

It's a shop



Experience: the new battleground in retail

European study

adyen

Foreword

Every year brings new changes for retail.

Technology is pushing the boundaries of how we shop. First, there was the internet, then mcommerce, and now there's conversational commerce, smart speakers, and wearables. In fact, today, any connected device or social network is a potential sales channel.

On the flip-side, the traditional retail environment is evolving too. The headlines are full of high-street closures and it's clear that retailers that aren't adapting are struggling. But others are thriving by making stores destinations in their own right; Apple serves coffee, Patagonia hosts yoga classes, and Nike lets you test-drive your trainers in an in-store basketball court.

So, in a world where anything can be a shop, and a shop can be anything, how do you evolve to serve today's shoppers? Clearly, overhauling all your systems at once isn't practical. Instead, we recommend an iterative approach, starting small and evaluating results based on shopper data. And, since data and insight is so important, we've partnered with 451 Research to survey over 5000 shoppers and 500 retailers across Europe to help you understand shoppers better in the context of the broader retail environment.

In fact, using 451 Research's Global Unified Commerce Forecast, we discovered that retailers failing to meet customer expectations cost the industry over €16.3 billion in lost sales in the past 12 months.

Convenience, Context, and Control

The survey revealed one overarching theme, which summarizes the expectations of today's shopper: Convenience, Context, and Control (the 3Cs).

Convenience

Today, shoppers expect to browse and buy on their terms. As you'll see in the report, this means no queues and the ability to pay quickly and easily. Investing in technology like one-click payments and in-store mobility won't just save a sale, it will help you increase loyalty in the long term.

Context

Shoppers expect a consistent experience across every touch-point. Enabling seamless cross-channel journeys, topped off with personalised services, will keep shoppers coming back for more. Technology like chatbots and smart speakers not only make shopping easier, but they'll increase your efficiency and provide you with a wealth of data to improve your services.

Control

Shoppers want to be in the driving seat. They want control over how their data is used, so security and transparency is paramount. They want control over which payment methods they use, so supporting their preferred methods will improve your brand experience. And they want control over their time; they don't want to visit your store only to find the product is out of stock.

Beyond retail

The world of commerce goes much further than traditional retail and a lot can be learned by looking beyond the horizons of your own vertical. This is why we've included hospitality and Quick Service Restaurants (QSR) in our survey; you'll find some interesting lessons that can be applied to any sector.

We hope you find the report useful. If you have any questions about the survey, or how Adyen can help you deliver the experiences your shoppers expect, we'd love to hear from you.

[Visit \[adyen.com/contact\]\(https://www.adyen.com/contact\) to get started.](https://www.adyen.com/contact)

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Key findings

'Spendsetters' are a category of shoppers 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.

Customers want a next-generation shopping experience. We found that 50% would increase shopping frequency online if they could receive product recommendations and make a purchase with a chatbot, while 51% said being able to check stock online before heading into the retail store would increase their loyalty.

Customers have three fundamental demands in a shopping experience: convenience, context, and control. Many retailers are leaving gaps between their customers' expectations and what they deliver. For instance, 38% of consumers in our survey said anything more than a five-minute wait in line is too long, but only 28% of retailers use mobile point of sale (mPOS), and just 28% offer self-pay.

Retail organisations themselves have split opinions; those in leadership roles had differing views than those in store operations. For example, almost two-thirds (62%) of executives believe they understand the types of disruptions they are up against, while only 29% in operations said the same.

Quick Service Restaurants (QSRs) emerged as the vertical with the strongest desire to increase collaboration between in-store and online sales channels. Mobile order-ahead and online delivery are increasing this need; in fact, one in three consumers actually prefer to use digital channels (e.g. online, app, social) to purchase food from QSRs.

Not being able to meet expectations has a direct impact on the bottom line. Our analysis shows that retailers lost £15.7bn / €17.9bn in potential sales to their competitors over the last 12 months because of customers making a purchase elsewhere due to long queues. The retail industry as a whole lost out on £14.3bn / €16.3bn in potential sales during the same time frame because customers abandoned a purchase due to long queues and never made the purchase elsewhere.

Limiting customers' choice in payment method also has a major impact. We have found that retailers lost £1.1bn / €1.3bn in potential sales over the past 12 months because of not offering customers' preferred payment methods.



New shoppers demand new experiences

As technology gains a central role in how people experience the world around them, consumers are increasingly in the driver's seat.

For retailers, a critical part of their competitive differentiation must be to cater to shoppers' preferred ways of researching, browsing and buying. The battleground in retail is quickly moving beyond 'omnichannel' strategies. Consumers today expect intelligent, pervasive and seamless experiences, personalised to suit their specific needs.

The competitive landscape in retail is shifting from price to experience, sparked by this newfound demand for immersive interactions. Retailers today must 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

Retailers should familiarise themselves with two primary categories of shoppers: the 'Spendsetters' and the 'Resisters.'

Spendsetters love to use digital technology and tend to be early adopters. Roughly half (51%) of all European consumers fall within this category, as compared to a third in the US. In the millennial subsegment (18-34-year-olds), three in five of consumers are Spendsetters. Across the regions, we found that the Nordics had the lowest percentage of Spendsetters at 42% while Spain led all countries in our analysis with 56% of consumers registering as Spendsetters.

Spendsetters have the biggest appetite for digital shopping experiences. We believe they are setting the trend for how people will spend and shop in the future – hence the name.

Resisters, on the other hand, are less enthusiastic about new technology and are slower to adopt. In Europe, Resisters only comprise 8% of survey respondents, compared to the US where they accounted for one in five.

Those who do not fit into either category are Fence-sitters. This group, which falls somewhere between the two in terms of technology use and adoption, is composed of 41% of consumers. Approximately one in three (35%) of millennials fall into the category, rising to 57% of those over the age of 55. Within this group, nearly two in five (39%) are brand advocates and more than one in three (36%) love to shop.

