



2022 AND BEYOND:

The Evolving Customer Journey

Forced to transform by a global pandemic, merchants and brands are responding to changes in consumer preferences by innovating with technology, making meaningful connections to consumers and elevating the entire retail shopping experience.

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Introduction

Traditional retailing has been redefined by the consumer. And there are new rules required to win.



For merchants, 2021 is a year of transition and transformation. As vaccines roll out and consumers seek normality, retailers and brands face a new set of consumer demands. Traditional merchandising approaches no longer work as shoppers reimagine their customer journey regarding how, where and why they shop.

It is complicated, and there's no one-size fits all retail strategy to employ. The customer is the channel now, and merchants need a new game plan that considers all aspects of the shopping experience — including consumer demand for more sustainable products and services as well as for supporting brands that have a purpose.

For fashion apparel retailers and brands, this upcoming holiday shopping season will test their merchandising strategies and omnichannel capabilities in this new retail environment. But there's a tailwind that will likely

help: new research from American Express's Amex Trendex: Pent-up Purchase survey reveals more shoppers are planning to spend the same or more on apparel this fall season.

In this special Business Insights Report, WWD editors and reporters culled insights from leading retailers and industry experts as well as from the retail industry specialists at American Express. What did we learn? Well, traditional ways of doing business no longer work, and to succeed, brands and merchants need to leverage data, offer greater personalization, foster a deeper and more emotional and human connection to shoppers, and put in place extensive ESG and DE&I practices across the entire value chain.

But most of all, retailers and brands need to deliver an integrated omnichannel experience across all the touchpoints of today's complicated and intertwined customer shopping journey.

This report was authored by Arthur Zaczekiewicz, Executive Editor at WWD, with contributions from Tracey Meyer and Alexandra Pastore, Strategic Content Editors at WWD. This paper is sponsored by American Express.

Analysis

Looking back over the past 18 months, there was an inflection point when everything seemed to have changed in retail. It was the moment in the second quarter of 2020 when the percent of e-commerce sales to total retail sales sharply jumped from 12 to 15 percent, according to data from the U.S. Census Bureau [1]. The short-term impact was clear as the gain in online sales buoyed many retail P&L statements, and, in some cases, offset sagging sales at physical stores — many of which had temporarily closed doors during the peak pandemic period [2].

The expansion of online sales and its share of total retail sales also revealed vulnerabilities among merchants who had not been keeping up to speed with the digitalization of their value chains as well as meeting new and evolving consumer demands. What occurred in 2020 was a re-setting of the retail market. Due to lockdowns, concerns over safety and a shift in personal priorities, consumers had repaved the traditional shopping journey — and it was done in a way that also revealed the strength and resiliency of the American consumer.

Bill Thorne, Senior Vice President of Communications & Public Affairs at the National Retail Federation (NRF), noted that in 2020, “despite the pandemic, Americans spent more than \$6 trillion in the retail industry. It was a record year that contributed almost \$4 trillion to our nation’s GDP.”

Currently, with media headlines warning of the economic impact of a spreading COVID-19 variant, consumers are cautious, but are still expected to spend.

“During lockdowns last spring, we saw dramatic changes in consumer preferences — toward all things home and health related, and toward online shopping,” Thorne told WWD. “Consumers are returning to their pre-pandemic activity even amid the Delta variant. Retail sectors that struggled in 2020 — such as clothing stores and furniture — are bouncing back. E-commerce has leveled off to pre-pandemic levels as consumers have become more comfortable shopping in person.

As a result, Thorne said although the NRF expects to see a shift to spending on services as more of the economy reopened in 2021, “retail sales have grown year-over-year every month since June 2020. In fact, NRF upwardly revised its annual retail sales forecast to grow between 10.5 percent and 13.5 percent in 2021.”

Changes, here to stay?

Jeff Orschell, Consumer Retail Leader at EY of the Americas, told WWD that consumer behaviors and trends “are evolving quickly and many of consumers’

new shopping habits and expectations are here to stay in a post-pandemic world.” Orschell cited EY’s Future Consumer Index (FCI) that has been tracking changes in consumer behavior since the beginning of the pandemic, “and has found that some shifts, like shopping online and at-home consumption, may not dissipate anytime soon. In fact, according to the most recent FCI, 80 percent of consumers have changed the way they shop.”

“Most importantly, we’re seeing many shopping and distribution channels begin to blur and finding that many retailers focused on the new definition of convenience,” Orschell explained. “For example, consumers may expect to shop online and pick up in store, engage directly with social shopping apps, or have products delivered to their doorstep within a few hours of purchase.”

Due to lockdowns, concerns over safety, and a shift in personal priorities, consumers have repaved the traditional shopping journey.

Orschell said the new customer journey often begins with a purchase in one channel and is then completed in another channel. “Retailers need to take these new purchasing behaviors into account — and consider all types of consumers — from those who may prefer the safety and comfort of online to those that are craving brick and mortar experiences.”

Indeed, merchants are removing “the friction from all touchpoints,” Orschell said, noting that it includes offering contactless checkout and payments as well as deploying seamless integration with all digital channels (including social media). But are they moving fast enough? According to Steve Dennis, author, speaker and retail industry advisory, the pandemic “has collapsed the timelines for transformation dramatically.” Dennis also reiterated the central theme of his books and presentations that the customer is now the channel [3].

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David Goubert, President and Chief Customer Officer for Neiman Marcus, agreed. “The customer has indeed become the main focal point for retailers,” he told WWD. “We have shifted our approach from being a ‘channel first’ organization to a ‘customer-centric’ one, striving to meet consumers wherever they are along their luxury journey.” And key to the storied luxury retailer’s success is data and personalization.

Goubert said Neiman Marcus has made significant investments “in analytical capabilities to ensure we have data to support our business decisions. We leverage our shopping insights and data to support our buying choices and are focused on the true luxury shopper. Whether our clients choose to connect with us by app, online, or in-store, it is up to our organization and associates to create an integrated retail experience and offer the services, experiences, and products they are looking for.”

Shopping has also evolved in other ways. Antony Karabus, Chief Executive Officer of HRC Advisory, told WWD that consumers are more prepared, doing “more research online and having increased the proportion of their shopping to digital from stores since the start of the pandemic.”

