2024 Consumer Retail Trends

Harnessing Emerging Tech to Meet Evolving Consumer Demands

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As we kick off 2024, we anticipate that companies in the Consumer Retail Industry will continue to evolve and implement new technologies that solve business challenges and drive sustained growth. These will largely focus on:

Advancing digital customer experiences	Refining workforce management along with staffing and pricing strategies	Identifying meaningful ways to enhance efficiencies and instill hyper-personalization through the integration of artificial intelligence (AI)

We see five primary trends that will be focal points in the Consumer Retail Industry for 2024. Leading consumer retailers can take advantage of these trends to position themselves for success in the coming years.
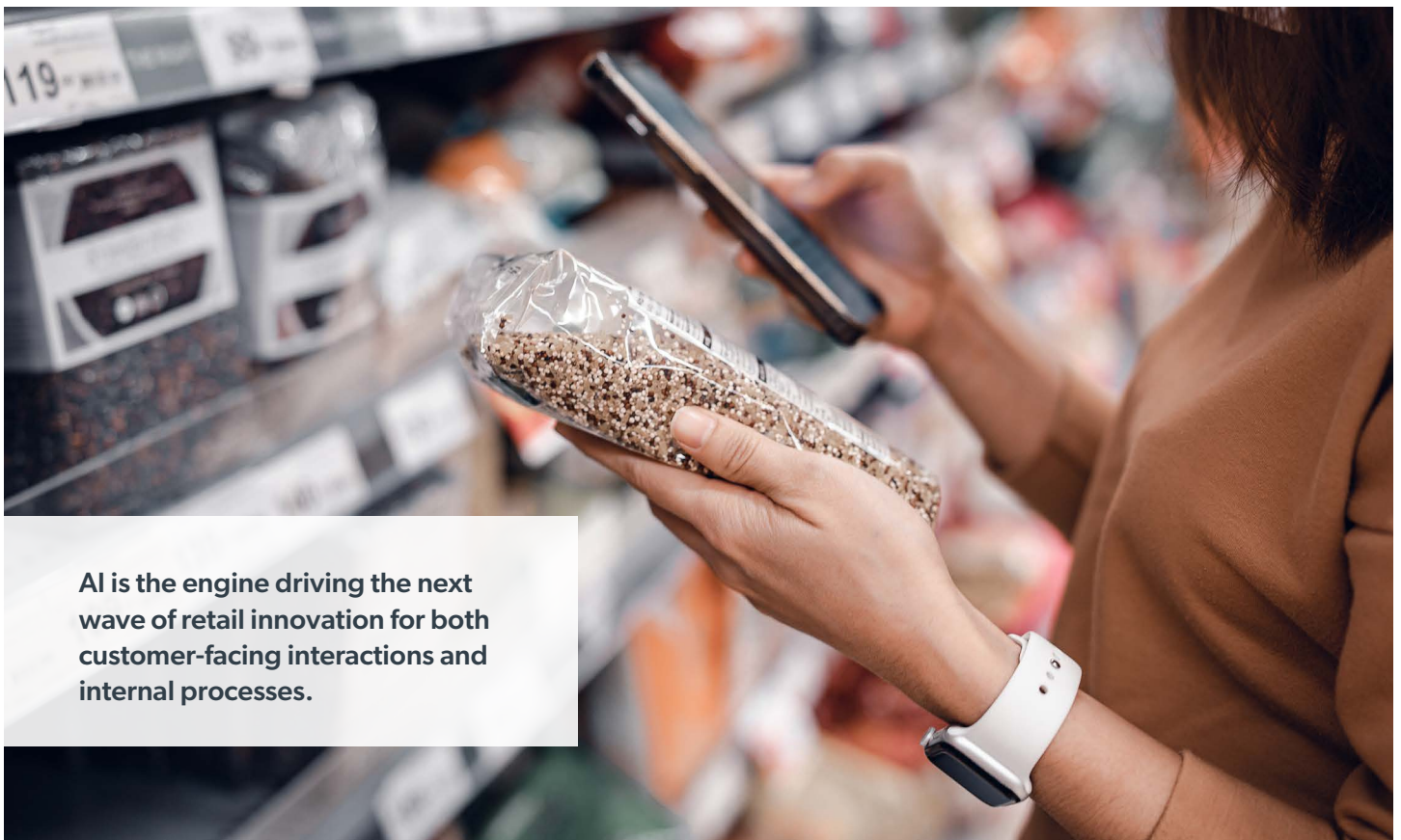
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01

