The future of commerce: How retailers can adapt

Embracing innovation and agility in a transforming marketplace

bazaarvoice™

What's inside

Introduction

As an e-commerce leader, you're no stranger to the fast-changing retail world. Recent years have underscored the need for flexibility and innovation as the industry adjusts to changing circumstances. However, keeping up with evolving consumer preferences and new technologies requires strategic foresight.

We created this guide to help you:

- Understand the key forces reshaping the retail industry

- Explore current and emerging trends in retail

- Learn how artificial intelligence (AI), augmented reality (AR), and virtual reality (VR) are revolutionizing retail

- Understand the evolving preferences and behaviors of consumers

- Balance technology with human interaction and privacy concerns

- Gain expert insights on future developments in retail

- Act on insights for innovation and adaptability

This e-book offers practical insights and strategies to help retailers achieve growth and success.

Charting new horizons in retail

Retail is changing rapidly due to shifts in consumer behavior and tech advancements. To keep pace with these changes, retailers need to innovate, experiment with new business models, and cultivate stronger connections with their customers.

Let's look at 8 key trends driving change:

1 Accelerated pace of digital transformation
The digital wave has been supercharged by recent global events like the COVID-19 crisis, which caused digital services to leapfrog years of progress in a matter of months.[1] This fast and ongoing digital shift is reshaping customer interactions and pushing retailers to keep innovating.

2 The new omnichannel
The new omnichannel goes beyond sales channels. AI tailors experiences across touchpoints while click-and-collect, voice, and AR shopping feel increasingly individual. Forget seamless. It's about building communities and curating personalized experiences.

3 Conscious consumerism continues its rise
Conscious consumerism isn't just a trend. It's a generational mandate. Gen Z, which currently accounts for 40% of buyers, is willing to pay more for purpose-led brands.[2] At the same time, sustainable products are driving a disproportionate amount of growth in consumer packaged goods.

4 Personalized experiences
Personalized experiences aren't a luxury, they're a must. Salesforce's State of the Connected Customer report highlights that 66% of customers expect companies to understand their needs. Retailers need to use data analytics and AI to meet these expectations.[3]

5 Emerging technologies

AI, AR, and VR are transforming retail, creating immersive shopping experiences. The global AR and VR market is projected to hit $32.1 billion by 2023, highlighting the growing importance of these technologies in retail. Think virtual try-ons, product visualization, virtual fitting rooms, virtual store tours, and in-store navigation.[4]

6 The evolving economic landscape

Economic shifts require retailers to maintain flexible business models and adapt to changing consumer spending. The Bazaarvoice Shopper Experience Index shows 73% of consumers globally have altered their spending due to economic factors.[5]

7 Regulatory and privacy concerns

As retail becomes more digital, data security and privacy are crucial. Laws like GDPR are changing how retailers manage consumer data. Retailers need to protect customer information and rethink their data strategies to keep customer trust and ensure a secure shopping experience.[6]
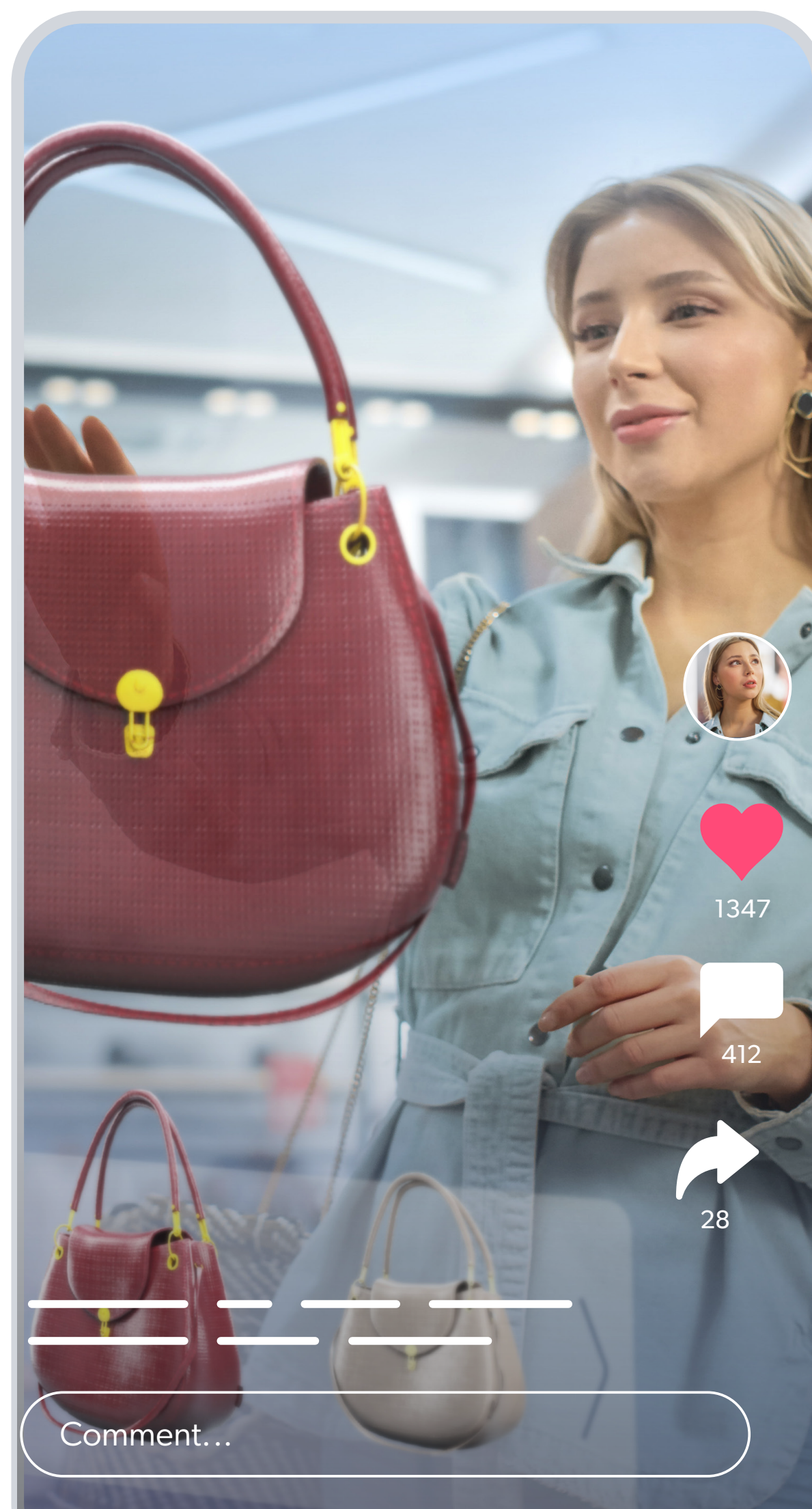
(8) Changing demographics and consumer behaviors

