The Future of Retail

Part of the 'Future Now' series

Brought to you by Elavon,
the retail payments specialist

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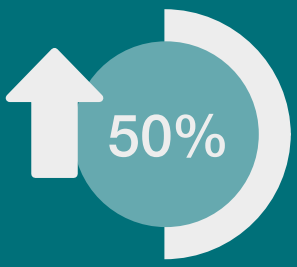
The future of retail

Insights into evolving retail trends and predictions for an exciting future

The retail industry is at a crossroads. With change comes opportunity for retailers, however, as advanced payments innovation and technology means you're always open – even when your shop doors are closed.

The challenges of Covid-19 restrictions accelerated the pace of change that was already gaining momentum, not least driving increasing numbers of customers online. In 2021, global retail ecommerce sales amounted to almost $5 trillion, up from almost $3 trillion in 2018.

The 2021 figure of $5 trillion is forecast to grow by 50% in the coming years, to reach $7.4 trillion by 2025.



But reports of the demise of traditional bricks-and-mortar retail appear to be premature. Customers have a renewed appreciation of the high street and a recognition that the in-store experience cannot be matched by a click from their couch. After enjoying so much choice and convenience when shopping online, however, consumers want more from in-store retail.

Retail space does more than just facilitate in-person shopping as a standalone method of purchasing. Shops also play an increasingly important role in an 'omnichannel consumer cycle' *(see p7 for more)*, facilitating click-and-collect services as well as returns or exchanges of items bought online. And this is just the beginning of how retail space is being repurposed to tempt customers to part with their money.

To thrive and not just survive, you need to offer a blend of alternative and traditional options for both shopping and payments, as well as the extras consumers expect to make their shopping experience more enjoyable – and make your business more memorable.

Elavon is the payments partner with a deep knowledge of the retail sector. We're putting our expertise to good use, helping you to give your customers quick and easy payment options as part of an exceptional, end-to-end retail experience.

Whether you're welcoming local shoppers in your store or online customers from anywhere in the world using multiple currencies, through a myriad of different technology platforms, we're the single expert payments partner you need.

Where is retail and how did we get here?

Retail has been transformed in recent years, as Covid-19 public-health restrictions sped up many trends that were already in flight. It is estimated that the pandemic accelerated the shift away from physical stores to digital shopping by roughly five years, with resulting ripples across many other aspects of retail, just some of which are outlined below.

	Why did this happen?	Pros	Cons
Increase in ecommerce	**Shops closed according to pandemic restrictions**	**For shoppers** • **More choice/value:** consumers can shop around on different websites to compare items and prices • **Convenience:** shop whenever and from wherever suits and arrange for home delivery or in-store collection • **More information:** consumers can research customer reviews, product descriptions and recommendations to make informed purchasing decisions **For businesses** • **Easy access to new markets:** sell to anyone, anywhere • **Reduced overheads:** no need for customer-facing staff or the costs of maintaining a bricks-and-mortar store with all its attendant costs • **Potential for rapid growth:** easier to scale up order-fulfilment systems than find and kit-out larger premises or increase your number of shops • **Insight into customers:** online marketing tools and web analysis can better inform business decisions	**For shoppers** • **Increase in fraud:** with increased ecommerce, including many consumers new to online shopping, comes more fake websites and card hacking • **Longer wait times:** online shoppers must wait days, weeks or longer to receive their purchases or have items lost in the post • **Returns:** inconvenience – and costs – of returning items by post or taking the time to return in-store • **Hidden costs:** currency conversion, taxes, import costs and postage all come into play **For businesses** • **Local businesses:** with migration to online, local businesses can suffer • **Infrastructure costs:** it still costs to maintain a professional ecommerce platform and warehousing/order-fulfilment premises, as well as dealing with returns and staffing • **Security:** investment in the latest security to protect your website and transactions is critical • **Shopper trust:** harder to build relationships and inspire loyalty with online customers, with no face-to-face interactions • **Legal issues:** knowledge of consumer rights in different markets is vital

	Why did this happen?	Pros	Cons
Increase in contactless payments	**Hygiene concerns relating to handling cash**	Elavon research has found that more than nine out of ten (91%) respondents intended to keep using contactless payments in future. That already sizeable percentage increases to 94% for those aged 55-75. **For shoppers** • **Ease of use:** faster transactions and less queueing • **Loyalty benefits:** loyalty schemes link with tap-to-pay smartphones used for payments, to confer discounts and loyalty points • **Flexibility:** customers can pay with cards or via apps on their smart devices • **Secure transactions:** payments providers use the latest technologies to protect against fraud **For businesses** • **Fraud protection:** secure, encrypted payment technology means fewer disputes and hacking incidents • **Customer experience:** optimise your loyalty programmes and inspire return business with smoother, faster checkouts • **Efficiency:** serve customers faster, spend less time counting cash and operating card machines • **In-store security:** less cash to worry about on your premises	**For shoppers** • **Transaction limits:** shops in the UK only accept contactless payments up to £100 before the customer needs to enter their PIN • **Security concerns:** as a card can be used without a PIN (up to the £100 limit), there is a risk if the card is stolen **For businesses** • **Customer security concerns:** some might be reluctant to adapt to contactless payments

These trends are news no longer. They have quickly become simply the way we shop now. For shoppers to part with their hard-earned money, they expect choice, convenience, secure transactions and flexibility from retailers, as well as rewards for loyalty and maybe even to be entertained. With so many demands, how can retailers compete for customers – and what new trends are coming down the track?

