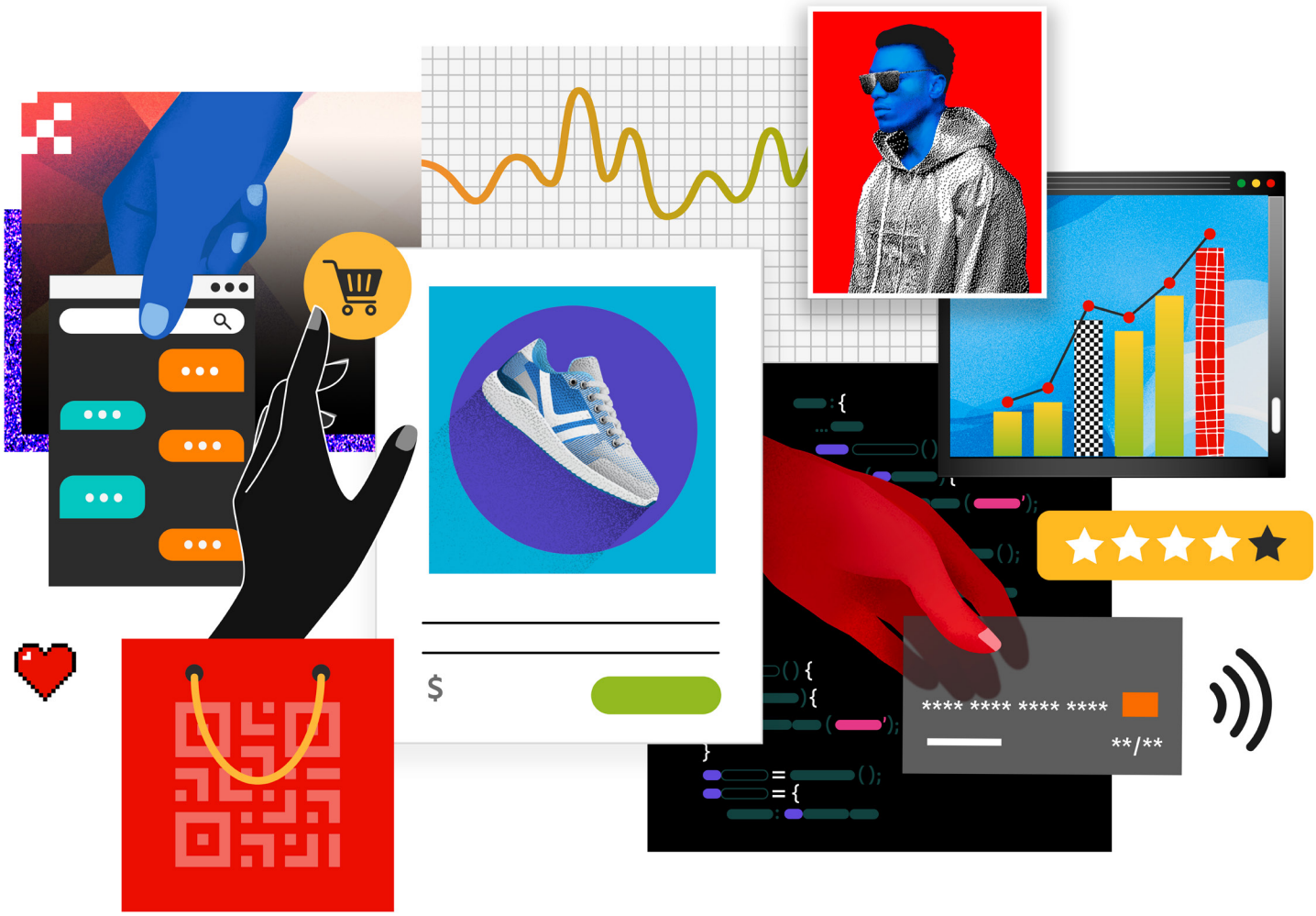
Econsultancy × Adobe

2022 Digital Trends

Retail in Focus



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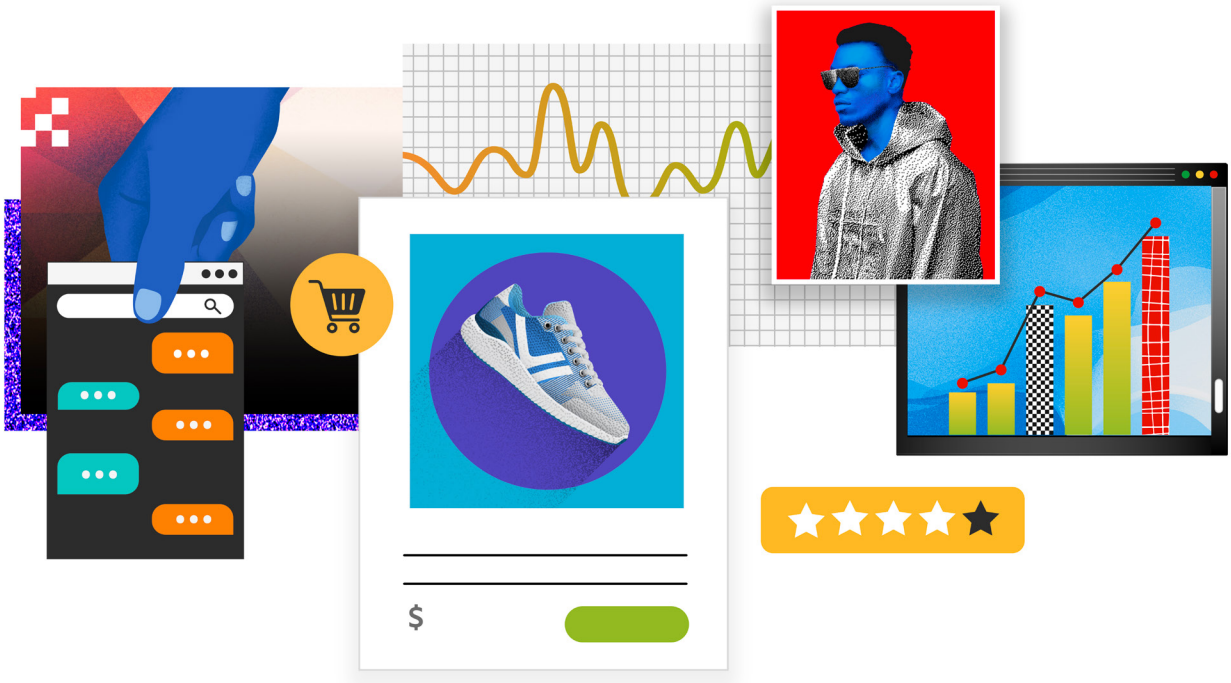
With nearly 10,000 participants in the 2022 study, more than 95,000 businesspeople from every continent (including Antarctica) have contributed their time and insights to this research since its inception in 2010. Their contributions make this the largest and most durable international study of how digital trends are changing the marketing discipline.