The demographic shift, particularly the rise of Gen Z as a consumer force, is altering the retail landscape. And Gen Z's preferences for digital-first engagements and social media influence are reshaping retail marketing strategies.[7]

The future of retail isn't just about change – it's about seizing opportunities, fostering innovation, and having the courage to redefine the shopping experience.
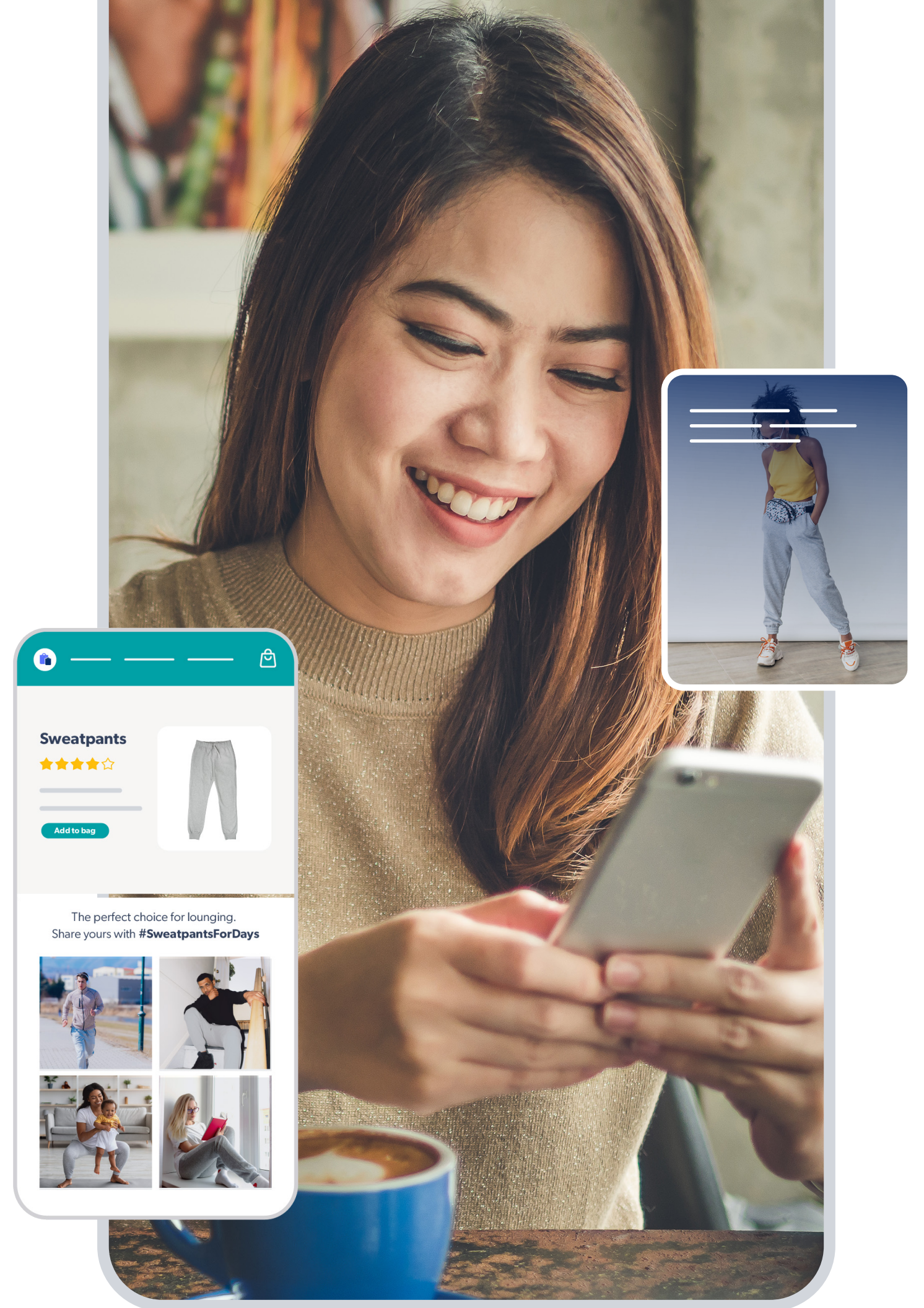
History and evolution of retail

