Econsultancy ✕ Adobe

2021 Digital Trends
Retail in Focus

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With over 13,000 participants in the 2020 study, more than 85,000 businesspeople from every continent (including Antarctica) have contributed their time and insights to this research since its inception in 2010. Their contributions make this the largest and most durable study of how digital trends are changing the marketing discipline.

Adobe and Econsultancy would like to thank everyone for their effort and insight.
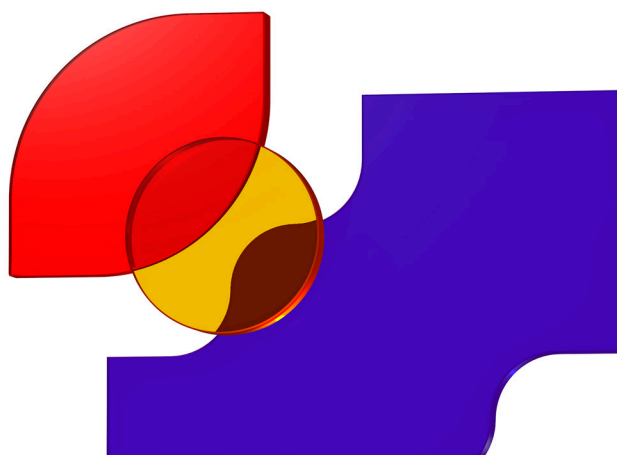
Foreword

Welcome to Adobe's *2021 Digital Trends* report, our annual survey that charts the evolution of marketing, advertising, e-commerce, creative, and technology professionals around the world.

Last year, we published a landmark report to celebrate a decade of *Digital Trends*. As we celebrated its launch, nobody could have predicted what the next 12 months would bring. Well, it certainly hasn't been "more of the same." The global pandemic and the sustained level of uncertainty that followed have led to the most innovative period in the history of marketing, essentially rewriting the rule book for many businesses.

Instead of deviating from predicted trends, the dramatic events of 2020 acted as an accelerant for digital transformation. Topics that were years away from consideration are now at the top of today's agenda. Whether demand for their products and services has increased or decreased, businesses are all grappling with the same challenges: remote working, new digital customers, the need for greater convenience, changes in buying behavior, and, on top of all that, their employees' and their customers' well-being. More than two-thirds of the companies with top-tier customer experience (CX) functions outpaced their sectors in the second half of 2020 and they were three times more likely to have "significantly outpaced" their sectors than the rest of the sample.

The results of our survey show that past investments in customer experience have paid off, which further underlines the importance of speed and personalization as we enter the new era in experience. As business leaders look toward the new year and scan the horizon for a return to normal, it's apparent that the new era in experience will be born digital. The economic

Michael Klein
*Director, Industry Strategy Retail, Adobe*

impact of this acceleration and the opportunities it presents will only become clearer as the dust settles. The *2021 Digital Trends* report, produced in collaboration with Econsultancy, brings key trends to life with startling clarity.

The *2021 Digital Trends* report looks to both the past and the future, presenting two equally valuable perspectives—what has changed in the last year as a result of the pandemic, and the trends that are waiting around the corner.

Thousands of seasoned professionals have shared their hard-won lessons of the pandemic—offering advice on everything from hybrid working and attracting talent, to catching up with the exponential rise of the digital-first consumer.

From these insights, we present three guiding principles for 2021: *empathy* is the future of experience, the new era is *disruptive*, and *brand purpose* becomes even more relevant.

With the world on the brink of change, this year's report provides timely insights to help marketers and business leaders realign their vision and bounce back stronger in 2021.

Executive summary

2021 Digital Trends: Retail in Focus
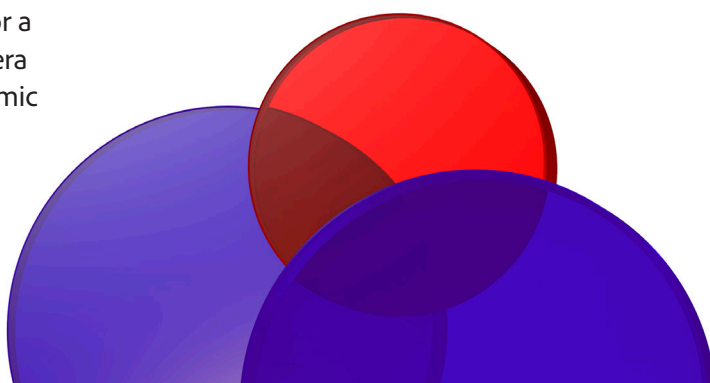
Over the last year retailers have faced unprecedented challenges. The need to rapidly adapt to shifting consumer trends has never been more evident. For retailers that get it right, there is a huge opportunity to emerge from the COVID-19 crisis in better shape than ever.

This Econsultancy/Adobe report is based on the responses of multichannel and online-only retailers to the **2021 Digital Trends survey**. It explores the strategies and tactics being prioritized by companies in the retail sector, and it examines differences between top-performing companies and those in the mainstream.

The report highlights how omnichannel strategies that embrace both digital interactions and traditional retail environments are crucial for success, and how organizations need an integrated technology that enables them to combine a growing range of data sources to form a single view of the consumer.

Key findings from the report include:

Brick-and-mortar retailers focus on adapting or transforming traditional stores to support e-commerce, while doubling down on mobile. Almost half (47 percent) of multichannel retailers report that their main physical location strategy for this year will be opening hybrid stores that serve the needs of both in-store and online shoppers. Multichannel retailers are also doubling down on the mobile experience, with mobile ordering (49 percent) and mobile applications (40 percent) the top-two priority areas for investment.

Retailers are responding to the challenge of changing consumer behavior. More than half (57 percent) of retail respondents agree they had unusual freedom to experiment and innovate in marketing over the second half of 2020, while almost four in five (79 percent) say they have been unusually agile and able to take actions quickly. The best-performing retailers are significantly more likely than the mainstream to describe their culture as a collaborative working environment where every individual is valued and communication is a top priority (33 percent for top-performing retailers vs. 23 percent for the mainstream).