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



Foreword

Welcome to the 2022 Digital Trends – Retail in Focus! Based on Adobe's annual survey, produced in collaboration with Econsultancy, the report captures the insights of over 500 retail executives. It's enabled us to map the evolution of retail customer experience trends and identified opportunities for companies to refine their digital strategies and drive sustained growth in the new year and beyond.

There's no doubt that the global events of the past two years have accelerated the digital transformation for companies in the sector, and it won't be letting up. More than half (53%) of our surveyed retailers agreed that the demands on digital experience will accelerate this year.

Perhaps unsurprisingly, businesses are rethinking how they engage with consumers and business buyers alike. The pandemic raised the bar on the need for firms to be more agile, collaborative and speed up the time-to-value. It prompted companies to turn to real-time data and insights to handle the unexpected. It also forced them to bridge functional silos – across sales, marketing, product, IT, finance and support – to understand how to run a digital business end to end. As customers fluidly switched between channels of interaction, the need for omnichannel personalization, automation and scalability took on greater urgency.

Companies that were able to overcome organizational and technology silos and work across functions to quickly move as one, came out in front. Over the course of 2021, we saw a widening gap between those that were able to pivot and capitalize on the shift to digital and those who were caught flat-footed.

The challenge that many organizations face today is how to incorporate the agile methodologies developed in the crisis 'war-rooms' of the pandemic into ongoing business operations. The study shows that many companies are struggling with implementing the necessary cultural and operational changes to stay nimble and respond to rapidly evolving market dynamics. ▸

Michael Klein
Global Director, Industry Strategy & Marketing - Retail, Travel & Consumer Goods at Adobe Systems

With customer expectations continuing to rise, the importance of developing and nurturing direct relationships with customers has never been more important. How companies gather and extract insights from customer data will become more critical, especially as marketers shift from relying on third-party data and embrace first-party strategies. Our findings suggest that there is much work to be done here as significant raters see their organization as ill-prepared for the deprecation of third-party cookies and shift to first-party data to personalize their customer experiences.

Artificial intelligence (AI) is a key area of opportunity that not enough organizations are taking advantage of to drive real-time business decisions and customer experiences.

As retailers move from one moment of uncertainty to the next, grappling with inflation, global supply chain problems, a tight labor market and shifting pandemic conditions, data-driven customer insights and the ability to quickly adjust strategies will be more important than ever. Companies that can successfully operationalize rapid decision making and act on customer insights will be better placed to achieve customer-centric experience innovation - and sustain business growth.

The 2022 Digital Trends – Retail in Focus report explores a wide range of trends impacting companies' ability to successfully navigate the highly dynamic global environment, including changing customer expectations, trust, escalating complexity and competition, training and development and the realities of hybrid work environments.

With the world in a constant state of flux, this year's report offers timely insights to help marketers and business leaders reflect on their strategies to drive sustained success in 2022 and beyond.

"Artificial intelligence (AI) is a key area of opportunity that not enough organizations are taking advantage of to drive real-time business decisions and customer experiences."

Michael Klein
Global Director, Industry Strategy & Marketing - Retail, Travel & Consumer Goods at Adobe Systems

1. Executive Summary

Is retail's rollercoaster finally approaching the station, or are executives prepping for another white knuckle ride? After a period of unprecedented acceleration of eCommerce, increasing customer expectations and pressure to maintain customer loyalty, one thing is clear – there is no let-up. As customer expectations continue to rise, leading retailers continue to innovate. The pace is relentless.

ADAPT AND EVOLVE

More than half of retail respondents (53%) agree that demands on digital experience will accelerate. Collaboration across the business will be more critical than ever before, along with systems interacting to make sure journeys begun online are successfully completed offline, vice versa, and all points in between. It has also never been more evident that a commitment to laying a solid foundation of skills, technologies, and organizational structure – and being vigilant about updating the same – is key to meeting any future challenge.

LOYALTY IS UNDER THREAT

Retailers cannot assume loyalty. Consumers have enjoyed an explosion of choices, so staying relevant requires more work than ever. Personalization is crucial, but retailers face challenges here, ranging from consumers' concerns over data privacy, the relative value offered by retailers in exchange for consumers' first-party data, and third-party cookies' impending demise.

IF YOU'RE KEEPING PACE, YOU'RE FALLING BEHIND

The pace of change is such that executives must perpetually be on the lookout for the next trend or innovation. This doesn't mean jumping on bandwagons or chasing fads. It means being open to new behaviors that challenge orthodoxies and being willing – and able – to adapt. One of the more troubling statistics to emerge from our research is the 57% of retailers who merely keep pace with customer expectations. These retailers are at imminent risk of falling behind and joining the 30% who admit that they are already lagging. Playing catch-up is an unenviable and potentially losing proposition.

DATA MUST TRANSFORM INTO INSIGHT AND ACTION

Too many retailers struggle to use data. They are not lacking information but rather the ability to turn it into insights and action. Unsurprisingly, 57% revealed that data and insights are one of their top three priorities for their organization in the next year. New sales technologies are the only tactic that ranks higher than data (at 59%). Companies need to act fast if they want to challenge the status quo.

This is especially true when it comes to acquiring and using first and second-party data to drive personalization. While about a third (32%) say they are ineffective in using third-party data to personalize the customer experience, the fact that third-party cookies will be going away next year makes this point moot. Constant evolution is vital – perhaps at the expense of perfection. But, if the choice is between 'wait and see' and 'learning as you go,' retailers would be well advised to choose the latter.

I. The digital gold rush is over – it's time to consolidate

If the initial stages of the pandemic in 2020 saw a frantic rush to eCommerce, 2021 was more about taking stock and adapting to ongoing uncertainty. But this doesn't mean everything will return back to a pre-pandemic state. Indeed, figures suggest that online retail spending continues to grow. For example, according to the National Retail Federation, during 2021's November-December holiday season, online sales grew 11.3% over 2020 to $218.9 billion in the US alone.[1]

Unsurprisingly, the vast majority of retail respondents to *Adobe 2022 Digital Trends* survey saw a significant shift to online activity and changing consumer behaviors over the 18 months between mid-2020 and the end of 2021 (*see Figure 1*).

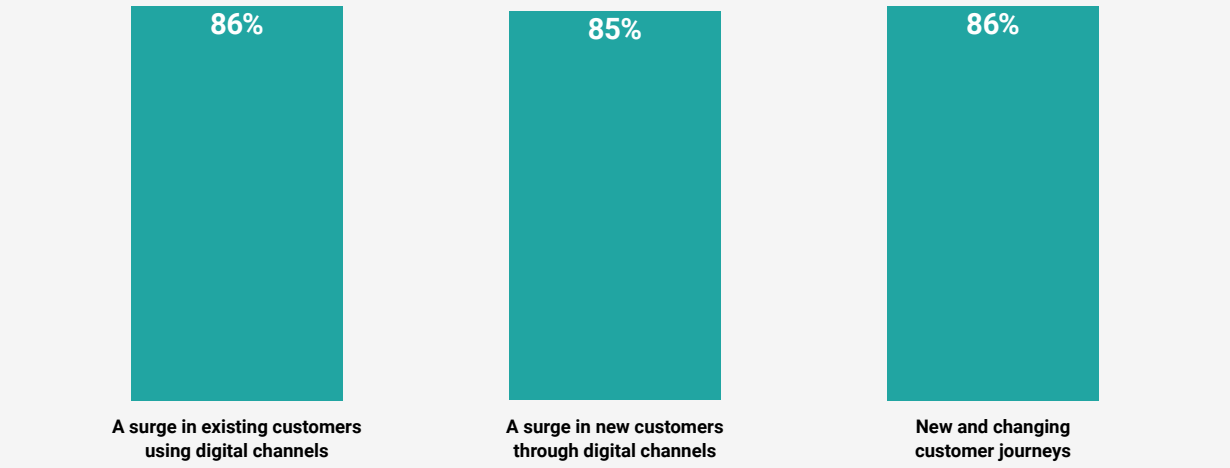
As we look at 2022, 53% of retail practitioners expect demands on their organizations' digital experience to accelerate beyond what has already happened over the past two years. Only 4% believe demands will lessen as consumers return to offline channels.