Catering to Sustainable Shopping Preferences

Gen Z, many of whom are conscientious consumers, is embracing the thrifting and second-hand shopping experience. As these shopping preferences grow among this generation and others, so will the need for tailoring services and resell programs.

> **Looking ahead, we anticipate a rise in technology and services designed to connect responsible consumers with tailoring professionals, as well as platforms that power resell programs.**

Pairing strong resell programs with tailoring services as part of a holistic shopping experience or as loyalty member perks will help apparel companies appeal to a new customer base.

Apparel retailers are not the only ones investing in sustainable practices and programs. Consumer packaged goods (CPG) companies are taking a closer look at merchandising and supply chain optimizations that will propel their sustainability missions forward.[i] One of the first improvements CPG companies can make is reduced or optimized packaging. Leveraging responsible packaging materials benefits both the environment and the customer, as less packaging equates to better pricing for customers, driving overall value.

Adopting AI capabilities will accelerate these sustainability improvements. We expect a rise in AI-driven business operations that reduce waste, drive efficiencies, and protect profitability in both the apparel and food and beverage sectors. Companies can leverage AI to optimize inventory management functions such as data analysis to determine inventory levels, redistribute supplies, and forecast demand. Organizations that can successfully implement these waste reduction solutions will also see an increase in overall profitability.

By prioritizing sustainability principles and conducting business in a way that supports a circular economy, retailers can create new channels to reach customers who prefer purchasing pre-loved or imperfect goods, or just want to support businesses that invest in social causes that are meaningful to them.

02

Unleashing Social Media's Full Potential

Although COVID habits are fading and consumers have started shopping at brick-and-mortar stores again, social media continues to be the new storefront. Consumers of all generations leverage social media platforms like Instagram, Facebook, YouTube, and TikTok to track trends and learn about new products. The rise of influencer marketing is a testament to this popular way of shopping, and as social media consumption continues to rise, retailers will need to consider how best to engage with their customers via digital channels. It will be especially important to keep customers interested once they've entered a retailer's ecommerce experience, potentially through captivating content or a frictionless checkout process.

While social channels can enhance the customer experience, they also present valuable research opportunities to brands that know how to use them.

Great retailers will look to the customer directly for insights on what's next, and customers can even clue brands in on what they expect to see next from their favorite retailers. Drawing on these direct insights, brands can smartly invest in new product categories, changes in loyalty programs, and unique customer experiences.

Perhaps one of the best uses of social channels is brand storytelling. Platforms like Instagram and TikTok are perfect for sharing a brand's core values, showing off their wares, and demonstrating how they are making a difference in communities and the world at large. Just spend a few minutes scrolling and you'll see brands

across industries promoting their sustainable business operations, non-profit partnerships, favorite minority-owned brands, internal diversity, equity, and inclusion groups, or fundraisers. Brand stories like these help build emotional connections and loyalty outside of standard transactions.