Personalization will be crucial for delivering better customer experiences. Three-quarters of respondents (75 percent) say that *personalizing in-store experiences based on online behaviors* will be either "important" (39 percent) or "critically important" (36 percent) for meeting customer expectations, highlighting the need for a fully rounded view of customers to connect across different channels and in different environments.

Artificial intelligence (AI) will be instrumental for meeting customer expectations. Machine learning and AI will play a growing role in helping companies make more informed decisions regarding stock volume as customer demand fluctuates. According to the research, 44 percent of top-performing retailers regard AI as critical for meeting omnichannel customer expectations, compared to only 30 percent of mainstream companies.

Section 1: Evolving customer behavior accelerates shift to digital.

There is no disguising the fact that the last year has been a highly challenging period for many traditional retailers, with reduced or non-existent footfall due to social distancing restrictions and lockdowns. Many retailers are still very much in survival mode after a prolonged period of deep uncertainty.

But on a more positive note, there has been a surge in online retail with significant e-commerce growth, and plenty of opportunities for omnichannel retailers who have been adaptable in the face of unprecedented changes in customer behavior.
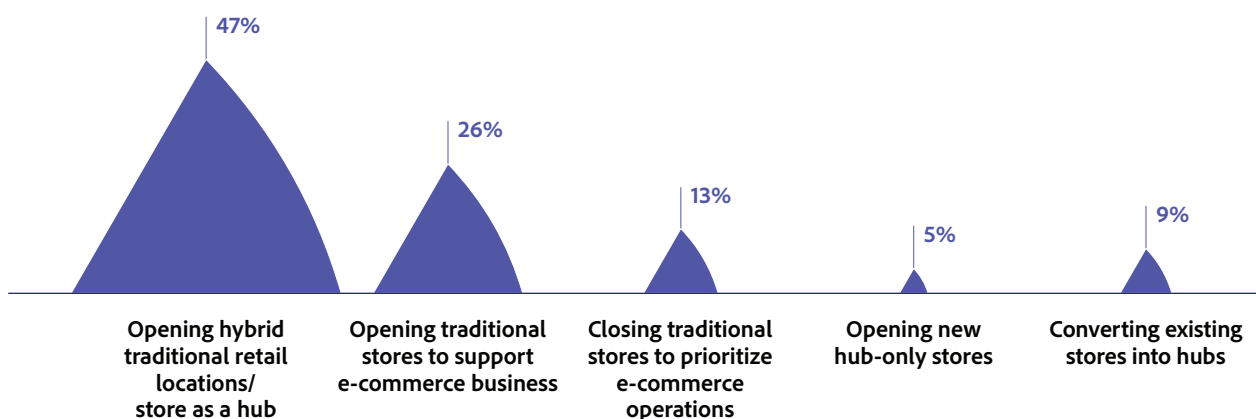
As digital touchpoints have become even more integral to the customer journey, retailers who have been agile and innovative in their thinking are rising from the ashes of the pandemic in a stronger and more future-proof position.

Using the U.S. market as an example, e-commerce penetration had been steadily increasing by around 1 percent year over year over the last decade, but 2020 saw 10 years of change in a matter of weeks as digital's share of retail shot up to 33 percent. This growth has further impacted holiday sales which exceeded $188 billion—32 percent growth over the 2019 season, according to Adobe data.

With consumers increasingly sold on the benefits of online shopping, retailers with a brick-and-mortar heritage must embrace an omnichannel approach to stay connected to customers while they are less able to visit physical stores.

The Econsultancy/Adobe *2021 Digital Trends* survey shows that for almost half (47 percent) of omnichannel retailers, this year's main physical location strategy will be opening hybrid stores that serve the needs of both in-store and online shoppers (Figure 1).

Figure 1 **How would you best characterize your organization's physical store location strategy for 2021?**

47%	26%	13%	5%	9%
Opening hybrid traditional retail locations/ store as a hub	Opening traditional stores to support e-commerce business	Closing traditional stores to prioritize e-commerce operations	Opening new hub-only stores	Converting existing stores into hubs

Respondents: 241

The growth of hybrid retail strategies.

Attempts to bridge the physical and digital divide have led many retailers to open hybrid stores in the form of store-as-hub locations. This has been accompanied by strategies to minimize physical interactions with—and between—consumers as much as possible.

Solutions have included BOPIS (buy online, pick up in store) as well as curbside pick-up. Retail lockers have also allowed consumers to collect online purchases in store at their convenience (or, in the case of Amazon, at a range of partner locations).

For shoppers, these innovations mean they can bypass the checkout without having to interact with other customers and store workers or wait in a line.

Best Buy, which has transformed a quarter of its U.S. stores into e-commerce hubs since the start of the pandemic, is a g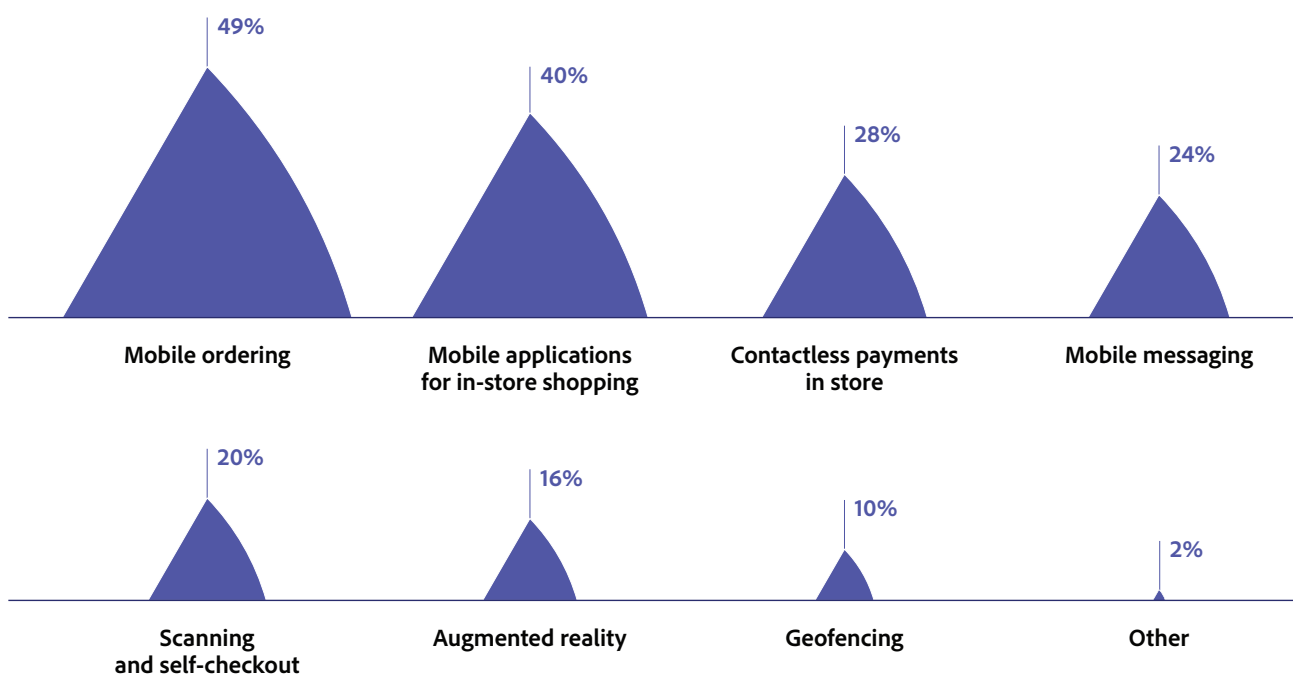ood example of this strategy, enabling customers to pick up click-and-collect orders. According to CEO Corie Barry, converting 250 stores has enabled it to address permanent changes in customer behavior and fulfill online orders more efficiently.

