

How to embrace innovation and ensure customers want to keep spending online

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Foreword

Against a fluctuating economic backdrop, retailers are facing unprecedented pressure from all sides.

Emerging from the pandemic with a huge backlog of supply chain and cost disruptions and moving straight into a cost-of-living crisis means retail firms are now well-versed in the challenges that periods of significant change can bring.

But although today's retail landscape is undoubtedly challenging, it is also filled with **opportunities for change, progress, and innovation.**

Digital technologies are a game changer in this space, offering real potential to **drive efficiencies** and **accelerate growth**. In these dynamic economic conditions, retailers that can act with agility and resilience will prevail. And in an environment where shoppers have more choices than ever before – and are more discerning about their spending – firms need to focus on providing a frictionless, flexible offering.

Whether it is through **new delivery methods, more engaging web experiences,** or **new fast and straightforward payment processes,** forward-thinking retailers are investing in e-commerce to ensure they offer customers what they need. Retailers need to remember their industry is resilient, and by adopting an approach of continued innovation and digital expertise this resilience will ensue.

In the following pages, we highlight the online opportunities amid the challenges, and the new digital and customer engagement approaches required to help move forward in continuing challenging times.

Read on for insights and a guide to good online trading in 2023.



Where to focus attention in a crisis

If consumer expectations about the online shopping experience were not already high before the pandemic, then they certainly are now after the **Covid-19 crisis brought greater familiarity with e-commerce and a raft of new digital shoppers.**

It is the job of retailers and brands to ensure they respond with the best possible, frictionless, most flexible offering to their users. This has always been important, but in an economic downturn when shoppers are feeling their pinch, it is crucial to provide a **smooth experience** that adds no further complications to their lives.

That's the bottom line, here. Success in challenging economic times can come with laser-focused attention on the customer and what they want from the shopping and online experience – because they are currently more discerning about their spending.

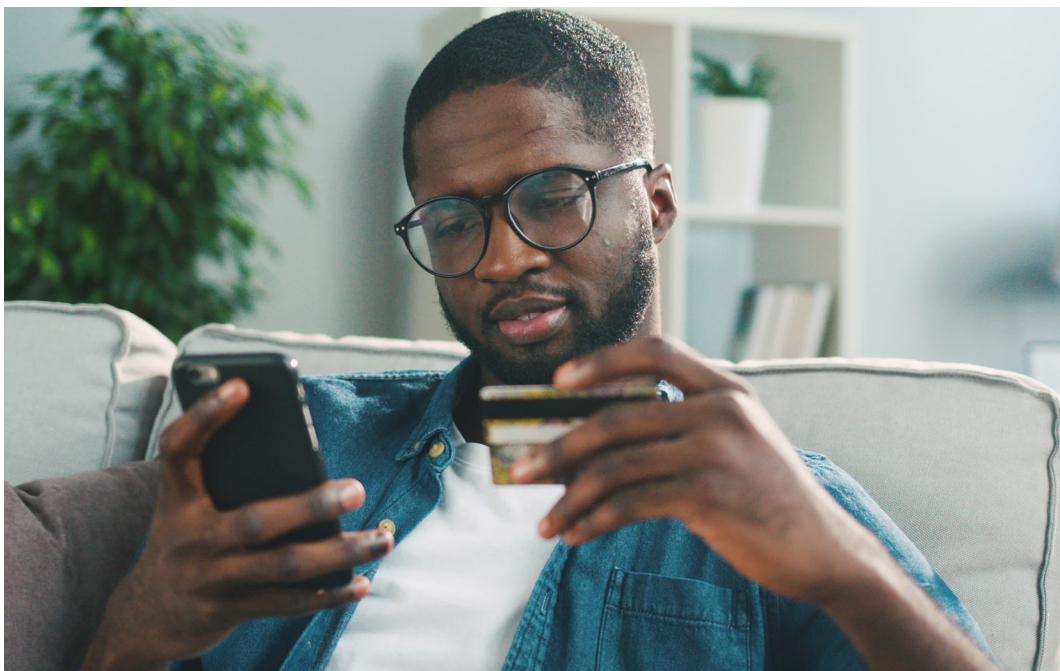
The top five frustrations for online consumers, according to research from IDC and PayPal published in 2022¹ are, as follows:

- Not knowing final costs before reaching the checkout page
- An inability to reach customer service
- Lack of inventory availability and visibility
- Online experiences that require too many clicks
- A preferred payment method is not accepted at checkout

Proactive retailers are addressing these customer concerns. Marks & Spencer is increasing inventory by building **more partnerships with likeminded brands** – such as adding Seasalt and Sosandar to its ever-growing range of fashion tie-ups.²

This has added benefits for online-only brands like Sosandar, which is raising its profile and reporting a profitable position for the first time by **expanding into well-thought-out wholesale relationships**. In April 2023 it reported its first profit too.³





More of a shift in infrastructure comes in the form of the online marketplace movement. Last year, B&Q and Superdrug **decentralised their e-commerce operating model** to provide customers with a chance to find and order products directly from brands.⁴

Boots will launch its own marketplace in 2023,⁵ while Mountain Warehouse⁶ and Decathlon⁷ are among those to have already added marketplace to their multi-model operations – **broadening their inventories and revenue opportunities** in the process.

Meanwhile, Primark is a recent example of a retailer to have ramped up online user experience (UX). In 2022, its basic fact-finding website was revamped into a true omnichannel engagement platform providing **localised store stock information, click & collect ordering capability**, and logins that enable a more personalised UX for shoppers.

The ability to build wish lists help customers plan accordingly, while also providing customer preference data that can be used to boost engagement further.

Primark strategy director Matt Houston said: “We see a significant opportunity to drive more footfall and more sales into our stores by upping our game in digital and ensuring that what we offer is more visible online.

“The new website gives us the opportunity to reach new customers who might not be stepping into our stores now and tempt them with the great products and value we offer.”⁸

Embracing innovation in uncertain times

A common theme of the pandemic was for retailers to **quickly launch projects and propositions** that usually would have taken multiple months to bring to market.

One example was **online video connecting remote shoppers with in-store staff**. The tech deployment proved temporary for some retailers in the pandemic, but it was built into long-term strategic differentiators by others, including Currys, which has now made it a key part of its customer service and a driver of sales and customer engagement.⁹

Andrew Mann, managing partner at NorthBailey consultancy, says: "Retail boards often found themselves drowning in a list of priorities, but in the pandemic, they were able to shorten their priority lists and move quickly as a result.

“Listening to the consumer, simplifying processes and operating with fewer priorities are **pandemic lessons that should have longevity.**”

Roundtable: How retailers delivered peak trading 2021 ¹⁰

With this mindset, retailers can navigate their way through more economic turmoil.

When considering innovation in 2023, it is difficult to ignore the advancement of **artificial intelligence (AI)**, and particularly **generative AI such as ChatGPT** which was launched in November 2022 by tech company Open AI. The natural language technology which enables ChatGPT to answer questions with sophisticated prose based on a rapid scan of the internet has several user cases, but for retail it has the potential to help speed up content writing tasks such as customer emails, blogs, and online product descriptions.

OpenAI has already announced **partnerships with Instacart, OpenTable, and Shopify** to explore potential **business implementations of AI technology**.



Shopify and Instacart are using ChatGPT to create shopping assistance chatbots, for example, helping customers find recipes and ingredients, and allowing input of nutrition and dietary restrictions when suggesting shopping items.¹¹

Online department store Very.co.uk is using AI more broadly in much of its ongoing work improving the consumer experience on its website. The first phase of this new stream of work, announced in February 2023,¹² involved the **implementation of new search, browse and autosuggest tools** across its website and app.

By using **AI, natural language processing, machine learning and data**, the online retailer is hoping it can learn from anonymous interactions and **optimise the product discovery experience** by providing customers with faster and more personalised results.

In the longer term, Very plans to roll-out a personalised 'quiz' functionality. This will involve visitors to the website answering questions about their preferences, interests, and goals, which will inform the product discovery process.