We believe Fence-sitters 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

51%

Spendsetters set the trends for how shoppers spend

Customers that love to use digital tech and are early adopters of new tech

41%

Fence-sitters wait and see before adapting to new trends and tech

Customers that are initially on the fence about adopting and using digital tech

8%

Resisters resist trends and tech

Customers that dislike using digital tech and are slow to adopt new tech

Source: 451 Research

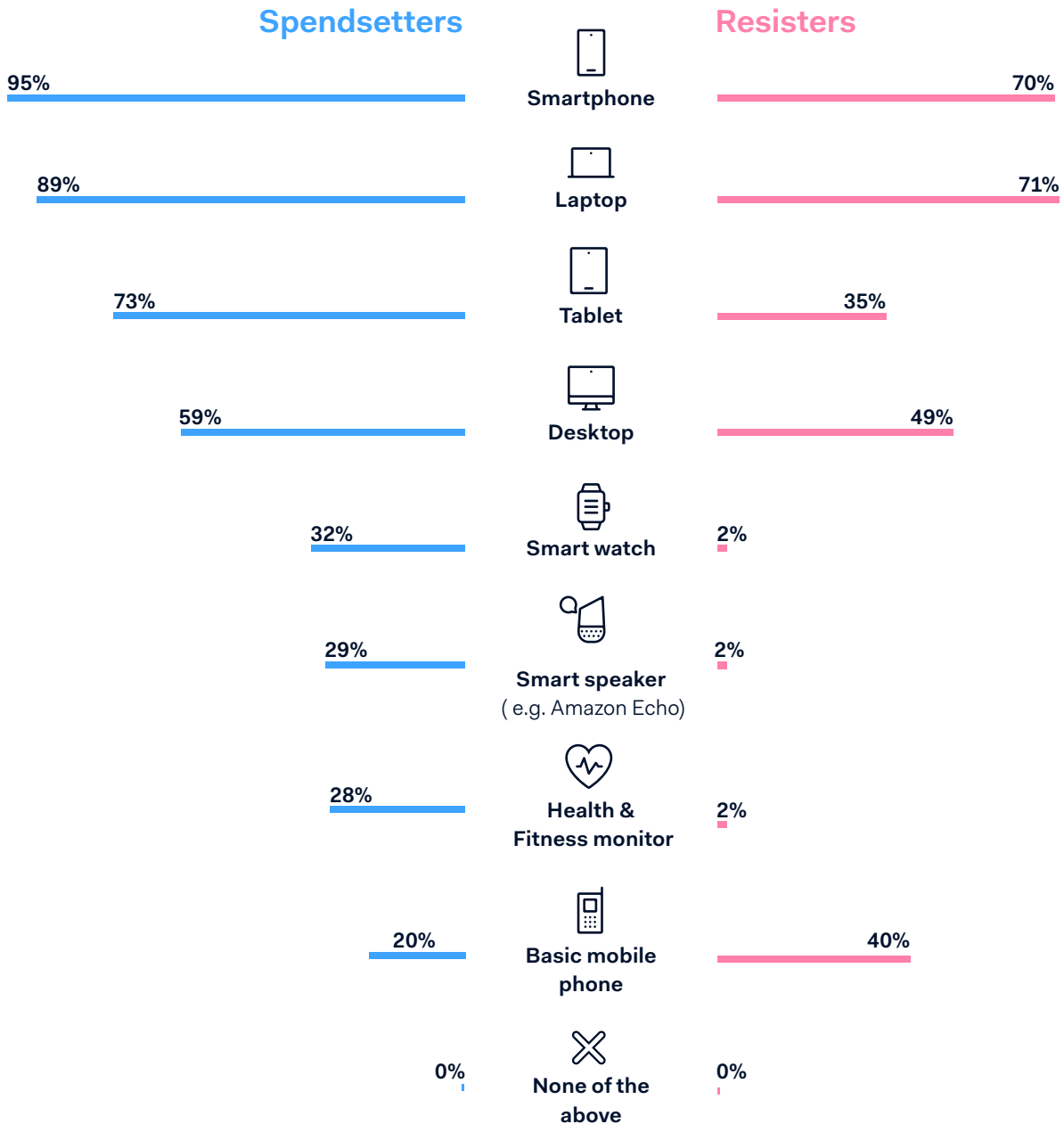


Both Spendsetters and Resisters are price-sensitive. But competing on price alone to serve either audience would be unproductive and likely set off a race to the bottom. Instead, retailers should focus on developing experiences that move the conversation away from price and toward value. Spendsetters are best positioned to gravitate toward these types of experiences.

The divide between Spendsetters and Resisters begins with technology ownership. Spendsetters see digital technologies as essential to their daily lifestyle. Smartphone adoption is nearly ubiquitous within the category, and seven in ten own a tablet (see Figure 2). Spendsetters are also strong adopters of emerging technologies. They are 16x more likely than Resisters to own a smartwatch and nearly 15x more likely to own a smart speaker.

Figure 2: Device ownership among Spendsetters and Resisters

Which of the following devices do you own?

