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RETAIL REACHES NEW HEIGHTS

New ways to shop, new ways to engage. Four ways COVID-19 transformed retail forever.

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What's possible in retail continues to reach new heights.

As the world still grapples with the risk of sharing physical spaces nearly two years into the pandemic, consumer expectations continue to accelerate innovation. Not only are retailers offering new ways to shop, but they are also introducing new ways to engage with brands and other community members.

Consumers have more flexibility than ever when it comes to how they engage with brands. Today's shoppers expect omnichannel commerce experiences and are accustomed to seeing multiple options when buying and receiving retail goods.

Consumers can choose to purchase via mobile apps, social media, or the retailer's website, and then have items delivered to their door. Or, they may opt for regular or contactless pick-up at the retailer's physical locations. It's crucial for retailers to relearn their customers' preferences and ensure communications are designed for each touchpoint in the shopping journey.

Brands are also meeting customer needs through holistic experiences, such as leveraging social media channels as an extension of customer service or tapping into online community spaces to inspire events for like-minded customers. And, thanks to social media's ability to reach people who otherwise wouldn't have a way to communicate directly, consumer voices and choices are connecting with retailers in personal ways.

Over the past year, retail brands have focused on delivering in-person shopping experiences that emphasize health and safety, while also providing virtual value-added services. Yet the need to remain tangible is just as important as adapting to more virtual operations. People feel an inherent desire for a dependable brick-and-mortar presence to exist alongside a virtual counterpart. Starbucks, for example, redesigned their drive-through process because they want customers to have an interaction similar to a one-on-one with a barista inside the store.

To stay in the game, retailers need to collect and leverage zero- and first-party data along with online and offline consumer behaviors to build a comprehensive view of their customers now and in the long term. With the "death of cookies" on the horizon, establishing true one-to-one relationships can bolster a sense of _Participation_ that builds trust and advocacy.

In this paper, we explore four transformative trends that are impacting retailers today— illustrating how all businesses need to expand, optimize, and adapt to meet its customers' needs as COVID-19 continues to reshape commerce.

Spending online increased by

42%

from 2019 to 2020 and that online spend continues to grow year-over-year in 2021.

Source: Adobe+

Four key trends impacting retailers

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#1 Evolving the experience

#2 Cultural reckoning

#3 Extended value

#4 Community focus

Trend #1
Evolving the experience

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Offline and online retail experiences have forever changed. More often, they're now a blended experience. At this point, consumers have had a taste of the future and they crave more—technology and personalization are no longer just "nice to haves," they are simply expected to be served.

Consumers have had a taste of the future and they crave more—technology and personalization are no longer just "nice to haves," they are simply expected to be served.

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2020 saw a total of

$844B spend online

and a continuing

+42% YOY growth

Online spend in January and February 2021 also grew at

34% YOY

Source: [1] Adobe+ [2] eMarketer

Enabling livestream shopping

Walmart was first to run shoppable livestreams on TikTok late last year. This was an all-new marketing experience featuring fresh creators and shoppable items, allowing customers to shop from home. When viewing TikTok videos, users tap their smartphone screen to learn more about featured products and complete purchases—all without leaving the social platform.

During the first holiday event, Walmart earned seven times more views than anticipated—and 25% more followers. Since Walmart's innovation, other retailers have added a livestream shopping function to their own platforms.

Experimenting with AR

Historically, people prefer to go into a store to match a makeup product to their skin tone rather than guessing via a device screen. But with augmented reality (AR), there's now a way to bring that in-store testing experience to the consumer at home.

After the pandemic hit, Ulta Beauty quickly scaled its GLAMlab—a virtual try-on in-app experience—enabling customers to experiment with beauty products without needing to visit the store. Ulta Beauty's GLAMlab now features a skin analysis tool, AI-powered try-ons for hair and eyelashes, foundation color-matching to your skin tone, personal virtual assistants, and more. While AI or Virtual reality (VR) in makeup isn't totally new, the expanded use of this technology encourages product exploration—a huge part of the buying journey for makeup consumers especially.

