

Unified Commerce

Capitalizing on a € 3 Trillion Global Retail Opportunity



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Foreword

In 2018 alone, retailers missed out on € 2,27 trillion in revenue. Creating a positive shopping experience is the remedy.

It isn't fear mongering, shoppers expect, no, demand, the latest technology to enhance their experience, but many retailers are slow to act and failing to embrace the digital opportunity. We get it, there's a lot to consider when implementing new technology. But if you look at the positives, know that in 2018 alone, making shoppers happy amounted to a sales uplift of € 730bn.

In this report, we aim to provide key insights to help your business deliver great payment experiences for your customers. Here are a few of the highlights:

Unified commerce requires customer-centric innovation

Shoppers love unified commerce, even if they don't realize it. One in three shoppers prefer buying in-store, but over half have made a purchase as a direct result of a retailer offering a cross-channel buying option. Smartphone ownership continues to rise and shopping channels are diversifying, so prioritizing a clean and simple experience will help customers and your business.

Personalized intelligence is essential to fostering a memorable shopping experience

The business impact of cross-selling, recommended products and personalized offers amounts to a massive € 451bn, and the tools are out there to help offer your customers the best in personalized shopping experiences. Three in five shoppers claim that they've made an extra purchase as a result of a personalized offer they received in the past six months, and with hyper-personalized channels like Instagram allowing users to make purchases, this figure is set to grow.

Payments Prioritizers are more likely to be on the leading edge of new technology adoption

Many retailers are failing at the checkout. In-store, it comes down to payment methods; 1 out of 2 in store shoppers have abandoned their purchase because the right payment method hasn't been on offer.

With online checkouts it's down to long and painful forms. In 2018, 1 out of 2 shoppers abandoned an online purchase at the payment stage due to manual data entry. This is where businesses that prioritize payments can succeed, using their knowhow to focus on the customers' needs. They can avoid checkout fails, offer one-click and contactless payments, as well as offering a variety of local payment methods their customers know and trust.

Capitalizing on the global retail opportunity

We hope you enjoy the report and it proves useful as you plan your payments strategy. If you have any questions about the report, 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.

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Methodology

Survey Methodology

In Q1 2019, 451 Research surveyed 5,950 consumers aged 18 and above across 12 countries in North America, Europe, APAC and LATAM. The survey was designed to better understand their shopping experiences, preferences and behaviors, as well as to learn about their expectations for retailers and their shopping desires. The survey was fielded evenly between males and females with a high school and above education level and included 8% of respondents with an annual personal income below € 31,000, 18% at € 31,000-44,000, 37% at € 45,000-67,000, 26% at € 68,000-89,000 and 11% with a personal income above € 90,000. Broken down by country, the sample included the US (18%), Canada (6%), the UK (13%), Germany (7%), Spain (7%), France (7%), Italy (7%), the Nordics (7%), Hong Kong (7%), Singapore (7%), Australia (7%) and Brazil (7%).

We simultaneously ran a survey with 2,554 business-to-consumer (B2C) retailers that operate across the same 12 countries covered in our consumer survey. 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 14% fast fashion, 13% luxury brands, 10% beauty, 18% hospitality, 13% quick service restaurants, 13% grocery and 19% general retail (e.g., electronics, furniture and bookstores). Respondents included a mix of executives, directors and managers from various parts of the retail business, including e-commerce, customer experience, omni-channel, product management, retail operations, commerce/ payments and risk/ fraud. Business size was also varied: 41% of respondents were from retailers with annual revenue under € 45m, 40% from retailers with annual revenue of € 45-450m, 16% from retailers with revenue of € 450m-4,5bn



and 3% from retailers with revenue over € 4,5bn. Broken down by country, the sample included the US (10%), Canada (8%), the UK (10%), Germany (9%), Spain (9%), France (9%), Italy (4%), the Nordics (9%), Hong Kong (8%), Singapore (8%), Australia (8%) and Brazil (8%).

Revenue Analysis Methodology

Utilizing data from the global consumer survey that uncovered the frequency that shoppers in different markets encounter both positive and negative shopping experiences and the subsequent impact it has on their behavior (e.g., abandoned cart, increased spend), we paired it with average ticket price, consumer spending and market size data from 451 Research's Global Unified Commerce Forecast. This created the basis for a modeled global analysis to determine the volume of abandoned sales that occur annually from poor shopping experiences and the volume of net new sales derived annually from positive shopping experiences.

About 451 Research's Global Unified Commerce Forecast

451 Research's Global Unified Commerce Forecast is an annual market sizing, segmenting and forecasting of multi-channel commerce across 60+ countries. Based largely on data collected directly from payments and commerce stakeholders, it delivers quantitative insight into the evolution of consumer spending patterns across purchase channels and provides a five-year view into the overall retail transaction volume and sales growth.



Unified Commerce will separate winners from losers in the next chapter of retail

Now more than two decades after the emergence of e-commerce, the pace of digital evolution in retail only continues to accelerate. The resulting landscape is a complex one for retailers to navigate and requires new competencies to respond to consumer needs effectively.



The connected customer is at the root of all change in retail. Today, 93% of consumers own a smartphone, and according to 451 Research's Global Unified Commerce Forecast, mobile is set to eclipse desktop in terms of transaction volume for the first time this year. Other connected devices are setting the stage for change in commerce as well. Consider that one in four consumers now own a smart speaker, rising to 43% of those earning over € 136,000 (see Figure 1).

Figure 1

Connected customers create the basis for change in retail

93%

of consumers
own a
smartphone

25%

of consumers
own a smart
speaker

51%

of consumers consider digital
technology as essential to
their daily lifestyle

While new shopping channels have traditionally taken years—if not decades—to develop, consumers today are increasingly digitally savvy and are eager to leverage the tools developing around them. More than half of shoppers (51%) describe digital technology as essential to their daily lifestyle, with three in five consumers aged 18–34 stating the same.



Connected customers are asking more from retailers than ever before. They expect to be rewarded for their loyalty with an experience that transcends the shopping journey. These demands aren't going unnoticed, with 84% of retailers having seen a rise in consumer expectations. Our research continues to show that demands for an experience oriented around the following three pillars:

Convenience

Consumers want fast and easy experiences. They want to browse and buy when, where and how they want in the manner that allows them to reach their desired good or service in the most efficient way possible.

Context

Consumers expect to be treated as individuals and are seeking out experiences tailored to them.

Control

Consumers want to engage with retailers on their own terms, including through more natural mediums like messaging apps and social networks. Further, they expect to be able to pay using their preferred method while having the assurance that their data is secure.

Shopping experiences predicated on convenience, context and control will separate winners from losers in the next chapter of retail. Delivering on these expectations is the essence of a unified commerce strategy, which is a prerequisite for winning customer loyalty in the age of the experience.