Retail has reached the point where it is no longer meaningful to ask whether the future will be digital or back to offline. It will clearly be a combination of the two channels, and the fundamental question is how to best optimize them for different points in the customer journey.

1 https://nrf.com/media-center/press-releases/nrf-says-2021-holiday-sales-grew-141-percent-record-8867-billion#:~:text=NRF%20Says%202021%20Holiday%20Sales%20Grew%2014.1%20Percent%20to%20Record%20%24886.7%20Billion,-For%20immediate%20release&text=%22Despite%20supply%20chain%20problems%2C%20rising,fatigued%20consumers%20and%20their%20families.%22

FIGURE 1

Thinking about the last 18 months, were the following true or false for your organization? (True only)



Sample size = 236

Source: Adobe/Econsultancy Digital Trends Survey, Q4 2021

Retailers will need to make those assessments quickly as consumers are ever more alert to the realm of the possible. Witness, for example, the dramatic uptake of rapid delivery services such as Instacart and Deliveroo. They are most typically used in the grocery sector. Still, some also provide the same peripheral products found in larger stores, such as Walmart Grocery, which delivers electrical goods and clothes.[2] Investors clearly see the value in the changing retail landscape, sinking $7bn into rapid delivery services alone in the first quarter of 2021.[3]

While speed is clearly a valued commodity, consumers have also been willing to adjust their expectations in line with supply chain disruptions over the 2021 holiday shopping period. For example, many altered their shopping behaviors to ensure items arrived on time.[4]

Indeed, in Adobe's holiday shopping recap for 2021, researchers noted that supply chain challenges had resulted in an increase in out-of-stock messaging of 253% compared to 2019.[5] Products out of stock are disappointing, but web content and communications that haven't caught up with stock issues – saying things are in stock when they're not – adds frustration to disappointment. Research suggests that assurances a product is in stock and ready to ship are an important factor for most consumers (53%) in choosing an online retailer when shopping during a critical period like the holidays.[6] Communicating the issue, being quick to respond to changes, and working with customers to solve problems are all vital for maintaining high levels of customer satisfaction in challenging circumstances.

Achieving this would not be possible without significant investment on the part of retailers in the overall customer experience. That means investing in supporting technologies, data integration, multichannel touchpoints, and more – as we will see in this report.

Retail marketers readily accept that consumers will make more demands of online and in-store experiences in the future and face meeting this challenge in a sector that is already highly developed. In one of the last reviews of omnichannel customer experience to be published pre-pandemic, there were plenty of examples of retailers already taking the lead, using tactics that have since come to define retailer pandemic behavior.

> **"The evolution that we've had to go through … to create a unified customer experience, omnichannel customer experience has been a big change for us … how do we show up to the customer when they come to our website, to our app, to our stores? And how do they understand the consistency of pricing, the consistency of messaging?"**
>
> **Avery Worthing-Jones,**
> *Senior Vice President of Product Management, Gap Inc.*

Then, there were companies with the agility to adapt to new circumstances and build their omnichannel offerings at speed during the pandemic. In the US, it took Dick's Sporting Goods just 48 hours to initiate curbside pick-up during COVID-19. The retailer benefited from an early investment in omnichannel technologies, bringing its eCommerce operation in-house in 2017, meaning it could adapt quickly to new circumstances.[7]

For companies that were neither on their own omnichannel journey before the pandemic hit nor able to adapt at speed, the challenge they face has only gotten bigger. Customer expectations are more demanding, and the pace of change is accelerating. Retailers must work hard and fast if they're going to stay in the game.

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2 https://www.tomsguide.com/uk/best-picks/best-grocery-delivery-services
3 https://theconversation.com/rapid-delivery-grocery-apps-have-flourished-during-the-pandemic-but-will-they-permanently-change-how-we-shop-162391
4 https://seekingalpha.com/news/3783335-holiday-retail-sales-shine-in-2021-as-shoppers-return-to-stores-and-shopped-early
5 https://blog.adobe.com/en/publish/2022/01/12/adobe-us-consumers-spent-a-record-204-billion-online-this-holiday-season#gs.my7azq
6 https://queue-it.com/blog/supply-chain-shortages-ecommerce/
7 https://blog.adobe.com/en/publish/2021/11/16/dicks-sporting-goods-and-adobe-experience-cloud-to-drive-mass-personalization#gs.myb37g

Today's landscape – getting it not just right, but better, wherever the customer is

We've already seen that retailers offering both convenience and speed became a winning combination during the pandemic and that this development is likely to remain and grow in the future.

Retail marketers recognize that the customer is looking for a seamless experience across their journey. For example, more than three-quarters (83%, *see Figure 2*) of retail marketers cite digital self-service as the most important tool in meeting customers' expectations, with 39% even stating it was 'critically important.' When it comes to just 'getting the job done,' consumers clearly want control and the fewest possible hurdles.