“To the extent that they have now returned to shopping in person, the trip is more intentional and focused versus the typical browse,” Karabus said. “At this point browsing is less of an intent and likely that will continue for some time. We have seen in-store traffic numbers converting to transactions at a much greater rate than prior to the pandemic given their pre-shopping digital research.”

Karabus also said his firm believes the multi-year transfer of sales from stores to digital “was accelerated by as much as five years since March 2020. While we see the rate of digital growth declining in 2021-2022 as consumers return to stores, we expect that retailers will continue to see digital growing as a percent of sales for many years

to come.” There are also other factors that continue to influence and evolve the customer journey.

For its part, luxury retailer Saks is seeing an uptick in customers who want a more elevated shopping experience. Emily Essner, Chief Marketing Officer for Saks, said consumers “expect a seamless online experience tailored to their needs. They want to see a product now and be able to buy it with ease and with a variety of shipping and payment options. Customers also expect personalized communication and new and exciting products delivered to their inbox.”

Essner also noted shoppers are increasingly turning to social media and platforms that include video and podcasts. For 2022, Essner expects the strength of e-commerce to continue. “We are experiencing strong online performance, driven by ongoing trends of increased site traffic and new customer counts,” the CMO told WWD. “We are seeing new and existing customers engage and spend through affiliate marketing and enhanced email product recommendations for a more personalized shopping experience. At the same time, while a separate business, we’ve also seen strong performance across Saks Fifth Avenue’s stores. We expect to see sales continue to grow online in 2022 by delivering a shopping experience that is as easy as it is exciting, meeting our customers when and where they want to shop with us -- whether online or in-store.”

Emily Chin, Vice President and General Manager of the National Client Group — Retail at American Express, said the consumer journey “has evolved on a broad scale” and noted that even prior to the pandemic, “consumers’ expectations were at an all-time high – they are looking not just for ease and convenience in the experience, but also quality and sustainability in the goods themselves.”

“Consumers are leveraging online, mobile and ecommerce solutions not just to transact, but also to complete more thorough research, to seek more detailed information and to make comparisons across different retailers prior to making a purchase,” Chin explained. “With COVID, especially during the national shutdown of most retailers, consumers also sought clean and safe ways to buy their goods, turning to the Internet to complete transactions that they may have otherwise made in-person in the store.”

Chin said consumers have also tried newer e-commerce shopping experiences for the first time, “like curbside pickup, buy online pickup in-store, delivery and pick up service and so on. These trends are persistent, as consumers appreciate the ability to get the products they want with greater speed and ease.”

FAST STATS:

Payment preferences

84%

of consumers surveyed reported that when deciding to shop at a business, it’s important that their preferred payment option is available

60%

of Millennials surveyed agree it’s more important now to be able to pay for services with their credit card instead of cash

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Strategies for success as shopper demands change

Amid these changes in the customer journey, what do merchants and brands need to do to succeed?

For her part, Chin said retailers are being “forced to think fast and smart about how to keep up with the evolving consumer expectations. They are re-thinking how to create a seamless experience across their physical locations and ecommerce experiences. This requires changes to both online and offline channels to introduce and fulfill on the hybrid online/offline models.”

They also must meet more logistically-based demands from shoppers — especially those online. Chin said brands and retailers are dealing with consumer expectations around quick, even same-day, delivery. And there’s also social media to consider, Chin noted, adding that strategies need to be developed to drive conversions and build loyalty at multiple touchpoints.

“Offline, retailers are introducing unique in-store experiences and partnerships to optimize their physical footprint and welcome shoppers back to their environment,” Chin explained. “In direct response to COVID, within the store, retailers are committing additional resources to store cleanliness and sanitation. They are having to think about health and safety of their employees and customers — which spans everything from vaccine requirements, masking guidelines and contactless and other clean payments.”

Within all these variables and evolving consumer expectations — both online and in-store — brands and merchants must also deliver the best service and personalization. And in some product categories, customization. Marcie Merriman, Cultural Insights & Customer Strategy Leader at EY Americas, said that today’s digital-rich retail environment, merchant need to “provide their customers with hyper-personalized shopping experiences — whether that be online, in-person, on social media or even curbside.”

“Customers are increasingly expecting to shop in ways that integrate effortlessly with their lifestyles in seamless, convenient and personalized manners,” Merriman told WWD. “As such, retailers must invest in the right technology and infrastructure that supports a consumer-centric shopping experience across all touchpoints.”

At UNTUCKit, personalization and customization are key to the brand’s merchandising success. And it’s powered by technology. Alberto Corral, Vice President of Marketing at UNTUCKit, said the company leverages data, AI and analytics “to understand our customers and serve the most



Merchants are working hard to make shopping easier and personalized.

relevant recommendations to meet their lifestyle needs. Most importantly, this customizable process allows for the shopper to have a personal experience which has shown results in return purchases.”

During the peak pandemic period, technology helped to drive conversions while UNTUCKit was well-positioned for the WFH era. Corral said UNTUCKit was able to assist their online shoppers “through conversational commerce and the usage of an avatar to help shoppers find their fit. Using this new technology, we were well positioned to transition to a comfortable yet polished casual brand in line with what shoppers were seeking while working from home.”

“The array of products offered ranged from our signature tailored button-down shirts, which were perfect for virtual meetings, to our best-selling t-shirts, henleys, and polos, which are known for their comfort,” Corral noted.

Now, deeper into the transformation of the evolving customer journey, shoppers continue to expect higher degrees of personalization. “Shopping where, when and how they want is what our shoppers expect,” Corral said. “By using our conversational commerce system online, customers receive an experience similar to talking with a brand representative in our store. The customized experience allows for them to ask questions and

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have a personalized UNTUCKit experience.”

At Neiman Marcus, Goubert said the retail market and how customers approach it “has dramatically evolved over the last year and a half. In today’s changing world and environment, it’s important to make yourself convenient and accessible to consumers on their shopping journey.”

That means whether the luxury retailer engages shoppers in-store or online, “our goal is to create an accessible, elevated, and personalized experience,” Goubert said. “Neiman Marcus is pursuing a differentiated customer experience by delivering an integrated retail experience. Luxury is a considered purchase, and our customers trust our brands to curate the best gift, outfit, and accessories.”