A photograph of a family at a shop. A woman on the left holds a young child in a blue shirt and yellow overalls. The child is reaching out to a brown paper shopping bag held by a man on the right. The man is wearing a dark cap and a green puffer jacket. They are standing in front of a dark-framed shop window with multiple panes. The scene is lit with warm, golden light, suggesting late afternoon or early morning. The text 'Unified commerce, a € 3 trillion global opportunity' is overlaid in large white font across the middle of the image.

Unified commerce, a € 3 trillion global opportunity

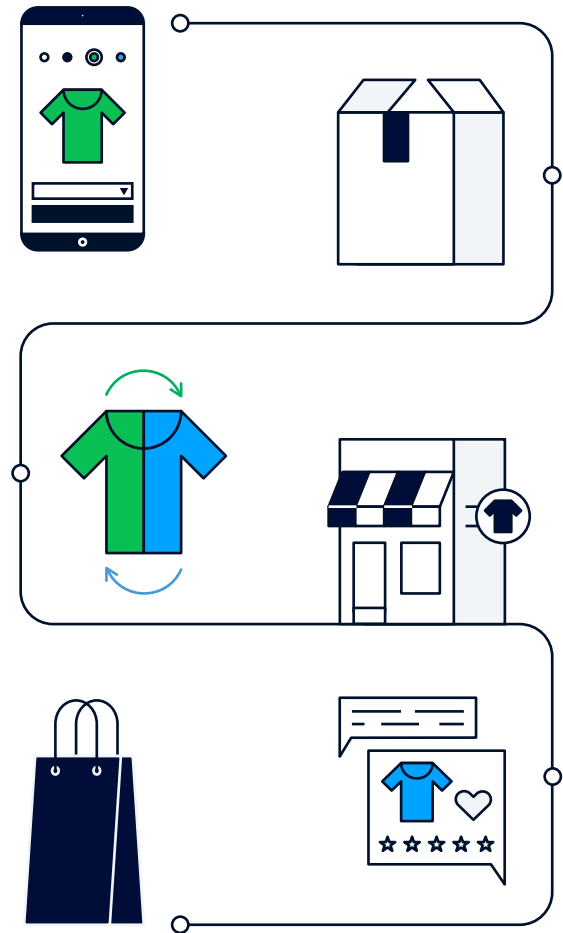
Today's shopping journey is characterized by multiple points of friction that not only dissatisfy shoppers and negatively impact loyalty, but also leave significant revenue on the table. This is often a result of discontinuity between sales channels, resulting in information and process siloes that prohibit customers from receiving the personalized, fluid experience they desire.

To remain competitive, forward-thinking retailers must focus on streamlining the path to purchase by building retail experiences that put the customer at the center of each interaction. This is at the heart of unified commerce – a strategy for creating a cohesive shopping journey across sales channels by maintaining a single view of the customer.

Retailers committed to unified commerce must also commit to digital transformation. Digital transformation is required to fully embrace a unified commerce strategy, which our analysis shows is a € 3 trillion global opportunity (see Figure 2).

In the section below, we detail the business case for a unified commerce strategy by:

- Quantifying the revenue impact of addressing negative shopping experiences—which amount to € 2,3 trillion in abandoned sales annually.
- Quantifying the revenue impact of creating positive shopping experiences—which amount to € 730bn in sales lift annually.
- Offering guidance for retailers to address these areas through the creation of more satisfying and profitable shopping experiences



Unified Commerce: A € 3 Trillion Global Opportunity

Revenue opportunity



Online checkout friction
€ 303 billion



Out-of-stocks
€ 437 billion



Lack of cross-channel buying option
€ 229 billion



Lack of payment options online
€ 251 billion



Lack of contextual commerce experience
€ 287 billion



Lack of payment options in-store
€ 220 billion



Long lines
€ 336 billion



False positives
€ 233 billion

**€ 2,3 trillion
opportunity**

Revenue uplift



Cross-channel buying
€ 280 billion



Cross-selling
€ 166 billion



Personalized offers
€ 284 billion

**€ 730 billion
opportunity**



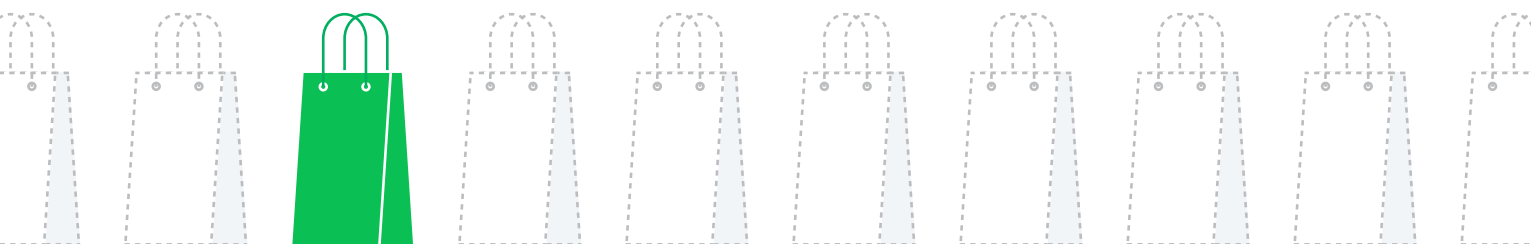
Digital consumers still value the in-store shopping experience

In-store experiences remain an integral part of the consumer shopping experience, with nearly two in five (37%) shoppers stating that they strongly prefer to shop in a physical store, compared with 32% who strongly prefer digital shopping channels. Retailers that work to evolve their brick and mortar presence to complement and cater to these preferences instead of viewing their physical stores as a sunk cost will be positioned to satisfy shoppers and ultimately lift sales.

The Business Impact of Out-of-stocks: € 437bn

Out-of-stocks weigh heavily on purchase abandonment and loyalty, with 9 out of 10 shoppers having chosen to leave a store and not make a purchase in the past six months due to an item they wanted being out of stock. Our analysis shows this resulted in € 437bn in upfront abandoned sales globally over the past year. This behavior is most prevalent among 96% of Italian and 95% of Brazilian consumers who opt not to make a purchase or stay in a store due to out-of-stock goods. Consumers' high likelihood to abandon purchases as a result of out-of-stocks reflects their strong desire for instant gratification.

From the consumer perspective, 40% claim the ability to order and pay for out-of-stocks and have them shipped to their home would encourage



them to shop more in-store, while 51% say that the ability to check if an item is available online before going to a retailer would increase their loyalty. By leveraging cross-channel technologies that extend the in-store shopping experience to fulfill consumer demand for instant gratification, retailers will be able to improve satisfaction and build loyalty, while ultimately recapturing lost opportunity. Currently, however, three out of four retailers (26%) do not offer the ability to order and pay for out-of-stock items in-store and ship to home (e.g. endless aisle) (see Figure 3). Encouragingly, we do see retailer focus and effort being channeled here, as customer fulfillment emerged as the number two overall priority for retailers this year.