Consumers want to know a brand's story and feel more comfortable supporting responsible and conscientious organizations.
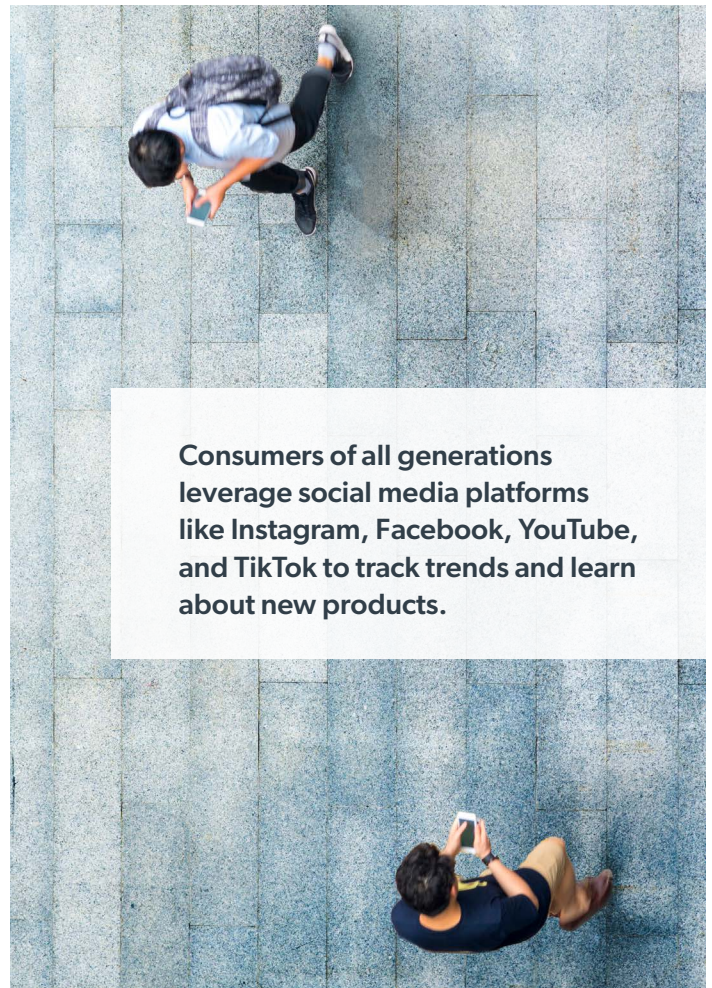
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Deploying AI Across Front- and Back-End Functions

03

AI is the engine driving the next wave of retail innovation for both customer-facing interactions and internal processes. On the front-end, we will see the continued rise of the AI-powered stylist. Need endless virtual shelves? No problem. What about virtual try-on rooms where you can test hundreds of outfits without stepping foot in a store? Easy peasy. And forget one-size-fits-all recommendations. AI enables retailers to dive deep by analyzing psychographics, purchase history, and even real-time moods to curate consumer experiences. It can even create product images and descriptions on the fly, letting retailers offer vast selections without breaking the bank.

> **Personalization has been table stakes for some time now, but hyper-personalization is on the rise.**

AI technologies can consume and analyze a vast amount of customer data to make informed and personalized product recommendations and generate tailored experiences, even before a customer visits a brick-and-mortar location. Customers appreciate it when brands recognize them and anticipate their needs, whether that's online or in a physical store. Indeed, according to a CapTech survey, 46% of consumers say AI would be most helpful to them in online shopping, and 36% are more likely to engage with companies that use AI for personalized recommendations.[ii] The challenge for retailers won't be the technology to make this happen, but rather the actual operational processes needed to make it seamless.

On the back-end, AI will continue optimizing everything from staffing levels to pricing strategies for retailers,

using data to predict demand and make informed merchandising decisions.[iii] This means shorter lines, better product availability, and ultimately, happier customers. By automating mundane tasks and providing real-time insights, AI can free up human employees to focus on what they do best: building connections with customers. Remember, it's your team, empowered by AI, that will craft the experiences that win hearts and wallets. By embracing AI with this mindset, retailers can transform loyalty programs from a transactional tool into a powerful magnet that attracts and retains customers.

While AI-powered solutions have the power to transform both the customer experience and internal operations, they are only as good – and secure – as the data on which they're built. Customers are smart to approach AI-powered retail interactions with caution, and increasingly seek transparency on AI usage, clear data handling practices, and insights into AI performance and mechanisms in order to feel comfortable with AI-assisted decision-making.[iv] Thus, we expect a renewed focus on ethical and transparency considerations, as well as a resurgence in the areas of data quality and data governance engagements, which will help ensure reliable insights, fruitful collaboration, and informed decision-making.