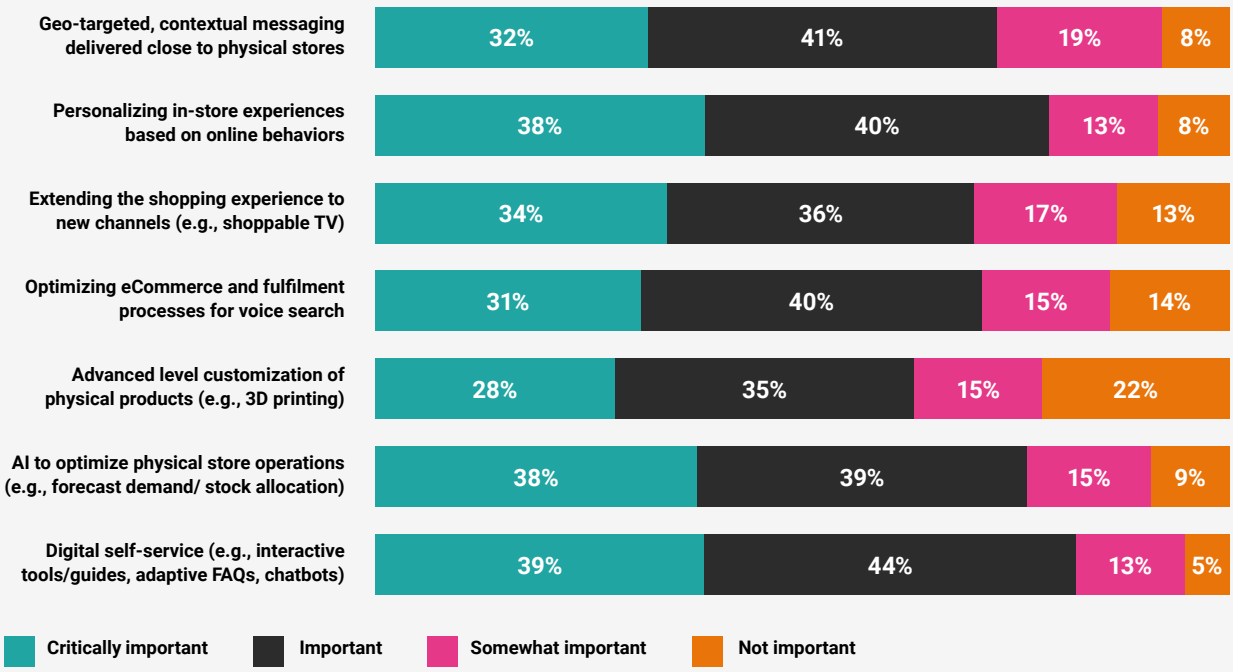
But in this new, blended environment of online and in-store retail experiences, retailers still recognize the role of brick and mortar. As *Figure 2* shows, retail executives' second highest priority is personalizing experiences in-store based on online behaviors, with 78% rating it as either 'important' or 'critically important.' Similarly, 77% state it is either 'important' or 'critically important' to use AI to optimize those physical store operations.

According to a recent report from The New York Times, an unintended consequence of the rush to online has been a loosening of ties to brand overall.[8] It suggests that reviews, social media ads, and new online outlets have also changed the way consumers evaluate goods.

8 https://www.nytimes.com/2021/11/18/technology/amazon-instagram-brand-loyalty.html

FIGURE 2

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



Sample size = 275

Source: Adobe/Econsultancy Digital Trends Survey, Q4 2021

After all, if you can get a competitively priced pair of pants delivered to your door from a choice of 30 retailers in less time than it takes to travel to a physical store with hassle-free returns thrown in, why would you bother? With those 30 new retailers also comes the opportunity to open your mind to different pants brands. Retailers now have to offer more than just the product they stock and the ticket price.

> **"The only way that we're going to keep people coming back is if we deliver customer experiences that delight the customer and that are differentiated from the experiences they can get elsewhere. If you're trying to win on price alone, you're going to lose; there's only one Amazon that's going to deliver the lowest priced goods."**
>
> **Avery Worthing-Jones,**
> *Senior Vice President of Product Management, Gap Inc.*

In our research, 77% of retail senior executives state they have 'some' or 'significant' insight into what drives loyalty and retention, but do they have the capacity to deliver it? It's important to remember that technology is a tool. Both online and in-store, the human element has proven time and again to be the magic ingredient.

European consumer electronics retailer, Currys, reinforced this with its 'Yes, I am human' campaign focusing on its Shop Live service. The service, which has in-store associates connecting with customers to solve tech buying problems, was a pillar of its pandemic offering (with supporting ad campaigns illustrating the delight of connecting digitally with an actual person).[9]

But just as with technology shortfalls, retailers face scant human resources too. While Currys is investing £25m over two years in upskilling colleagues for Shop Live, retailers in the US have experienced what commentators term 'The Great Resignation' with retailers experiencing the third-highest level of resignations behind food service and accommodation.[10] Disconnected omnichannel experiences are directly linked to higher levels of complaints, returned products, and inefficient customer journeys – the brunt of which is borne by the store associates on the front lines, in-store, or in contact centers.

A positive employee experience (EX) is increasingly recognized as a major contributor to customer experience. Recent research has shown that efficiencies created through better EX help staff serve customers better, and 64% of companies responding to the study stated this had helped them realize (or expect) better revenue.[11] This takes time to build for retailers whose EX is at a low ebb. The reality is that enterprises need to quickly solve their employee and technology challenges.

II. Breaking down the barriers

Recognizing that physical and online retail experiences both have a role in the customer journey is all well and good. Still, retail marketers must remember one thing: The customer does not shop channels – they shop everywhere. With this in mind, what is becoming abundantly clear is that the boundaries between online and physical shopping are not being blurred; they are being erased.

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9 https://retailtechinnovationhub.com/home/2021/6/17/currys-pc-world-announces-trio-of-shoplive-live-events
10 https://www.forbes.com/sites/gregpetro/2021/12/10/why-the-great-resignation-should-be-retailers-biggest-worry/?sh=32798362470a
11 https://www.thedrum.com/profile/zone/news/why-enhancing-customer-experience-starts-with-your-employees

As such, it is encouraging to see more than a third of marketers committing to digital-powered in-store retail, as 37% of practitioners in our survey cited mobile applications for in-store shopping as their highest investment priority for 2022 (*Figure 3*). The acknowledgment of the smartphone as a consumer's key 'portal' to experience is also reflected in *Figure 2*, where contextual, geo-targeted messaging close to stores is one of the most important factors in meeting customers' omnichannel service expectations.

While enabling more opportunities for targeted messaging (and in-store personalization, particularly given the previously referenced sales assistant 'drought'), mobile comes into its own as a tool for deeper brand engagement. During the 2021 holiday shopping period alone, 43% of US eCommerce purchases ($88m) were made via mobile.[12]

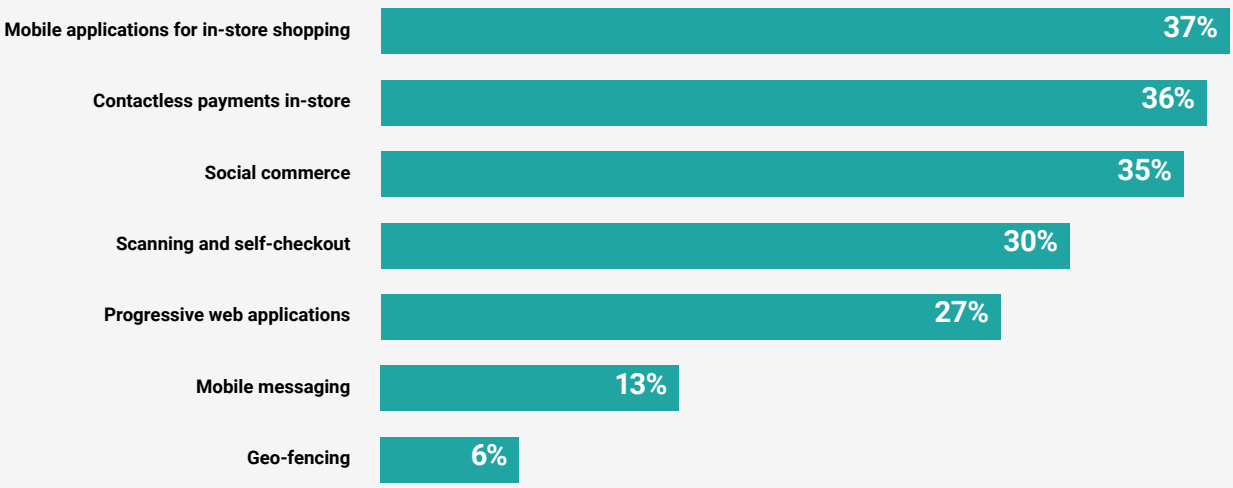
Freshippo, Alibaba's grocery division in China, is already demonstrating what an integrated mobile experience looks like. Shoppers can use their phones to seek product information, including provenance and recipe details, create shopping lists, buy in person, or purchase via mobile. At the same time, they can have their goods delivered, depending on their location, in less than an hour. Freshippo can also use the mobile service to suggest alternative replacements for stock outages in real-time.[13]