Retailers focus on the mobile experience.

As well as being a highly significant source of direct sales, the mobile channel is frequently the starting point in an omnichannel journey that culminates in an in-store visit or curbside collection. Indeed, according to Adobe research, in November and December 2020 mobile traffic accounted for 60 percent of traffic and 40 percent of sales in the U.S. alone.

Its impact on the customer experience means that it continues to be a significant source of attention and expenditure for multichannel retailers. More specifically, in 2021 retailers are most likely to be investing in mobile ordering (49 percent) and mobile applications (40 percent).

Figure 2   **What are the top two areas of mobile experience your organization will be investing most in 2021 (multichannel retailers)?**

49%	**40%**	**28%**	**24%**
Mobile ordering	Mobile applications for in-store shopping	Contactless payments in store	Mobile messaging

20%	**16%**	**10%**	**2%**
Scanning and self-checkout	Augmented reality	Geofencing	Other

Respondents: 268

■
"Best Buy to experiment with turning some stores into hubs…," CNBC, 2020.

Figure 3 **Do you agree or disagree with the following statements?**

■ Strongly agree ■ Agree

Statement	Strongly agree	Agree
Over the last six months we have been unusually agile and able to take actions quickly.	26%	53%
Over the last six months we have had an unusually high level of communication between teams.	23%	45%
Over the last six months we have had unusual freedom to experiment and innovate in marketing.	15%	42%
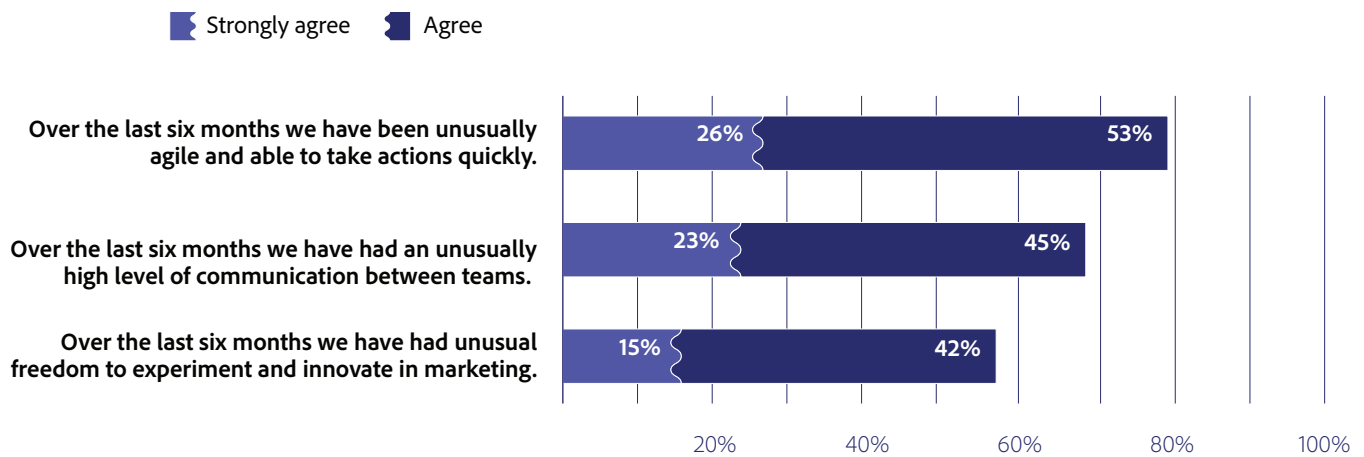
Respondents: 245

In line with increasing health concerns of shoppers, retailers have also leaned in to mobile to reduce levels of in-store human interaction. More than a quarter (28 percent) of multichannel retailers say that this is one of their top-two priorities going forward.

Walmart's Scan & Go app is an example of how a retail brand is getting different channels together to create contactless, integrated CX through a much-simplified checkout process. Shoppers are able to easily locate, scan, and buy items directly via their handset, bypassing lines and avoiding the need to touch shared screens at checkout.

With less pressure on the checkout, this type of app can free up retail staff to help on the shop floor. Staff can educate customers about mobile shopping and provide additional customer service, giving them opportunities to upsell in store.

The need for agility.

With consumers experimenting as a result of their usual stores being closed and preferred products unavailable, brands need to be more agile than ever to capitalize at a time when customers are establishing new patterns of behavior.

This research suggests that many retailers are responding to the challenge. As can be seen in Figure 3, more than half (57 percent) of the retailers surveyed either "agree" or "strongly agree" they had unusual freedom to experiment and innovate in marketing over the second half of 2020. Furthermore, almost four in five retail respondents (79 percent) say they have been unusually agile and able to take actions quickly.