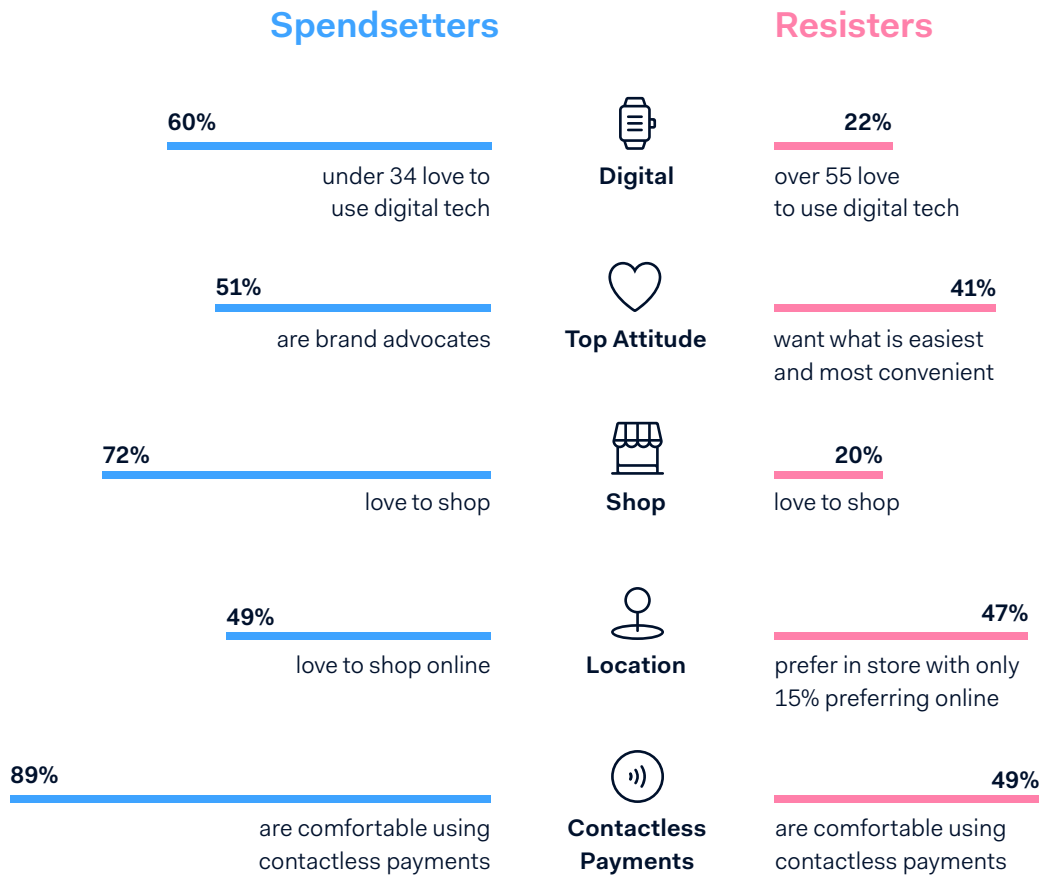


Source: 451 Research

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

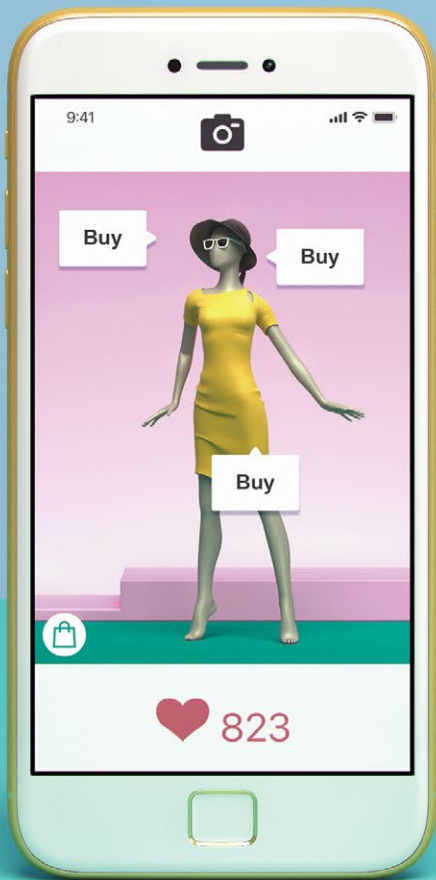
Spendsetters are also distinguished by their enjoyment of shopping (see Figure 3). They are almost 4x more likely to say they love to shop compared with Resisters. They are also more likely to be multi-channel shoppers. In fact, 49% prefer to shop online, compared to only 15% of the Resisters.

Figure 3: Shopping preferences and attitudes



Source: 451 Research

Spendsetters are more likely to advocate for brands they like, while Resisters tend to choose the easiest and most convenient option. From a payment standpoint, Spendsetters have embraced contactless payment options like Apple Pay and contactless cards, but more than half (51%) of Resisters still have inhibitions about using such technology.



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What we can learn from Spendsetters

Spendsetters make up a high-value segment of shoppers that we anticipate will expand over time. They 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 ecommerce 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).

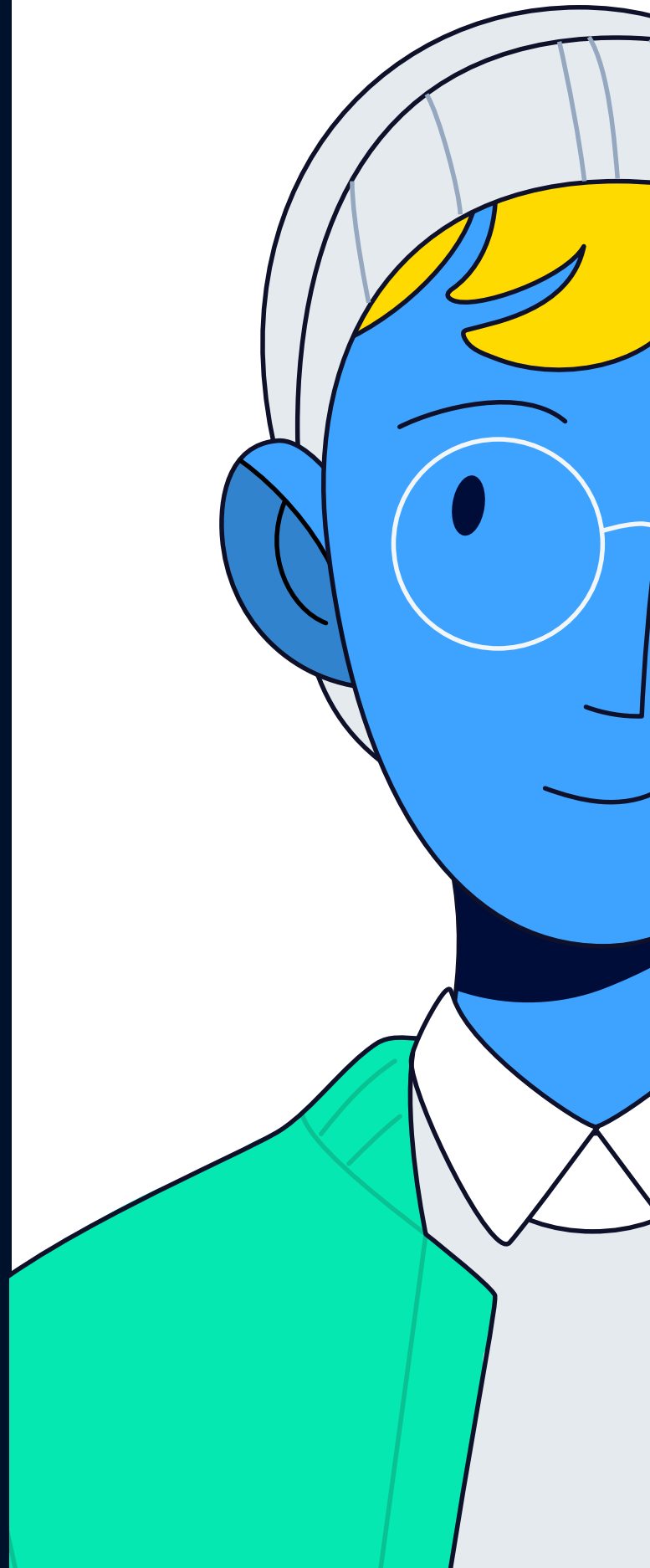


Figure 4: **What Spendsetters want**

 **Omnichannel**

65%

would increase loyalty to a retailer if they could check if an item is available online before going to the store

 **New Interfaces**

69%

would increase shopping frequency online if they could receive product recommendations/information and make purchase with a chatbot

 **Empowered**

50%

would like to receive personalised information (e.g. local offers, shopping centre promotions) based on their immediate location

 **Mobile**

51%

want to use a store-branded app to pay in store (e.g. pay using the store app by scanning a bar code at checkout)

 **Frictionless**

57%

say a "just walk out" payment experience would encourage them to shop more in store

Source: 451 Research

Spendsetters want to expand beyond the traditional interactions with retailers. We found that 69% of European respondents would increase shopping frequency online if they could receive product recommendations and make purchases with a chatbot. This is ahead of the US, where just half of Spendsetters said they would use chatbots to make purchases.