Figure 3

Most retailers lack a strategy for addressing out-of-stocks

9 in 10 shoppers

have left a store and NOT made a purchase in the last six months because an item they wanted was out of stock

3 in 4 retailers

do NOT offer endless aisle today

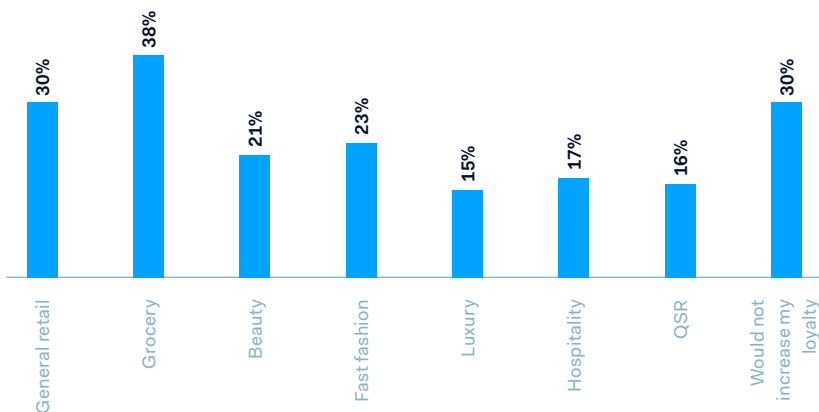
The business impact of long lines in-store: € 335bn

A common point of in-store friction is long lines. We find that 7 out of 10 shoppers have opted to leave a store and abandon their purchase(s) due to a long line, resulting in € 335bn in initially abandoned sales annually.

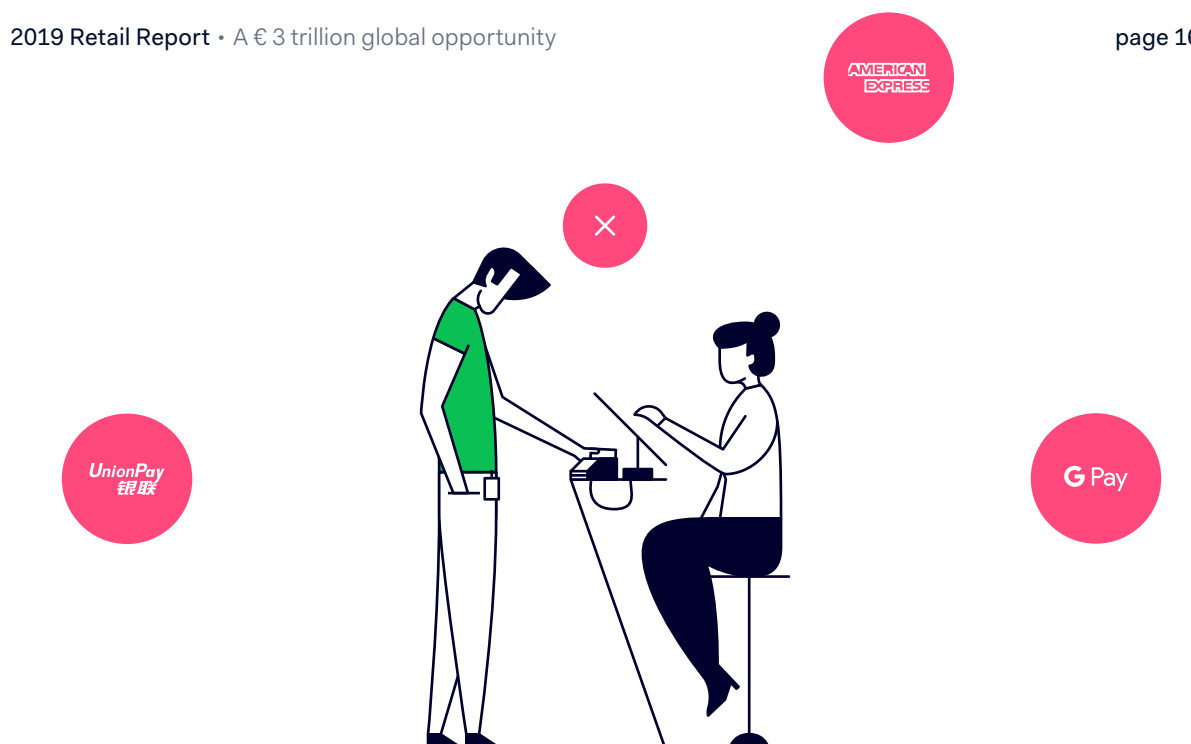
Gen Z (aged 18–24) are the most likely consumer group to not make purchases at all when confronted with significant wait times. Efficiency created by shorter queues can do more than preserve sales; it's also shown to directly influence consumer satisfaction. We find 9 in 10 shoppers report feeling somewhat or very satisfied with their in-store experience when there are short or nonexistent lines. Grocery, general retail and fast fashion rank as the top verticals where shorter queues would increase shopper loyalty (see Figure 4).

Figure 4

Shorter queues drive customer loyalty across all industries



When looking through the consumer lens, we see that nearly a third would be more willing to shop in-store if they could pay automatically upon exiting as a replacement to a traditional queue, while 41% say that no queuing at all to ensure quick purchases would encourage them to shop with one retailer over another. This demonstrates that retailers who prioritize efficiency and implement queue-busting technologies (e.g., mPOS, self-checkout) will reap the biggest rewards in terms of increased foot traffic, sales and consumer loyalty. The majority of retailers, however, are proving slow to react. The implementation of technologies to combating queuing remains in early stages, with only a quarter currently offering customers mobile point-of-sale (mPOS) checkout to avoid queues, and 27% having deployed a kiosk/self-checkout experience.



The business impact of lack of preferred payment options in-store: € 220bn

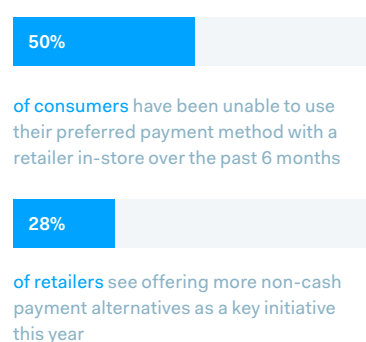
In the past six months, one in two shoppers have been unable to use their preferred payment method with a retailer in-store, prompting them to abandon their purchase entirely, resulting in € 220bn in abandoned sales annually.