The kind of fast decision-making that is required within an agile retail organization is built on foundations of strong communication, and this has been particularly important during the last year when the usual pressures of meeting sales targets have been exacerbated by store closures. Just over two-thirds of retail respondents (68 percent) either "agree" or "strongly agree" they had an unusually high level of communication between teams in the latter half of 2020.

Section 2: Retailers must overcome technology challenges to deliver better experiences to new and existing customers.

The pandemic has accelerated the use of digital as a channel even among retailers that had previously shunned e-commerce. Indeed, around two-thirds (65 percent) of retailers report unusual growth in new prospects/customers, compared to less than half (46 percent) for non-retail survey respondents. Retail respondents are also significantly more likely than their peers to report unusual growth in digital/mobile visitors (69 vs. 60 percent).

Figure 4 **Thinking about the last six months through today, has your organization experienced any of the following customer behaviors?**

How to read

All retailers/ e-commerce

All industries excl. retail and e-commerce

Category

69%
60%

Unusual growth in digital/mobile visitors

68%
50%

Unusual buying behavior in existing customers

65%
46%

Unusual growth in new prospects/customers

59%
53%

Unusual change in customer journeys or new customer journeys

40%
35%

Unusual churn in existing customers
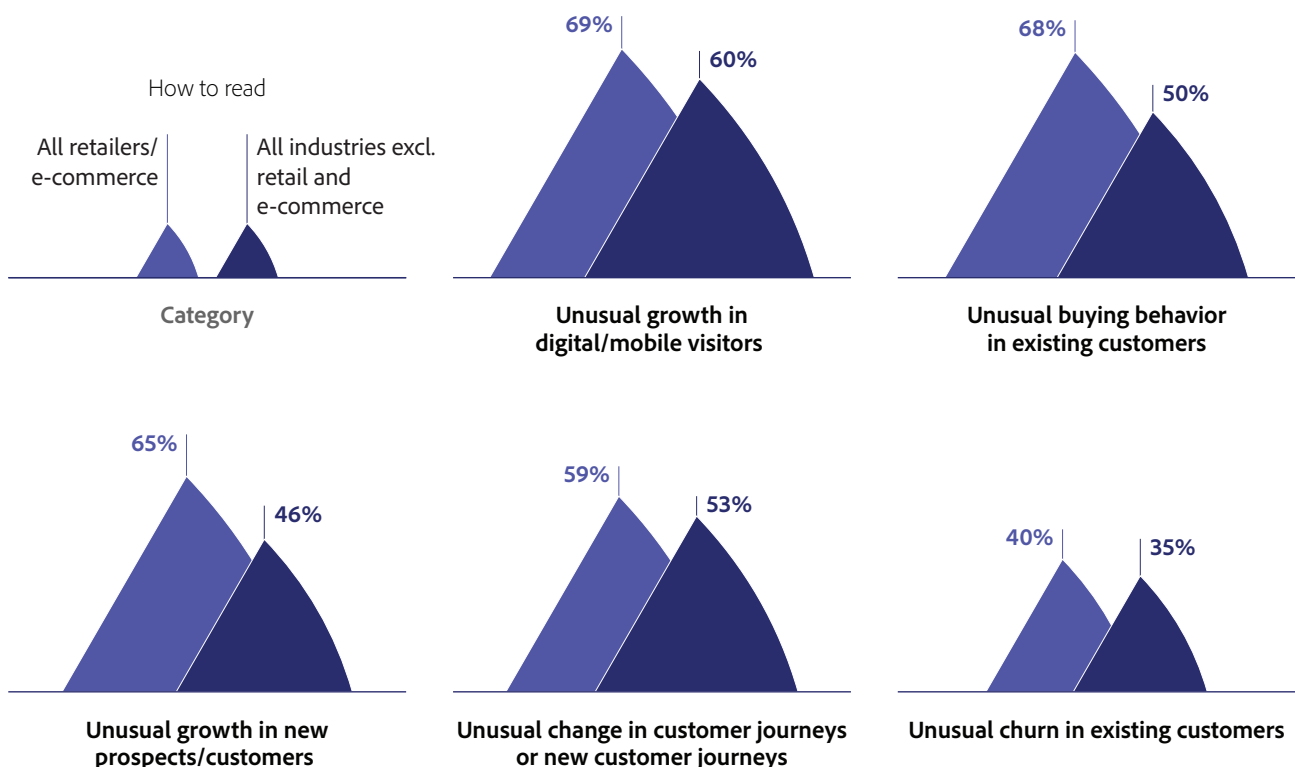
Respondents–All retailers e-commerce: 186; All industry except retail: 2,170

Even brands with already existing e-commerce capabilities have had to shift focus. For example, following the prolonged closure of its museum and gift shop, London Transport Museum replatformed to Adobe Magento 2 in July 2020. The result saw a 62 percent year-over-year increase in its online sales for the second half of 2020, according to its Head of Retail, Laura Mullins.

Furniture sales based on its range of moquette (the thick fabric used on Tube trains) have been a particular highlight. According to Mullins: "These have gone up 170 percent in part due to improved functionality such as the ability to see digital fabric swatches before clicking through and applying to your selected piece [of furniture], which has really helped to drive these important high-ticket sales."
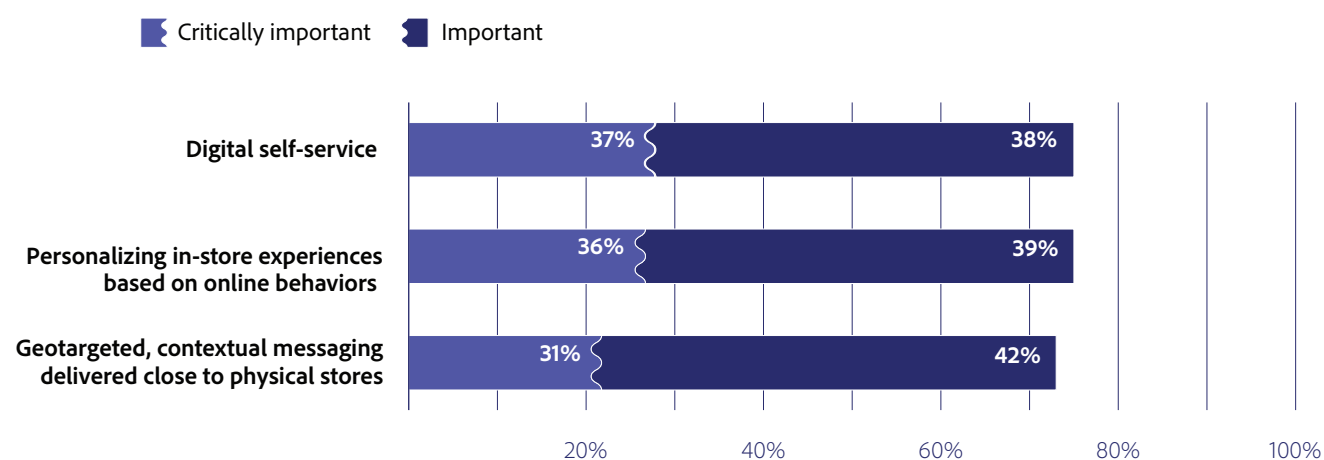
■
Econsultancy interview.

