves more than 4,500 businesses, including 8 of the 10 largest U.S. Internet companies. Customers include Facebook, Uber, Netflix, Spotify, L'Oreal and Burberry.



### Want to learn more?

Check out our unified payment solution for retailers at  
[www.adyen.com](http://www.adyen.com)