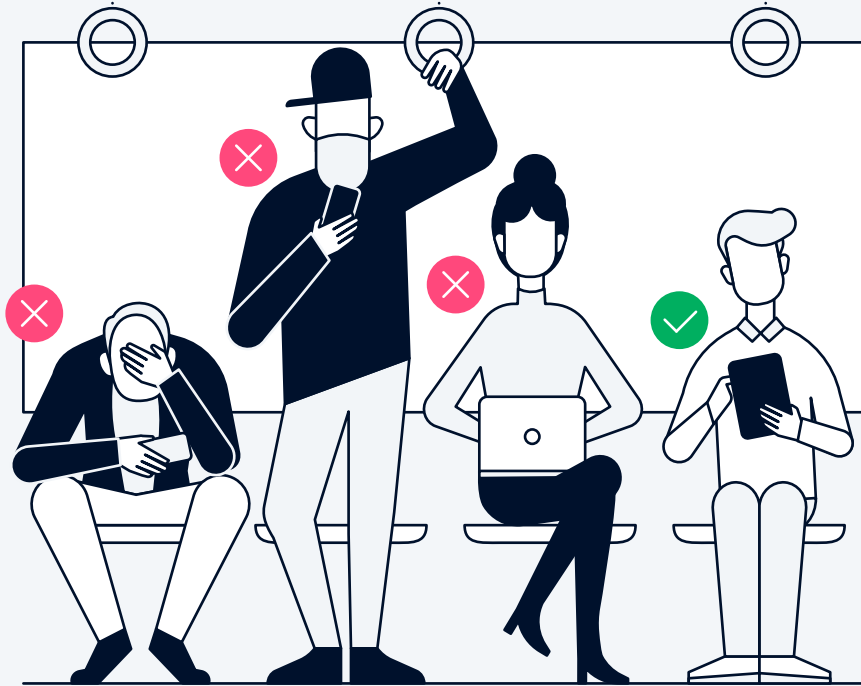
Our survey revealed that Brazilian consumers are denied use of their preferred payment method most frequently, with 70% having experienced this at least once in the past six months, demonstrating a dichotomy between an increasingly digital-oriented Brazilian consumer and retailers who are struggling to accommodate new digital payment methods. This discontinuity in supported in-store payment methods remains true on a global scale, particularly as younger consumers (Gen Y and Z) are more likely to adopt digital payment options in lieu of traditional card payments. We find that one in five 18–34-year-olds prefer to pay for 'everyday' purchases with a contactless payment method, such as digital wallet. The preference for contactless is seen most notably in the UK (29%) and APAC (24%), versus a mere 5% of US consumers.

As shown in Figure 5, just 28% of retailers see offering more non-cash payment alternatives as a key initiative this year and more than three in five (62%) do not currently support contactless payment acceptance. For retailers to drive better in-store experiences, focus should be given to extending the variety of payment methods offered to satisfy the different preferences of consumers.

Figure 5

Encountering retailers not accepting their preferred in-store payment method is a common occurrence for consumers



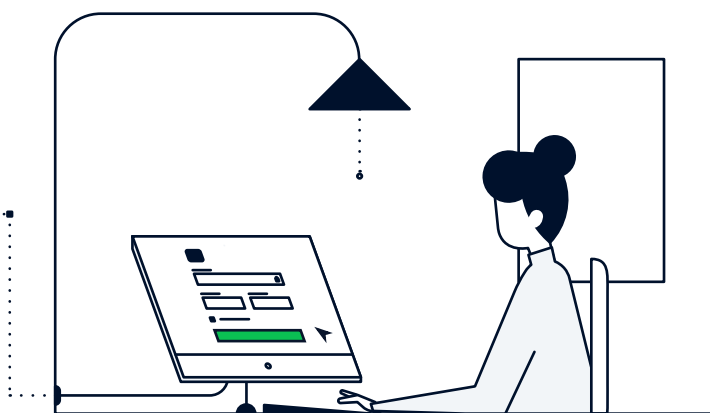


Online Retail: The checkout experience is a high-stakes battleground

Across all geographies in our analysis, retailers are expecting more than a third of sales to be online within three years, up from roughly a fifth today. Succeeding online requires retailers to apply the principles of convenience, context and control through a data-driven approach. However, building consumer loyalty and satisfaction online comes with additional considerations, with increasing consumer focus on fraud and security. With progressively digitally driven consumers, retailers must increase agility and responsiveness to overcome numerous points of friction impacting consumer purchasing behavior, satisfaction and loyalty.

The business impact of false positives: € 233bn

In the past six months, two in five consumers have abandoned a purchase after their credit/debit card(s) were falsely declined in suspicion of fraud during a legitimate transaction, and one in five consumers have encountered this experience four or more times over the same period. This has resulted in € 233bn in forgone sales annually. With 60% of shoppers preferring to pay with either a credit or debit card for online transactions, false positives (e.g., valid transactions that are erroneously declined in suspicion of fraud) are a major concern for retailers and shoppers alike, and ultimately have a direct impact on consumer satisfaction, loyalty and sales performance.



Nearly half of consumers reported that better security or fraud protection would encourage them to use card payments more. However, just 53% of retailers say they are adequately prepared to fight fraud. This is concerning given that 59% of retailers say that the level of fraudulent transactions at their organization has increased since last year (see Figure 6). Brazilian and French retailers report the most significant spike in fraud, with 68% and 66% reporting an increase, respectively.

Encouragingly, we are seeing an increasing proportion of retailers are looking to AI/ML to mitigate risk. These technologies can be used in conjunction with fraud tools like 3D-Secure 2 and behavioral analytics to spot transaction abnormalities and suspicious behavior while preserving the customer experience. We find 3 in 10 retailers state the best application for AI/ML within their business would be for fraud protection and security.

Figure 6

False positives and rising fraud rates present a challenging dichotomy for retailers



of consumers have abandoned a purchase after a false positive transaction in the past six months

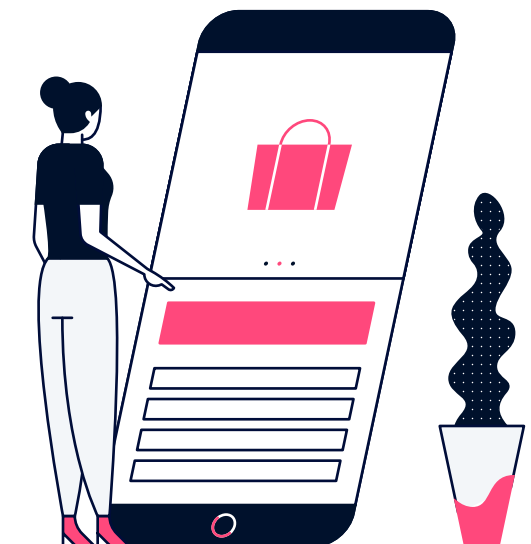


of retailers say the level of fraudulent transactions at their organization has increased since last year

The business impact of a lack of preferred payment options online: € 251bn

As with lack of preferred payment methods offered in-store, consumers confront retailers that fail to allow them to pay how they'd prefer to with a similar degree of frequency online. We found that 53% reported to have abandoned at least one online purchase due to the unavailability of their preferred payment method in the past six months, resulting in € 251bn in initially abandoned sales annually. The most common vertical where shoppers have abandoned a purchase due to lack of preferred payment method availability is fast fashion.