Greater personalization and digital self-service will shape the future of retail.

As consumer journeys have evolved, so too has the nature of customer issues and pain points at different stages of the pre- and post-purchase journey. Many of these issues remain the same (e.g., "Will I get the best deal?," "Will the reality measure up to the photos?"), but COVID has added new layers of consideration, ranging from concerns about safety to the cleanliness of store environments.

In a digital world where everything is at the end of a keyboard, any wait for customer service feels increasingly old-fashioned. Unsurprisingly, when asked about the most important factors for meeting customers' omnichannel service expectations, 75 percent of multichannel retailers regarded digital self-service as either "important" or "critically important" (Figure 5).

Figure 5 **How important are the following in meeting customers' omnichannel service expectations for your organization (multichannel retailers)?**

■ Critically important   ■ Important

	Critically important	Important
Digital self-service	37%	38%
Personalizing in-store experiences based on online behaviors	36%	39%
Geotargeted, contextual messaging delivered close to physical stores	31%	42%

20%   40%   60%   80%   100%

Respondents: 281

Automation and technology are also helping improve in-store connections. Home Depot's app is a case in point. By switching into "store mode," customers can swiftly identify in which aisle a product is located and, if all else fails, an online sales associate is immediately available at the click of a button.

The store mode feature is contingent on geotargeting, a capability which nearly three-quarters (73 percent) of executive respondents to our survey regard as "critical" or "important" to their efforts to connect and deliver the right experience at the right time.

To continue to thrive, retailers will need to be focused on the omnichannel experience, underpinning their operations with a 360-degree view of the customer.

The importance of personalizing in-store experiences based on online behaviors (75 percent regarded it as either "critical" or "important" underscores the need to integrate not only marketing technology but also CRM and POS systems.

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"Why mobile may be the best technology for your retail stores," Adobe Retail Team, Adobe.
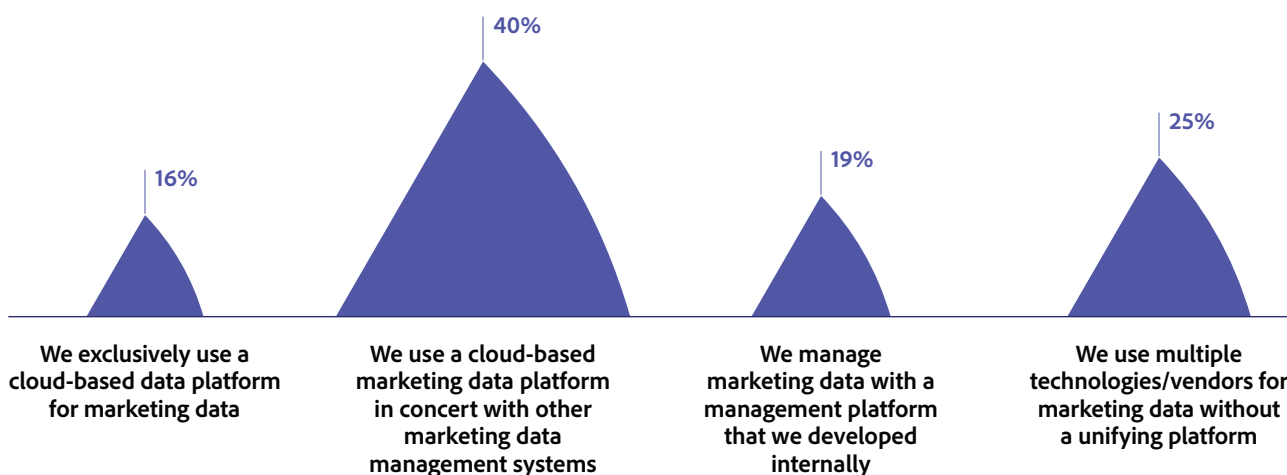
Legacy systems prevent retailers from delivering the best omnichannel experiences.

Personalization also means overcoming legacy systems, seen as the greatest obstacle holding retailers back from delivering better experiences (35 percent). Unsurprisingly, our research found this problem to be significantly more pronounced for multichannel retailers (37 percent) compared to their online-only peers (20 percent) who are less likely to be burdened with older technology.

For some businesses, the solution is to "reboot" with a new, unifying platform. Figure 6, for example, indicates that 16 percent of respondents are exclusively using a cloud-based data platform for marketing data. But given the challenges with legacies, few retailers are in a position to start from scratch—with 40 percent looking to gain agility and access to the cloud in concert with existing systems.

Even as retailers try to cut costs and reduce the number of vendors on whom they depend, today's complex ecosystem of third-party platforms, in-house, and point solutions will persist for some time, especially at large organizations. At the same time, agility and the capacity to add capabilities on demand are high priorities.

Figure 6 **Which of the following best describes your organization's approach to marketing technology?**

16%	40%	19%	25%
We exclusively use a cloud-based data platform for marketing data	We use a cloud-based marketing data platform in concert with other marketing data management systems	We manage marketing data with a management platform that we developed internally	We use multiple technologies/vendors for marketing data without a unifying platform

Respondents: 315

Section 3: CX, data integration, and omnichannel strategies are top priorities for retail leaders.