Spendsetters also want contextual interactions. Half said they would like to receive personalised 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. 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. Half want to use a store-branded app to pay in store (e.g. scanning a barcode at checkout to pay for goods), and 57% of European Spendsetters said they believe a 'just walk out' payment experience would increase their propensity to shop in store. The appetite for this type of frictionless payment experience is higher in the US, where 75% of Spendsetters indicate this would increase the likelihood of shopping in store.

Spendsetters 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 behaviour change for Spendsetters

48%

would increase spend at a store that offered a personalised experience (e.g. product recommendations)

65%

would shop at a specific location if it was more convenient (e.g. no waiting in line)

47%

would shop in store more if able to purchase out-of-stock inventory in store and have it shipped directly to their home

Source: 451 Research

Experiences that incorporate the three Cs: convenience (such as no lines) context (personalised coupons/recommended items), and control (ship out-of-stock products to home) are best positioned to increase Spendsetters' in-store shopping. These tactics are particularly important for UK consumers, who showed the lowest preference of all countries for shopping in store. For retailers, the message is clear: it is an absolute requirement to digitally transform brick-and-mortar stores to enhance their strategic value.



Mind the Gap

Technological innovations (e.g. smartphones, messaging apps, one-click checkouts) impact shopper expectations and serve to raise the bar for the experiences that retailers must deliver. It is not enough to know who their customers are; retailers must deliver what they want. Unfortunately, many retailers are still failing to grasp their customers' specific needs, leaving gaps between consumer demand and the actual experience.

Narrowing the gap can lead to desirable business outcomes, such as heightened loyalty, improved conversion rates, larger ticket sizes and increased frequency of visits. Below, we explore the three Cs—convenience, context, and control—in greater depth, and identify the gaps where retailers can gain a competitive advantage.

Convenience

Consumers want a shopping experience that is efficient and simple. They expect to be able to purchase what they want, how they want, where they want and when they want. Long queues in stores are one of the biggest barriers to meeting this demand. Of the consumers who do not prefer shopping in store, 41% say it's because they do not like queuing.

Nearly two in five (38%) say anything more than a five-minute wait in a queue is too long (see Figure 7). Our research revealed that French consumers are most dissatisfied with the length of queues.

Figure 6: Consumers have three overarching shopping demands



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



Queues

Customer

Of those that prefer not to shop in store, **41%** say it's because they don't like waiting in a queue; nearly 2 in 5 (**38%**) say anything longer than 5min is too long

Retailer views

Only **28%** offer mPOS today; only **29%** offer in-store kiosk; only **30%** offer self-pay



Fast & Convenient Payment Options

Only 1 in 3 are 'very satisfied' with the availability of fast and convenient payment options; only 1 in 5 who hate shopping say this

Just **41%** of retailers say they want to provide customers with 'cutting edge' options to pay



Contactless Payments

30% say 'one-click' would very significantly increase their loyalty to a retailer

Only **35%** offer a 'one-click' checkout experience online

- **34%** of 25-34yr olds say this
- **53%** of those who prefer to shop online say this

Source: 451 Research

Queue-busting

Most retailers seem unprepared to address long queue times. Just 28% offer mPOS systems, where customers can check-out from anywhere on the shop floor. Similarly, 30% offer self-checkout, where customers can scan items and pay on their own. And only 29% of retailers offer payment kiosks, which are designated locations within a store separate from a traditional checkout area.

Contactless payments

Shoppers increasingly expect to be able to use quick and convenient contactless payment methods – such as Apple Pay and Google Pay – at checkout. However, our survey has revealed that only one in three customers are very satisfied with the availability of these payment options. And little more than two in five (41%) retailers believe that adding 'cutting edge' payment options is a priority. Retailers must understand that payments are a critical customer experience factor and have a significant impact on conversions. In Europe, the UK leads all respondents with 88% of consumers comfortable with using contactless payments, compared to 70% in Germany (see Figure 8).

Figure 8: Level of comfort with contactless payments

Are you comfortable making contactless payments (e.g. contactless cards, digital wallets)?

% that responded 'yes'

Nordics
(Sweden, Finland, Norway, and Denmark)

73%

UK

88%

Germany

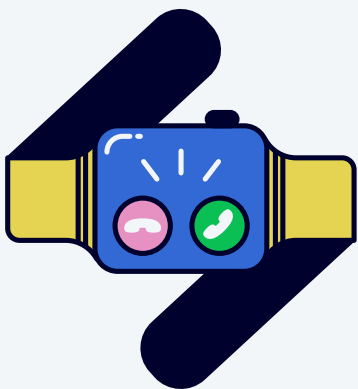
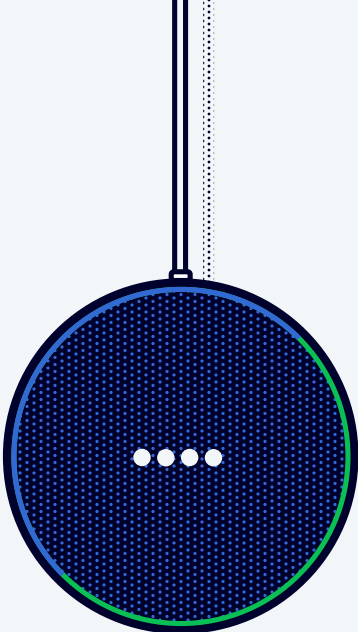
70%

France

79%

Spain

80%



One-click checkout

The ability to check-out with speed and efficiency online is also of high importance for shoppers. Nearly a third (30%) of customers say a one-click checkout experience would significantly increase their loyalty to a retailer. This figure rises to 34% for 25-34 year-olds and 53% for those who prefer to shop online. Today, little more than a third (35%) of retailers are capable of delivering a one-click online checkout. The impetus for fast fashion retailers to adopt one-click is particularly strong, where nearly 1 in 5 (17%) of consumers have abandoned an online purchase due to having to enter payment card credentials.

Convenience is especially important for shoppers aged 55 and above, who are more likely than any other age group to say that convenience trumps brand and price.