Goubert also said Neiman Marcus equips the retailer’s Client Advisors and customers “with all the tools to help the shopping journey. We offer personalized services, such as in-person and virtual styling appointments, as well as outfit recommendations, which we have accelerated with our acquisition of Stylze.” Technology also plays an important role. Goubert said customers are able to share their online shopping carts with digital stylists “for guidance and advice, and we have remote assisted selling through CONNECT, which is a digital tool that provides customer service, even when the shopper is not in-store.”

“It is our goal to meet customers wherever and whenever is convenient for them,” Goubert said. “We are in the business of building and deepening relationships. To build that trust and loyalty, we need to be able to meet the customers where they are and create the right experience they are looking for.”

Another variable key to maintaining trust and building loyalty is safety, which includes in-stores as previously mentioned, but also online. Lorenzo Soriano, Senior Vice President of Merchant

Services U.S. — Regional and Centralized Client Group, at American Express, said the checkout experience needs to be frictionless, “while ensuring all necessary transaction and data protections are in place. Customers need to be confident that the site and check-out process is secure, their data will be protected (stored) and not used inappropriately and the whole checkout process is fraud proof. No customer wants to be second guessing if these processes are not in place.”

Delivering a true omnichannel experience

Tammy Weinbaum, Executive Vice President of the Global Client Group at American Express, said in the current retail market, brands and merchants continue to face the challenge of an accelerated shift to digitalization and e-commerce. She also noted that the integration of digital and physical began well-before the onset of the pandemic.

“While these trends began years ago, some retailers had not focused on digital strategy prior to the pandemic. A large part of the customer journey was focused on in-store where customers could have personalized shopping experiences and better understand the look and feel of products prior to making a high-value purchase,” Weinbaum said. “Now, it is imperative to have a robust strategy that can begin digitally and continue in-store as needed such as being able to book a personal shopping appointment online and preselect items to see or try on.”

Weinbaum said it was imperative, in the current, evolving retail environment, to meet the customer “where they are.” For Ulta Beauty, this requires being an active listener. Shelley Haus, Chief Marketing Officer of Ulta Beauty, said the company actively listens to guests and watches behavior shifts “so we can continually evolve our experiences and meet guests where they are. While COVID-19 pushed consumers to adapt in various ways, there are three important changes we believe will stay.”

“Consumers expect their in-store and online experiences to be seamless and connected,” Haus explained. “Our GLAMLab and Skin Analysis tools naturally bridge to Ulta Beauty the in-store experience as fun, digital ways to discover new products and get personalized recommendations. These were particularly important to our guests while stores were closed and they remain important tools to explore and try-on whether our guests are at home, on-the-go or visiting us in store.”

Now, as vaccines continue to roll out and consumers venture from the seclusion of their

FAST STATS:


Apparel, beauty spending trends



4-in-5 adults surveyed say they are looking to buy casual clothes this fall, such as jeans and a t-shirt aesthetic (82% versus 78% in June 2021)

3/4

of Millennials surveyed say they looking to buy casual, classic and sporty clothes this fall (87%, 73%, 73% respectively)



Online shopping is
a key touchpoint
in the evolving
customer journey.

American Express's Lorenzo Soriano said it is imperative that the online checkout experience is **safe, secure and frictionless.**

homes to shop, dine and socialize, having a human connection has become more important than ever, Haus told WWD. “This is part of the reason our guests crave the in-store experience, especially as they shop for beauty, which is so meaningful and personal to them,” Haus said. “Because of this, we will continue to focus on the important intersection of the digital, the physical, and the emotional, with human connection at the center of everything we do.”

Aside from the human connection, Ulta Beauty is finding success with an additional focus on creating community. “We believe beauty has the ability to foster togetherness and we’re proud to celebrate that

with our community of beauty lovers,” Haus said. “Our guests are some of the most engaged, loyal shoppers in retail and we understand our role in unlocking even more opportunities to come together. In our social channels, we’ve created a community that celebrates the power of beauty, delights in the thrill of new products, gets inspired by creators and each other, and connects to shape the way the world sees beauty.”

Ulta Beauty’s team members also “fuel this community” with content to educate, inspire and spark joy, Haus said, adding that the company is “always looking at fresh ways to authentically engage our community as we know how important and personal their relationship with beauty is. An exciting new example of how we remain content-forward and fresh is our recently launched partnership with Supergreat, which integrates technology and community to create shopping experiences centered on unfiltered, authentic videos from everyday beauty-lovers.”

A case study of in-store technology, and innovation

Here’s a common scene: You’re at the airport and need some traveling essentials. But the checkout lines at several shops are long and people are bunched up together, some not wearing masks — so you leave.

For Hudson, this was a challenge that technology and innovative thinking could fix. Brian

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Quinn, Executive Vice President and Deputy Chief Executive Officer of Hudson, said the airport retail landscape “provides a unique retailing environment in comparison to street retail. Our stores have significant exposure to daily passenger flow, and we recognize that travelers can sometimes be dissuaded by long lines at checkout — especially if they are pressed for time.”

“We also know that more and more aspects of the travel experience are becoming digitalized as technology and processes evolve, and that innovation allows us as retailers to meet these digital demands our travelers have,” Quinn told WWD.

Quinn said prior to the pandemic, Hudson had deployed a strategy to reimagine its stores by leveraging technology aimed at enhancing the traveler experience. “When the pandemic began, we also saw that there was a preference for contactless retailing options, and so we quickly sped up our timeline for a number of our digital initiatives, including introducing new contactless payment options, expediting the roll-out of self-checkout, and launching Automated Retail for 24/7 access to PPE and specialty retail,” Quinn said adding that Hudson Nonstop stores installed scan-and-go technology “to allow travelers to enter the store with a credit card, pick up their products, and then exit – avoiding checkout lines. Travelers have been responding very favorably to these initiatives.”

Hudson has also partnered with M·A·C Cosmetics for several years and currently has 15 M·A·C stores in North American airports. This past summer, Quinn said M·A·C incorporated several innovative and sustainable design elements into a new store format which debuted at Salt Lake City International Airport.

“There are a number of digital touchpoints throughout the store, including virtual try-on, in-store screens, and QR code integration with product information, how-to videos, and travel retail exclusive content,” Quinn said.