Although the overwhelming majority of retailers (91%) find it important to offer all payment options consumers are interested in using, they tend to support only a handful of payment options and limit their payment method mix to traditional methods, like cards.



Lack of preferred payment methods is especially an issue for cross-border shoppers. We find 53% of consumers have made an online purchase with a retailer in another country, rising to 76% of Hong Kong shoppers, underscoring the global nature of e-commerce. Retailers must be conscious of the unique payment preferences of international shoppers. Today, just 42% of retailers see offering localized payment methods which cater to international shoppers as a very important initiative for their business (see Figure 7).

Figure 7

Catering to local payment preferences is critical to winning in cross-border commerce

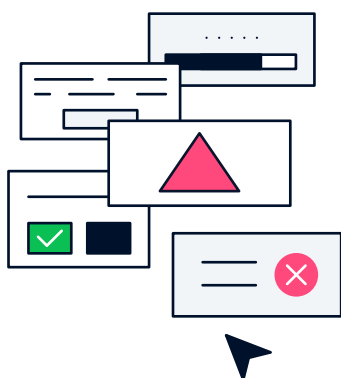
53%

of consumers have made an online purchase with a retailer in another country

42%

of retailers see offering localized payment methods which cater to international shoppers as a very important initiative for their business

The business impact of friction at checkout online: € 303bn



Friction at checkout, such as lack of mobile optimization or billing forms without autofill, is frequently encountered by consumers. We find 7 out of 10 shoppers reported to have abandoned an online shopping cart at least once in the past six months due to difficulties in completing a purchase, resulting in € 303bn in annual sales that are abandoned.

Lengthy payment forms that require manual data entry are the biggest contributor to checkout friction, with half of shoppers having abandoned an online purchase at the payment stage for this reason. The solution is simple. Retailers must employ checkout options that reduce the number of steps required to complete the transaction. Further, 34% of shoppers state that the ability to complete an online/in-app purchase in one click would significantly increase their loyalty to a retailer (see Figure 8). Today, just 32% of retailers offer a one-click shopping experience online, with fast fashion leading in adoption at 39%.

Encouragingly, improving checkout experience ranks as the number one digital technology initiative for retailers (see Figure 8). Offering new digital wallet options to shoppers ranks as a top 3 retail priority for 2019.

Figure 8

Improving checkout experiences tops retailers' list of digital technology initiatives for 2019

#1

Improve checkout
experiences

#2

Upgrade applications
for optimizing customer
experiences

#3

Modernized order
management capabilities

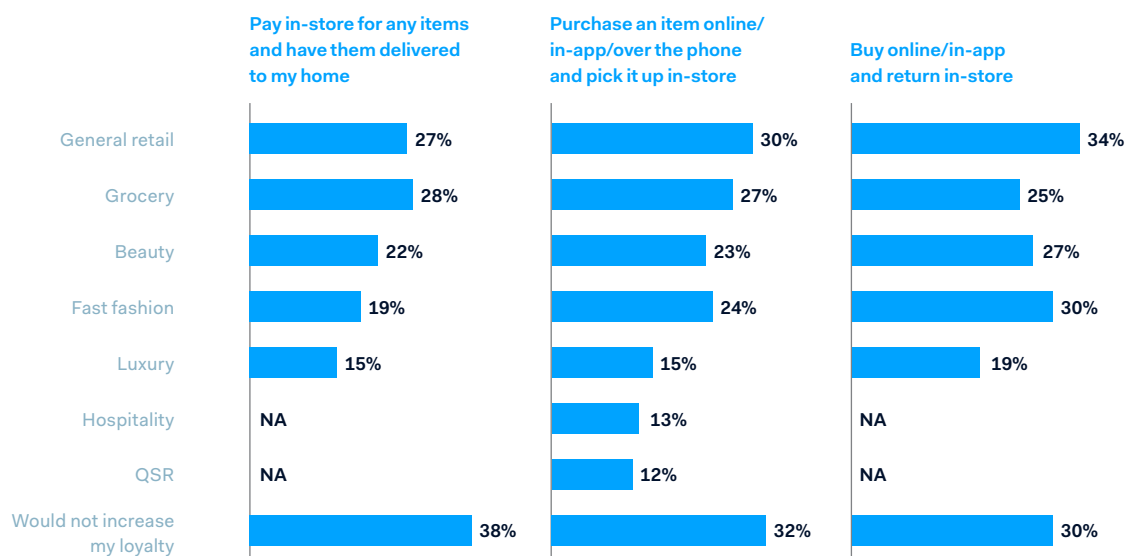
Cross-channel touchpoints must be converted from minefields to goldmines

Consumers don't think in terms of channels, they think in terms of convenience. All too often shoppers attempt to begin their journey in one channel and complete it in another, only to encounter a broken process preventing them from obtaining their desired good or service. As the lines between physical and digital shopping experiences continue to blur, retailers must break down the silos separating their in-store and online operations to enable shoppers to complete a purchase in the manner that is most convenient for them.

Figure 9

Cross-channel buying experiences drive loyalty across multiple verticals.

Which of the following experiences would increase your loyalty to a retailer in a specific category?



Creating an interwoven, personalized shopping experience requires a commitment to bridging—and often modernizing—technology systems and processes. For instance, if a retailer's e-commerce platform is unable to communicate with its point-of-sale software, important insights on a shopper's cross-channel behavior will be missed, creating a broken experience and missed engagement opportunities. Unifying the journey is about more than 'keeping up with the times.' Allowing shoppers to easily move between sales channels creates numerous points of opportunity to more meaningfully engage and ultimately build drive and loyalty.

The business impact of cross-channel buying options: € 507bn

Half of shoppers reported abandoning a purchase over the past six months due to a lack of cross-channel buying options (e.g., buy online and pick-up in-store; ship-to-home), resulting in € 229bn in annual sales that retailers have been unable to capture. When offered, we found that 56% of consumers reported to have made a purchase they didn't initially intend to as a direct result of a retailer offering a cross-channel buying option in the past six months, resulting in € 279bn in new sales annually. Through removing missed sales opportunities and driving new ones, the annual business impact of cross-channel buying options is € 507bn.

As shown in Figure 9, retailers across a variety of verticals can benefit from the stickiness of cross-channel purchase options. We find 46% of consumers noted that convenient cross-channel shopping experiences would encourage them to shop with one retailer over another. The impact on North American retailers is strongest, with 62% of Canadian shoppers and 60% of US shoppers stating cross-channel options would influence their decision to shop with a specific retailer.



Retailers remain in the early stages of implementing cross-channel shopping experiences with just 29% offering the ability to buy online and return in-store, and only 32% offering the ability to buy online and pick-up in-store. We found that the top priority for retailers this year is optimizing the consumer journey across multiple channels and the number-two priority is improving fulfillment options, demonstrating a strong focus on the cross-channel sales opportunity.