Naturally, mobile also becomes an extension of 'frictionless' digital self-service. Contactless payments (36%), social commerce (35%), and self-checkout (30%) are all heavily mobile-enabled services that retailers see becoming investment priorities across 2022.

12 https://business.adobe.com/resources/holiday-shopping-report.html
13 https://www.youtube.com/watch?v=STX7t8Q38s4&ab_channel=AlibabaGroup

FIGURE 3

What are the top two areas of mobile experience in which your organization will be investing most in 2022?



Sample size = 269

Source: Adobe/Econsultancy Digital Trends Survey, Q4 2021

III. It's now or never

Whether in retail, travel, hospitality, or entertainment – the very best practitioners have shown consumers what is in the realm of the possible. This inevitably leads consumers to ask, 'why not you, too?' Retailers aren't just judged by the performance of other retailers, but the exceptional customer service in a hotel, the efficiency of a ride-sharing app, or their digital bank's mobile check deposits.

Only 14% of retail practitioners surveyed believe their digital experience is ahead of customer expectations (*Figure 4*). A further 57% feel they are keeping pace with customer expectations giving the impression that the sector is mainly on track today. Broader research would suggest otherwise. A report from payments company, Klarna, indicates that while 75% of retailers reckon themselves to be 'fairly' or 'very sophisticated' at omnichannel, 50% of consumers believe they're not joined up enough.[14] Given the accelerated pace of change in all industries, not just retail, laggards could see themselves falling even further behind.

If anything, the pandemic demonstrated just how quickly commerce can be disrupted and how fast new trends emerge. Retailers can't afford to tread water and should be looking ahead to the myriad ways in which they can begin to excel.

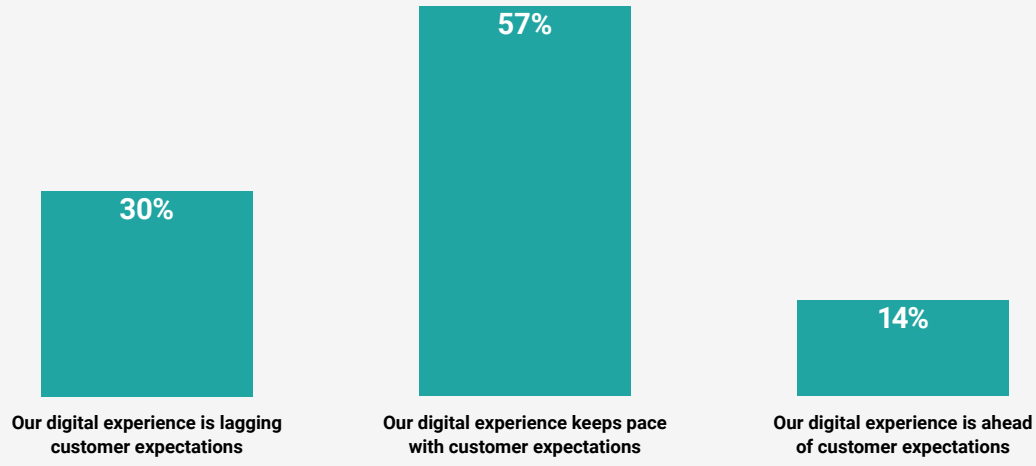
Naturally, a broad sector like retail will demonstrate a wide-ranging ability to react to or drive consumer trends. Indeed, the pandemic caused the grocery sector to explore new options such as rapid delivery, curbside pick-up, forging partnerships in unexpected areas such as using Deliveroo (UK, Europe, APAC) or Instacart (US) riders for local fulfillment and the move towards dark stores[15].

14 https://www.retailtimes.co.uk/retailers-and-shoppers-out-of-sync-on-the-value-of-physical-stores-klarna-warns/

15 https://www.co-operative.coop/media/news-releases/co-op-hits-major-milestone-with-400-stores-on-deliveroo

FIGURE 4

How would you describe your organization's digital customer experience?



Sample Size = 302

Source: Adobe/Econsultancy Digital Trends Survey, Q4 2021

Retail is perhaps fortunate in the sheer range of levers it can pull to improve customer experience. Sustainability, for example, has already been flagged as a driver of customer consideration in a crowded marketplace. Given the financial and supply pressures retail is under, it is also an opportunity to build new procedures and efficiencies. For example, using technology to create more efficient supply chains and better traceability keeps the consumer informed and reduces waste. But it doesn't have to be all about purpose.

For example, the Camp chain of family activity stores is hitting the in-store personalization trend by featuring different product ranges in each of its outlets based on localized customer data and behavior. It also features interactive store layouts that are more experiential than commercial and invites other brands to create sponsored areas.[16]

But consumer entertainment and loyalty through personalization is only one outcome of this strategy. Understanding consumer demand is a vital part of developing a sustainable business. It reduces the risk of overstocking and greenhouse gases created by transporting items multiple times to multiple locations by ensuring the right product is in the right place.[17]

The advantage of exploring as many key consumer trends as possible is that many interact to create a whole more significant than the sum of its parts. And these are actions retailers could – and should – start capitalizing on today.

16 https://www.forbes.com/sites/richardkestenbaum/2021/05/17/the-future-of-retail-is-in-this-store/?sh=489ea3258a40

17 https://www.ioscm.com/blog/how-improvements-to-supply-chain-management-are-making-retail-more-sustainable/

2. Build Back Better!

I. Upping the customer experience ante

It is one thing to look at the potential of upping the customer experience ante in 2022, but the building blocks are not yet in place for many retailers.

We can make broad assumptions about consumer needs based on trends established during the pandemic. For example, as previously noted, we know that convenience and speed are important to consumers. But to drive loyalty through personalization requires nuanced customer understanding and communications.

Evidence from our survey suggests progress still needs to be made. For example, *Figure 5* illustrates more than half of retailers regard that their ability to access, acquire, and use insights is, at best, 'average,' with a fifth to a quarter admitting they are either 'weak' or 'very weak.'