When asked what’s driving customer expectations today, Quinn said priorities have shifted for consumers. “We understand that today’s traveler is more connected and time sensitive, and has higher expectations for convenience, safety, and speed across their entire travel journey,” Quinn said. “We also know that they are accustomed to one-click, contactless shopping which they hope to replicate in-store.”

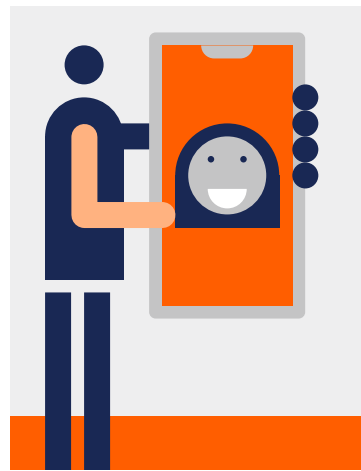
Quinn said Hudson continues to innovate “to meet these evolving traveler preferences, through both digital initiatives and new store concepts.” Aligned with that is the current rollout of Evolve by Hudson (Evolve), which is a new “shop-in-shop” experience store in airports.

A case study in aligning with trends

According to reports in WWD over the past year, the outdoor products segment experienced explosive growth during the pandemic as consumers headed outside to hike, bike, and kayak, among other activities. Camping was also a key growth category, according to NPD’s Dirk Sorenson, Executive Director and Industry Analyst for Sports at the company. In a recent blog post, Sorenson said the trend is continuing with specialty retailers and niche brands seeing the greatest lifts. But just because

the outdoor segment is robust, conversions are not guaranteed. It’s a highly competitive market, and retailer and brands need to recognize how consumers are evolving and align with their needs and wants.

Brian Galloway, Vice President of Omni Marketing for Orvis said the Orvis customer is indeed changing. “They are younger, choose brands based on their values and are increasingly looking to find inspiration in the outdoors,” he told WWD. “So, we have been focused on connecting with these customers in a way that recognizes who they



The evolving customer journey often begins with a mobile device.

are, where they are and how they want to engage with the brand. Whether it’s gear or apparel, or fly-fishing guidance or expertise, they choose where and how, and that is on the rise in the digital space.”

Galloway said earlier this year the company retooled and relaunched its website “to meet these demands and dial up our brand experience with easier access to our educational and environmental resources, and by enhancing tools to help people find the right product.” He noted that the company continues to iterate the site “for a more customized shopping experience, guided by the desire to make it easy for customers, no matter where they are in their journey.”

Galloway also described Orvis as a purpose-driven brand, “so we’re also increasingly focused on connecting with customers through storytelling and shared values,” which include short films on topics such as the relationships people have with their dogs or the positive impact Orvis is having on the environment. “More than ever, our emails and social channels are featuring this type of content because we have powerful and intimate relationships with our customers and we want to nurture that,” he said. “Our customers feel this

MishiPay

The evolving consumer journey is driven by changes in shopping preferences — especially for convenience. Here, MishiPay, an Amex Ventures investment, discusses this trend and how scan and go technology can help.

Q: How does MishiPay work? What are the benefits for merchants and consumers?

A: MishiPay empowers shoppers to scan and pay for their shopping with their smartphones, rather than spending time queuing at a traditional checkout. With MishiPay's technology, shoppers can pick up an item they wish to buy, scan the barcode of the item with their phone, access enriched item information and trigger any available promotions or tailored incentives in real time. Then, when they've completed their shopping, they can pay in the app using a variety of convenient payment methods and simply leave the store. No queueing; just Scan, Pay and Go.

What's more, thanks to our webapp, shoppers can use MishiPay without having to download an app. This enables us to achieve market-leading levels of user adoption.

Our mission is to make the in-store shopping experience as enjoyable and convenient as possible for both customers and retail staff. We bridge the gap between online and offline shopping, giving merchants priceless data about their customers to help them gain a clearer understanding of the shopper journey in their brick-and-mortar stores. On top of that, merchants deploying MishiPay enjoy higher revenue: a leading Spanish grocery retailer saw a 14% net increase in revenue per

MishiPay shopper and our users at MUJI UK spend over 25% more compared to the store average.

Finally, MishiPay enables retailers to reduce their costs related to checkout hardware while simultaneously improving staff efficiency by reducing the time staff have to spend at the checkout processing transactions.

Q: What are some of the KPIs of using the app?

A: Here are some:

>> A leading grocery retailer saw a 33% increase in repeat purchases from the same shoppers and a 14% increase in total spend per quarter

>> MishiPay users at MUJI spend 25% more compared to store average

>> MishiPay users at a leading variety retailer in the Nordics spend 35% more than the store average

>> Retailers using MishiPay's marketing push notifications saw an uplift in repeat purchases of 22%

>> MishiPay currently processes more than 5 million items and 720 promotional types with our clients stores in more than 14 countries

>> MishiPay has integrated with more than 23 payment gateways and supports all payment methods

Q: For merchants, what is the integration process like? Is it complicated to onboard?

A: The integration process is completed in as little as three weeks and requires little involvement from the retailer. Regardless of the



Shoppers are embracing scan-and-go at the checkout.

“
Our mission is to make the in-store shopping experience as enjoyable and convenient as possible for both customers and retail staff.”

creates poslog/tlog files that are sent to the retailer's order management system to ensure no manual work is required. MishiPay can also provide additional financial reports (reconciliation files, etc) where required.

Q: Can you speak to scalability for this product?”

A: MishiPay can scale to hundreds of stores with a retailer with no extra effort. Retailers do not have to provide anything besides the addresses of the new stores. MishiPay can process payments in any currency and is already translated in all major European languages. We are currently live in 14 countries and have experience of deploying across a wide variety of retail categories and store formats; from grocery and fashion to travel and DIY.

We also offer additional product functionality: after the initial deployment of Scan & Go, many of our clients also enable MishiPay Click & Collect, marketing packages and Home Delivery capabilities.

size of the retailer, MishiPay works with the retailer's existing systems (any kind of ERP, POS, etc) and doesn't require any investment in new software or hardware.