The business impact of lacking a contextual commerce purchasing experience: € 287bn

The growing popularity of smart speakers, voice assistants and social and messaging platforms give retailers new platforms to engage with and sell to consumers. Unfortunately, many retailers are missing out on such opportunities given 55% of shoppers reported having encountered an advertised product or service (such as on social media) that they were interested in, but then not made the purchase due to too many steps required to find the product/service. According to our analysis, this resulted in € 287bn in missed sales over the past year.

Consumers are responsive to contextual commerce experiences that enable them to buy in the moment. While 44% say they use social networking frequently to shop, browse and discover new products, only 20% say they use social networking to purchase. This highlights a gap where retailers could convert shoppers into buyers (see Figure 10). One of the ways retailers can close this gap is by offering discounts and special offers in channels where consumers spend their time. For instance, 35% of consumers stated that discounts or special offers would encourage them to use social media shopping experiences, 30% said this would incentivize them to utilize third-party messaging apps to purchase, and 33% say it would encourage them to use smart speakers to shop.

While 53% of retailers say that social media marketing and commerce is of growing importance to their business, only 28% of retailers seek to leverage selling opportunities across new social channels this year and just 19% currently offer smart speaker shopping experiences. Fast fashion retailers are out in front with 26% currently enabling purchasing via smart speakers. Among all regions, APAC retailers lag in their utilization of smart speakers at 13% but lead in their plans to sell in new channels (33%), demonstrating an appetite to innovate.

Additionally, with 56% of retailers asserting they are currently satisfied with their sales performance on social media, it indicates that many may be resting on their laurels instead of innovating around the purchase experience. Retailers should focus on speed and simplicity with their contextual commerce strategies, utilizing technologies like digital wallets and payment tokenization to create intuitive and secure payment experiences.

The business impact of cross-selling, recommended products and personalized offers: € 450bn

Over the past six months, 55% of consumers have increased their intended spend on at least one purchase as a result of cross-selling or being recommended a complementary product, leading to in € 134bn in additional sales annually for the retail industry. Another three in five shoppers claim to have made at least one additional purchase due to a personalized offer they received in the past six months, resulting in € 285bn in additional annual sales. Together, the business impact of cross-selling, recommend products and personalized offers is € 450bn.

Recommending and cross-selling products is a strategy designed to increase the ticket size of a purchase by selling related and adjacent items. As shown in Figure 11, nearly 75% of shoppers reported feeling satisfied when a sales assistant is able to offer recommendations based

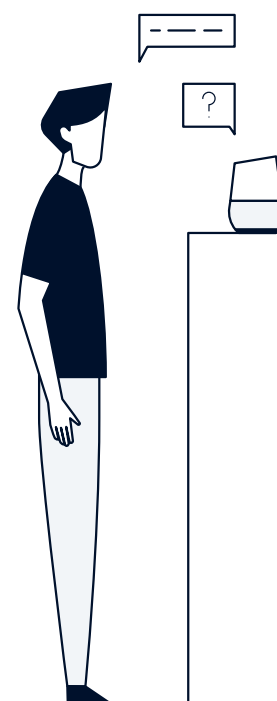
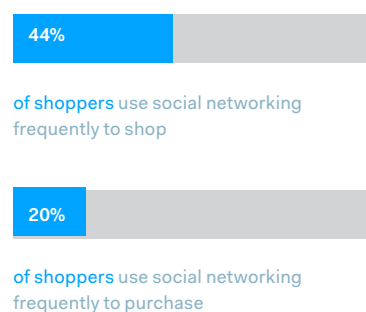


Figure 10

Retailers need to convert emerging contextual commerce platforms from shopping to buying platforms



upon previous purchase history, rising to 86% of Italian consumers. This indicates a key opportunity for retailers to not only lift sales, but more meaningfully engage with consumers and improve in-store satisfaction. Additionally, we find 55% of shoppers believe that receiving product recommendations and/or information to make a purchase via a chat bot would increase their online shopping frequency. The availability of this experience in APAC registers the biggest impact, with 61% of consumers stating the same.

We also find that personalization can drive cross-channel behavior, with 47% of consumers that prefer to shop in-store stating they would be encouraged to shop more online if they were offered personalized discounts/coupons. Additionally, one in two shoppers feel that tailored promotions/coupons would increase their loyalty to a retailer, underscoring the relationship-building impact of personalization.

Figure 11

Improving checkout experiences tops retailers' list of digital technology initiatives for 2019

53%

Improve checkout experiences

42%

Upgrade applications for optimizing customer experiences

Retailers remain in early stages of adapting, however. This is particularly the case in-store, with only 22% of retailers currently equipping store associates with mobile applications to provide customers personalized recommendations based on past purchases. We find beauty retailers are the most advanced with the capability, with 36% currently having deployed this experience. Advancements in AI and ML should serve as an important ally driving this capability forward, as we find 3 out of 10 retailers view this as a top application of product recommendation the technology for their business.



A man with a beard and short dark hair, wearing a dark denim jacket over a white shirt and large black headphones, is standing at a grocery store checkout counter. He is holding a smartphone in his right hand, looking down at it. The counter has a tablet computer displaying a checkout interface. In the background, a woman with blonde hair is partially visible, and the store's shelves are filled with various products. The lighting is warm and indoor.

Unified commerce requires customer- centric innovation

Technology isn't the only input required to capitalize on the € 3 trillion global unified commerce opportunity. To execute, retailers must commit to several overarching strategic priorities that are critical to delivering the satisfying, interconnected commerce experiences shoppers desire. In particular, we recommend retailers focus on the following four initiatives as part of their action plan.



Commitment to a digital transformation strategy

To adapt and thrive, retailers must have a well-organized approach to digital transformation that permeates the organization from the C-suite through to the front-line sales associates. This requires rethinking the role of technology, process and people and how each of these components can evolve to better serve customers.

Despite the gradual pace of digital transformation in retail (see Figure 12), retailers' top initiatives for 2019 underscore their appetite for evolution (see Figure 13). Optimizing the customer journey across channels and improving customer fulfillment options are tied as the top goals. Thanks to increasing consumer demand to shop and discover how and when they wish, retailers with a consistent brand presence across channels are best positioned to build customer loyalty and win business. However, maintaining a consistent experience across channels alone is not enough.

Once the initial purchase decision has been made, providing the most convenient and flexible path to purchase is vital – offering shoppers new digital wallet options as their second most important initiative.

Retailers must assess the viability of their legacy systems and partner ecosystem to meet their top initiatives to ensure they do not throttle the pace of innovation and adaptation. Strong partners will act as a catalyst for—not a prohibitor of—digital transformation by providing retailers with the digital platform required to address their business goals.

Converting the store into a strategic asset

In an increasingly digitized shopping landscape it is easy for retailers to view brick and mortar stores as a liability rather than an asset. However, as shown in Figure 14, it is clear shoppers still value and desire the store and physical product experience.