	Why did this happen?	Pros	Cons
Growth of click and collect/BOPIS (buy online, pay in-store)	**Store closures, social distancing requirements**	**For shoppers** • **Costs:** no need to pay for home delivery • **Convenience:** eliminates the risk of missed delivery, no need to wait at home or arrange last-minute alternative delivery plans • **Faster order handling:** shoppers can usually collect on the same or next day **For businesses** • **Cost effective:** fewer delivery locations save courier and logistics costs • **Collaboration:** joining forces with other non-competitive retailers to allow customers to collect at each other's stores – you benefit from the cost-effective scale that click and collect offers and can provide more pickup locations with no extra investment in bricks-and-mortar sites • **Higher basket value:** saving on postage can tempt customers to spend more, or make them more likely to buy big-ticket items • **Reinforce omnichannel strategy:** shoppers value all shipping and returns options and can make further purchases while collecting in-store	**For shoppers** • **Time and effort:** shoppers must make time to visit the shop to collect their orders • **Service delays:** items might not be ready for collection, queues of other click-and-collect customers, items mistakenly delivered to another store **For businesses** • **Staffing:** retailers need employees to deal with these orders and dispatching them to customers • **Inventory:** inventory management technology is vital to align stock offerings on websites with products in-store and at click-and-collect points • **Omnichannel management:** sales channels and management systems must be synchronised to ensure that shoppers have up-to-date information about stock, availability and collection times
Increase in fraud rates	**Consumers moved online, with many trying out internet shopping for the first time**	It is of course difficult to see any upsides to increased fraud levels, but it can result in: • **Increased consumer awareness:** marketing campaigns to raise the profile of fraud risk can only help consumers to shop more safely • **New technologies:** increase in ecommerce and fraud can lead to investment in new technologies to counter fraud, such as Transaction Risk Analysis	Depending on the type of scam, shoppers can lose significant amounts of money and/or never receive their purchases or receive counterfeit products. Customers' financial data can be severely compromised. The impact of fraud on retailers' bottom lines is severe, with 26% of global retailers saying that fraud is significantly damaging their profitability. Retailers can lose merchandise and forever lose shopper trust in their business, leading to declining sales.

The rise of omnichannel

"Behaviours that we adopted in the pandemic – such as using BOPIS [buy online, pick-up in-store] and greater use of ecommerce – will remain with us, because there's no getting away from the fact that online shopping is convenient," according to Scott Frisby, Head of Strategy, Elavon Europe. *"Consumers, who in the past might have had security concerns about online shopping or found it confusing, have now had positive experiences for the most part and new habits have formed.*

"Although there's a real desire to return to the social and recreational aspects of high-street shopping, I think that online, in-app and remote shopping are permanent features of the retail landscape, and everyone involved in retail should be embracing that. A mix of both, which is omnichannel retail, is the way forward."

The good news, for consumers at least, is more choice and convenience around shopping.

The challenge for retailers is this means having to manage several methods and processes for ordering, delivery and payment. Retailers have been forced to get comfortable with hybrid ways of trading, recognising that online platforms are the 'shop windows' of their businesses. Cohesion between physical store networks and websites is crucial, as almost three out of four shoppers now use multiple channels during their shopping journey. For example:

- Shoppers compare items online, across different retailers, but buy locally using 'click and collect' to avoid delivery costs associated with online shopping
- They buy items online but return in-store for refund or exchange
- Shoppers browse online but prefer to 'try and buy' in-person
- They speak with a sales agent in-store and go home to consider the information, before purchasing online – whether that's during their coffee break from work, once the kids are asleep or even while they walk the dog.

Elavon research has found:

48% Almost half (48%) of adults said they started using contactless payment methods, or increased their use of them, resulting from the Covid-19 pandemic

21% Just over one in five (21%) took up using or increased their use of buying something online, trying it at home and then returning it, if necessary via a courier service

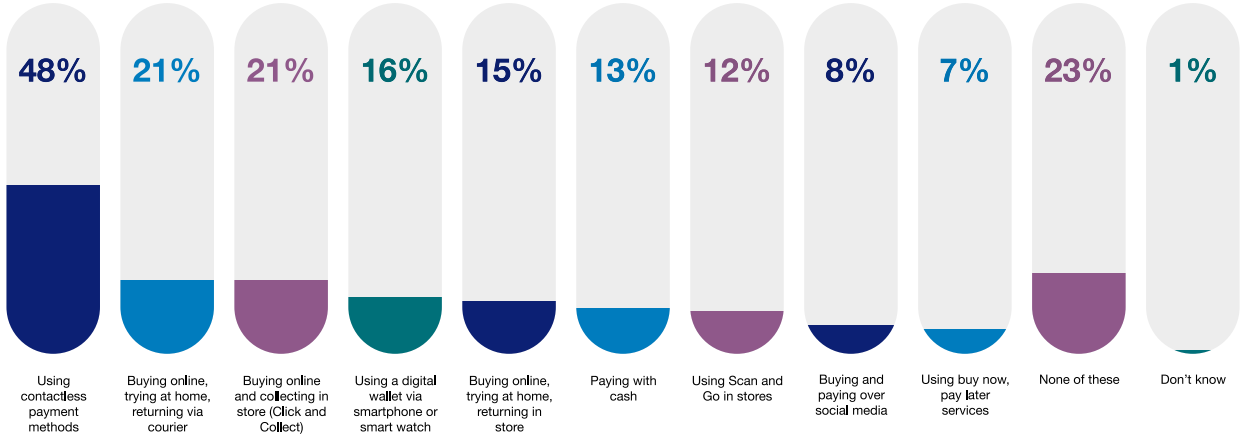
21% 21% of UK shoppers have taken up or increased their use of click-and-collect services