MishiPay receives the retailer's product catalogue and promotions (via APIs or files), processes the transactions via the retailer's own payment gateway and finally MishiPay automatically

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every day when they walk into our retail stores or join us on guided adventures, so we want to make sure they feel this through digital media as well.”

He said the brand has “exceptional relationships” with its customers and said the company “literally accompanies them on their wing-shooting and fly fishing journeys, from teaching folks for the first time, to sharing their adventures with them on the bow of a boat or walking grasslands together with pointing dogs. It’s in our blood to provide an authentic and connected experience with customers.” Galloway also said as an early pioneer of the mail order business, “we also have a uniquely long view of customer journeys and understand they are always changing, so we must evolve as well.”

“Right now, the focus on digital is clearer than it’s ever been,” Galloway said. “We surveyed our customers recently and found that sixty percent say they are spending more time online than before the pandemic began. They are researching, browsing, or seeking community more than ever before. New capabilities have quickly become table stakes expectations — for example, customers expect the ability to reserve online and pick up in stores. They continue to love our in-person Fly Fishing 101 classes and seek an online curriculum based on their needs. We can and want to connect with folks across the entire journey map.”

And that journey map is cluttered with choices, which is good for the consumer, but challenging for brands and merchants. Ash Williams, Vice President of Marketing at footwear and outdoor fishing apparel brand Grundens, said the company recognizes that consumers “have more choices in how and when they make a purchase. We also recognize the need to for an enhanced shopping experience be that on our own website, our Amazon store front, an online retail partner or a wholesale retail partner.”

Williams told WWD that marketing to consumers is ongoing process that includes analyzing performance data and actively listening to consumers and retail partners. Williams said having “long-form narrative content that engages consumers at the brand level, down to beautiful product photography and product descriptions as someone gets nearer to the point of purchase is key.”

“We also take steps to ensure these tools are available to all our retail partners,” Williams said. “Consumers are also very savvy. They expect quality products and especially in the outdoor and fish space, products that are durable. We’re seeing consumers be increasingly less price sensitive, prioritizing form and function over price. It takes time to build consumer trust and one way we can do that is through an exceptional product experience. That’s what we obsess about every day, building product that our consumers can trust.”

ESG, DE&I, and purpose-driven brands

Another crucial dimension of the evolving customer journey is a demand for more sustainable and environmentally friendly approaches to stores, services and products. With the Hudson Evolve rollout, for example, Quinn described the construction of the store as unique in this respect. “The design features fixtures that use responsibly sourced materials where possible and are created with a modular design to allow for flexibility,” he said. “The store is also built using low emitting paints for improved air quality as well as LED lighting and ENERGY STAR certified displays to reduce energy usage.”

Hudson’s innovation reflects a larger movement in the industry by retailers and brands to adopt ESG (Environmental, Social and corporate Governance) measures as well as be more transparent about DE&I (Diversity, Equity and Inclusion) initiatives. In a recent article by eMarketer [4], the firm said brands touting DE&I efforts and who position themselves as “purpose-driven” have taken “center stage” in the minds of consumers.

With DE&I, social justice movements and activism have spotlighted the importance of retailers and brands working to be more diverse and inclusive. Sephora, for example, is rethinking its approach to merchandising as it looks to expand its Black-owned beauty offerings to 15 percent of the merchandising mix. WWD recently reported [5] that the beauty brand expects to reach this benchmark in prestige hair care by yearend.

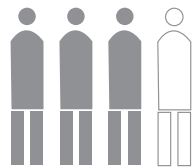
With ESG, Neiman Marcus’s Goubert said there’s been growth in the significance of

FAST STATS:

Apparel, beauty spending trends

2/5

of GenZers surveyed say they are spending more on clothing/footwear and at restaurants/bars than they were this time last year (39% and 37% respectively)



3-in-4 adults surveyed are spending about the same or more on clothing/footwear and beauty products (77% and 71% respectively) compared to this time last year

An Evolved Retail Market



To succeed in today's market, merchants and brands need to have a clear picture of how consumers shop and what they expect. This means having in place fraud prevention measures, scan and go technology, and contactless payment options. Brands need to be where the consumer is, which means online and in physical spaces. Online, shopping should be a frictionless experience with products delivered in a timely and cost-effective way — whether it is dropped shipped from a manufacturer, sent from a fulfillment center, or pulled from store inventory.

BOPIS OR click and collect is a service that is expected to remain in place and consumers demand safer shopping experiences.

CONSUMERS are using smartphones, desktops, and tablets to shop and buy online, and anytime.

ONLINE SHOPPING should offer the same brand experience as a physical shopping experience.

SHOPPING IN a store requires contactless payment options, scan and go, and other technologies.