Context

Customers don't just interact with businesses. Instead, they connect along a complex journey, traversing both digital and physical experiences with multiple detours and stops along the way. For example, they may begin their journey on social media, browse for products on the mobile web and move in store to try and then buy. It's virtually impossible to plan for all potential customer journeys because each is a non-linear, self-directed interaction — or micro-moment — unique to each shopper.

Certain segments of shoppers are 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 the way that suits them best.

Personalisation

Personalisation has long been heralded as the future of retail and the hallmark of a contextual interaction. Nearly one in three consumers that prefer online shopping said they would shop in store if there were personalised coupons and recommendations. But our survey shows the retail industry has a long way to go. Fewer than one in five (19%) customers stated that they find in-store product recommendations to be 'very satisfying' (see Figure 10). And just two in five retailers see merit in equipping associates with tablets or other mobile devices to assist customers with a more personalised service. Store associates must be empowered with access to customer and product information to deliver the dynamic and tailored service that shoppers want.

Unified commerce

A unified, channel-agnostic approach is imperative to a contextual experience. More than half of respondents (51%) said the ability to check whether an item is available online before going to the store would increase loyalty. Another 44% said the same for exchanging an online purchase in store, a figure that increases to 48% of 25-34 year olds. For their part, most retailers realise they have some distance to go before they can deliver on these demands. 43% said they need to strengthen collaboration between ecommerce and in-store operations.

Fast fashion, beauty, and luxury retailers have the most to gain from unified commerce; 39% of consumers say the ability to buy online and return in store would increase their loyalty to a fast fashion retailer, 27% say the same for beauty and 26% for luxury.

Smart speakers and chatbots

The future of context will increasingly rely on automation and machine-learning. The emergence of voice-activated smart speakers (e.g. Amazon Echo, Google Home) brings an entirely new dimension to the shopping experience. By using a smart speaker, customers can buy something quickly and easily without having to look at a screen, enhancing their ability to multi-task.

Chatbots help to accommodate anytime, anywhere shopping by providing automated, personalised selling or VIP support experiences via messaging apps like Facebook Messenger and WhatsApp.

Conversational technologies can also be helpful for sales associates, contact centres, support, and marketers when used alongside applications like CRM. These technologies may manifest as data repositories or mechanisms for lead engagement/qualification or task automation and help employees gain insights and be more efficient.

Yet retailers have yet to fully embrace them: only 23% allow customers to shop using a chatbot such as Facebook Messenger, with the same percentage allowing for the use of smart speakers. However, this is where consumers are increasingly looking to engage – 50% said they would increase shopping frequency if they were able to make purchases via a chatbot, and 41% said they would shop more using a smart speaker. Respondents in Spain were among leaders in embracing chatbots: 56% said they would use messaging platforms to make a purchase, compared to 44% in Germany (see Figure 9).

Figure 9: Level of comfort with messaging platforms for purchases

Thinking about using messaging apps (e.g. Facebook Messenger, Snapchat, WhatsApp) would you be comfortable using them for making purchases?

% that responded 'yes'

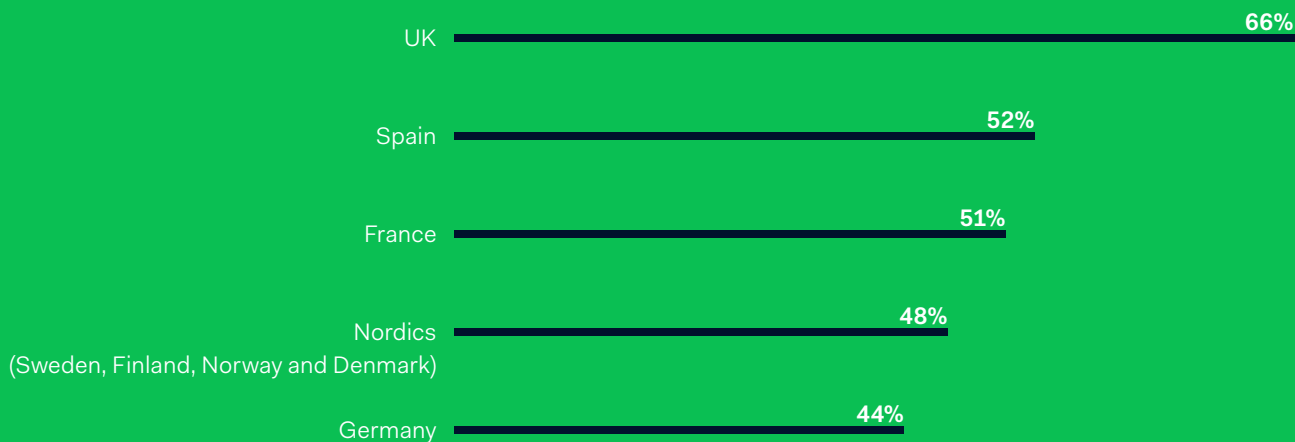





Figure 10: Customers want personalisation and innovative technologies

	Customer	Retailer views
 Personalisation	<p>Less than 1 in 5 (19%) find in store product recommendations from sales associates to be 'very satisfying'; nearly 1 in 3 (32%) would shop in store more if there were personalised coupons and recommendations</p>	<p>2 in 5 see a need for store sales associates to use tablets or other mobile devices to better assist customers</p>
 Omnichannel execution	<p>51% say the ability to check if an item is available online before going in store would increase their loyalty to a retailer; 44% say the same for exchanging an online purchase in store</p>	<p>43% believe they need stronger collaboration between our ecommerce and in store operations</p>
 Digital innovation	<p>50% will increase shopping frequency by purchasing with a chatbot, such as on Facebook Messenger; 41% will increase shopping frequency by using a smart speaker (eg. Amazon Alexa)</p>	<p>23% allow shopping using a chatbot such as with Facebook Messenger; 23% allow for purchasing on a smart speaker</p>

Control

Giving shoppers control over their data, payment method choice and product availability provides an important sense of ownership over the shopping experience.

Data protection

Control over personal information is increasingly top of mind for consumers, especially in Europe where General Data Protection Regulation (GDPR) has now come into play. But we found that only one in ten shoppers have been notified of a retailer's data breach over the past year. Data breaches are about more than information loss; they represent a breach of trust for consumers. Almost a third (31%) of shoppers said security incidents significantly impact the likelihood they'll return to the retailer. This impact is particularly pronounced for shoppers aged 35-44, where 53% said it lessens their likelihood to return. This makes fraud a very important concern, especially when considering that more than a quarter of retailers said that fraud or risk mitigation is an increasingly challenging task.