15% 15% have returned goods in-store that they bought online

"Interestingly, the most popular payment methods being used show consumers are embracing the full range of payment types available: from face to face in-store to online and omnicommerce," says Simon Tune, Commercial Director, Elavon Europe. *"This in itself offers reassurance that whatever business environment you're operating in, your customers are accepting change and progression."*

This, then, is omnichannel in action: a multichannel approach to sales that provides a frictionless, seamless shopper journey, both online and in-store. It focuses on the entire shopper process, no matter from where the customer engages with the business. The physical shopping experience is increasingly connected and interactive, and the internet – once viewed as the great enemy of bricks-and-mortar retail – is an important facet in driving people to stores.

Which payment methods did you start (or do more of) as a result of the pandemic?



Ipsos MORI: Online survey conducted in UK. May 28-June 1, 2021. Base: **1129** respondents aged **16-75.**
*Multi-choice answer. Figures will not add up to 100%

"Smartphones have transformed the behaviour of almost all consumers and they're increasingly demanding a uniform experience across multiple sales channels. Omnichannel retail is the customer-centric approach to deliver a seamless experience, regardless of channel or device," says Michael Bosshammer, Head of Retail, Elavon Europe.

Mobile – whether using retail companies' apps, websites or social media – connects brands and consumers across the shopper journey, empowering shoppers across entire shopping journeys, connecting online and offline channels and bridging shopping and social interactions.

Are 'bricks-and-clicks' apps, which combine physical and online operations into a single retail experience, perhaps better placed than digital-native apps (such as Amazon or Shein) to meet the needs of customers who want the best of both worlds? These bridge the gap between the immersive experience of being in a shop and the instant digital gratification of using applications.

Next-level shopping services

The rapid growth in online shopping and retail technology has opened up new shopping services. For instance, Q-Commerce (quick commerce) services are becoming increasingly popular in cities, delivering goods within minutes. YouTube has developed an interactive feature aimed at advertisers, called brand extensions, to allow YouTube viewers to learn more about a product they see onscreen with the click of a button.

"Just a few years ago, retailers could survive as an online-only or a face-to-face-only brand; that's no longer possible, and why the concept of omnichannel has moved from the passenger seat to take over at the wheel," Scott explains. *"Omnicommerce is the norm for browsing, purchasing and post-sales servicing.*

"What's less clear is how this will look in different sectors of the retail landscape – fashion brands will have a different experience than hardware shops. Many consumers will be determining their own personal mix of face-to-face shopping versus ecommerce and the retailers that win will be those who support consumers across all channels."

As shopper behaviour has changed, their expectations have increased accordingly. In this omnichannel environment, retailers must anticipate not only what the consumer needs, but also what they want - and what they do not even know they want, until they encounter it. What blockers could potentially cause friction in this blended retail model? And what extra services can you offer to attract new customers and keep regular customers coming back?

Experiential shopping

Retailers are utilising their high-street spaces in new and innovative ways, changing the nature of the bricks-and-mortar retail experience. Even though online shopping has soared, some 57.5% of consumers over the age of 35 still prefer to shop at physical locations.
It might come as a surprise to many, but 45% of consumers ages 18-34 also prefer in-store shopping – although half of Gen Z and Millennials say they never go shopping without using their mobile.

of consumers over the age of 35 prefer to shop at physical locations.

There are practical reasons for shopping in a physical environment such as product comparisons, new product showcasing and 'road testing' products. But there is an experiential aspect to shopping that online stores cannot yet match. Fundamentally, shopping with friends and family, browsing for ideas and inspiration and stopping for lunch or coffee and cake cannot (yet) be replicated online.

Research commissioned by Elavon found that 38% of UK adults surveyed said the ease of making choices when they were able to see items in person was their biggest reason to shop in store. One-third of respondents said their main driver for in-store shopping was the ability to better assess product quality, with almost another third (31%) citing a wish to support their local economy.

"Customers are definitely still interested in physical retail, but with digital touchpoints that enrich the shopping experience. Retailers need to embrace the lifestyle of their customers and offer the convenience and fulfilment they demand."
Michael Bosshammer, Head of Retail, Elavon Europe

With so many employees set to work from home at least some of the time, city- and town-centre retail is adjusting, to say nothing of stores operating in business districts. Shops that relied on nearby office workers will likely draw a fraction of these shoppers in future and might consider reshaping their retail spaces, repurposing for click and collect, or considering a move to suburban areas. Stock and distribution could relocate to cheaper, out-of-town real estate.