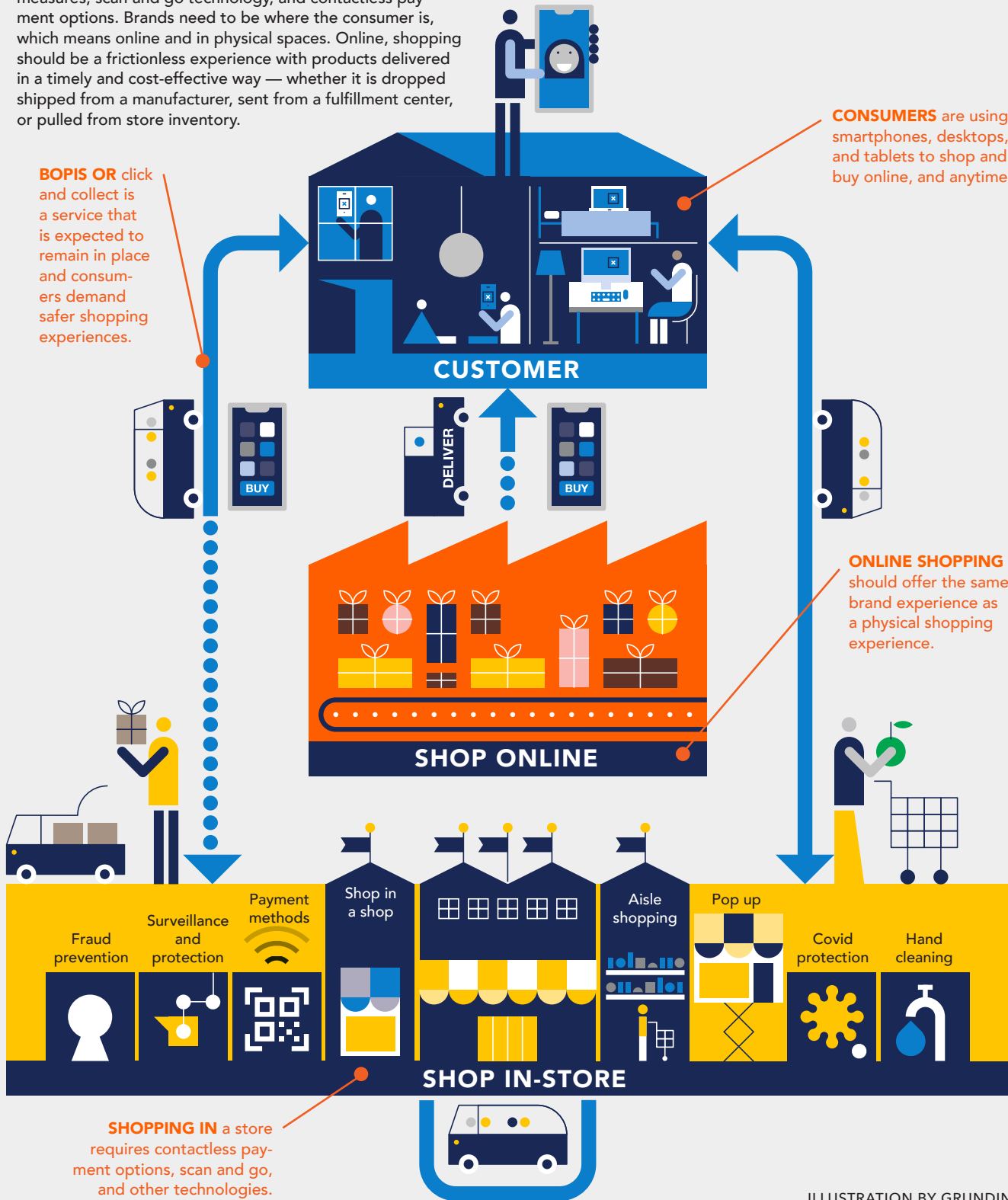


ILLUSTRATION BY GRUNDINI

Analysis

environmental responsibility and sustainability in the luxury market. “Neiman Marcus is making important investments in ESG and sustainable operations,” he said. “Our goal is to, one day, be one of the leading luxury retailers in ESG. We are actively working to invest in our supply chain efficiency, connect customers with sustainable and ethical merchandise, strengthen customer experience through mending and alterations, and invest in the circular economy through re-commerce.”

The NRF’s Thorne said consumers have been increasingly engaged and conscious driven “and seek to support brands that align with their own core values. Retailers are adapting to better serve values driven consumers with products, services and experience that truly align with their customer’s values.”

Watching out for fraud

While the retail industry benefited from growth of digital commerce and a new and evolving customer journey, these changes have also resulted in higher fraud and organized retail crime (ORC), according to a recent report from the NRF. “Organized retail crime and numerous other security concerns evolved in 2020, and most retailers attribute the increase in criminal activity to the pandemic,” noted NRF researchers in the organization’s 2021 Retail Security Survey.

Mark Mathews, Vice President for Research Development and Industry Analysis at the NRF, said retailers “have continuously pivoted throughout the pandemic to ensure their employees can work within a safe environment and their customers can shop safely, whether in stores, online or through avenues like buy online, pick up in store. But new ways of shopping have also opened up new avenues for criminal activity.”

The survey showed that 39 percent of respondents “said they saw the greatest increase in fraud in multichannel sales channels such as buy online pick up in store, up from 19 percent the year before. In contrast, just 28 percent said the greatest increase in fraud came from in-store-only sales, down from 49 percent the year before. The percent of those who pointed to online-only sales fraud remained flat.”

The survey also revealed that while the overall shrink rate in the industry “remained relatively steady” compared to 2019, “it remains above the average of the last five years.” The report said respondents reported “an average shrink rate of 1.6 percent, unchanged from last year’s high.” And regarding higher levels of ORC activity, the NRF said “ORC gangs are exhibiting higher levels

of aggression and violence than they did the year before. Retailers cited COVID-19, policing and changes to sentencing guidelines, and the growth of online marketplaces as top reasons behind the increase in ORC activity.”

In response, the report found that “retailers are investing in more resources to safeguard their customers, employees and operations.” The report showed that 53 percent of retailers polled said their companies are “allocating additional technology

resources and another 50 percent said they are allocating additional capital specific to [loss prevention] equipment.”

Specifically with online fraud, the pandemic experienced a global jump in “fraudulent digital transaction attempts,” according to a report by TransUnion [6]. The company found global fraudulent attempts rose

46 percent in the period from March 2020 to March 2021 as compared to the same period in the year prior. In the U.S., that percentage gain was 22 percent.



60% of consumers surveyed say they are spending more time online than before the pandemic began.

The 2021 holiday shopping season

In the short term, the fall and holiday shopping season will test the merchandising acumen of brands and merchants in this newly evolved retail environment. The season will also give companies a chance to practice being nimble to market changes by adjusting strategies and tactics in real time as consumers drive sales online and in-stores.

Rod Sides, U.S. retail leader at Deloitte, said there is “a lot of pent-up demand out there” and described consumers as being “flush with cash.”

“They have stimulus money, and money saved from not travelling, and as a result, savings rates are high,” Sides told WWD. “When that happens, generally speaking, things go pretty well.” Sides said he expects consumers to settle down into a new normal moving forward — despite the spread of COVID-19 variants.

From the perspective of the merchant, this holiday season has some serious challenges. Thorne described 2021 as “a far better year [than 2020], but retailers continue to face challenges. Retailers are dealing with large labor shortages, as nearly 1.1 million retail jobs remain unfilled. The industry

Accertify

As the pandemic triggered a surge in e-commerce, more consumers shopping online also means more fraud. Here, Accertify shares insights about digital fraud and how to mitigate it.

Q: What is Accertify and how can it help mitigate online fraudsters?