II. Fix the missing data link

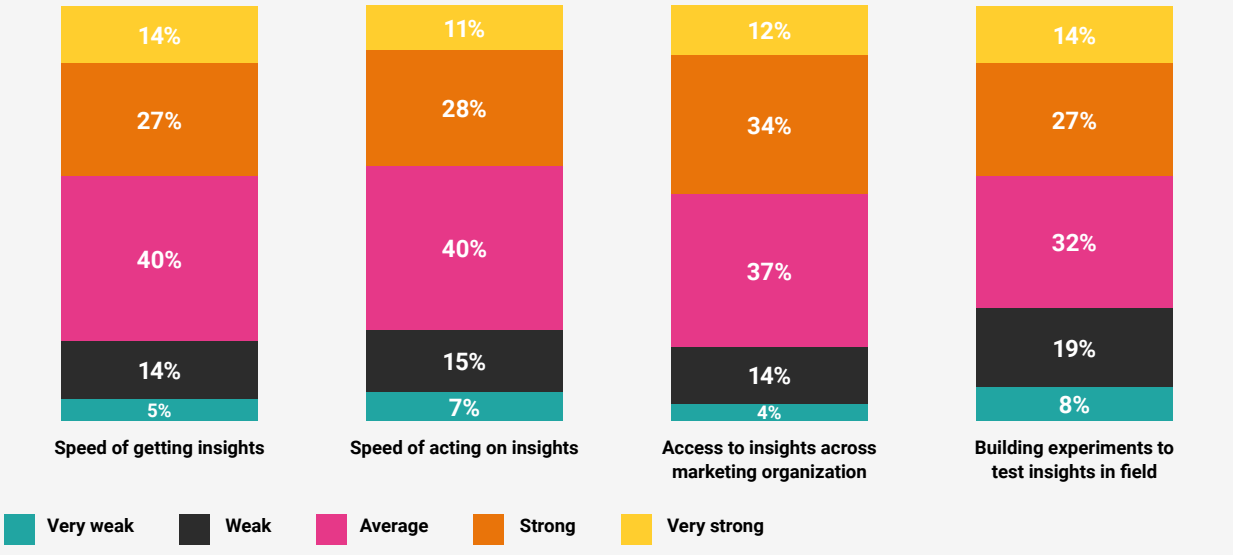
It has long been a struggle for brands to effectively access and then use data from online and offline sources. With the added complication of merging online and offline activities, retailers can find it difficult to gain accurate insights at a granular level.

> **"There is only one north star: it's the shopper. Our ability to understand her is paramount, and it follows that understanding her behavior across various touchpoints, not in the least our stores, is a necessity."**
>
> ***VP of Marketing at one European-based retailer[18]***

18 https://business.adobe.com/resources/reports/failure-to-scale-state-of-personalization-in-retail-and-travel.html

FIGURE 5

Thinking about key marketing insights in your organization, how would you rate the following?



Sample size = 364

Source: Adobe/Econsultancy Digital Trends Survey, Q4 2021

And now, using data from digital sources as insight for customer behavior and personalization across the journey is about to become more difficult with the upcoming demise of the third-party cookie.

Despite having been postponed until 2023, thus giving companies ample time to prepare, our research shows that 37% of retail practitioners believe their organization is ill-prepared for the post-cookie environment. Similarly, 32% say they are ineffective in using their first-party data to personalize the customer experience. Yet these are both vital in delivering on customer expectations into 2022 and beyond. Even more worrying, only 16% of senior executives chose "improving our ability to establish identity without cookies" as one of their top two investment areas in 2022.

> **"The regulations on privacy, especially those driven by GDPR, in Europe has been eye-opening. I think that everybody's taking a cue that we want to protect privacy. So, I think the move towards cookieless will only accelerate as pretty much everybody now has a mandate to go in that direction. The problem is, everything that we have done over the last 10-15 years in terms of the web has been based on cookies."**
>
> **Ajit Sivadasan,**
> *Vice President, Lenovo*

There is a sense of paralysis behind this lack of action. Data and cookie conundrums are tied up in privacy issues, customer choice, over-marketing, and more. To get first-party data, you need customer interaction. To interact with customers, you need data. To use data, you need trust. To build trust, you need a relationship. And to build a relationship … well, you get the picture.

Even retailers with established online and offline channels can struggle as customer interactions evolve. Shopping journeys are now much less distinct, with social channels moving from the top of the funnel right down to conversion as social commerce becomes more widely used.

Perhaps unsurprisingly, 57% of retail senior executives from our research rank data and insights as one of their top three technology priorities (*Figure 6* see below). Finding a way to tie together existing data streams, build capacity to absorb new ones, and then implement ways to quickly use this data are pressing tasks.

FIGURE 6

Please rank the top three technology priorities for your organization in the next year

Note: Percentages represent the aggregate of respondents' top three technology priorities. Sample Size = 150

Source: Adobe/Econsultancy Digital Trends Survey, Q4 2021

> **"It's not getting simpler: more channels are emerging, there are more expectations from the customer, you have to be quicker, smoother, more seamless and integrated and trying to do that with a large-scale company."**
>
> **Matt Harker,**
> *VP, Global Marketing Strategy and Transformation, Walgreens Boots Alliance*

Our survey suggests that retailers need to develop more sophisticated approaches. Indeed, senior executives' top priorities include implementing commerce and sales technologies, with 59% stating items such as sales software and eCommerce platforms were going to be their focus for 2022.

But many retailers who had to bootstrap their way to a digital presence or logistics offering without onboarding technologies specifically designed to unify channels and platforms may have found these channels – and the data generated from them – siloed.

III. The forgotten human resource

It's not just the lack of capable technologies or well-integrated stacks that hold retailers back. Vital for helping teams connect work delivery to organizational strategy, work and project management technologies are the least likely to be prioritized by senior executives (40%). Given that a third of practitioners in our survey feel that workflow is holding back their CX organization, these deficiencies should not be overlooked.

In pursuit of customer experience, businesses need to consider how they impact employee experience. Take the question about the use of data to derive insights and action, for example. Even if streams are seamlessly integrated with data cleansed, stored, and easily accessible, it is simply a flood of information in its raw state.

In this respect, AI-powered technologies can help teams find insights from swathes of unstructured data. In managing workflows, such systems can help employees work together, reduce waste and improve efficiency. Simply minimizing action approval times or working from a single source of truth to eliminate duplicate assets can make a dramatic difference to a retailer's effectiveness – and its employees' ability to deliver on goals.

Home Depot is a case in point. Instead of separating metrics from online and offline channels, it focuses on capturing everything including website activity, in-store sales, call center volume, and more. It combines this data with integrated technologies and workflows that allow teams to quickly analyze customer journeys and develop the best experiences. And it's clearly working, with 55% of online orders now being fulfilled in stores.[19] Indeed, Home Depot reported a 9.8% year-on-year increase in net sales for its 2021 third-quarter fiscal results, reaching $36.8 billion.[20]

19 https://www.digitalcommerce360.com/2021/08/20/online-sales-are-flat-year-over-year-for-home-depot-after-pandemic-fueled-sales-surge/
20 https://yhoo.it/34rDRps

3. Perfection is The Enemy of Progress

I. Step up to the next level

It would be disingenuous to suggest transformations like Home Depot's happen overnight. Its journey to becoming the sixth largest ecommerce site globally has been evolving over at least 20 years. But today, technologies are available to help retailers take the next step on their journey, whatever their current status. Whether it's a short-term solution, plug and play, or a transformation of their tech stack, there is ample opportunity to upgrade the customer experience. There is only a single, one-size-fits-all stipulation: Inaction is not an option.