This report has so far highlighted how retailers have been forced to adapt to changed customer behavior. But what characteristics separate top performers from the rest?
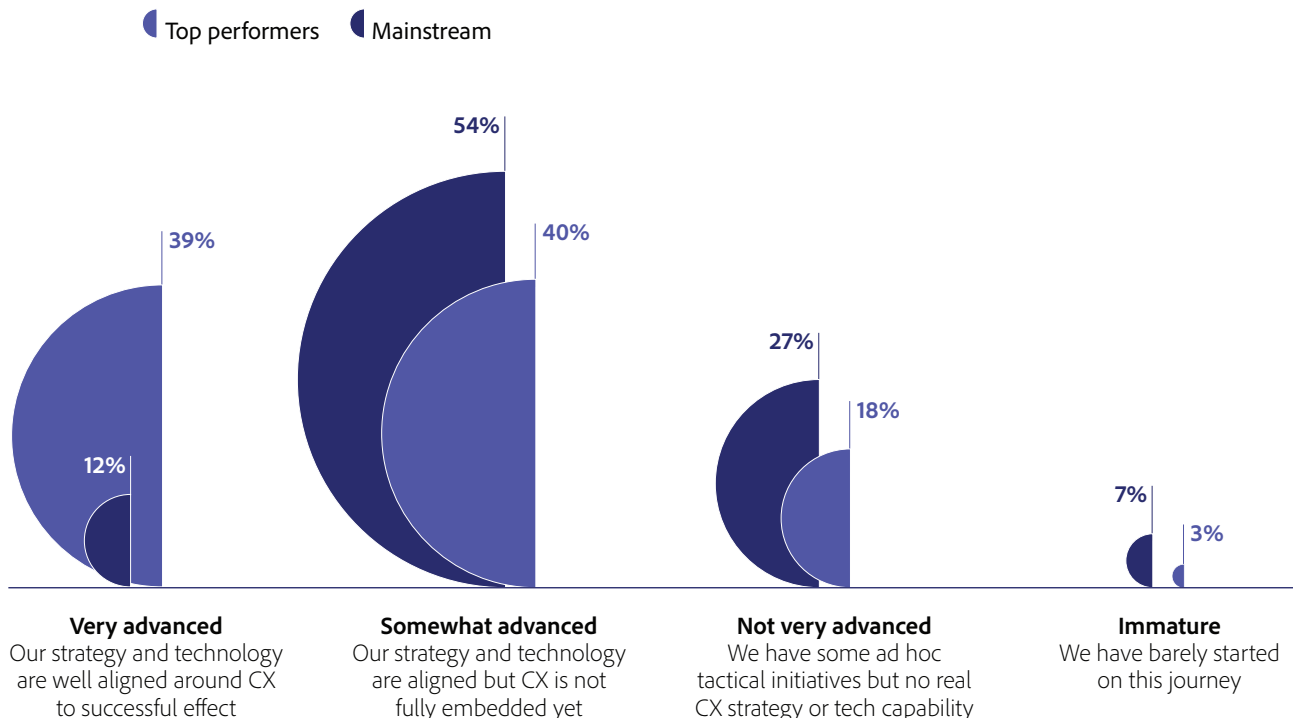
We compared executives working in organizations that had significantly outperformed against their primary competition over the last six months of 2020 (the "leaders") with those that had either slightly outperformed, kept pace, or underperformed (the "mainstream").

At first glance, a defining characteristic of top performers relates to their perceived CX maturity, with 39 percent of leaders rating their strategy and technology alignment to be "very advanced" compared to 12 percent of the mainstream (Figure 7).

The agility that results from effective alignment between strategy and technology is fundamental at a time of universal change. Elsewhere our research found that top performers are 10 percentage points more likely than the mainstream to describe a collaborative working environment where every individual is valued, and communication is a top priority (33 vs. 22 percent).

Indeed, UK supermarket Tesco is a good example of the benefits gained from a more collaborative working culture. According to its Chief Customer Officer Alessandra Bellini: "We changed the way we work together, and we changed the way we work with our agencies and partners and that's a huge benefit—the only benefit of the crisis. We really shortened the timeline and the chain of conversation and discussion from insight to brief to execution."

Figure 7 **How do you rate your company's customer experience maturity?**

● Top performers ● Mainstream

Very advanced	Somewhat advanced	Not very advanced	Immature
Our strategy and technology are well aligned around CX to successful effect	Our strategy and technology are aligned but CX is not fully embedded yet	We have some ad hoc tactical initiatives but no real CX strategy or tech capability	We have barely started on this journey

Respondents–Top performers: 120, Mainstream: 366

■

This cultural change enabled the grocer to quickly assess which existing campaigns were best aligned with emerging trends. For starters, it found its Food Loves Stories campaign (featuring real members of the public dedicating the food they love to the people they love) taking on greater resonance with the uptick in home cooking and baking.

It "provided a very important platform to communicate every week to customers and inspire them, guide them, and give them support," said Bellini.