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04

Creating More Rewarding Loyalty Experiences

Customer loyalty is no longer a passive game of points and plastic cards. Today's loyalty customers crave meaningful connections and personalized experiences that are as memorable as they are frictionless. To meet these demands, successful retailers will embrace mobile-first loyalty and seamless app integration, with features like one-click rewards, gamification, and real-time updates, which can provide customers with instant gratification. Retailers should also leverage data insights and AI to tailor rewards and experiences to individual preferences and purchase history. Some forward-thinking retailers are already offering curated recommendations and exclusive offers that feel like a personalized product match, not a generic marketing ploy. We expect this to become ubiquitous in the coming years.

43% of consumers say they appreciate loyalty rewards and perks

Retailers can build emotional connections by offering exclusive content, in-store events, early access to sales, personalized greetings, online communities, and celebrations of customer milestones. With 43% of consumers saying they appreciate loyalty rewards and perks, the significance of rewards in fostering long-term customer relationships is demonstrable.[v] Strong loyalty programs cultivate a sense of belonging throughout every phase of the customer journey rather than merely collecting points and simple transactions. In addition, retailers will likely see success in loyalty programs with social and environmental causes that customers support, including sustainable product options and

the ability to participate in their favorite brands' sustainability or social justice missions.

> **To deepen the loyalty experience even further, we'll also see a rise in partnerships between brands to offer unique products or experiences for loyal customers.**

Imagine a customer purchasing athletic gear from a specific brand, hitting a loyalty milestone, and redeeming those points for a local sporting event where they can rep the brand's products. We're already seeing these partnerships in the travel industry with brands like Delta and Lyft,[vi] or Uber and Marriot,[vii] where Lyft and Starbucks customers can earn miles on every purchase. Not only do these brands get the opportunity to interact with new audiences, they can also share the data and insights gained during these interactions to better understand their customers and their preferences.

05

Embracing Phygital Experiences

The retail landscape is morphing. Fueled by ecommerce's surge but still grounded in the enduring power of physical stores, the future lies in the seamless merging of physical and digital to form a holistic shopping experience in which every touchpoint feels effortless and engaging. In fact, 35% of consumers believe that innovation can significantly enhance the online shopping experience, suggesting a demand for more sophisticated ecommerce solutions.[viii]

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To stay innovative, savvy retailers will leverage mobile apps for coupons, product information, interactive displays, and even in-store augmented reality (AR) experiences.[ix] These tech-infused touches promise to attract younger shoppers and make brick-and-mortar more fun and convenient. Customers crave this kind of convenience and connection, and retailers who embrace the digital-physical fusion and leverage data to personalize every touchpoint will thrive. The future of retail isn't just online or offline; it's brilliantly both.

> **Having the technical resources to create phygital experiences is key to meeting customers where they are.**

For a fully digital brand, that could mean hosting pop ups to create a physical store in which customers can interact with the brand in person, receive unique benefits, and provide the brand with valuable insights.

Conversely, retailers with brick-and-mortar locations will want to ensure their phygital experiences are more practical and useful for their customers. Though they might not grab as much attention as AR treasure hunts or try-ons, programs like buy online pickup in store, buy online return in store, and curbside pickup are elevating the in-store customer experience. By offering multiple options, these types of programs empower customers to decide how they want to interact with your brand.

Other phygital applications that elevate the in-store experience include:

- ✓ Smart mirrors for makeup try-ons

- ✓ Barcode scanner apps that retrieve product information or styling services

- ✓ Store navigation apps that display store layouts for easier shopping paths

- ✓ High-tech fitting rooms that let customers digitally request additional sizes or products

These are the types of services and technology that will surprise and delight customers who may be tired of the traditional in-store shopping experience.

From an internal business operations perspective, retailers can even leverage phygital training methods to bring their store associates up to speed on new technologies, services, or products. These forms of interactive trainings build engagement and associate knowledge in a more "real world" way.