> **"There is no silver bullet, we've been at it for a decade, and we are still learning. And it's so competitive; we have to continuously invest in upgrading our tools, analytics, and so on. All I know is that I can't take my foot off the gas."**
>
> ***VP of Digital for a US-based-general merchandise retailer***[21]

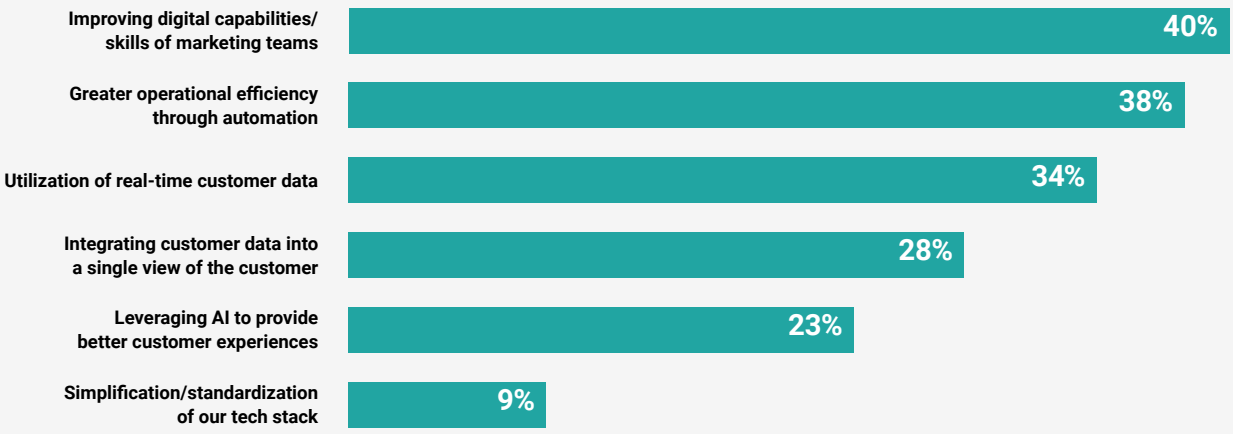
Encouragingly, our survey reveals that retailers appear to recognize the need to improve the tools – both intellectual and technological – that their employees use to deliver on customer experience. As illustrated in *Figure 7*, improving digital capabilities (40%) and enhancing operational efficiency through automation (38%) are retail practitioners' uppermost priorities for improving their customer experience in the new year.

Along with making sure the technological foundations are in place to unite data and platforms, upskilling is crucial to capitalizing on artificial intelligence and machine learning. This isn't a question of moving to newer technology for technology's sake. Automation, AI and ML allow employees to offload more rote activities in favor of higher-value tasks that solve customers' pain points and create novel experiences.

21 https://blog.adobe.com/en/publish/2021/09/01/the-path-to-personalization-maturity#gs.ilyhan

FIGURE 7

What are your organization's top operational priorities for improving the customer experience in 2022?



Sample Size = 120

Source: Adobe/Econsultancy Digital Trends Survey, Q4 2021

Retailers are often conflicted between 'buy' or 'build' – i.e., tech solutions or internal skills. Removing routine tasks is also essential to give employees the freedom to explore new skills – an area of concern for senior executives in our study, 74% of whom feel their employees lack the key skills necessary to deliver compelling digital experiences. Investment in people is as vital as focusing on the tech stack, and today the two are closely interlinked.

II. The trust continuum

Once skills and systems are in place, data is inevitably the next target for retailers seeking to deliver next-level customer experience.

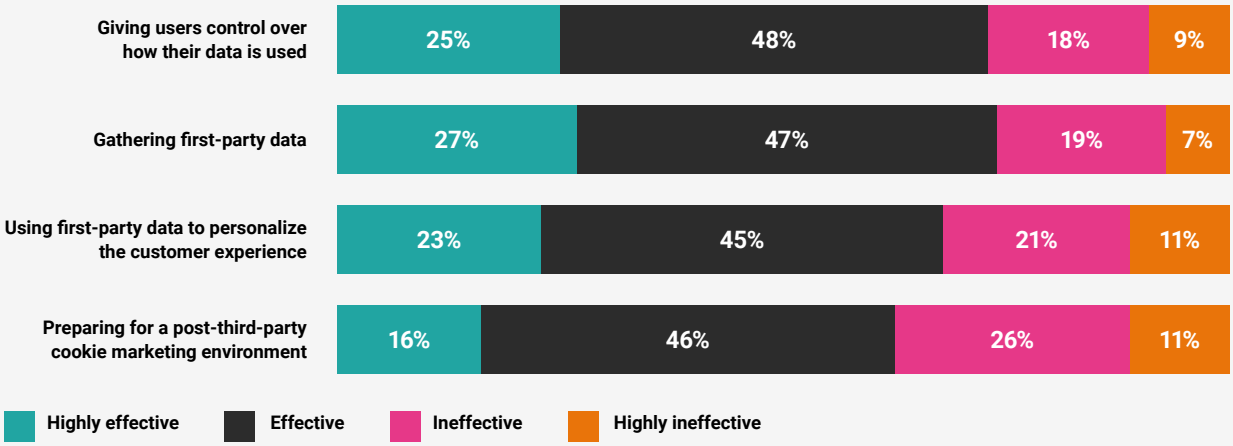
The challenge presented by the demise of the third-party cookie has already been noted. Now retailers need to develop more sophisticated ways of gathering and using existing customer information and targeting new customer groups. Loyalty and customer satisfaction are essential, but as previously mentioned, the pandemic and subsequent dramatic widening of product choices have resulted in a 'loosening of the loyalty strings.' Retailers must think about customer acquisition as much as retention.

Arguably, even pre-pandemic, retailers have had some time to get their data acquisition strategies in order. As demonstrated by *Figure 8*, our survey results are encouraging, but there is clearly some way to go. For example, while nearly three-quarters (73%) agree that they are either 'effective' or 'highly effective' in giving users control over how their data is used, only a quarter are 'highly effective.'

The picture is relatively uniform across the data board. Only a quarter believe they have data gathering, protection or usage nailed (i.e., that their organization is 'very effective'). By comparison, a quarter to a third of the respondents admit that they're struggling (i.e., they are either 'ineffective' or 'very ineffective') in at least one of these areas.

FIGURE 8

How would you rate your organization in the following areas?



Sample size = 265

Source: Adobe/Econsultancy Digital Trends Survey, Q4 2021

Retail marketers must prioritize a trustworthy but organization-wide approach to customer data to unlock new insights and make the most of audience-expanding partnerships. We've already stated that there is no need to reinvent the wheel to acquire first- and zero-party data. (By zero-party data we mean data which is voluntarily and proactively shared by the customer with a brand.)