Despite consumers' appetite for brick and mortar shopping experiences, in-store ranks as the channel retailers are least satisfied with from a sales perspective, bested by e-commerce, m-commerce and even social. This sentiment has in part led 70% of retailers to state that they anticipate the rate of brick and mortar closures to increase over the next three years.

On the bright side, the trend of digital natives (such as Amazon) opening physical locations should be seen a testament to the vital role of the store in the shopping experience. Retailers must adapt by connecting stores into their broader digital strategy to enhance the value they can provide.

As shown in Figure 15, shoppers want digital to permeate the in-store shopping experience to create and serve as a bridge between channels.

Figure 12

Digital transformation execution remains early. Retailers with formal DX strategies or plans.

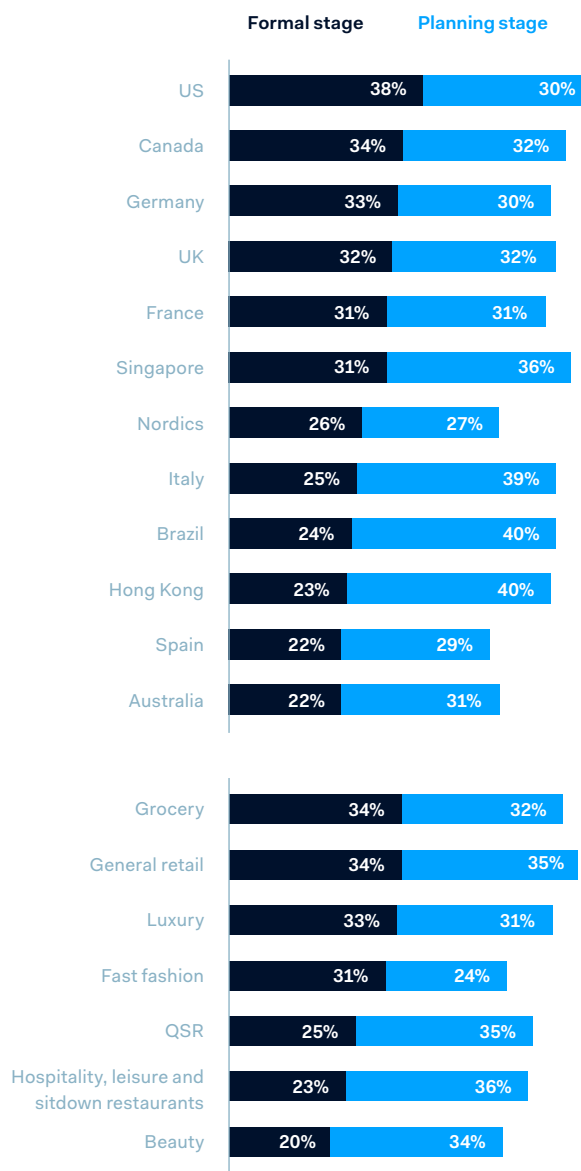
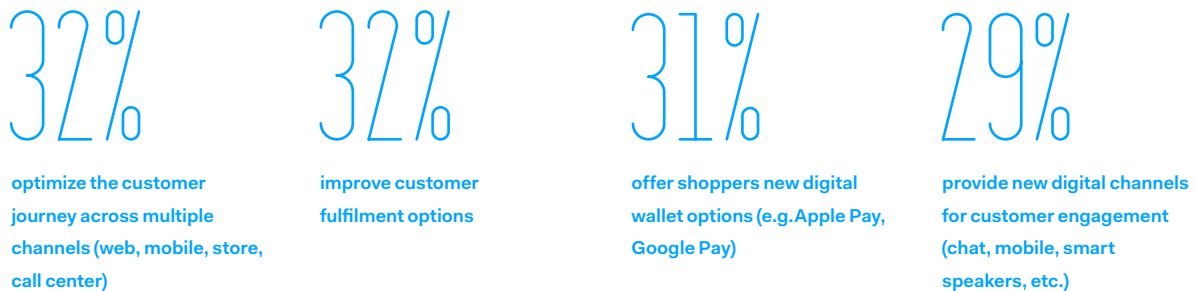


Figure 13

Many retailers seek to meet priorities through upgrading their applications



By focusing on improving backend procurement, point of sale and personalization technology, forward-looking retailers can create dynamic links between their digital and physical channels.

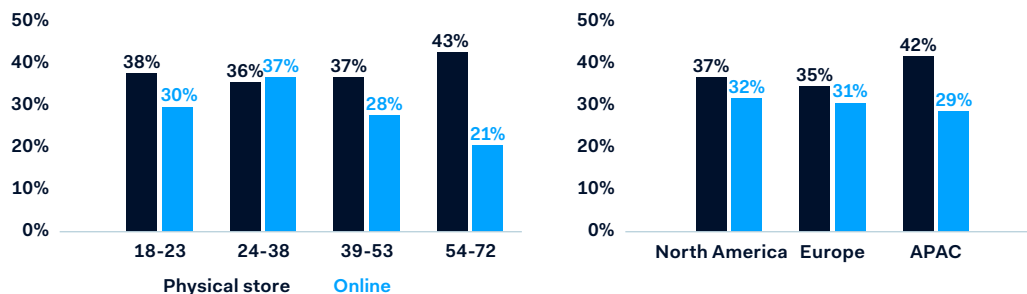
Embracing contextual commerce

While the physical store continues to be a highly relevant touchpoint, shoppers are increasingly looking to new channels of engagement, such as social media and smart speakers (see Figure 16), creating the basis for a fundamentally new chapter of commerce, where consumers can move from impulse to purchase in a single interaction.

Many shoppers are already comfortable leveraging emerging platforms to research brands, but a limited number of retailers are capitalizing on this opportunity to convert them into buyers. For instance, only one in four retailers currently enable purchases on social media. Spanish and Italian retailers lead in this space with 28% and 27%, respectively, enabling social media purchases, compared to just 18% in Germany and Australia. Implementation rates fall lower when looking at smart speaker

Figure 14

In-store continues to edge out online as the preferred shopping channel



integrations. Though half of smart speaker owners have used these devices to shop, only 19% of retailers currently enable purchases on the devices. Once again Italian retailers are out in front, tied with US retailers at 28% adoption.

To best take advantage, retailers can mine the data emanating from emerging touchpoints utilize it to target content and offers. We find this is a top application for ML and AI, with 'marketing analysis' and 'social network analysis' ranking as the number one and two use cases for the technology, respectively. Utilizing intelligence to drive personalized content becoming increasingly crucial to fostering strong customer relationships as over half (51%) of consumers say that promotions and coupons tailored to them would significantly increase loyalty to a retailer.

Figure 15

Shoppers want digital to permeate the in-store shopping experience

46%

see convenient shopping experiences across in-store and online as a reason to shop at one retailer over another

49%

would like to see more digitally connected stores (e.g. digital mirrors in dressing rooms, augmented reality apps, etc.)

