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2023 RETAIL INDUSTRY TRENDS

Emerging from the COVID-19 pandemic and major supply chain disruption, customers have developed new expectations that are shaping retail. The at-home economy continues to expand, with increased capabilities to experience retail offerings through eCommerce and digital channels. However, with some expectation that 2023 might feature a return to pre-pandemic consumption levels, the retail industry overall has instead experienced lackluster sales thanks in large part to the impacts of inflation.

With 3 in 5 Americans suffering financially due to rising prices, customers are being influenced to spend less. Because of this, there are some forecasts of a shrinking middle-class consumer base and with that, challenges ahead for mid-tier brands. Despite inflation, retailers that were financially well-positioned going into the pandemic have found success in expanding their retail channels to reach shoppers in more efficient ways. Ultimately, committing to invest in and improve the customer experience through the trends discussed below will strengthen retailers' positions going into the second half of 2023 and into 2024.

CHANNEL-LESS EXPERIENCES

SOCIAL SELLING

PERSONALIZATION WITH A PURPOSE

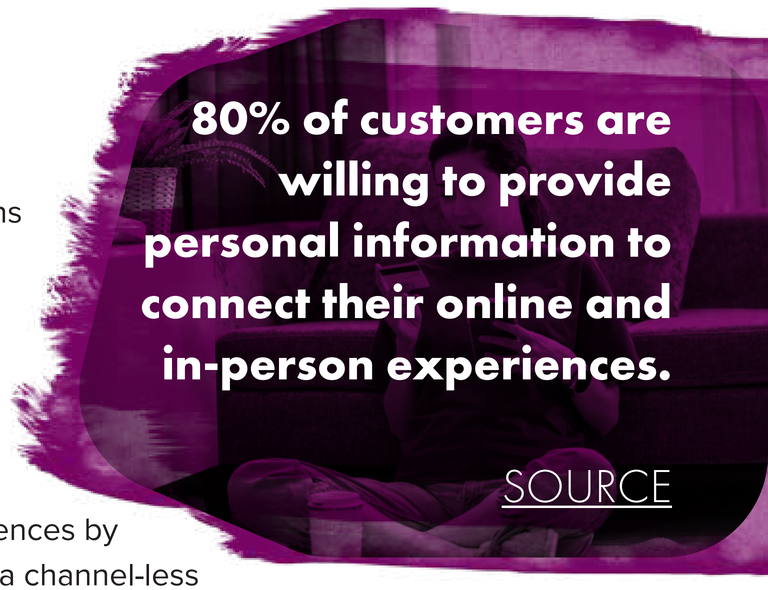
DATA CAPTURE & TRACKING

NEED FOR SPEED (OF GOODS)

CHANNEL-LESS EXPERIENCES

The emergence of the hybrid shopping experience beckoned the growth of omnichannel retail. Now, as the majority of retailers utilize multiple channels to deliver smoother customer experiences, discussions have shifted to the newest commerce trend known as the channel-less experience. Building off of omnichannel investments, channel-less retail focuses on creating a unified brand experience so that the channel in which a customer experiences the brand doesn't matter.

To become channel-less, retailers must have a highly efficient and organized hybrid system in place. Investments in modern POS systems, AR/VR experiences, and leveraging the strengths of IoT are tangible ways to bridge physical and digital channels seamlessly. Integration of new systems and a channel-less experience rely heavily on a company's understanding of customer behavioral patterns. The retailers that constantly gather data, utilize it to define customer segments, and tailor shopping experiences by segment are the ones who reap the benefits of a channel-less system.



As 80% of customers are willing to provide personal information to connect their online and in-person experiences, retailers are coming up with innovative ways to accomplish this. Ulta Beauty, for example, is sending their customers targeted promo codes for discounts if they buy online and pick up in-store. This not only incentivizes product purchases but unifies Ulta's omnichannel experience in an interactive way.

As retailers continue to experiment with ways to develop their version of a channel-less experience, the benefit of these investments can't be understated. One study found a 494% increase in order rate when using three or more channels to market, instead of just one. Moreover, the big reward of an effective transition to omnichannel is the increase in customer retention. When integrated well, a channel-less retail experience builds long-term relationships with customers beyond a single transaction, and the value of that is priceless.

SOCIAL SELLING

There are an estimated 4.9 billion social media users across the world, each of whom can double as customers of goods and services in the retail industry. Social media apps such as Facebook, Instagram, Pinterest, and TikTok have expanded their commerce capabilities, becoming functioning channels for the entire shopping experience from product discovery to item purchase. With sales expected to exceed $53 billion in 2023, the utilization of social media has unveiled a valuable channel in the retail industry known as social commerce.

The social commerce experience has transformed the process of shopping through forms of media such as TikTok, Instagram Reels, and YouTube Shorts. Algorithms within each app personalize these short, targeted videos and advertisements to the individual user. From this, 88% of people say they've been convinced to buy a product or service by viewing a brand's video. However, the power of social media not only comes from the brand's content, but also from the social media influencers. From micro to mega-influencers, shoppers place a huge amount of trust in their recommendations and often buy in large part because of them.

The direction of the retail industry is controlled by the preferences of Millennials and Gen Z, and social selling is no exception. The influence of the mobile-first discovery process requires retailers to have used the app to discover new brands, products, or services. On Instagram, 1 in 2 people have used the app to discover new brands, products, or services. Furthermore, not only are customers discovering the products, but they're also purchasing them, with 47% of TikTok users saying they've bought something they'd seen on the app. Social media has also made the shopping process easier by adding in-app purchasing features of their own, making these apps an extension of eCommerce for retailers nationwide. Savvy retailers are already evaluating approaches to best attract younger generations, like Gen Alpha, who will have significant buying power in the coming years.

