Canadian consumer insights: Retail evolution

Combining tech and human interaction to redefine the customer experience

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Canadian consumers want convenience, choice and control when they shop. For that reason, and to deliver to constantly evolving expectations, retailers are looking for inspiration outside the retail environment, discovering new technologies and embracing the power of tech-enabled ideas to enhance the retail experience.

From professional sports to transportation and health care, companies in Canada are using emerging technologies like virtual reality, artificial intelligence (AI) and mobile-first initiatives and payments to better meet consumer demands and reinvent their shopping interactions.

Our survey of more than 1,000 Canadian respondents explores the main tech-enabled approaches retailers are using to give shoppers a superior customer experience.
Unlocking the power of AI and customer data

Advanced analytics—in which customer data can be used to collect ever more precise behavioural insights—offers new ways to understand customers, sometimes even before they understand themselves.

AI, meanwhile, gives retailers the opportunity to tap into the preferences of potential customers before creating new products by combining the best of human experiences with the best of machine learning.

Our 21st CEO Survey found that 68% of Canadian CEOs believe AI, robotics and blockchain will disrupt their business in the next five years—and today, as the pace of technology accelerates, consumers expect this more and more.

Together, AI and advanced analytics pack a one-two punch, allowing retailers to predict customer preferences more accurately for improved fulfillment models. The more precisely a retailer can anticipate and personalize a customer’s preferences, the more loyal that customer is likely to be.

AI devices growing in popularity

As AI continues to move fast into the retail sector, Canadian consumers are welcoming the technology. Shoppers are getting more familiar with AI home-based devices—such as Amazon Echo or Google Home—and are using them to buy household supplies and even groceries. It’s still early days for the technology, but the outlook is promising.

Digital prowess = profitability

Our Digital IQ Survey found that top performers who value digital and embrace a broader definition of digital value, including customer-facing technology activities, report revenue growth and profit margin increases above 5% for the past three years—and expected revenue growth of at least 5% for the upcoming three years.

23% of Canadian consumers plan to buy an AI device

5% Top performers = 5% revenue growth and profit margin

Source: Global Digital IQ Survey, 2017, PwC
Better than a crystal ball

Bringing together advanced analytics and AI

Real-time view of customer behaviour
Retailers can track exactly what shoppers look for, what they buy and even when they buy it. These new technologies and this wealth of information are helping improve sales productivity, labour allocation and customer engagement and retention—while building a more customer-focused value chain.

Ultimate personalization
The combination of human input and AI can take personalization to a new level. It helps retailers understand customer preferences better than the customer does, giving them the ability to track the path customers take through stores and what they buy. This allows companies to offer options that shoppers didn’t know they would love—but AI did.

28% of Canadian consumers expect retailers to have up-to-date information on how they like to interact with them

38% of Canadian consumers 25–34 years old expect retailers to have up-to-date information on how they like to interact with them

32% of Canadian consumers are comfortable when retailers monitor their shopping patterns to tailor offers specifically for them

44% of Canadian consumers 25–34 years old are comfortable when retailers monitor their shopping patterns to tailor offers specifically for them
Embracing early digital adopters and the mobile trend

Early digital adopters—typically consumers aged 25 to 34—expect more, buy more and spend more. Our survey found that these shoppers are less price conscious and have higher expectations. They’re more upbeat about the economy, buy in bulk and pay using their mobile devices.

Early digital adopters* expect more, buy more and spend more

<table>
<thead>
<tr>
<th>High expectations</th>
<th>Bulk buyer (coffee, detergent, diapers)</th>
<th>Upbeat</th>
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<tbody>
<tr>
<td>65%</td>
<td>19%</td>
<td>50%</td>
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<tr>
<td>expect same-day delivery</td>
<td>buy daily items in bulk</td>
<td>are positive about the economy</td>
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<tr>
<td></td>
<td>35%</td>
<td>39%</td>
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<td></td>
<td>plan to buy daily items in bulk</td>
<td>expect to spend more</td>
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<td>39%</td>
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<tr>
<td></td>
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<td>are more likely to use mobile payment for everyday purchases</td>
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</tbody>
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Source: Global Consumer Insights Survey, 2018, PwC

*Typically a man aged 25–34
The rise of mobile

The use of mobile payment in Canada has increased greatly since 2016, and analysts estimate this trend will continue through 2022 as consumers adapt to the benefits and convenience of the technology.