Despite the difficult economy, there are plenty of examples of retailers embracing innovation to get ahead.



Avoiding payments pain points

The way that people shop, purchase, and pay for things **has changed dramatically – and quickly – in recent years.**

Smartphones, social platforms, instant delivery, subscription services and more continue to position online shopping as a fast, convenient, and – from a security perspective – **reliable** and **trustworthy buying option** for most consumers.

But from section one, we know that payments are a key pain point for customers: **not knowing final costs** before reaching the checkout page and a **preferred payment method not being accepted** at checkout are **two of the top five online retail frustrations**.

In a difficult economy, issues to do with payments can become even more sensitive. So, during times when there are many things in the macroenvironment that cannot be controlled in business, planning for what can be controlled becomes all the more urgent.

Now is the time for retailers to ensure their **payment platform delivers resilience** and **fosters innovation** no matter what the future holds. And as consumers are increasingly conscious about their financial information, much of this revolves around security.

If retailers need to do more to connect and provide services to a tighter spending consumer population, they are going to **build trust through their platforms – particularly payments**. That will entail making sure they are relevant by offering localised payment options, while offering speed, simplicity and choice at the online checkout.

Forrester urges companies to offer payment options that meet their customers' needs and expectations, with its Consumer Energy Index And Retail Pulse Survey from April 2022 showing that **28% of UK online adults abandoned a shopping experience online** in the prior 12 months because they couldn't use a digital payment method.¹³

Some **29% online male adults in the UK** said they have **abandoned shopping journeys for this reason**, while **26% of female adults** said the same.

The bottom line is payments are an important part of keeping customers happy, so retailers and brands need to know exactly how their audience wishes to transact.

So, what are the main things to remember?



5 key takeaways

A quickfire checklist for retailers looking to **unlock opportunities in a challenging economic environment:**

- **Diversify revenue streams:** consider online marketplaces, new partnerships and expanding into new categories
- **Stay customer focused:** from inventory availability through to online UX and payments choice and experience, know what customers want and deliver it
- **Don't close the book on innovation:** if anything, a crisis is a good time to try new things and invest in new technology – the pandemic showed us that
- **Plan for what you can control:** economic strife causes uncertainty, so make sure things that can be controlled, such as providing a range of payments platforms, are well planned out
- **Retail is resilient:** there has been more than a decade of rapid change and disruption in the industry – the key is not to stand still. Keep iterating and find the right partners to help support the ever-evolving journey





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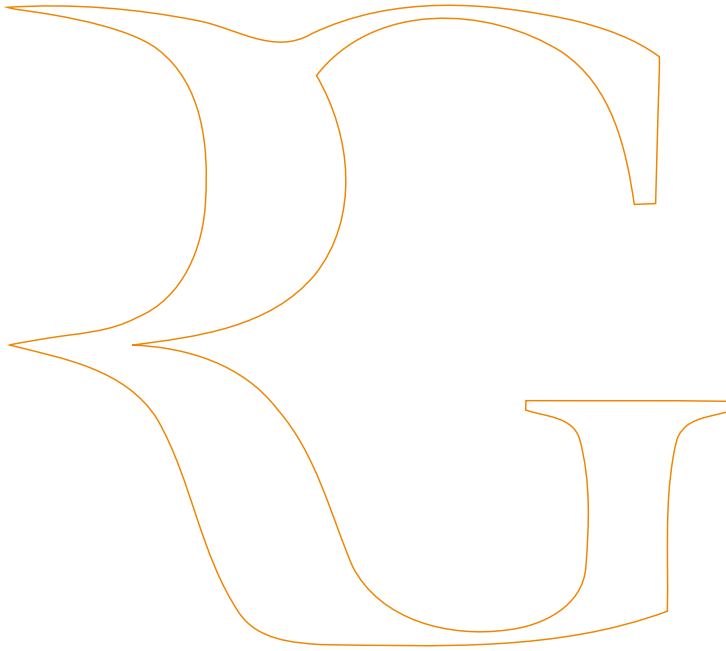
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