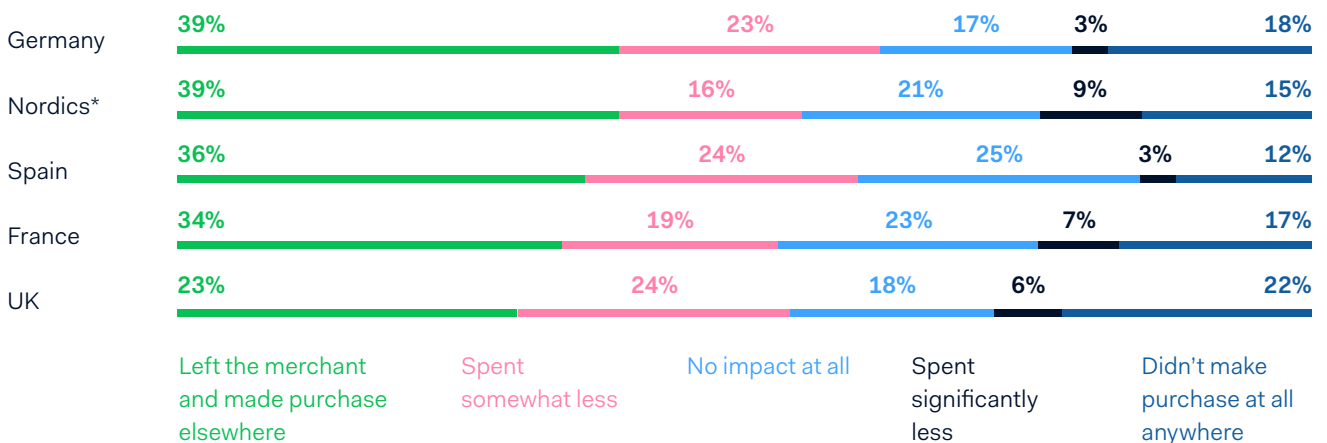
Payment methods

Control over payment choice is an important area where retailers have scope to improve. About one third of consumers encountered a retailer that did not accept their preferred payment method in the last year. This figure jumps to 40% for consumers aged 18-24, who increasingly expect to pay with digital wallets like Apple Pay and Google Pay. Compared to other countries, German consumers are most likely leave the store if a merchant doesn't accept their preferred payment method, whereas Spanish shoppers are most likely to stay and spend less (see Figure 11).

Figure 11: Sales impact when merchants don't accept preferred payment method

When a merchant did not accept your preferred form of payments, how did that impact your spending at that merchant?

(Base; Respondents that encountered a merchant that did not accept their preferred payment method in the past years)



*Sweden, Finland, Norway, and Denmark

More than three-quarters of those who were denied the use of their preferred payment method took their shopping elsewhere, or they spent less. Yet despite this fact, just over a quarter of retailers feel it's a priority to support their customers' favourite payment methods (see Figure 12).

Product availability

Shoppers don't want to waste time visiting a store only to find that the item they want is out of stock. Our research reveals this is a top deterrent to shopping in store. But, 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 need to invest in inventory management and technologies such as mPOS to make this type of experience more commonplace. Today, just 26% of retailers offer ship-to-home options.

Figure 12: Ownership of the experience is crucial for shoppers



The boardroom vs. the shop floor

There isn't just a gap between what customers expect and what retailers deliver; our research has revealed that retail organisations themselves are split. Respondents in leadership roles have differing views than those in store operations and store managers often don't see the same problems as executives. This disconnect could have significant consequences, causing retailers to make the wrong decisions regarding strategy and new technology adoption.

Customer experience

Queues

Leadership and retail operations personnel see drastically different pictures when it comes to customer experience (see Figure 13). The two groups have different perspectives regarding queues in stores: executives tend to understand that queues are a pain-point, while operations personnel are less inclined to admit this is a problem.

Cashless stores

Executives are more likely to say they are considering implementing cashless stores in order to streamline payment acceptance (53% vs. 33% of operations personnel). The divide could be evidence that operations employees – who are closest to customers – are concerned about the impact eschewing cash could have on certain segments of shoppers.

It's also apparent that executives are more focused on creating in-store digital experiences for customers compared to operations. We see this as evidence that many digital experiences have yet to make it from the boardroom to the sales floor, remaining in an ideation and planning state.

Figure 13: Customer experience perception gap between executives and retail operations



Business Execution

Fraud

There are also disparities between operations and executives regarding how the business is running (see Figure 14). An example is fraud. Three in five (60%) 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 42% said they believe the business is prepared. This may indicate that executives are misinformed or under informed about the severity of the threat.

Future challenges

When it comes to anticipating challenges, those in the C-suite seem to have a better understanding of what they're up against. Almost two-thirds (62%) of executives believe they understand the types of disruptions they might face, compared to just 29% of operations respondents.

Innovation

Executives and operations employees don't see eye to eye when it comes to innovation 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 haven't yet seen meaningful results following innovation initiatives spearheaded by leadership.

Figure 14: Business execution perception gap between executives and retail operations



Vertical differentiation

While retail is used as a homogenous term, vast differences exist within the various verticals that compose the retail landscape. Each vertical is partly defined by the customers they serve, which helps to shape their business objectives. Our research has shown that sizeable gaps exist between verticals when it comes to customer experience and overall strategy (see Figure 15).

Quick Service Restaurants

Quick Service Restaurants (QSRs) showed the strongest need for tighter collaboration between ecommerce and in-store operations. With experiences like mobile order-ahead and online delivery becoming more prominent, there's a need for strong integration and order management flow across online and offline channels. Our survey shows that only three out of four QSRs sell online but one in three consumers actually prefer to use digital channels to purchase their meal.

Beauty

Beauty registered the lowest need for cross-channel collaboration. Customers that shop at beauty retailers are nearly split in their purchase channel preference, with 57% preferring in-store and 43% preferring digital channels.

Hospitality

The demand for tablets and mobile devices to assist customers is strongest in hospitality. It's easy to see how mobile-enabled concierge staff or waiting staff could create a more hospitable and informative environment.

Grocery

The grocery sector showed the lowest demand for mobilising employees, but we believe this is short-sighted. mPOS can play an important role in making grocery associates more versatile by enabling them to accept customer payments anywhere in the store. By untethering payment acceptance from the register, this can serve as the basis for new and dynamic shopping experiences. Take for instance that nearly one in three consumers (29%) say they would be more loyal to a grocery store that lets them pay in store and arrange home delivery. This type of experience could be delivered by an mPOS-enabled associate and would be particularly beneficial in urban areas, where customers want to pick out their own produce but do not want to carry multiple bags of groceries home.