The ‘store within a store’ or concession model is also likely to see a resurgence, as retailers use space more creatively and give shoppers new reasons to come into their stores. Retail space, along with rents, could be shared under such concession models. Although shifts in retail are rightly consumer driven, there are key benefits to businesses who adapt.

“In some cases, businesses could reduce their retail footprint,” says Michael. *“Some bricks and mortar will keep the brand visible but with smaller premises comes lower rents, and a chance to shake-up the shopping experience by creating concept stores promoting interactive, immersive or experiential shopping.*

“A furniture retailer, for instance, could display stock for shoppers to try out, with a QR code they can scan on their phone to choose alternative colours or sizes. The purchase and delivery request could then be completed at a till or through the customer’s phone, even while they’re sat on the very sofa they’re buying.”

The growth of dark stores

The retail model of the ‘dark store’ has gained traction and is a good example of how retail space can be repurposed. Pandemic closures saw high streets shuttered, prompting retailers to re-evaluate store formats, turn traditional shop spaces ‘dark’ and reallocate them to process and fulfil online orders.

These distribution outlets are not open to visitors, allowing more space for store inventory and for quickly and accurately fulfilling orders. Dark stores provide shoppers with resources and options like purchasing products online, same-day delivery or pickup in-store.

UK consumer demand for this retail formats is continuing to grow. More than two thirds (67%) of consumers used dark stores during the pandemic, choosing to click and collect or have online orders fulfilled from a non-essential retail store that was closed to the public during lockdown.

Demand for dark stores continues, however, buoyed by the continued acceleration of ecommerce demand. Some 84% of UK consumers want to continue using dark stores, with demand higher still (91%) amongst those aged 25-44.

Physical stores continue to be an important asset for retailers when it comes to gaining and maintaining visibility and for developing direct relationships with shoppers. It is likely that they will function as key hubs for customer care and to provide retail services – with increasing emphasis on services over products.

The best solution is a single, integrated point-of-sale (POS) system for both your online and offline store. It needs to be an automated, real-time system that syncs inventory across all channels to streamline and simplify accounting processes.

New technologies will connect the shopping experience, but also drive shoppers into stores: some 35% of consumers would go out of their way to visit a store if it had interactive virtual services such as a smart mirror that allowed them to virtually 'try on' clothes. Examples abound of advanced retail technologies that enhance the shopping experience, from Lego launching a UK virtual 'augmented reality' (AR) pop-up fashion store, to MAC Cosmetics' AR lenses that allowed users to virtually try on a range of make-up.

Stay-ahead retailers are innovating to offer extra services that put the customer first, from video chats with in-store sales staff to assist when purchasing from home, to the use of clever camera technology to augment reality so customers can see how an item of furniture would look in their own houses.

"Some retail organisations will streamline their stores, with smaller stores functioning as 'spokes' around larger 'hubs' or concept stores."
Dave Walker, Head of Corporate Retail (UK), Elavon Europe.

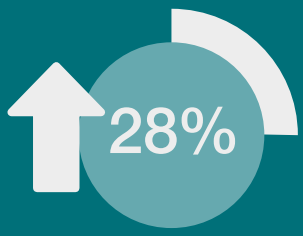
"This is where shoppers will get inspiration and the opportunity to sample products, and where omnichannel interactions are facilitated," says Dave Walker, Head of Corporate Retail (UK), Elavon Europe. *"A customer can interact with the business through a variety of channels that seamlessly connect, allowing them to pick up where they left off on one channel and continue the experience on another."* *(See cross-tokenisation, p16.)*

The omnichannel experience requires that multiple sales channels be integrated logistically. Inventory must be synchronised to prevent overselling or underselling. If a single inventory is drawn from, a non-available item could be accidentally sold, but if separate inventories are used, an available item could needlessly sit in stock.

Ecommerce explosion

Tens of thousands of merchants enter the online market each year. Online shopping plays an increasingly significant role in retail. In 2021, ecommerce accounted for an estimated 19.6% of retail sales worldwide. Forecasts indicate that by 2025, the online segment would make up close to a quarter of total global retail sales. In some countries, online sales growth was even greater: in the UK, ecommerce grew by 46% in 2020, its strongest growth in more than a decade.

In 2020, worldwide retail ecommerce sales grew by



This rapidly evolving and competitive landscape offers many benefits to consumers, such as convenience and greater choice, but it also presents more opportunities for fraud.

Recent research has indicated that in 2019, card fraud across Europe had reached

€1.55 billion

More than three quarters (76%) of this fraud happened during remote purchases, where an electronic payment is made 'at a distance' and neither card nor customer are physically present (such as an ecommerce or mobile payment). Fraud has continued to increase since then, however, with studies reporting a fraud-rate increase of 55% since the beginning of the Covid-19 pandemic.

Longer, more complex checkout processes lead to increased cart abandonment, with one in five shoppers abandoning their cart due to a *"too long/complicated checkout process".* In fact, more than two-thirds of consumers who abandon an online shopping cart due to checkout friction end up buying from a different merchant, or not buying at all. But under Secure Customer Authentication (SCA), these obstacles are vital security checks necessary to reduce online fraud.