Blending human and tech for personalization

For a no-contact in-store experience, Men's Wearhouse unveiled a new concept where shoppers can use a tablet preloaded with a proprietary app to help them find a dress shirt based on their desired size, fit, and style. The tablet blends the in-person feel with technology for a unique and in-the-moment personalization experience. The Men's Wearhouse tablet enables its customers to add items to a virtual fitting room, which then notifies a store associate to pull those items and take them directly to a reserved fitting room. This setup is ideal for practicing social distancing, and for those who prefer to limit their interactions with store associates without forgoing the shopping experience altogether.

Leveraging test environments

Many brands are trying out new store concepts that leverage "retail-tainment" or retail entertainment spaces. Earlier this year Dick's Sporting Goods opened its first "House of Sport" store concept, akin to a recreation center, and continues to open more. Customers are drawn into the store to fully experience products through an enhanced "try before you buy" opportunity. The store concept features an outdoor turf field, track, rock climbing wall, simulator golf bays, batting cage, health and wellness center, product service center, and a showcase of top apparel and equipment.

This type of differentiator from online shopping gets people to come into the store and keeps the brand and brand experience top of mind in a fresh, relevant way.

In contrast, direct-to-consumer companies that started online are finding they can reach only so many new potential customers without an in-store presence to satisfy the innate need for tangible discovery experiences. Harry's Razors, for example, realized the return on their marketing spend was diminishing in terms of attracting new customers. They had saturated the digital market, so they partnered with Target to open a store within a store. Now, new customers are finding them by simply walking through the physical space of a popular retailer partner and discovering products offline.

78% of consumers

plan to shop more in-store as they're eager to get out of the house and want to interact with store associates and physically interact with products.

Source: Chase Design

Why it matters

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Rediscover what convenience means for your customers

Convenience sits at the core of a great customer experience. Brands should reconsider how they communicate, deliver recommendations, accept payment, and fulfill orders. Consumers expect a variety of omnichannel solutions to meet their shopping needs. Falling short of these expectations and experiences causes even loyal customers to start looking elsewhere.

Trend #2
Cultural reckoning

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Consumer demands are reaching new breaking points, notably for companies that address environmental issues, racial injustice, and a widening wealth gap. Although these issues aren't new, this type of cultural reckoning was magnified during the pandemic and the political unrest on display in the summer of 2020.

Retail brands seeking new ways to authentically share values and stand out from the pack benefit twofold from understanding the myriad of societal inequities their customers face—and can attract more customers to their brand through the voices of advocates who are current customers themselves.

Consumers assess whether a brand is being transparent by connecting through digital tools and observing the values portrayed. They want to see that marketed values are used genuinely rather than for profit.

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59%
of respondents shop at secondhand stores for apparel

Sustainable fashion is expected to
GROW 2x
the size of fast fashion by 2029

59%
of U.S. adults aged 18-34 have started or stopped using a new brand because of its response to racism/racial injustice.

Sources: Mintel + NetBase Quid; eMarketer

Extending product life

Lululemon is an example of a company taking action for the causes the company supports. The brand acknowledges the detrimental effects fast fashion has on the environment and is working to extend the life of its products. Lululemon is now accepting "like new" returns for resale at a discounted price so still-wearable, new-to-someone-else garments get used.

Lululemon is also working on sourcing fabrics that are more sustainable. Profits from these items will be reinvested into additional sustainable initiatives, including circular product design, renew and recycle programs, and store environmental programs. Customers using the resale program will receive Lululemon credit via an e-gift card when they send items by mail or visit a participating store.

Advancing ethics

Pandora, the jewelry company, plans to use only lab-grown diamonds in response to rising consumer awareness about the costs of mined diamonds, both ethically and environmentally. Selling only lab-grown diamonds reduces unfair trade practices and carbon emissions. Pandora found younger consumers aren't eager to spend a lot on a diamond for the sake of rarity—perceived quality is less important to them than having something that doesn't violate fair trade policies and is eco-friendly.