Technology has consistently transformed retail, from bustling marketplaces to today's digital domains, reflecting its ongoing adaptation to changing consumer needs.

From marketplaces to digital spaces: A journey through time

Early beginnings
(Pre-20th century)

Local marketplaces with bartering give way to fixed-price shops

Mid-20th century advances

Post-WWII sees the rise of suburban malls and self-service supermarkets

Late 20th century
Tech infusion

Barcodes and EDI systems streamline inventory and sales

Dot-com boom
(1990s-2000s)

E-commerce platforms like Amazon and eBay take retail online

21st century
Omnichannel retailing

Online and offline channels integrate for a seamless shopping experience

Consumer behavior

Evolving expectations drive retailers toward more customer-centric models

Current trends in commerce

OMNICHANNEL 2.0

The traditional omnichannel focused on seamlessly integrating online stores, physical shops, mobile apps, and social media. The next level of omnichannel is all about personalized, immersive experiences that connect with customers on a deeper level.

Beyond convenience, it's about:

→ **Spontaneous engagement:** Try on clothes virtually, discover hidden gems in-store – the future omnichannel weaves shoppable moments into the fabric of everyday life.

→ **Brands as partners:** No longer just retailers, brands become community builders, fostering connections, and offering tailored experiences across touchpoints.

→ **Immersive experiences:** Forget sterile aisles and checkout lines. Omnichannel stores are vibrant, interactive spaces that engage all senses and inspire exploration, not just transactions.

Take Sephora's Virtual Artist app, which leverages AR to bring makeup try-ons directly to customers' smartphones. With a few taps, they can virtually experiment with lipsticks, eyeshadows, and more, seeing the results in real-time on their own faces. This personalized, interactive experience is revolutionizing how customers discover and purchase beauty products.
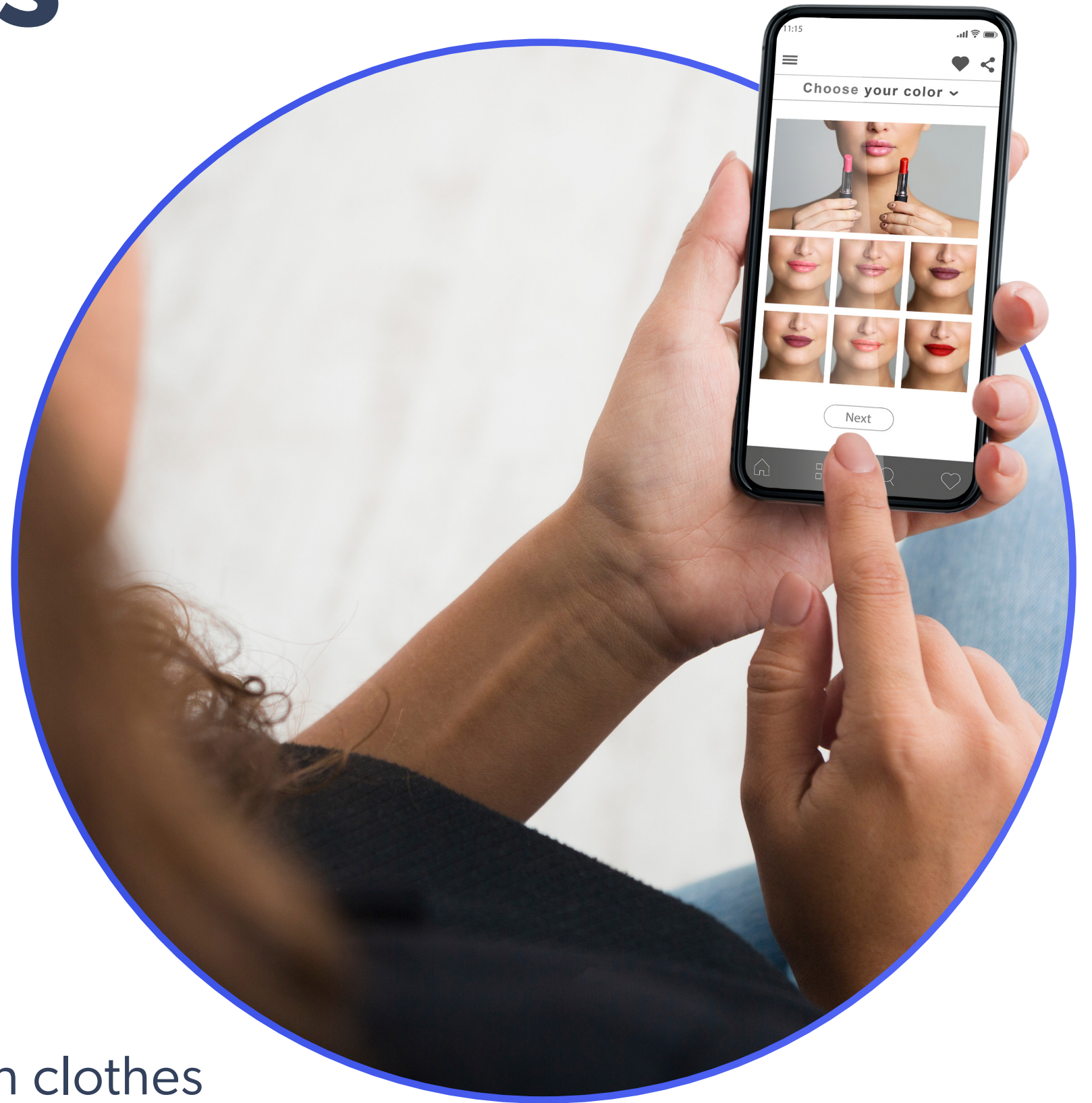
AUTHENTIC SOCIAL PROOF (UGC)