Mandatory implementation of SCA across the European Economic Area aimed to make online sales more secure to protect everyone involved in the payments process – from consumer and trader to acquirer and banks – but inevitably introduces friction into the payments journey. The challenge for retailers is to process high volumes of online payments while also reducing fraud risk. Transaction Risk Analysis (TRA) secures acquirer SCA exemptions, helping retailers find the sweet spot between fraud risk-management and improving sales.

Performed in real time and with an instant response, TRA analyses transactions for abnormal spending or behavioural patterns, malware infection and any unusual features of the cardholder's device, software access or location. It facilitates SCA exemptions for low-risk online transactions up to €500, which means a frictionless checkout.

"TRA offers many benefits during online transactions," says Dave. *"It not only means smoother checkouts and shorter transaction times for shoppers, but also considerable pluses for businesses, including less cart abandonment and minimised fraud and chargeback rates."*

Five steps to reduce cart abandonment

Clearly show the payment methods you accept. Display accepted cards throughout your website to ensure your customers are aware of all their card payment options.

Don't force customers to create an account. Removing account creation speeds up the checkout process and makes it easier for customers to complete the transaction.

Remove unnecessary steps in your checkout journey. Two-to-five steps are optimal for high checkout usability ratings. Introduce simplicity and ease your customers' experience:

- **Offer guest checkout for new visitors.**
- **Let shoppers use social media sign-ins.**
- **Use address search from partial address entry.**
- **Focus on the mobile user experience process.**

Streamline the payments page:

- **Display local currency for cross-border shoppers.**
- **Set length of the card number based on the card type.**
- **Confirm validity of the card number before progressing to help catch typing mistakes.**

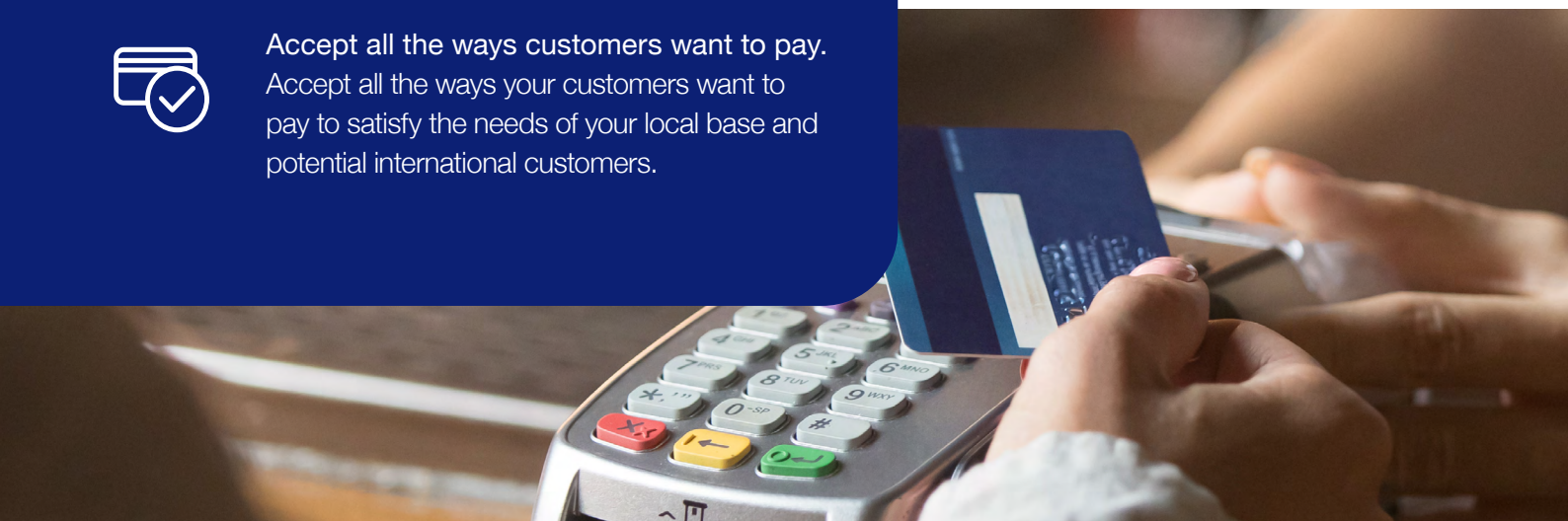
Use the potential of autofill. Seize the potential of autofill to reduce the time customers spend completing check-out forms.

Accept all the ways customers want to pay. Accept all the ways your customers want to pay to satisfy the needs of your local base and potential international customers.

Shoppers expect the payments process to be quick, frictionless and secure, and they want the option to pay in the way that suits them best. If you are an online retailer and want to expand your business into new markets, then offering customers direct currency conversion (DCC) at point of sale can help increase international sales conversions. The potential benefits of DCC for retailers include:

- Less shopping-cart abandonment and increased conversions, due to transparent pricing
- Fewer refunds and chargebacks, as customers know exactly what price they are paying
- Lower card-decline rates, as a payment processed in a currency other than that used to make the payment is more likely to be considered fraudulent
- No foreign-exchange risk for your business or customers, as this is fully managed and absorbed
- New revenue stream, as you earn a rebate with every DCC transaction processed.