Vitamix, the blender brand, is a case in point by encouraging more two-way communication with its customers. Through its 'Vitamix rewards' loyalty program, customers are rewarded for writing product reviews or completing surveys, receiving points in return that can be redeemed for Vitamix accessories. It now leverages this platform to learn more about its community's needs and inform ongoing content strategy.[22]

While 92% of senior executives in our survey either 'agree' or 'strongly agree' that the end of third-party cookies would push them to create first-party relationships, that first-party data won't necessarily fill the void. Building partnerships and data collaboration, taking cues from social media on audience modeling, and returning to contextual and creative targeting will all play critical roles.

> **"2022 for us is going to be the year that we get to know our customers better. It's going to be the year that we really double down through our loyalty program and through a number of initiatives, to really get to know our customer on a personal level, and with their permission, use that (information) to create the right experiences for them."**
>
> **Avery Worthing-Jones,**
> *Senior Vice President of Product Management, Gap Inc.*

The most significant consideration going forward for retailers will be managing the value exchange. What are consumers getting in exchange for their data? This is very much a 'quality versus quantity' conversation. Retailers need to understand that more is not always more. Instead, they have to be mindful of how much first- or zero-party data they really need to create an optimal experience.

In many cases, it is much less than they think. And any data that is requested has to be accompanied by a cast-iron guarantee that it will only be used for purposes explicitly stated – no selling, no egregious marketing efforts. This is the basis for what will become a critical pillar for retailers' success – the trust continuum.

III. Developing a benchmark for progress

It has been said that what gets measured gets done. How is it possible for retailers to benchmark themselves against the industry and improve where they are lacking? It's important to remember that customer experience in retail goes far beyond the transaction.

So many other elements feed into success, from packaging and sustainability initiatives to customer service and post-purchase engagement. Even the nuts and bolts – fulfillment and logistics – have an impact (and potentially why we see a growing number of retailers seeking to take ownership of the last mile experience or build partnerships with highly trusted brands like Uber Eats and DoorDash).

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22 https://blog.adobe.com/en/2020/05/26/as-folks-stay-home-vitamix-brings-the-joy-of-cooking-directly-to-customers#gs.mzw4mj

Indeed, companies that have managed to rapidly adapt to the changing circumstances of the pandemic and make partnerships like those rapid delivery services are the ones most likely to retain the lion's share of customers in the future. Why? Because they have excelled in at least three of the five critical success differentiators identified in our research.

We combined insights from one research question: "Would you say your organization's digital customer experience – lags/keeps pace/is ahead of customer expectations," with another asking respondents to rate their marketing organization across five dimensions: Agility, Innovation, Collaboration, Talent, and Diversity. Respondents rated their performance on a 10-point scale, with one being the lowest and 10 the highest performance possible. The outcome is cross-referenced in *Figure 9*, below.

What is clear from the research is that retailers who perform well in digital customer experience (i.e., their CX is ahead of customer expectations) also rate themselves higher when it came to each of the five dimensions. The reverse is also true. Companies that describe their CX as lagging their customers' expectations also struggle in each of the five categories. Notably, companies that lag their customers' expectations score especially poorly on Collaboration (average score of just 4.91); conversely, companies ahead of their customers' expectations excel at Innovation (average score of 8.13).

Clearly, customer experience success depends on pulling each of these five levers, not one at the expense of the others. However, the subtle differences, particularly in Collaboration and Innovation, show that it's not enough just to be reactive or forge partnerships; you must also think about how you can push the envelope. Equally, you can invest in your own teams and even attempt to jump on new trends as they occur but reaching out to a wider support network is critical if you're to succeed.

FIGURE 9

Customer experience proficiency versus organizational performance against key dimensions including agility, innovation, collaboration, talent, and diversity

		How would you describe your organization's digital customer experience? *Our digital experience…*		
		Lags Customer Expectations	**Keeps Pace with Customer Expectations**	**Ahead of Customer Expectations**
How would you rate your marketing organization across the following (five) dimensions from 1 to 10? (*1= lowest rating, 10 = highest rating*)	Agility	5.41	6.67	7.72
	Innovation	5.13	6.63	8.13
	Collaboration	4.91	6.79	7.63
	Talent	5.21	6.57	7.47
	Diversity	5.47	6.91	7.53

Note: The numbers displayed in the table are mean scores, with 10 being the highest possible score. Sample size = 145

Source: Adobe/Econsultancy Digital Trends Survey, Q4 2021

4. Conclusions

TAKE THE WHOLE RETAIL CUSTOMER VIEW

No, not the customer journey or single customer view, although those are important too. The Whole Retail Customer is a customer impacted by a wide variety of influences and needs. The Whole Retail Customer doesn't think in terms of channels or stages, mobile or in-store. How retailers design their customer experience needs to reflect this. Personalize without making overwhelming demands for data; serve their needs instead of trying to mold them to fit the needs of the business ("Sorry, we don't take returns for online shopping purchases in-store"). To close the gap on leaders, retailers must understand how the Whole Retail Customer's needs change by breaking out of the silo, the category – even the sector – and adapt their processes to fit.

UPSKILL YOUR STAFF

There needs to be a sea change in how retail employees are supported from the shop floor to the boardroom. Learnings from 'the Great Resignation' not only show that people refuse to put up with unsatisfying roles, but that despite a rapid incursion of technology into every corner of retail, people are still vital. Retailers need to cultivate diversity in background, skillsets, and approach to making the most of those valuable resources. Then, they need to deploy technologies to support it. This includes automation that frees workers from rote tasks to focus on value creation and systems that help them quickly and accurately make decisions. Critically, freeing up time for further upskilling and development to push the whole organization forward.

IT'S NEVER TOO EARLY TO USE INTELLIGENT TECHNOLOGY

Retailers who describe their organization as lagging in its digital customer experience may be wary of investigating AI or ML. There is a sense of running before you can walk. However, AI & ML can do a lot of the heavy lifting to discover essential insights. They are keys in the battle to acquire new customers using a combination of first/zero-party, contextual, and aggregated data.

Indeed, retailers should be looking to gain a single source of customer data to avoid complications and privacy issues. However, there are areas where retailers can act now. With the growing availability of cloud solutions, retailers can begin the process of refining insight gathering and deployment, journey delivery, and content management, all while improving their overall tech stacks and workflows in tandem.

5. Methodology

2022 Digital Trends – Retail in Focus is based on an online survey fielded to select Econsultancy and Adobe lists. In addition, third-party panel participants were added to meet quota requirements and given an incentive for their time. The survey was launched on November 11th, 2021 and closed on January 6th, 2022 with 507 qualified client-side retail respondents.

DEMOGRAPHICS PROFILES

- 33% of respondents are senior director level or above, 67% at the practitioner level. Throughout the report, we include comparisons between these two groups.
- 72% of respondents work at multichannel retailers with physical locations, 22% at online retailers.
- The largest regions by sample size include Europe (42%), North America (39%), and Asia Pacific (17%).

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