Serving Chinese consumers

QSRs recorded the highest need to cater to Chinese tourists. This could include supporting local payment methods (e.g. Alipay) and even serving local cuisine. Fast fashion and beauty were not far behind, with nearly 2 in 5 (39%) recognising a need to better cater to the preferences of Chinese tourists. Understandably, grocery recorded the lowest need for catering to Chinese consumers since grocery stores tend to serve a local audience.

Cashless stores

As we saw in the US study, luxury retailers are most likely to consider cashless stores. Grocery stores, on the other hand, show limited interest in eschewing cash acceptance. While fully eliminating cash may not be realistic for grocery due to ticket size and customer preference, providing cashless kiosks or checkout lanes would be a wise option to help reduce queues and cater to customers who prefer card and digital payment options.

Figure 15: Demand differences across retail verticals

Strongest demand



We need stronger collaboration between our ecommerce and in store operations



We see a need for store associates to use tablets or other mobile devices to better assist our customers

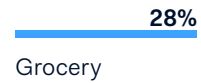
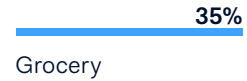


We see a need to better tailor to the preferences of Chinese tourists

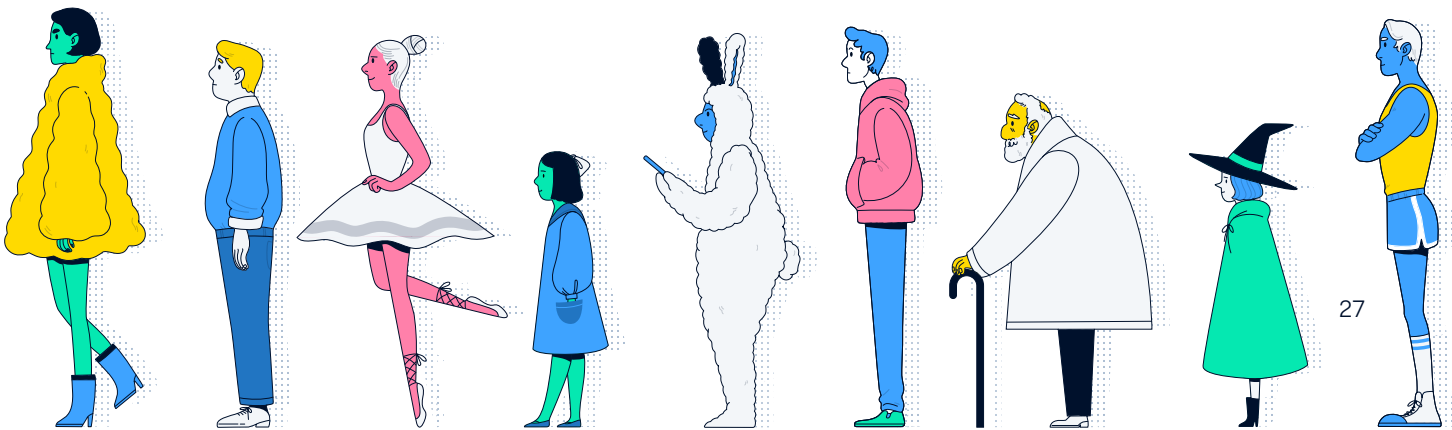


We are considering cashless stores that only accept cards and digital payment

Weakest demand



Source: 451 Research



Opportunity lost is opportunity cost

When shopping experiences fail to meet customer expectations, it's not just disappointing; it can lead to abandoned sales, which have both an immediate and lasting impact on revenue. A significant pain point for customers is queueing. And, when queues get too long, (which consumers identify as anything over five minutes), many shoppers will simply make the 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 £15.7bn / €17.9bn in potential sales was lost over the last 12 months because long queues drove customers to a competitor. And overall, the European retail industry lost out on £14.3bn / €16.3bn in potential sales during the same time frame because of long lines causing customers to abandon a purchase completely (see Figure 16). This compares to \$15.8bn in sales lost to competitors and \$21.9bn in sales lost by the industry as a whole in the US.

Figure 16: The cost of convenience – long queues lead to lost sales

£ 14.3 billion

or € 16.3 billion

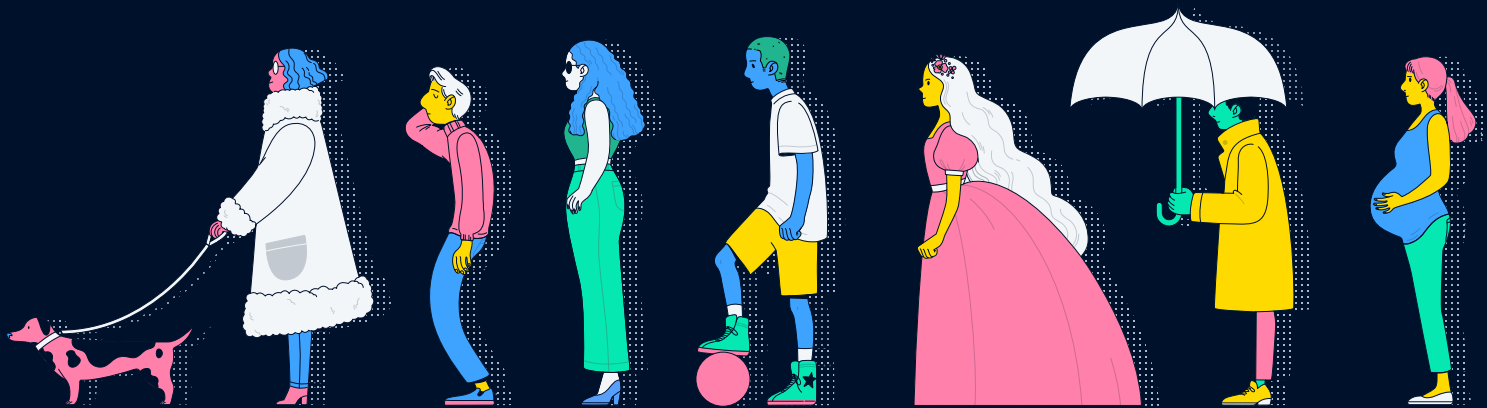
in potential sales have been lost by the retail industry in the past 12mo due to customers leaving as a result of long lines and not making the purchase anywhere

£ 15.7 billion

or € 17.9 billion

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

Source: 451 Research's Global Unified Commerce Forecast, 2018



But long queues aren't the only source of meaningful losses. Shoppers want to be able to pay how they want and retailers should avoid creating friction by limiting the customer's choice of payment options. Our research has shown that this can result in the shopper spending less, or worse: the shopper leaving the store and making the purchase elsewhere. In fact, we found that European retailers lost £1.1bn / €1.3bn in potential sales over the past 12 months because they did not offer customers' preferred forms of payment (see Figure 17). This compares to \$1.1bn in losses in the US.