In recent years, the increase in digital wallets and mobile-payments options is striking. The likes of Apple Pay, Google Pay, PayPal and Revolut can be used via an app on a shopper's smart device. By the end of 2020, the numbers registered for mobile payments in the UK had increased by three quarters in just one year to over 17 million people.



Digital wallets work in all consumer payment environments, from face to face and unattended to online and omnichannel. They emerge in Elavon research as a growing trend amongst every age group, but this trend is especially relevant for businesses targeting younger consumers. As an average, 16% of all adults surveyed said they had started using digital wallets or used this payment method more often due to the pandemic. But uptake was almost double that (31%) for those aged 25-34, and just over double the average for adults aged 16-24 (33%).

Importantly, across all age groups, almost four out of five (79%) of those who started or increased their use of digital wallets intend to continue using them.

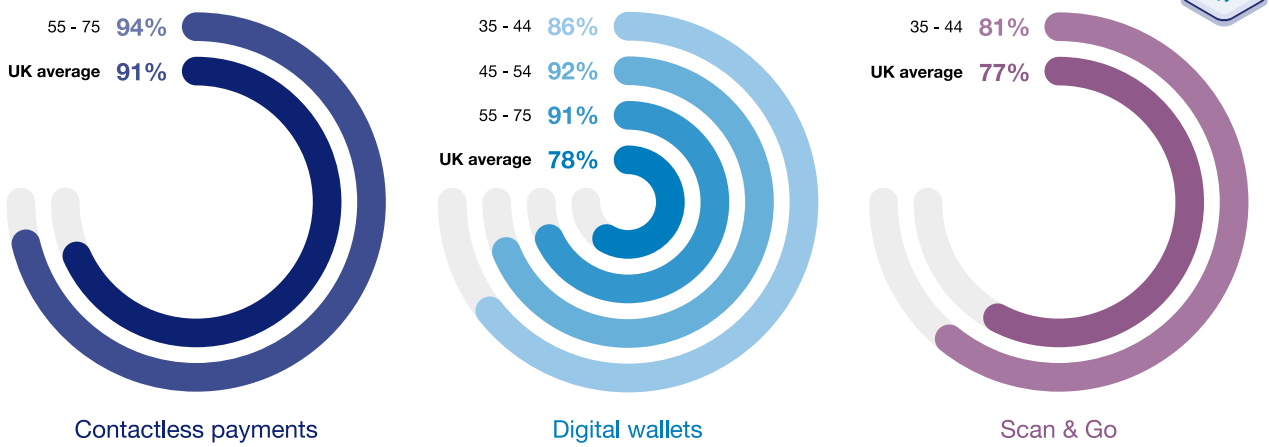
"An important part of the omnichannel customer experience is seamless payments."

Dave Walker, Head of Corporate Retail (UK), Elavon Europe.

"Customers expect integrated online and offline sales portals," says Dave. *"Shop staff need to be able to quickly access shoppers' online-purchase histories, while also keeping payment data secure. Shoppers expect an invisible, instant switch between digital and in-person customer service, so they can get their refund or exchange their online purchases in-store without missing a beat. Can your payments provider facilitate this – and all without the customer even noticing? If a retailer can't keep up with these customer demands, shoppers will instead turn to businesses that can."*

Cross-tokenisation easily facilitates this, replacing payment card numbers and cardholder data with random alphanumeric characters that represent them in a merchant's system. It 'remembers' shoppers from one channel to another, which simplifies and streamlines both click-and-collect services and online returns in-store.

The digital payment methods people in the UK have adopted, which they expect to continue, including keenest age brackets



Ipsos MORI: Online survey conducted in UK. May 28-June 1, 2021. Base: respondents aged **16-75** who started, or did more of, each payment method as a result of Covid-19. Sub-base: **Contactless, 557/ Digital wallet, 187/ Scan & Go, 140**

"Consumers expect and, indeed, demand convenience and choice when it comes to payments. They're giving retailers their business and trusting them with their financial details," says Dave. *"If you don't offer shoppers what they want, they'll go elsewhere. The right provider easily takes care of complex payments requirements so you can exceed expectations, which can help secure customer loyalty.*

"Cross-tokenisation also enables one-click checkouts when buying online, so customers don't have to re-key information," he adds. *"They can complete their purchases before there's time for second thoughts and abandoned shopping carts."*

Tokenisation also facilitates the growing trend for 'buy now, pay later' (BNPL), which allows consumers to split the cost of online purchases across regular payment instalments and purchase items they might not otherwise be able to afford. As online shopping surged during the pandemic, more and more shoppers took advantage of BNPL, with the UK market nearly quadrupling in 2020, hitting £2.7 billion in transactions.

"With tokenisation, retailers can easily set up recurring payments or subscriptions," Dave continues. *"It cuts down on time spent on collections and eliminates paper invoicing. It's even possible to keep tokens updated when a customer is issued a new card, which reduces the number of declined transactions and saves retailers' time."*

Let customers pay how they want

New payment technologies mean that the checkout experience is evolving. In-store shoppers no longer need to contend with old-fashioned registers and tills, as technology streamlines the payments process, helping to eliminate frustrating queues.