Our survey found that 33% of Canadian consumers have used some form of mobile payment at least once. Of those, 35% said mobile payment is their preferred option for in-store shopping—and they’re more likely to shop with a retailer that offers it.

But the speed of technological change and cyber threats remains a major concern not only among consumers but also among CEOs in Canada and around the world. Of those surveyed, 58% told us they’re worried about mobile payment security. For that reason, addressing the security of this and other tech-enabled channels should be top of mind for retailers.

China leading the pack

China is by far leading the mobile payment revolution. We surveyed approximately the same number of consumers there, and 95% said they have used mobile payment, more than double the rate of Canadian consumers. Of those, 77% said mobile payment is their preferred option for in-store purchases, while 84% are more likely to shop with a retailer that offers it. More than half spend more money when they use mobile payment.

China’s cashless society vs. Canada and the US

<table>
<thead>
<tr>
<th>China</th>
<th>Canada</th>
<th>US</th>
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<tbody>
<tr>
<td>95%</td>
<td>33%</td>
<td>42%</td>
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<tr>
<td>of Chinese consumers have used mobile payment</td>
<td>of Canadian consumers have used mobile payment</td>
<td>of US consumers have used mobile payment</td>
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</tbody>
</table>

Source: Global Consumer Insights Survey, 2018, PwC
Creating a frictionless checkout experience

Waiting in line to check out, the final touchpoint before leaving the store, is often the most frustrating step for shoppers. Instead of a pleasant experience, customers usually leave irritated and very disappointed, especially when they compare it with checking out online—which requires only a few swipes on a mobile device.

Taking a cue from the payment convenience of ride-sharing apps, retailers are experimenting with new forms of digital checkout, using scan-and-pay systems, in-app payments and click-and-collect options. Amazon, meanwhile, has eliminated the checkout line with Amazon Go, the company’s grocery store concept.

Original brand identity

The most successful retailers are combining the best of online and in-store shopping to appeal to what consumers like best about shopping and avoid what they don’t like. Much of this convenience comes from merging advances in technology with the human element to provide an original brand identity that translates into ideal shopping experiences.

Some retailers use data analytics staff to refine AI and then add a human component, while others fine-tune physical spaces that pique curiosity while underscoring convenience. Regardless of the strategy, success hinges on finding and embracing an original brand identity.

No more checkout lines

Retail evolution: Before

Grab cart. Load cart. Wait in line—often a long one—to check out.

Retail evolution: After

Check in to store via smartphone. Load items pre-tagged for smartpay via smart shelves. No checkout line; when you leave, smartpay checks you out.
Reimagining the store as brand ambassador

No longer just a space for inventory, today’s reimagined stores play a defining role as brand ambassadors. They are outlets for product discovery, forums to educate and entertain and channels to reinforce the brand—including those that started as online-only players.

In this boundaryless environment that combines commerce and community, retailers are trying to find new ways to make shoppers feel at home. This is because despite the rapid growth of online sales, that channel still represents only 8.1% of core retail sales in Canada.

**Shoppers aged 18–24 in the community of commerce**

Today’s consumers are more focused on the overall shopping experience. Our survey revealed that 58% of consumers spend their disposable income on products, while 42% spend it on experiences. Canadians aged 18 to 24 are particularly engaged by this community of commerce. They enjoy spending on experiences like socializing with family and friends (71%), events (55%) and travelling/vacations (51%).

Retailers have the opportunity to use their physical store locations as not only a space for selling products, but as a hub where consumers can socialize, interact and be entertained while shopping. This is an area of the consumer experience that can’t be met through online channels. Savvy retailers must focus on creating appealing and engaging in-store experiences that drive consumers to visit their physical locations not only to shop, but to connect with the community.

82% spend more on experiences—socializing with family or friends—than on products

71% enjoy dining out vs. 66% of consumers overall

*Source: Global Consumer Insights Survey, 2018, PwC*
The changing retail landscape
Considerations for Canadian retailers

Contemporary retail is transitioning into a wider community of commerce, one that effortlessly combines entertainment with shopping. Whether in a single store or at a shopping centre, retailers are finding new ways to keep customers engaged.

As companies continue to adapt to the future of retail, only those willing to transform to meet ever-changing customer demands, combining the best of online and in-store options, will thrive.

The retail evolution | A community of commerce
Store → Laptop → Mobile device → Smart home assistant → Anticipatory fulfillment