Retail Success is a Balancing Act

As the importance of sustainability, seamless brand interactions, and meaningful customer experiences continues to grow, smart retailers will leverage emerging technologies like AI and phygital applications to meet their customers' rising expectations. Social media and loyalty programs, two pillars of a strong retail strategy, still play a major role in customer engagement and retention and offer valuable opportunities to keep pace with evolving customer needs and deepen customer connections. Capitalizing on these trends is crucial, but perhaps even more crucial is how brands will balance them against each other to craft a cohesive omnichannel experience that delights customers at every touchpoint.
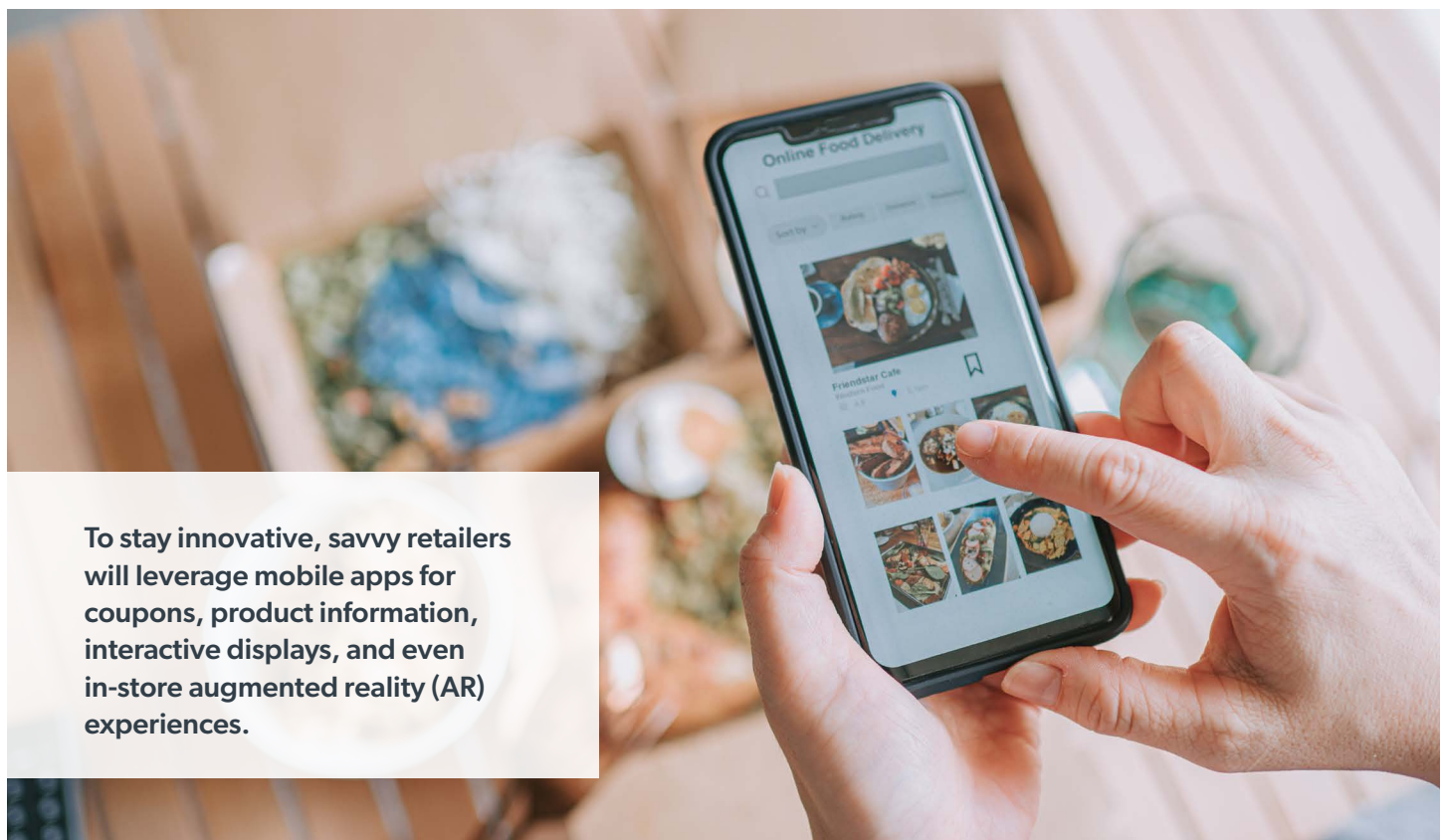
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