User-generated content (UGC), which includes customer reviews, photos and videos, testimonials, and social media posts, has become a pivotal factor in retail.

UGC is more than just content. In retail, it's a powerful tool that:

→ **Enhances authenticity:** UGC provides genuine insights from real users, influencing purchasing decisions and building trust in the brand and its offerings.

→ **Cultivates community:** UGC creates a sense of community for consumers in online retail, where physical interactions are scarce.

→ **Embodies credibility:** UGC adds a layer of authenticity and social proof, validating the brand's reputation and its products or services.

→ **Instills confidence:** UGC builds customer trust and confidence, encouraging repeat purchases and brand loyalty.

→ **Guides the consumer journey:** UGC serves as a beacon of trustworthiness in a crowded market, guiding consumers from discovery to purchase.

UGC is transforming the retail landscape, turning everyday consumers into trusted influencers, and shaping how products are discovered, evaluated, and purchased.

A perfect example is Petco, which uses UGC to build a community of pet parents. By encouraging pet owners to share experiences and reviews, Petco fosters sincere relationships with pet parents, helping them provide the best care for their animals.
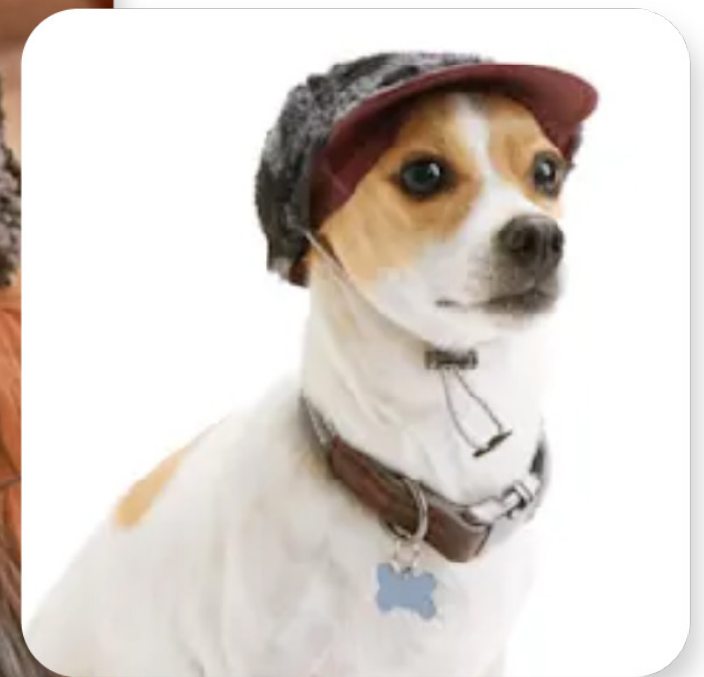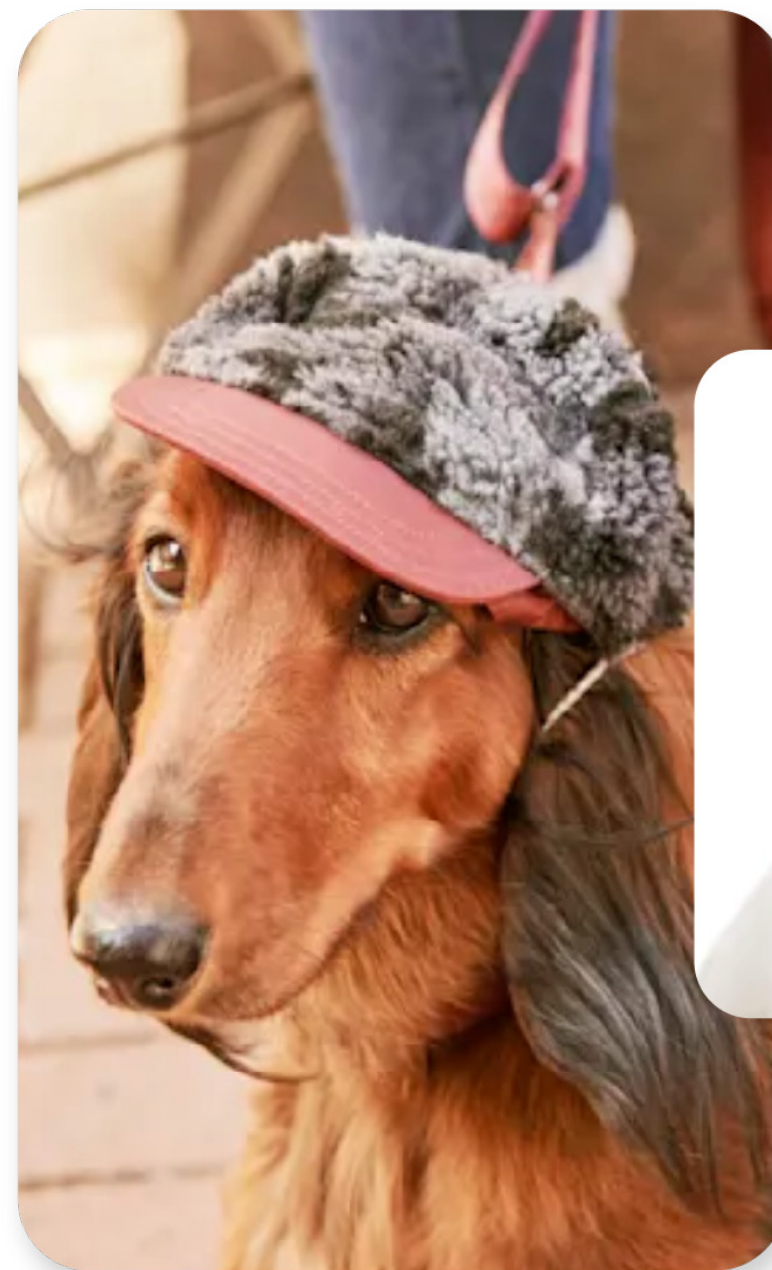
The role of technology in future commerce

AI, AR, VR, and evolving payment systems are redefining the shopping experience, offering retailers opportunities to enhance customer engagement, optimize operations, and gain a competitive edge.

AI FOR PERSONALIZED EXPERIENCES AND DATA-DRIVEN INSIGHTS

AI is poised to revolutionize retail by enabling retailers to personalize shopping experiences and gain valuable insights from customer data.

Actionable steps:

1. **Implement AI-powered product recommendations:** Analyze customer purchase history, browsing behavior, and demographic data to recommend products that align with individual preferences.

2. **Use AI chatbots for 24/7 customer support:** Provide prompt, personalized assistance to customers through AI-powered chatbots that can answer questions, resolve issues, and guide customers through the shopping journey.