A: Accertify, a wholly owned subsidiary of American Express, is a leading provider of digital identity (new account opening fraud and account takeovers), payment fraud and abuse, payment gateway, and chargeback management solutions. Headquartered in Itasca, IL, Accertify has over 575 employees globally, including offices in Mexico City, London, Madrid, Amsterdam, Gurgaon, Sydney, Tokyo and Singapore.

Accertify's suite of products and services help organizations grow their digital business by driving down the total cost of fraud, improving the customer experience by removing unnecessary friction, and ultimately increasing revenue (approving more orders).

Today, Accertify protects 5 of the top 10 U.S. Internet retailers (40% of the top 100) and over 350 enterprise customers worldwide. As a result, we can formulate a clear risk profile of data across many industries and interactions that enables us to spot patterns and anomalies as they arise and then share that insight across our network.

By applying multiple layers of defense to combat fraud, our customers can: maximize revenues through improved detection rates, fewer chargebacks and decreased false positives; simplify processes and procedures for preventing digital fraud into a single, easy-to-use platform; and receive new features and

functionality that provide the speed and flexibility to stay a step ahead of fraudsters.

Q: For merchants, what is the integration process like? Is it complicated to onboard?

A: The integration process is very straightforward. We expose an application programming interface (API) that developers can code to and send us data. It is a very standard process. Upon receipt of the data, Accertify executes a risk strategy composed of machine learning, community data, and business policies (factors unique to each client) and returns a score and reason codes that transparently displays why a transaction was approved, declined or suspect. If desired, we also have a case management platform where a transaction can be queued for additional review by an analyst. Overall, the integration process is measured in weeks.

Q: With the ongoing growth of online shopping, are we seeing more online fraud? What's driving it?

A: The short answer is yes, and it continues to evolve and increase in complexity. We believe this is due to a few key factors: **Growth in e-commerce** More and more goods are being purchased online and delivered to individual households. With increased volumes it can be easier for fraudsters to hide and equally more difficult for retailers to detect **1st Party Fraud (sometimes termed "friendly fraud")**

This is a growing problem, and it is being committed by customers perhaps without mal-intent — they may reason in a single instance it is 'justifiable.' Additionally, there are "professional refunders" who advertise their services to ensure customers will get their money back or a duplicate item sent, and in turn

The fraud prevention teams should work with customer support/service teams to track how many refund requests are coming, especially on large dollar items. Any time these requests are made, make sure they are logged so they can start to analyze which customers that have multiple claims. From

“One area we are seeing fraud increase greatly is in the refund process.”

they take a defined cut of the order value. Services like this are not buried on the dark web, but rather in plain sight on online marketplaces and across various social media outlets

Competitive Retail Environment

Many customers consciously decide where to shop based on a retailer's refund/return policies. As a result, it is a delicate balance to have customer-friendly policies, but at the same time protect from fraud and abuse

One area we are seeing fraud increase greatly is in the refund process. It starts with a customer placing an order online, receiving the goods, and then calling the customer service department and falsely claiming non-receipt. While there isn't a standard name for this type of abuse, it can be referred to as Item-Not-Received (INR). This is a difficult problem to detect because a legitimate customer is committing the abuse.

As a result, it is important to start monitoring and measuring to understand the full scope of the problem.

there, merchants can determine the true impact in their organization, and decide how best to mitigate the problem.

Some points to consider:

Move the refunds process online Many retailers employ this practice today whereby the claim is made online.

This can enable retailers to collect data, both actively and passively (ex: device intelligence and user behavior analytics), and enable a uniform, risk-based decision process that incorporates many data points

Analyze the transactional data available to start to identify unusual patterns it could be many unique mobile devices making purchases (normal behavior) but one mobile device initiating many INR requests (abnormal behavior). Merchants can also see if an order was originally shipped to one location but the refund request is coming from another country, with seemingly no relationship to the original order

Training customer service agents to ask the right questions and be vigilant for certain behaviors that may signify refund fraud

Analysis

is also experiencing supply chain disruptions and bottlenecks, which is driving inflation.”

“America did get back to normal for a while – consumers were shopping, eating at restaurants, enjoying a sense of normalcy,” Thorne noted. “The rise of the Delta variant, combined with low vaccination rates amongst young people, has led to the return of mask mandates and other restrictions. Since the onset of the pandemic, the biggest priority has been the health and safety of associates, partners, customers and communities. NRF is encouraging more Americans to become fully vaccinated so we can all emerge from this pandemic.”

Still, as the NRF’s data shows, shoppers are resilient. Goubert from Neiman Marcus said while it is difficult to predict what this holiday season will bring, “we believe that customers are more hopeful and excited than ever to take a much-needed break from reality and have plans to celebrate, either physically or virtually.”

“Neiman Marcus is optimistic about the upcoming holiday season for a few reasons, including the transformation of our business that we are driving, coupled with the strengths of the relationships we are building with our shoppers,” Goubert said adding that the company recently launched its Fall campaign, “Re-Introduce Yourself,” which Goubert said is designed to encourage customers “to embrace how they, the world, and Neiman Marcus has evolved over the past year.”

“Customers have a desire to switch up their wardrobe and are longing for new fashion,” he added. “Our brand is bringing their best foot forward with 110 new brands, several of which are exclusive to Neiman Marcus, as well as many unique brand collaborations. As shoppers re-introduce themselves to the world again and explore new ways to express themselves, we are confident we will see the continuation of strong trends in our business.”

For Orvis’ Galloway, the macro trends point to a strong Q4 and holiday season for outdoor retailers and brands. “People continue to seek the outdoors for their health and well-being,” he said. “The pandemic has sparked a lot of introspection and re-thinking of priorities. Wellness, living life to its fullest, meaningful connections and memorable moments with loved ones are all top-of-mind and the outdoors provides the backdrop. Sixty percent of our surveyed customers ranked being with family and friends as their no. 1 priority. Giving gifts has much more meaning than it did pre-pandemic, and we believe our customers will be taking the time to find the gifts and experiences that convey that meaning and create memories.”

An ongoing consumer evolution

Deloitte’s Sides says he doesn’t see retail industry or consumer behavior returning to pre-pandemic modalities any time soon. “I think we will continue to see the consumer evolve,” he said.