Just as there are many different types of retail, there are many types of payments experience. *"Customer demand and behaviour differs greatly among retail sectors,"* says Peter Charmant, Head of Corporate Retail (Pan-EU and Ireland), Elavon Europe. *"A supermarket shopper buying a week's groceries might prefer to use a handset to scan barcodes as they move through the store, to track their spending and save time by packing their items as they go.*

"This way of shopping, with no interaction with staff, became much more popular in recent years. Alternatively, if shoppers are just buying a few items, they might prefer a self-checkout kiosk rather than queue at a checkout conveyor belt. The retailer might offer a number of different checkout options within the same store, giving customers the choice."

Supermarket checkout methods differ from those of a clothes shop, a pharmacy or luxury retail, where shoppers typically expect more interaction with store staff. Yet even high-street retail is increasingly embracing mobile payments and self-checkout technology to meet consumer demand and remove the pain point of queues.

Indeed, with customers well accustomed to making payments via mobile devices, there is a growing demand for this technology, with one third of fashion shoppers saying they are interested in using self-checkouts. This rises to 44% among 16- to 24-year-olds. Digital innovations such as automated collection points for online shopping orders and self-checkouts on exiting fitting rooms are at the cutting edge. But mobile point-of-sale (mPOS) solutions that effectively bring the till to the customer, wherever they are in-store, also eliminate queues and enhance the customer experience.

Next-level loyalty programmes

It costs much less to sell to repeat customers than attract new ones, which is why businesses invest in loyalty and rewards schemes. Loyalty programmes have long been recognised as an effective tactic for customer retention and for increasing revenue. Essentially, such schemes encourage customers to continue buying from you rather than your competitors. The more a customer buys from or engages with your brand, the more rewards they earn. Research has found that companies with strong loyalty programmes grow revenues 2.5 times faster than their competitors and generate 100-400% higher returns to shareholders.

"Businesses might well have attracted new online customers over the past few years and understandably want to keep them," says Peter.

"Increasing wallet share can be a cheaper, more efficient and therefore a more profitable strategy for boosting revenue than attempting to expand overall market share. By analysing customers' spending and behavioural patterns, you can build on the information you've gathered from your loyalty-programme subscriber lists and target customer segments."

Loyalty programmes are effective, but nothing new. Retailers are familiar with ways of gathering shopper contact details and with the power of issuing SMS or email-only offers, re-engagement messages to remind repeat customers of your goods or services, and outreach messages based on the timing of the customer's last purchase (especially for consumable goods that need to be repurchased or replenished regularly).

But forward-thinking retailers are futureproofing, finding innovative ways to build rewards programmes and inspire customer loyalty. Next-level loyalty schemes maximise in-app technology to reward repeat shoppers. Retailers can personalise offers based on previous purchases or demographics (for example, whether the customer has young children, lives alone or is urban based), surprising them with little 'thank-you treats' or even making donations to their chosen charities every time they use the retailers' apps.

More than 70% of smartphone apps are able to track users

Analytics provides insights into customer behaviours to help tailor marketing efforts, and maximise marketing spend, instead of taking a scattergun approach. Clever analysis can help you focus on increasing 'share of wallet' – the amount of money an existing customer spends regularly with you, rather than buying from competing brands – rather than increasing market share.

Retailers can identify never-thought-of contexts in sales data and categorise transactions in detail. Digital payments, whether made in-store or online, can be tracked and analysed to give retailers a view on consumer spending habits in ways that cash never could. With online, cloud-based reporting tools, retailers can access and manage accounts anytime, anywhere. Comparing business data across every shop – weekly, daily or even hourly – provides a comprehensive view of both shoppers and shops, all in one place. Getting to know customer habits means more informed, evidence-based business decisions.

Shopping apps also allow retailers to learn more about their customers. Using apps, shoppers can buy quickly on their phones, while apps also offer discounts and rewards when they shop in-store. But with more than 70% of smartphone apps able to track users, securing permission from customers to use location tracking can personalise marketing efforts like never before. *"Some retail shopping apps can use GPS, Bluetooth and WiFi to let them know customers' locations and selectively target them with advertisements to spend money in their bricks-and-mortar shops,"* says Peter. *"The best chance to get shoppers into your store is when they're nearby, so notifications and offers will pop up when customers are close by – or, if already in-store, the retailer can send a promotion as the customer approaches a particular department. The technology can track people in real life like online and connect the two."*

Payments-solutions providers can also glean information for retailers on what customers are buying, when they are buying and how they pay. Multi-spend reports use data analytics and insight into customer spend and behaviour in real time, which retailers can use to incentivise upsell and influence and to increase marginal spend – perhaps an offer pinged to a regular customer's phone before they make that lunchtime purchase.

Sustainable retailing

Sustainability is no longer a niche approach in retail, but a vital aspect of any business. From paying staff a fair wage and minimising packaging, to stocking Fairtrade items and supporting local producers, consumers care more than ever about the ethics and sustainability of their shopping habits and their purchases.

Nearly eight in ten respondents indicate sustainability is important to them, with almost two-thirds happy to change their shopping habits to reduce environmental impact. This approach has been fuelled by a combination of escalating climate hazards and growing consumer consciousness. The Covid-19 pandemic only accelerated the sense of urgency around the climate crisis and the sense that, as responsible citizens, we are 'all in this together'.