3. **Employ AI for predictive analytics:** Leverage AI to forecast customer demand, optimize inventory management, and prevent stockouts or overstocks.
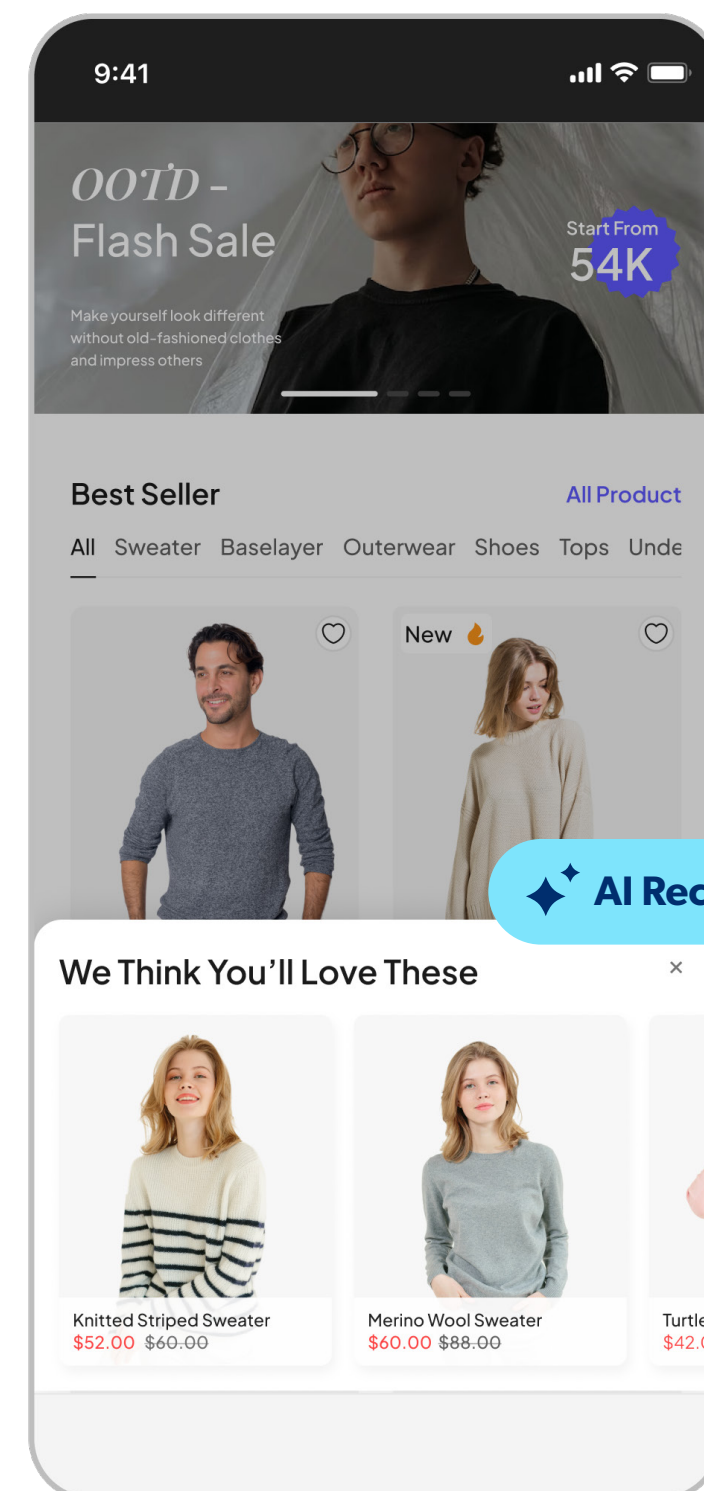
AR AND VR FOR IMMERSIVE SHOPPING EXPERIENCES

AR and VR are transforming how customers interact with products, providing an immersive and engaging shopping experience.

Actionable steps:

1 **Develop AR apps for virtual try-ons:** Allow customers to use AR for virtual fittings of clothes, accessories, or makeup, reducing return rates.

2 **Implement AR apps for product visualization in real-world settings:** Enable customers to see how furniture, décor, or other products would look in their own homes using AR technology.

3 **Create VR-enabled virtual stores:** Offer customers an immersive shopping experience by replicating your physical store in a virtual environment.

EVOLVING PAYMENT SYSTEMS FOR FRICTIONLESS AND SECURE TRANSACTIONS

The future of retail payments is moving towards enhanced convenience and security, driven by consumer demand for seamless transactions.

Actionable steps:

1 **Integrate digital wallets and contactless payment options:** Offer customers a variety of digital payment options for a quick and hassle-free checkout experience.

2 **Explore the potential of blockchain technology:** Investigate the potential of blockchain technology to enhance security and transparency in payment systems.