Furthering entrepreneurship and building representation

In line with their 15% pledge, Sephora—the world's largest beauty retailer—refocused its Sephora Accelerate brand incubation program for entrepreneurs who identify as people of color. The 15% pledge encourages companies to commit a merchandise share of at least 15% to Black-owned brands to ensure there are brands more representative of the colors and

ethnicities that make up the United States. Founders embark on a six-month intensive boot camp journey that teaches skills necessary to create a successful business and launch a line of cosmetics at Sephora.

Taking a stand

Companies that come out publicly and dedicate proceeds toward specific charities, organizations, or initiatives are refusing to stand idly by while people are organizing, raising and amplifying their voices for better protection, equity, and support. They are putting their money where their mouths are and attaching their brand to those causes.

Following the March 16 shootings in Atlanta that killed eight people, six of whom were women of Asian descent, Bombas—the self-described comfort-focused sock and apparel brand with a mission to help those in need—immediately sent out an email condemning hatred and racism against Asians and Pacific Islanders (AAPI). They publicly included a $100,000 pledge toward organizations supporting AAPI communities.

Why it matters

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Taking the lead to address tough issues

Brands simply cannot afford to sit on the fence when it comes to big, systemic problems. Consumers are watching closely, and they don't want to see "woke-washing" of any kind. Retailers need to integrate change and transparency across the value chain and invest in actionable, purpose-driven solutions to benefit communities. There are plenty of opportunities to find and do something about longstanding social justice issues that carry weight with customers. Take it a step further and allow customers to demonstrate their shared values by contributing toward the donation or action, too.
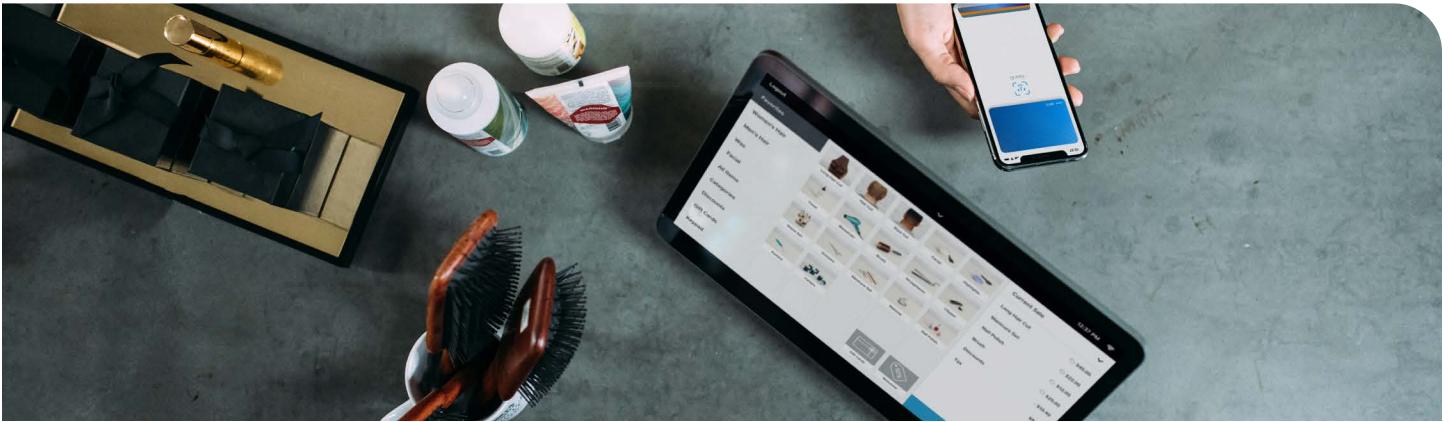
Trend #3
Extended value

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Through partnerships, new channels, and complementary product or service offerings, brands are staying relevant and blurring the lines between industry verticals. Extending value is about reevaluating what customers want from products and using the insights to inform product design or other offerings.