"A retailer's own sustainability, as well as that of the items they sell, will be a key factor of differentiation in the marketplace," Peter affirms. *"As consumers become ever-more more conscientious about who they buy from and why, they're weighing up the environmental and social implications of their purchases. Socially conscious consumerism will continue to grow, as shoppers want brands they trust and that reflect their own values."*

Any initial outlay required for a retailer to become more sustainable is likely to pay dividends in the longer term, as research shows that consumers are willing to pay more for environmentally friendly choices. Some 46% of shoppers are willing to pay a premium for eco-friendly/sustainable packaging, with 50% happy to pay a premium for locally produced items. Beliefs drive buying, as more and more consumers shop 'for good'. Nearly six in ten (57%) are willing to change their purchasing habits to help reduce negative impact to the environment. Among those who say sustainability is important for them, this jumps to 77%. Moreover, of those who say these traits are very important, over seven in ten are willing to pay a premium for brands that support recycling, practice sustainability and/or are environmentally responsible.

50% of shoppers are happy to pay a premium for locally produced items

Large global consumer brands that ignore sustainability increase reputational and business risk. A Deutsche Bank report revealed that companies that experienced positive press regarding climate change saw share-price outperformance of 26% per year over the Morgan Stanley Capital International (MSCI) World Index.

With the increasing consumer focus on sustainability comes a closer analysis of purchasing and consumption models and the rise of the 'circular economy'. This approach champions alternative ways to attain products, such as renting, recycling or repurposing.

When it comes to purchasing pre-owned, repaired or renewed products, some 70% of those surveyed have tried or would like to try such practices, and 84% of those who have tried them plan to continue to do so. As for renting products, nearly 60% of those surveyed have tried it or would like to, and 77% of those who already do plan on doing it again. For retailers, keeping pace with the circular economy will mean embedding more 're-commerce' within their business models.

In consumer opinion, sustainability is closely linked to locally sourced products and produce, especially food and drink. In times of pandemic restrictions, not only did shoppers go online, but they also went to their local shops, which were boosted by the shift to working from home and strengthened interest in supporting businesses that have kept communities going during lockdown restrictions.

Nearly two-thirds of consumers have chosen to buy closer to home since March 2020.

And shopping locally is set to be a lockdown legacy, with more than nine in ten who supported smaller and independent businesses reporting they will continue to do so, a survey has found.

"This movement is also strong on direct sales, a rising trend due to online delivery services, and is largely centred on local shops, farmers' markets and farm shops that source or supply from artisanal producers or farmers," says Peter. *"These trends are likely to continue, with consumers enjoying closer links to their local economy and engagement with makers about the origins of their products and production methods."*

Sustainability strategies

Premium potential

Consumers are willing to pay a premium for ethically and/or locally produced goods. Focus your marketing efforts on highlighting the sustainable credentials of your business and the brands you stock.

Minimise packaging

Minimising waste is a priority for consumers. Retail has a responsibility to reduce plastic usage and packaging waste, especially considering the air miles that can clock up when delivering online orders.

Appeal to younger shoppers

Stress the importance of shopping local to Millennial and Gen Z customers. Research shows that older shoppers are more aware of the positive impact that purchasing locally produced products has on their national economy. Retail should seek to positively influence younger consumers to support businesses in their communities.

Where do we go from here?

We've discovered endless ideas and to explore and questions to ponder, and we're excited about working through some of these with our customers and partners.

Here are just a few areas which make great food for thought as we continue on our journey:

Is retail ready to use technology for a more personalised shopper experience, but also to capture valuable customer insights and drive operational efficiency?

What are the technical challenges retailers face when integrating new payments and inventory technology into existing systems and processes for seamless omnichannel transactions?

What are the logistical challenges involved in incorporating new ways to shop (such as click and collect, dark stores and VR hubs) into bricks-and-mortar premises?

In an increasingly touchless environment, can you offer a choice of simple, secure payments options – whether contactless or via digital wallet in-store, or through an app or website?

With ecommerce growing among all age groups, how will shopper profiles change and how will this impact in-store, online and omnichannel shopping?

Consumers want to shop with brands that reflect their ethical and environmental values. How can retail meet sustainability demands while offering choice and making a profit?

Embracing the future of retail

The future is now. The world is changing quickly, so only by talking and collaborating can we understand and address the opportunities and challenges facing the retail sector.
You could be an online store seeking to offer safer, friction-free payments; a large chain that wants to provide an integrated, omnichannel experience for your customers; or a showcase store that serves as an experiential hub for shoppers.

Whatever your interest or need, the retail team at Elavon is ready to help you explore your options and shape your plans.
Or contact your relationship manager, who will always be happy to talk with you.

This paper is part of the Elavon 'Future Now' series of thought leadership. We've created a suite of tools and supports that will help you to explore and understand the fast-changing world of retail.

Visit www.elavon.co.uk/retail, where you'll find case studies, industry insights and information about Elavon's retail payments experts, who will be happy to start a conversation with you.

Look out for more 'Future Now' content as we dive into other sectors such as hospitality and transport, exploring how payments innovation and technology can help businesses to build and grow, through economic uncertainty and recovery into an exciting and prosperous future.

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