The future of commerce is being shaped by evolving technology. Retailers that adapt to these changes can offer better shopping experiences, drive sales, and build customer loyalty.
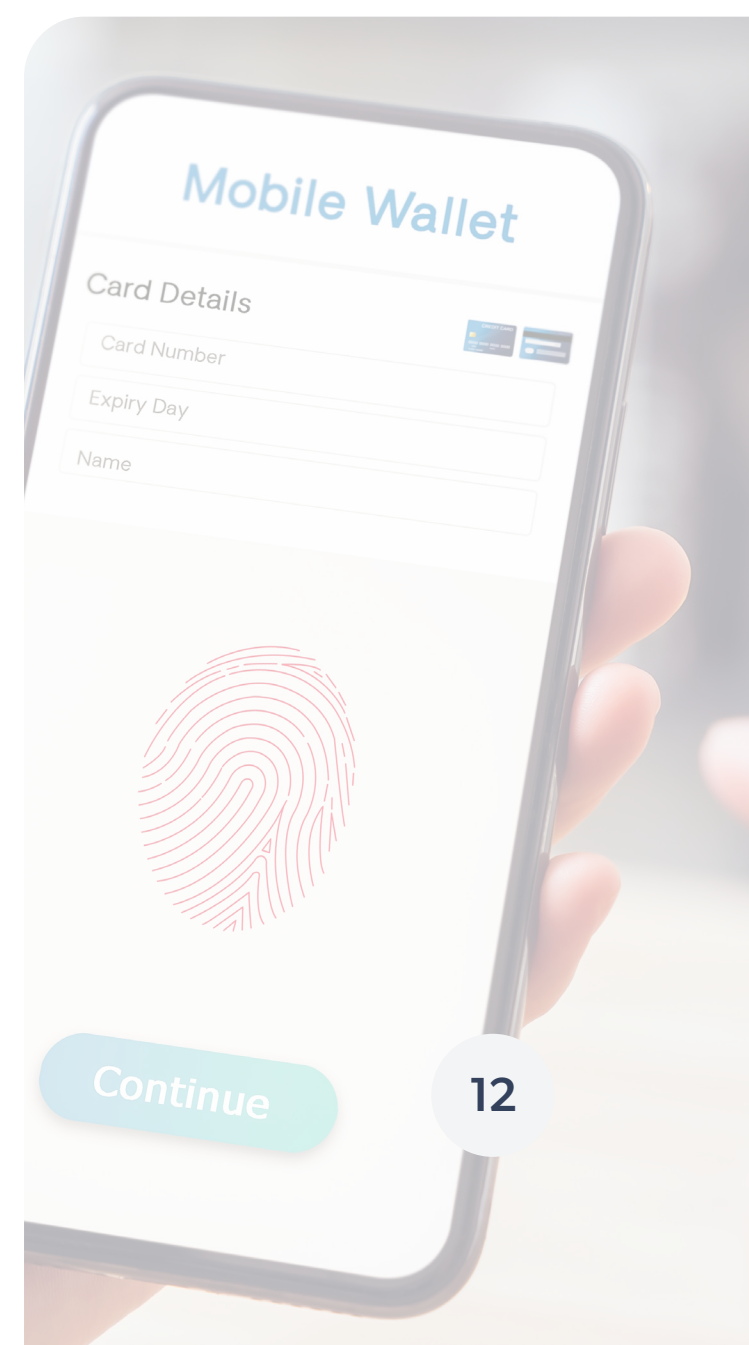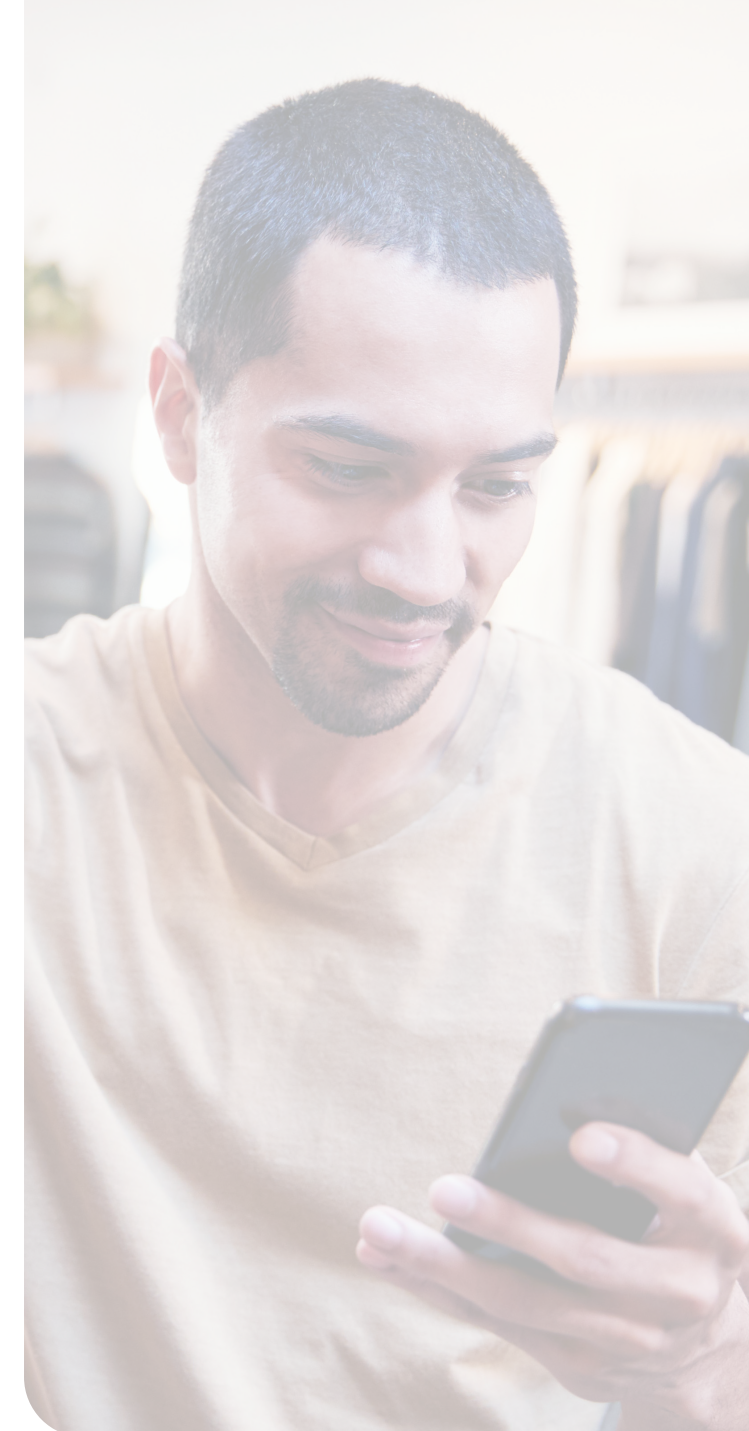
Top concerns of future consumers