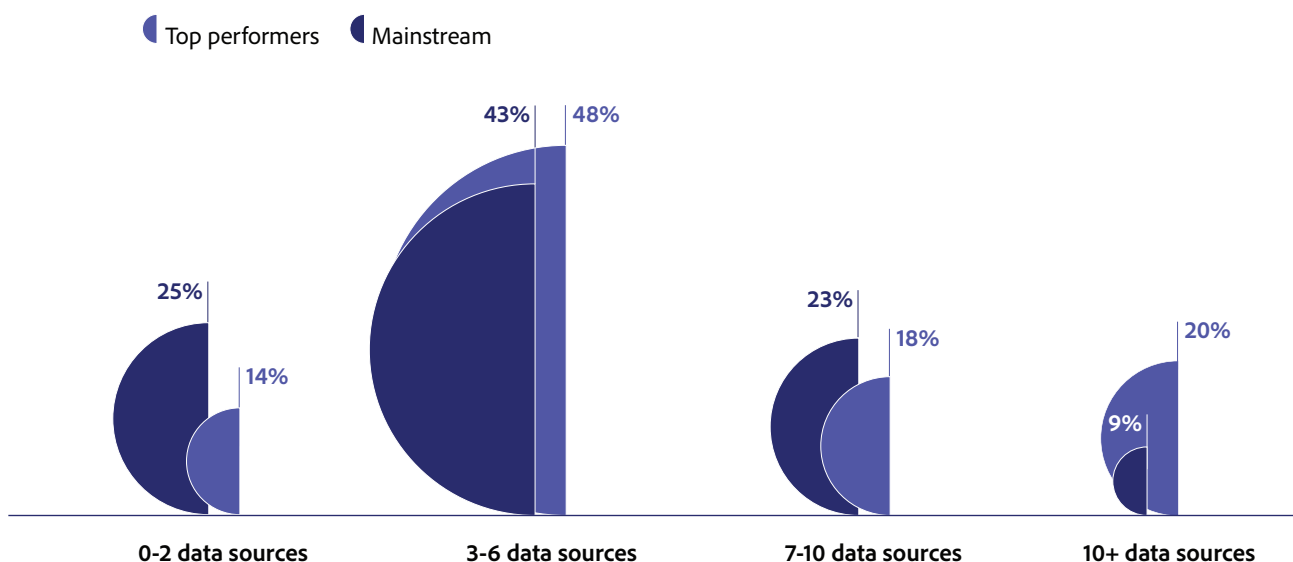## High-performing retailers are using multiple data sources for personalization.

Given shifting customer behaviors and attitudes over the last 12 months, there's no denying the critical importance of understanding how customers interact with content. Only then can retailers deliver experiences that are in tune with mindsets—and build loyalty.

Unsurprisingly, our research indicates top performers are less likely to be challenged by technology and organizational silos, being twice as likely as the mainstream to be using more than 10 different data sources to personalize the customer experience (20 vs. 9 percent).

Those retail brands in the best position to succeed through improved marketing efficiency and sales will be those that can best service their customers' needs based on a truly cross-channel understanding of their purchases and behavior.

With a single customer view based on unified customer data, companies are in a better position to generate actionable insights which they can then use to target the right recommendations and discounts to the most appropriate customer segments. Moreover, this approach enables them to create enhanced experiences such as personalized in-store messages and post-purchase follow-up communications.

Figure 8   **How many data sources does your organization currently use to specifically personalize the customer experience?**

Top performers   Mainstream

| 0-2 data sources | 3-6 data sources | 7-10 data sources | 10+ data sources |

25% / 14%   43% / 48%   23% / 18%   9% / 20%

Respondents–Top performers: 81, Mainstream: 256

AI will be critical for forecasting future trends and improving CX, even as digital self-service helps meet customers' expectations.

As analytics-driven insights become more important for navigating the retail landscape and as customer demand fluctuates, machine learning and AI are helping companies make more informed decisions regarding stock volume.

Most large retailers already rely on forecasting tools and demand management software, but these solutions are even more important in high-risk and unpredictable circumstances. As Figure 9 shows, 44 percent of top-performing retailers regard AI as "critical" for meeting omnichannel customer expectations, compared to only 30 percent of mainstream companies.

Australian supermarket Coles is an example of a retailer using AI to help retain customers and improve their in-store experiences, using the technology to optimize everything from supply chain management to personalized customer recommendations based on past purchases, community events, and even the local weather.
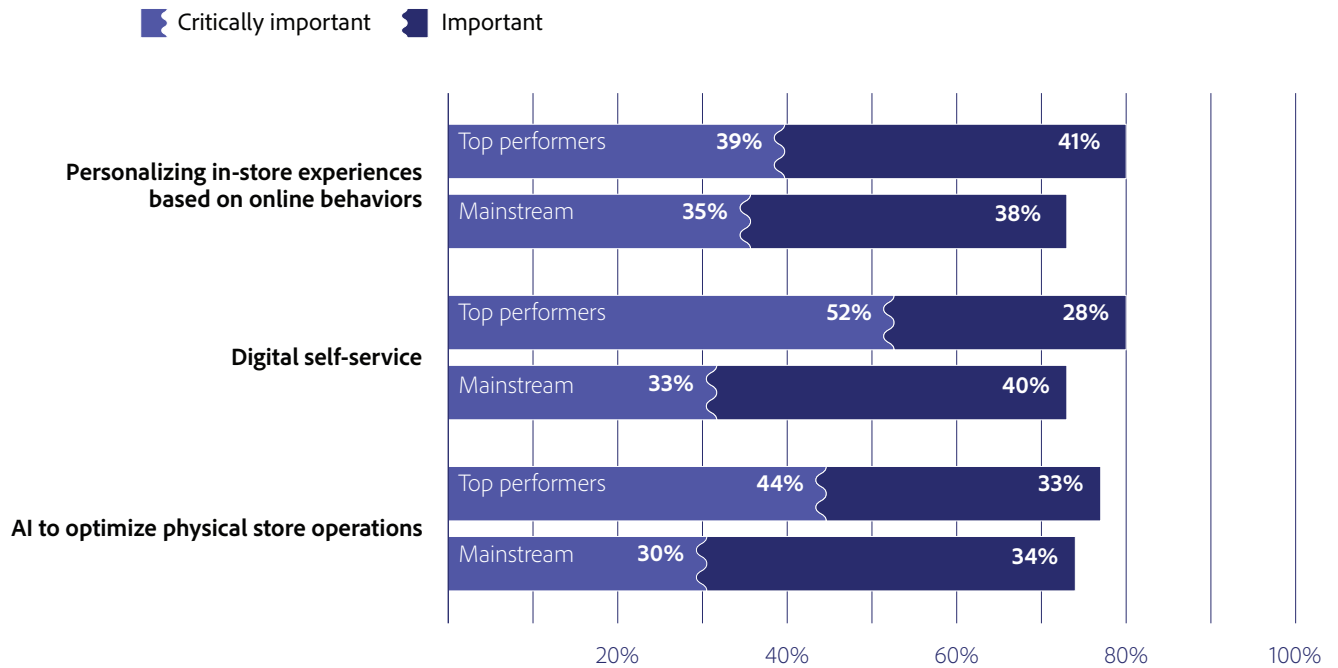
Technology is also playing an important role in helping retail brands meet the sizeable challenge of producing the myriad content variations required for truly personalized content based on what can be a huge number of variables such as context, channels, location, and past purchases.