Boosting seller success

eBay—the multinational e-commerce company that facilitates consumer-to-consumer and business-to-consumer sales through its auction website—launched a free "authenticity guarantee" tool to help customers authenticate and validate estimates for collectible items worth more than $100. eBay recognized a major fraud problem on its platform and acted on it, giving both buyers and sellers more confidence in product authenticity and transaction credibility. The program includes in-person pop-up events intended to help curb counterfeit issues common on e-commerce platforms and allows users to differentiate themselves against others who don't have the authenticated status.

Encouraging creativity

LEGO is a beloved and popular creative product traditionally geared toward kids. It's a physical product, but the brand partnered with Universal Music Group for a TikTok-like kids app that allows kids to create their own music videos with LEGO products using augmented reality. Whether or not users own any of the LEGO BeatBox characters, they can still download the app, direct their own videos, and share music video content on the app's kid-friendly platform for free. Kids can choose their own music, stage, and characters as well as design album covers.

Leveraging interests via relevant partnerships

Fanatics partnered with DoorDash to reach a wider audience, promoting food delivery on game day. Fans who opted into Fanatics' emails received a 30% discount on their first delivery after creating an account with DoorDash. While the brand benefitted from being associated with game day food, the fans were the ones who benefitted from the convenience of food delivery to their home during a big game with a trial bonus.

Adding flexibility

FabFitFun (FFF)—a lifestyle membership company—increased the number of items members can customize in each curated box of products. The company added a new feature to its subscription boxes where members can swap credit initially prepaid for an upcoming seasonal box to be used instead during seasonal sales in its shop, where only members may purchase products year-round. Members also get access to exclusive partner offers, at-home workouts, recipes, "FFFTV", and the FFF community. The additional flexibility is a big draw for consumers, even when they already have choices in their product selections.

Why it matters

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Find new or unexpected ways to extend value

Forming new partnerships or gathering inspiration across industries demonstrates a willingness to invest in the customer experience. This is also a great way to reinforce brand loyalty and inspire brand advocacy, affinity, and ultimately Participation.

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What factors are influencing brand conversion among online shoppers under 40?

43%

like an introduction to new products

42%

want products recommended

41%

look for a distinctive look and feel

Source: Rightpoint

Trend #4
Community focus
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Community and identity often go together. Through the nature of the pandemic's stay-at-home orders and safety measures, communities have become more tight-knit and identities have been reinforced. Consumers are interested in supporting local and small businesses, and brands are investing in communities—whether online or in a physical space—to appeal to consumers on an identity level.

This differs from the cultural reckoning trend. Community focus is more about how people identify and how society is becoming more accepting of individual, and sometimes invisible, differences.

The community focus trend recognizes groups of people that are not often culturally considered or accepted as "mainstream."

Creating from customer feedback

A perfect example of creating from customer feedback is Nike. A young man with Cerebral palsy sent a letter to Nike suggesting it make a sneaker that he could put on without using his hands, fitting snugly without laces or velcro. The company accepted his challenge, then proceeded to answer the simple question: If you could make a hands-free shoe, how would you do it?

The company released its adaptive athletic sneaker in 2021, eight years after Matthew Walzer shared his idea. While the Nike GO FlyEase was envisioned for adaptive athletes, its appeal is universal across a variety of lifestyles.

Furthering entrepreneurship

Etsy exercises a community-focused opportunity for its customers as part of its checkout process. Once shoppers proceed to payment, the online marketplace asks them if they want to donate to the Uplift Fund, held by the Brooklyn Community Foundation, that supports budding entrepreneurs by funding nonprofits that dismantle barriers to launching new businesses. Sometimes, the difference between making the leap to start your own business and keeping it as a side-gig is the reality of losing important benefits you need, such as access to health insurance, childcare, and paid leave, typically tied to a salaried position.

Investing in local communities

Another way brands bring focus to local communities is through investments, like Walgreens' partnership with in/PACT and the GoodCoin Foundation. The initiative enables MyWalgreens members to donate Walgreens Cash rewards directly to local nonprofits within their community, chosen via the loyalty program. Walgreens rotates the list of recipients periodically to increase opportunities for both exploration and giving.