Social commerce sales are expected to exceed $53 billion in 2023.

SOURCE

3 PERSONALIZATION WITH A PURPOSE

Success in retail is driven by a company's ability to attract and retain customers. To help foster this, retail companies are collecting behavioral and real-time data of customers at every stage of the shopping life cycle. Providing a personalized experience is the key to building sustained relationships, and retailers are turning to hyper-personalization to drive these interactions home.

Hyper-personalization can take on many forms, and it's important to know where to start investing. Consumer trends have highlighted individualized loyalty and rewards programs and relevant promotional deals and discounts as two of the most valuable areas to focus personalization efforts. Though many retailers have systems such as these in place, the heart of hyper-personalization is found in the data that is fed into said systems. Companies that collect data on engagement, purchase, and browsing, in-app, and in-store behavior (to name a few) are very likely to be among the 86% that see an upsurge in business results from these efforts.

4 out of 5 shoppers are more likely to purchase from a brand that implements personalization.

SOURCE

Hyper-personalization provides benefits to both the company and the customer, creating a more value-added shopping experience all around. Because of this, four out of every five shoppers are more likely to make a purchase from a brand that implements personalization. Furthermore, the benefits don't end after one purchase, as 60% of customers are likely to become repeat buyers after a tailored shopping experience. The Retail Personalization Index (RPI) considers many of these factors in creating its rankings, using its criteria of email, web, mobile, offline, and privacy to generate a total score for each company. Highly praised for their efforts, Sephora received a very high score for their success in personalizing their channels in each step of the retail process.

As demonstrated, shoppers are very likely to change their preferences based on a retailers' personalization strategy. Companies that are willing to invest in hyper-personalization are far more likely to see success in today's retail industry.

4 DATA CAPTURE & TRACKING

In 2017, The Economist declared data to be the world's most valuable resource. Since then, it has become a utilized asset in every successful retail operation. With innovation, data has grown to be increasingly accessible, and retailers need to have systems and strategies laid out for data capture, governance, and effective use.

The two main types of data that are relevant to retailers are: first-party and third-party. Both types have strengths and weaknesses, as it comes down to what works best for a particular company. First-party data is gathered by tracking and observing customer behavior through a variety of metrics, including average time on page and content preferences. Companies collect this through all of their digital channels, often using applications such as Google Analytics or other CRM platforms to analyze what they capture.

One application where first-party data has shown to be invaluable is with loyalty programs. Retailers can gather demographic information and gain insights into individual purchasing habits, preferences, and patterns. Asics has found success in these strategies, using personalized promotional emails for cart abandoned items. As Google Chrome and Apple's

Safari phase out third-party tracking cookies, first-party data will be extremely vital for retail operations going forward.

On the other hand, third-party data comes from an outside organization, collected by cookie tracking from web browsing and advertising as well as other sources. While many assumed third-party data was a thing of the past, recent discussions of legislation regarding the protection of personal data may make first-party data acquisition more of a hassle. An emerging function of third-party data collection is in-store tracking technology. Using mapping software, retailers can access an in-store heatmap to see where customer traffic is higher and improve their storefront setup, providing a more tailored retail experience.

Likely, a blend of the two forms of data can lay a successful foundation in today's data-driven industry. A well-rounded data strategy can use customer behavior insights to increase retail sales by incentivizing long-term loyalty and optimizing both in-store and online operations. With 25% of retailers saying their biggest challenge is data management and integration, the time is now to invest in data hygiene and governance to optimize the retail experience.

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5 NEED FOR SPEED (OF GOODS)

Coming out of the pandemic, shoppers have grown accustomed to ordering online to fulfill many of their retail needs. When an order is placed, customers have an expectation that it will be delivered swiftly. After three late orders, 57% of customers won't use a retailer again. As the delivery process is one of the last impressions a company can have on its shoppers, it holds great weight in customer retention and loyalty.

Retailers are turning to partnerships in third-party logistics (3PL) to accelerate their fulfillment speeds. A 3PL provider handles end-to-end order fulfillment and streamlines many of the difficulties of shipping and lowers costs for retail firms in the process. In doing so, it provides retailers with opportunities to expand and scale their businesses at lower risk. As more fulfillment services arise, utilizing 3PL is appearing to be more and more of a win-win, with benefits that include company growth and improved customer experience.

With all the change and development occurring in the retail industry, now is the time to consider outsourcing with a 3PL partner. Continued growth of omnichannel operations has built pressure to fulfill orders efficiently, and this can be relieved greatly with utilization of a third-party down to last-mile delivery. Additionally, introductions of artificial intelligence into the logistics industry have improved every stage of distribution. With a 3PL provider, these innovations are easily available to capture all the benefits of improved customer experience without the headache of implementation and maintenance. Shoppers want speed and companies want increased cost efficiency throughout fulfillment. Third-party logistics partnerships are the solution many retailers have turned to in 2023.

LOOKING AHEAD TO 2024

Now more than halfway through 2023, the retail industry has shown promise in adjusting to inflationary pressures and shifts in shopping behavior, much like it did with the onset of the COVID-19 pandemic. Amid a constantly shifting landscape, it's vital for companies to stay knowledgeable on the trends shaping their industry. Utilizing new distribution and marketing channels like social media, capturing data to better understand customer behaviors, and experimenting with new ways to offer a personalized experience will position retailers well for the remainder of the year and into 2024.

At Clarkston, we have retail experts available to help your organization navigate these trends. For more information about how we can lend our expertise to your unique challenges, connect with us today.

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For more information about how we can help your company, please contact us.