Sportswear company Under Armour is a good example of a brand that has been able to level up its content management capabilities by using Adobe Experience Manager to make a wide variety of assets available both externally and internally.

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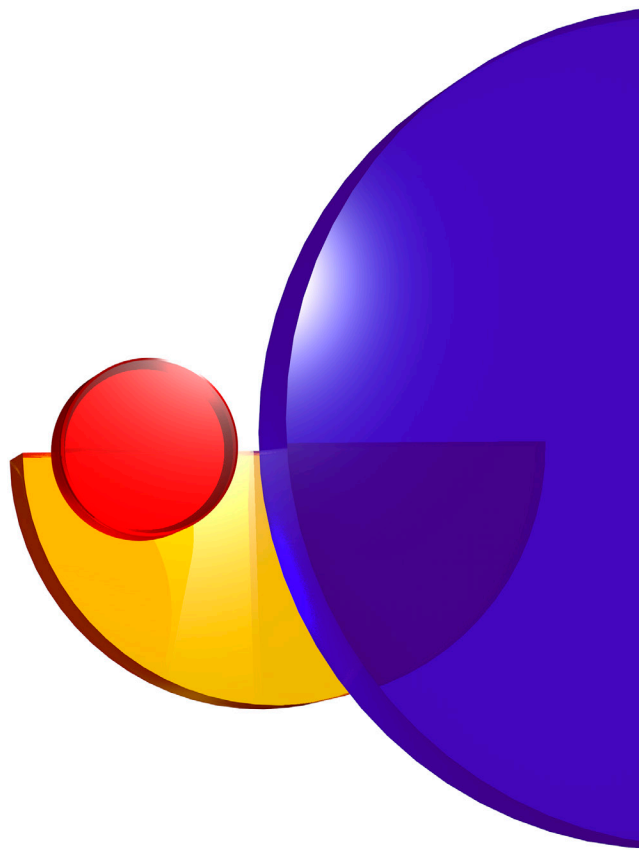
"How AI is improving customer experiences for brands in APAC," CMO by Adobe, 2020.

Figure 9 **How important are the following in meeting customers' omnichannel service expectations for your organization?**

Legend: ▶ Critically important ▶ Important

Personalizing in-store experiences based on online behaviors
- Top performers: 39% | 41%
- Mainstream: 35% | 38%

Digital self-service
- Top performers: 52% | 28%
- Mainstream: 33% | 40%

AI to optimize physical store operations
- Top performers: 44% | 33%
- Mainstream: 30% | 34%

Axis: 20% 40% 60% 80% 100%

Respondents–Top performers: 61; Mainstream: 221

The brand produces hundreds of thousands of creative assets, including product shots, marketing copy, store displays, videos, and images of the gear in action, worn by baseball, basketball, and golf stars. The company is now able to share content more effectively with wholesale partners, who need to be able to download product photos for use in catalogs, websites, and in-store materials.

The research also shows how high-performing companies have been faster to recognize the importance of digital self-service for better CX and accelerated journeys to purchase. About half (52 percent) of high-performing companies say this is now "critically important," compared to a third (33 percent) of mainstream retailers. Top-performing multichannel retailers are also more likely than the mainstream to acknowledge that personalized in-store experiences based on online behaviors are either "important" or "critical" (80 vs. 73 percent).

■
"Digital asset management with game," Under Armour customer success story, Adobe.

Four key takeaways for the retail sector.

1. Retailers need to be agile in the face of unprecedented disruption.

The disruption caused by the pandemic should act as a wake-up call for retailers, forcing the hand of brands that have traditionally been slow to capitalize on emerging trends. For retailers to remain competitive—or even just to remain in business—current events provide the catalyst to innovate and transform organizational structures and processes that are no longer fit for purpose. Those companies that are agile and can evolve in response to shifting customer trends will reap the benefits of higher revenues and stronger customer relationships, maintaining and building on incremental gains long after the pandemic passes.

2. Seize the opportunity to innovate through mobile and digital self-service.

As customer behavior evolves, the onus is on retailers to experiment with technology that promotes customer engagement through digital channels. Top of mind for consumers is the ability to shop with minimal exposure to other customers, whether from home via desktop and mobile, or in store with contactless technology. As we emerge from the pandemic, investment in digital self-service will help convert prospects into customers—and turn customers into advocates of your brand. Better self-service technology frees up staff to support shoppers and focus on delivering winning customer experiences.

3. Omnichannel retailers need to focus on hybrid strategies.

While the shift to e-commerce provides new opportunities for brands, online cannot replicate every aspect of the physical customer journey, nor can it provide the same opportunities for forging deeper relationships to build customer lifetime value. Multichannel retailers need to think about how their brick-and-mortar stores can be used to harness more experiential marketing opportunities, while also evolving them into e-commerce hubs for click and collect.

4. Retailers need integrated technology for personalization.

Retail brands long held back by legacy technology need to acknowledge the extent to which these systems are limiting their ability to deliver personalized experiences. Integrated software is required to stitch together a growing number of data sources as the digital customer footprint becomes larger and larger and marketing technologies proliferate. Without a truly 360-degree view of the customer, personalized experiences are impossible to deliver.

Methodology

Digital Trends 11th Edition is based on an online survey fielded to select Adobe and Econsultancy lists in the fourth quarter of 2020. The survey closed having collected 545 qualified responses from the Retail sector.

Demographics profiles

· Seventy percent of all the responses were at manager level or above.

· In terms of business function, IT held the largest share of respondents (21 percent), followed by marketing (20 percent), creative/design (18 percent), and e-commerce (14 percent).

· As defined by target market, B2C accounted for 50 percent, followed by those addressing both markets equally with 35 percent, and B2B (15 percent).

· The sample is global, with Europe providing the largest share of respondents (46 percent), followed by North America (24 percent) and the Asia-Pacific region at 22 percent. The survey was translated into French, German, and Chinese.

· Seventy-one percent of respondents were from multichannel retailers - plural with physical locations, followed by online-only retailers (22 percent) and others (7 percent).

Methodology