Figure 17: **The cost of control – lack of payment choices results in lost sales**

£ 1.1 billion

or € 1.3 billion

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's Global Unified Commerce Forecast, 2018

To win business, focus on convenience, context, control

Heightened demands for convenience, context, and control requires retailers to re-evaluate 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.

Retailers should look to Spendsetters as a guide in this endeavour. These high-value shoppers are driving

the conversation about emerging technologies, and can act as an indicator of how the competitive battleground is evolving.

As shown in Figure 18, blending convenience, context, and control enables greater choice, frictionless purchases and impulse buys. Importantly, building experiences that blend the three goes beyond delighting shoppers to delivering tangible business results.

Figure 18: Learning from Spendsetters – increasing revenue and loyalty

84%

will increase shopping frequency online through marketplaces

57%

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

48%

will increase loyalty for personalised experience based on past purchases and preferences

53%

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

65%

say the ability to check if an item is available online before going in store would increase their loyalty

69%

will increase shopping frequency by receiving product recommendations/ information and making purchases with a chatbot





Conclusion

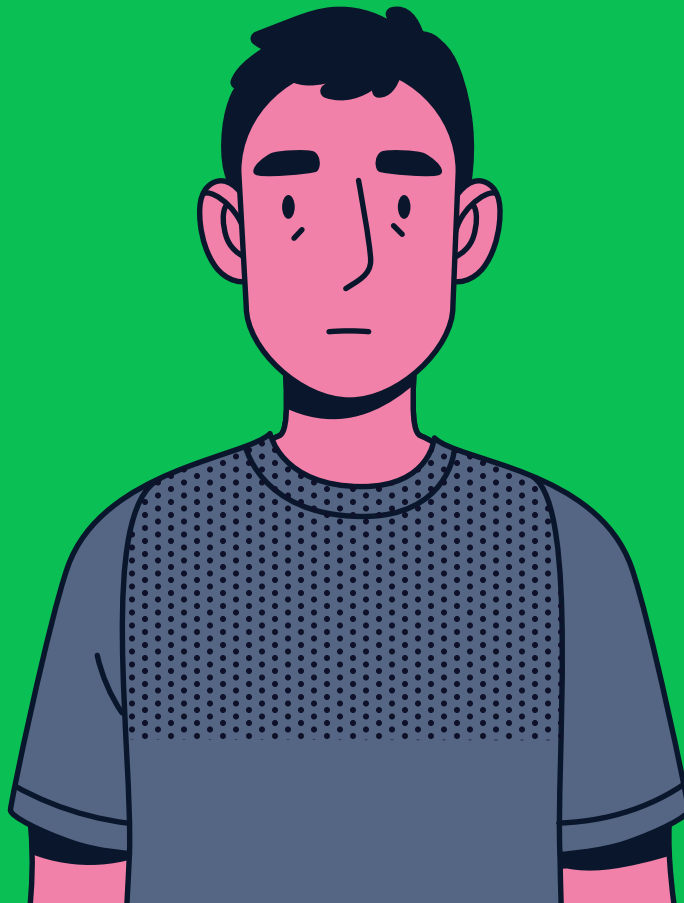
Technology is the focal point in the major transformation occurring in the relationship between shoppers and retailers. Retail is being redefined from a transactional relationship to a more nuanced relationship between shoppers and the devices they use to buy the products and services they want.

This has led to a dramatic shift in the balance of power between many retailers and their customers. Shoppers today place a higher value on experiences, not prices and products.

Armed with more information, options and opportunities, shoppers can now dictate the terms of engagement with the retailers they choose to do business with. To emerge as leaders, retailers must embrace new technologies to deliver differentiated experiences. Ultimately, they will have to enhance their focus and ability to accommodate individual preferences.

Moving forward, retailers must architect meaningful – and ultimately profitable – experiences that are informed by contextual cues tailored to each shopper's own behaviours, stated preferences and surroundings. It's critically important for retailers to know their customers, and to be able to orchestrate their experiences across the customer journey to promote engagement across digital and physical touchpoints. Success for retailers 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.



Methodology

In Q2 2018, we surveyed 5,033 European consumers aged 18 and above. Respondents were from the UK, Germany, Spain, France and the Nordics, with approximately 1,000 respondents from each country. The survey was designed to better understand their shopping experiences, preferences and behaviours, 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 11% of respondents with an annual personal income below £35K / €35K, 25% at £35K-49K / €35K-49K, 32% at £50K-£74K / €50K-€74K, 20% at £75K-£99K / €75K-€99K and 12% with a personal income above £100K / €100K.

To conduct a gap analysis, we simultaneously ran a survey with 503 business-to-consumer (B2C) retailers that operate in Europe. Respondents were from the UK, Germany, Spain, France and the Nordics, with approximately 100

respondents from each country. 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 seven verticals and was composed of 15% fast fashion, 9% luxury fashion, 14% beauty, 14% hospitality, 15% Quick Service Restaurants (QSR), 16% grocery and 17% general retail.

Respondents included a mix of executives, directors and managers from various parts of the retail business, including ecommerce, customer experience, omnichannel, product management, retail operations, commerce/ payments and risk/fraud. Business size was also varied: 28% of respondents were from retailers with annual revenue between £10M - £50M/€10M - €50M, 39% from retailers with annual revenue of £51M - £500M/€51M - €500M, 27% from retailers with revenue of £501M - £5B/€501M - €5B and 6% from retailers with revenue over £5B/€5B.

About 451 Research

451 Research is a leading information technology research and advisory company focusing on technology innovation and market disruption. More than 100 analysts and consultants provide essential insight to more than 1,000 client organizations globally through a combination of syndicated research and data, advisory and go-to-market services, and live events. Founded in 2000 and headquartered in New York, 451 Research is a division of The 451 Group.



About Adyen

Adyen is the payments platform of choice for the world's leading companies, providing 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 channels. With offices across the world, Adyen serves 9 of the 10 of the world's largest Internet companies. Customers include Facebook, Uber, Netflix, Casper, Superdry, Lush and L'Oreal.

For more information, visit [adyen.com](https://www.adyen.com)