Ulta Beauty’s Haus agreed. “Our guests’ behaviors are always shifting, and we work hard to stay ahead of their wants, values and needs,” she said. “Our strategic approach to leading the industry remains rooted in human connection, hyper-relevance and strong capabilities. This trifecta makes experiences unique to Ulta Beauty and unique to each of our guests.”

Haus also noted that one of the most significant evolutions in consumer behavior “is the deeper focus on self-care and the connection of that to beauty and we will continue to deliver in this space with products, content, and conversations that help fuel the mind, body and spirit connection.” Haus said due to a consumer expectation for seamless channels and convenience, “we will continue to innovate with omnichannel experiences, like our recently launched Ulta Beauty at Target, to give guests even more easy and delightful ways to experience Ulta Beauty.”

“Consumers now have even higher expectations of companies and brands, so above all else, our focus as a purpose-driven, diversity forward brand will remain our North star and we will continue to act in ways that reflect our values of transparency, social responsibility, authenticity, and inclusion,” Haus said.

The NRF’s Thorne said the foundation of the retail industry “has always been a belief that the customer is always right. That balance of power has shifted even further in favor of the consumer who now shops for anything, anywhere, anytime.”

Thorne said retail is evolving rapidly, “and

FAST STATS:

Masks on, and out and about

63%

of respondents surveyed say they are wearing their mask indoors about the same or more frequently than they were prior

2/5

of GenZers and Millennials surveyed are seeing friends/family and shopping in-person more often than they were earlier in the summer



Trends to watch include the growth of scan-and-go and contactless payments as well as continued growth of e-commerce.

successful retailers are making thoughtful investments to better understand their customers, anticipate what they want and need, and then offer products, services and experiences that resonate with their customers.”

Key trends to watch for 2022

One of the most significant changes that occurred during the pandemic, and one that industry analysts agree will be prevalent moving forward, is the demand for contactless and touchless payment options. According to JJ Kieley, Vice President of Payment Consulting Group, U.S. & LAC, at American Express, these payment innovations “will continue to remain a major focus area as we head into next year.”

“And the proof is in the data that the trend towards contactless is likely to continue beyond the COVID-19 outbreak,” he said, noting that 80 percent of merchants say they have been encouraging their customers to use no touch payments while 81 percent of merchants intend to make contactless a permanent option for their customers.”

The data also showed that 84 percent of merchants “agree that due to the pandemic, they are even more likely to promote this payment option,” Kieley said, adding that consumer interest in these solutions is also on the rise, “as indicated by our consumer survey earlier this year, which found that 58 percent of consumers who have used contactless said they are more likely to use

contactless payments now than before the outbreak, and 11 percent said it was their preferred way to pay over swiping or inserting a card.”

But wait, there’s more to consider.

“What’s also exciting is that I believe many of the new technologies and touchless changes we’re seeing today will benefit us for years and years to come, and contactless is at the forefront,” Kieley told WWD, also noting that retailers and brands will be laser-focused on their omnichannel approach.

“In today’s environment, merchants are increasingly offering their customers an omnichannel experience so they have the ability and option to shop and pay their preferred way – regardless of whether they order online or via mobile or pick-up in store or curbside, delivering a consistent and seamless customer experience is a key differentiator during this time,” Kieley said.

Kieley said the pandemic has “opened up new ways to shop that will likely last well after it is over. For example, many consumers have now experienced the convenience of grocery delivery like never before. Similarly, curbside pickup is likely to continue as retailers big and small have now invested in the infrastructure needed for this and consumers are finding the convenience in this new shopping experience as well.”

Conclusion

It's clear that due to the pandemic and changes in consumer behavior, retail has been transformed. And the process is ongoing as the evolving customer journey continues to shift and turn. But retailers and brands have responded well to these changes, and the companies that make the right investments and have executives who lead with change, will win the day. By way of conclusion and next steps, WWD leaves you some key takeaways and action items aimed at navigating this remarkable retail environment:

- 1 INVEST IN FRAUD PREVENTION,** scan and go technology, and contactless payment options
- 2 ACTIVELY LISTEN TO YOUR CUSTOMERS,** and use data and technology to create an exciting shopping experience
- 3 BE WHERE THE CONSUMERS ARE.** Whether that's online, in a store, on a mobile device or where ever, make sure your brand is there and the shopping experience is fully and seamlessly integrated
- 4 PRIORITIZE SUSTAINABILITY AND DE&I PRACTICES.** Consumers support brands and merchants who have a purpose, and who share their stories
- 5 KNOW THAT THE CONSUMER JOURNEY IS NOT STATIC,** but evolving and requires constant action on behalf of your company

Resources

FOR FURTHER READING, SEE:

Business Class for Merchants

Tips, trends, and tools from industry thought-leaders fit into your busy day, so you can put them to work for your business now - and whatever's next.

<https://www.americanexpress.com/us/merchant/business-class-for-merchants.html>

Business Solutions

When your business welcomes American Express, you get access to free and discounted benefits to help manage your business. Explore your benefits today.

<https://www.americanexpress.com/us/merchant/business-solutions.html>

Shop Small

Resources to help support your business.

<https://www.americanexpress.com/us/merchant/shop-small.html>

Accertify

<https://www.accertify.com>

MishiPay

MishiPay enables in-store shoppers to use their own mobile to scan and pay for their shopping, so they no longer need to waste time waiting in line to visit a traditional checkout. Their technology is proven to increase store sales and optimize efficiency.

<https://www.mishipay.com>

FOR CITED ARTICLES, AND OTHER SOURCES, SEE:

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4. <https://www.emarketer.com/content/new-era-retail-ecommerce-emerging?e-cid=NL1014>

5. <https://wwd.com/beauty-industry-news/beauty-features/sephora-15-percent-pledge-black-owned-beauty-brands-1234889240/#>

6. <https://www.transunion.com/blog/global-fraud-trends-Q1-2021>

7. <https://mishipay.com/casestudy/leading-supermarket-grocery-retailer/>

8. <https://mishipay.com/casestudy/muji/>

SOURCE FOR FAST STATS:

Amex Trendex: Pent-up Purchase survey.

Methodology: This Morning Consult poll was conducted between August 9-10, 2021 among a sample of 2,000 gen pop consumers with a HH income greater than \$50K. Results from the survey have a margin of error of plus or minus 2 percentage points.