Understanding tomorrow's shoppers: 3 dominant consumer mindsets:

The tech-savvy shopper

Always connected, seeking seamless online experiences and personalized recommendations.

The values-driven consumer

Driven by purpose and ethics, chooses brands that align with their beliefs and support sustainable practices.

The data-empowered customer

Trusts technology, willing to share data for relevant benefits but expects strong privacy and security measures.

The future of retail isn't one-size-fits-all. To thrive, brands must understand the diverse motivations and priorities of tomorrow's shoppers.

Challenges and opportunities

3 key challenges and opportunities retailers must navigate to thrive in the future:

DATA PRIVACY AND PERSONALIZATION

Challenge

Retailers face competing priorities. They must provide the personalized experiences that consumers increasingly demand, while adhering to stricter data regulations and addressing growing privacy concerns.

Opportunity

Retailers can personalize shopper journeys without personally identifiable information (PII) through contextualization, which helps predict a customer's next move using past clues and future possibilities. Alternative solutions like Contextual Commerce, for example, use non-intrusive techniques so retailers can offer personalized experiences, respect data privacy, and build consumer trust – without relying on sensitive customer data.

REACHING NEW MARKETS AND DEMOGRAPHICS

Challenge

As consumer demographics change and preferences evolve, retailers need to reach and appeal to new market segments.

Opportunity

Understand and adapt to cultural differences, varying consumer behaviors, and emerging trends. Retailers that navigate these complexities can expand their reach, diversify their customer base, and tap into new market opportunities.

ADAPTING TO REGULATORY CHANGES

Challenge

Retailers need to stay updated and comply with changing regulations, especially in data privacy and consumer protection.

Opportunity

Adapt practices and policies to meet these standards, while keeping a focus on the customer. This involves monitoring regulatory developments, adapting business practices proactively, and communicating openly with regulatory bodies.

Retailers that see these challenges as opportunities to improve their operations, strengthen customer relationships, and expand their reach will be successful in the changing retail landscape.

An expert's perspective

TREND: FUTURE-PROOFING OMNICHANNEL EXPERIENCES

A recent report by S&P Global Market Intelligence/451 Research, 2024 Trends in Customer Experience & Commerce[8], identifies over $250 billion in potential revenue opportunities for retailers by tackling issues in the customer journey. The report provides a detailed analysis of specific areas of friction, offering valuable insights and practical recommendations for improvement.

"By meticulously quantifying detailed customer feedback and behavioral data, retailers can pinpoint the exact location of pain points within their customer journey," advises Sheryl Kingstone, S&P Global Market Intelligence/451 Research. "These insights are far more powerful than broad metrics like satisfaction scores and expose specific issues hindering customer conversion and loyalty."

Kingstone emphasizes the substantial opportunity hidden within these pain points: "A $49 billion opportunity lies solely in addressing checkout abandonment issues. By understanding the specific reasons behind customer drop-off, retailers can take targeted action, such as streamlining checkout processes or offering alternative payment methods."

With new customer data tools and AI-enabled quantification capabilities, retailers that are proactive and use data to optimize the customer journey can take advantage of a $250 billion opportunity and unlock a future of sustained growth and customer satisfaction.

The Bottom Line

The retail landscape is shifting, driven by evolving consumer habits and disruptive technologies. To thrive, retailers must embrace agility, prioritize customer experience, and leverage data-driven insights.

With visionary leadership, creativity, and tech-savviness, retailers can navigate these challenges and unlock new avenues for growth and profitability. While the future of retail may be ambiguous, adaptability is the key to staying relevant.

Key takeaways

> **Embrace digital transformation:** Retailers must innovate to enhance the customer experience, adapting to the digital-first preferences of Gen Z.

> **New Omnichannel strategy:** A seamless blend of online and offline experiences is key to meeting customer expectations and increasing sales.

> **Sustainability and compliance:** Retailers need to integrate sustainable and ethical practices into their operations while also complying with data security and privacy regulations.

> **Contextual commerce:** Embrace the use of AI and data analytics to deliver personalized experiences, respecting privacy and building trust, without relying on sensitive customer data.

> **Navigating economic fluctuations:** Adaptability and flexible business models are essential to respond to changing consumer spending habits and economic uncertainties.

Discover how user-generated content can drive retail growth.

Get Started

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