47%

feel that the ability to exchange or return an online / in-app purchase in-store would significantly increase their loyalty to a retailer.

Contextual shoppers are a critical audience for retailers to win over. Consider that shoppers who utilize social media are on average more brand-loyal than the typical shopper and enjoy shopping more. To succeed in this new arena, retailers must make it easier for shoppers to fulfill impulses by streamlining the path to purchase and ensuring that their interactions are relevant and timely. This includes adopting technologies like payment tokenization to increase interoperability and security within these new environments, in addition to layering in machine learning to enhance the relevancy and accuracy of customer interactions.

Figure 16

Emerging engagement platforms present large audiences of shoppers

50%

of smart speaker owners have used their devices to shop

44%

of consumers use social media to shop

40%

of consumers use third-party messaging apps to shop

Prioritizing payments

While payments act as a fundamental enabler of new commerce experiences, they can also serve as a top contributor to friction.

A fast and flexible payment experience can not only drive up conversion rates but breed stronger customer relationships. The availability of fast and convenient payment options such as digital wallets are a top-three factor that consumers say would lead them to shop with one retailer over another. Further, over half (52%) of shoppers feel the ability to complete a transaction in one click would increase their loyalty to a specific retailer and 56% say that contactless payment acceptance would improve their in-store payment experience.

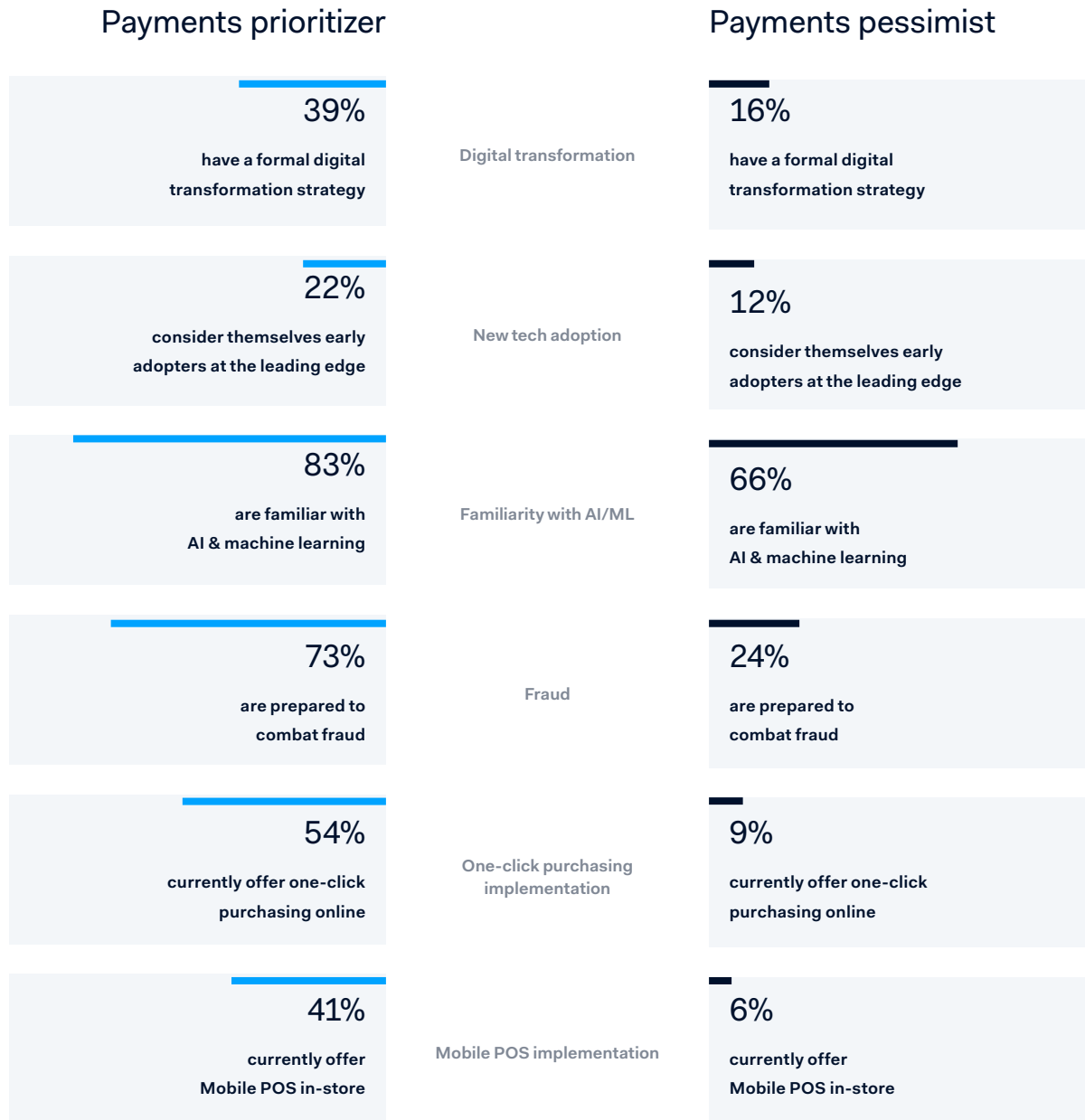
Retailers must also consider the way in which offering local payment methods can open them up to the cross-border commerce opportunity. Today, just 42% of retailers see offering localized payment methods which cater to international shoppers as a very important initiative for their business.

Our research has revealed that retailers that prioritize payments (e.g., those that say it's very important to offer cutting edge payment options and ensure they offer all options the customer wants to use) are significantly more advanced than payments pessimists (e.g., those that say it is not at all important to offer cutting edge payment options and ensure they offer all options the customer wants to use) across multiple fronts (see Figure 17).



Figure 17

Retailers that prioritize payments are more advanced across multiple areas



Conclusion

Consumers expect to be able to shop how, when and where they want while dictating the terms of engagement with a retailer. Unified commerce is about delivering on these expectations by creating convenient and contextual shopping experiences that place the consumer in control.

With € 3 trillion in sales volume at stake, the business case for implementing a unified commerce strategy is obvious but executing is easier said than done. Retailers must begin by mapping out their current customer journey and identifying all friction points in existence. Ultimately, any area where the shopper's momentum is obstructed creates an opportunity for abandonment and behavior change. Even seemingly minor pain points like missing payment options, a long line or an out-of-stock product can have an outsized impact on customer loyalty, not to mention near-and-long-term revenue.

Unified commerce is as much a mindset and strategic shift as it is technological. From executive leadership to IT through to front-line sales associates, a commitment to customer-centric digital transformation is paramount. Often, this necessitates new competencies and new capabilities. Retailers must align with partners that can enable them to bridge internal information siloes and implement process changes to adapt more fluidly to market demands. Ultimately, partners that can help to increase customer visibility across touchpoints and implement approaches to better convert impulse and desire into sales will be fundamental inputs into any successful unified commerce strategy.

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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.

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