Learning from virtual connections

Brick-and-mortar bookstore Barnes & Noble is leveraging virtual customer connections to reach younger audiences and setting up tables in stores to display selections from social media influencers. Two teenage sisters—15 year old Mireille Lee and 13 year old Elodie—started the TikTok channel @alifeofliterature with the mission of sharing their love of reading with other teens. Mireille was motivated because the content she saw online was geared mostly toward adults and did not make recommendations that she could read. One of their videos received more than 5.5 million views, boosting sales for the book six years after it was released and earning thanks from its author.

The teenagers' TikTok channel has more than 6.8 million likes and 305,500 followers, inspiring other "BookTok" content and spawning an online community. Publishers are responding by working with the content creators to anticipate demand of specific titles.

Why it matters

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Support niche communities

Consumer identity is complicated and often oversimplified. Brands can leverage data and customer feedback to identify and support niche communities that are meaningful to consumers. Connecting with customers on a deeper level offers deeper insights, providing the chance to show empathy and showcase shared values as a company.

Closing thoughts

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Consumers want brands that embrace high-tech shopping options, focus on personalization, support social justice issues, and show up in communities that are important to them.

As the economy continues to ebb and flow, people are accustomed to e-commerce and increasingly to social commerce and are emerging from their homes ready to spend. Termed as "revenge spending," this rush to shop reflects consumers' desire to reclaim control of their lives and return to a new sense of normalcy.

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44%

of U.S. consumers plan to splurge or treat themselves by traveling or going on vacation and 46% by attending restaurants, bars or dining out.

Channel, content, and experience strategies drive differentiation among retailers hoping to make the most of the post-pandemic "revenge spending."

Source: Statista

Retailers need to be ready for consumers—in every way they show up. It's time to examine where omnichannel strategies stand and push them to the next level. Harmonizing the discovery, purchase, and post-purchase journeys across channels with relevant messaging is imperative for brands to deliver a holistic and seamless experience.

Customers crave connection on a personal level, but they also want it on their own terms. In a world where third-party cookies are going away and AdTech and MarTech co-exist and complement each other, being mindful of data use and translating insights into clear value is vital to maintaining trust.

Brands can—and do—play a large role in consumers' lives. For brands that want to nourish and grow their most loyal customer base, they need to ensure their words and actions reflect the values and desires of that base. When there are so many options to choose from, it's impossible to appeal to everyone—companies should let the values, reactions, and behaviors of their most dedicated customers drive innovation and engagement.

From a big-picture perspective, brands need to expand omnichannel capabilities and break down traditional customer journey silos to improve experiences. Brands have shown us that they can adapt and thrive in uncertain times, but they need to optimize for customers' core needs, expectations, and desires.

About the Authors

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Lauren is a Strategist on the Customer Strategy Insights + Research team focusing on customer loyalty and retention. She covers trends in the Retail, Consumer Packaged Goods and Restaurant industries. She has an MBA from Carlson School of Management and has worked on a variety of client work including Stop & Shop, Wyndham, J&J Gaming, Metropolitan Airports Commission, Darden, The BrandLab and Amtrak. In addition, Lauren regularly contributes to ICF Next's thought leadership, including her latest article, "Why Now is the Time to Rethink your Brand's Loyalty Strategy," co-authored with Connie Sisco here.

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Since joining ICF Next, Katie has worked on loyalty and customer relationship management strategy projects for a wide range of clients including 3M, Advance Auto Parts, American Red Cross, Amtrak, Best Buy, Citi, Discover Boating, Metropolitan Airports Commission, Radisson, Soma, Stop & Shop, and Wyndham.

Previously, Katie spent nearly 10 years with Transamerica in St. Paul, Minnesota, where she led marketing communication teams responsible for driving acquisition, engagement, and retention strategies for the consumer retirement division. Before that, Katie spent five years with TCF Bank in Minneapolis, taking on several roles throughout her tenure including brand manager, marketing specialist, special events coordinator, and program manager. She developed marketing campaigns and promotions to help meet sales goals at more than 100 Minnesota branch locations.

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