The retail evolution
Combining tech and human interaction for a compelling customer experience

pwc
Consumers demand a confluence of convenience, choice, and control when they shop. In response, savvy retailers are seeking inspiration outside the retail environment and discovering the power of tech-enabled ideas they can adapt.

From professional sports (which is using virtual reality to offer fans an up-close and personal experience) to transportation (in which ride-hailing companies have streamlined the payment process) to health-care (which offers virtual doctor visits), tech-enabled options resonate deeply with consumers.

In our analysis, we will examine four tech-enabled approaches that retailers are deploying to provide shoppers with a superior customer experience. They are using deliberate strategies, focused on building advantage from their existing strengths. Below is a summary of our analysis. More detailed briefs on each approach will follow.

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**A time of revival**

The stories of retail apocalypse notwithstanding, this is also a time of revival for retailers who are willing to take advantage of the very practical, accessible opportunities offered by technology: Finding new ways to satisfy shoppers’ demands for convenience, choice, and control. The time is now to take bold steps into the future.
Power machine learning with customer data

Advanced analytics—in which customer data can be deconstructed and then reconstructed to glean ever-more-precise behavioral insights—offers new ways to understand customers, sometimes even before they themselves do.

Artificial intelligence (AI), meanwhile, offers retailers the opportunity to tap precisely into the preferences of potential customers before creating new products by combining the best of human “teaching”—asking for input—with the best of machine learning, in which smart software systems are fed data that allows them to detect patterns and predict future behavior.

In fact, consumers actually expect this: Almost 75% of millennials believe that AI will be able to predict their preferences accurately as the pace of technology accelerates.
Together, AI and advanced analytics pack a one-two punch, allowing retailers to predict customer preferences more accurately for improved anticipatory fulfillment models. The more precisely a retailer can anticipate and personalize a customer’s preferences, the more loyal that customer is likely to be.

**Digital prowess**

PwC research finds that top performers who value digital technology that enhances customer interaction 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.

**Digital prowess translates to profitability**

*Top performers embrace a broader definition of digital value that encompasses customer-facing activities*

![Diagram showing top performers with 5% revenue growth and profit margin increase.]


**Better than a crystal ball**

*Retailers are combining advanced analytics with AI*

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<tr>
<th><strong>To gain a real-time view of customer behavior</strong></th>
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<td>Retailers can track exactly what shoppers look for, what they buy, and even when they buy it. This wealth of information is helping retailers improve customer acquisition, engagement, and retention while also building a more customer-focused supply chain.</td>
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<th><strong>To move toward ultra-personalization</strong></th>
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<td>Companies such as Stitch Fix are using the potent combination of human input and artificial intelligence to take personalization to a new level. Stitch Fix may even understand customer preferences better than the customer, allowing the company to offer highly personalized options they didn’t know they would love—but AI did.</td>
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*The retail evolution/Combining tech and human interaction for a compelling customer experience*
Nurture early digital adopters; they spend more

Early digital adopters expect more, buy more, and spend more. Our survey of more than 1,000 consumers nationwide found that early digital adopters are less price-conscious and have higher expectations than consumers overall. They are more likely to be upbeat about the economy, buy in bulk, and pay via mobile device.

Analysts estimate mobile payment will surge more than 16-fold between 2012 and 2020 as consumers adapt to the increasingly prevalent technology. The practice is explosively popular in parts of the world that don’t have credit card infrastructure in place.
Early digital adopters expect more, buy more, spend more

**High expectations**
23% expect same day delivery

**Upbeat**
Positive about the economy (47%) and personal spending

**Bulk buyer**
>50% buy daily items in bulk

**Tech savvy**
More likely to use mobile pay

**Open to collaborative consumption**
Renting and sharing rather than owning

**Experiences matter**
More likely to spend on wellness classes and subscriptions

**Want personalization**
Like location-based offers

**Less price-conscious**
Inspired by social media

*Typically a man, aged 25-34
In our survey of more than 1,000 consumers nationwide, 42% have used some form of mobile payment at least once. Of those, 40% told us mobile payment is their preferred option; they are more likely to shop with a retailer who offers it. And 36% confirmed a well-documented trend: That they spend more when they use mobile payment.

**Click, scan, done**

Mobile payment is far more ubiquitous in China. When we surveyed approximately the same number of consumers there, some 95% of them had used mobile payment, more than double the rate of US consumers. Of those, 76% said mobile payment is their preferred option and 84% are more likely to shop with a retailer who offers it. More than half (54%) spend more money when they use mobile payment.

**Mobile payment more commonplace in China**

Q: Which of the following payment activities have you undertaken using your mobile/smartphone/wearable device when shopping? China base: 901, US base: 1039

Q: Please indicate how strongly you agree or disagree with the following statements? China base: 853

Eliminate a major source of customer frustration: The checkout line

Consumers have told us for several years now about their frustration with waiting in line to check out, the final customer touchpoint as a shopper leaves the store. Instead of a pleasant experience, customers report leaving mildly irritated at best and deeply frustrated at worst, especially when they compare it with checking out online, which requires only a few swipes on a mobile device or the flick of a wrist.

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 its Amazon Go grocery store concept.
**No more checkout lines**

Retail evolution: *Before*

![Diagram showing checkout process](image)

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

Retail evolution: *After*

![Diagram showing new checkout process](image)

- 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.

**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 minimize what they like least. Much of this convenience derives from advances in technology—but not technology alone.

Savvy retailers artfully layer digital prowess with the human touch, each in their own way.

Some use data analytics staff to refine artificial intelligence, then add a human component. Others fine-tune physical spaces that pique curiosity while underscoring convenience. Success hinges on pinpointing and fostering an original brand identity.
Reimagine the store as brand ambassador

No longer merely a warehouse for inventory, today’s reimagined store plays a defining role as brand ambassador for commerce and community. It is an outlet for product discovery, a forum to educate and entertain, and a channel to reinforce the brand, including those that started as online pure plays.

In this boundaryless environment that combines commerce and community, retailers alike are finding new ways to make shoppers feel at home. Because—torrid growth notwithstanding—online sales still represent only a small portion (10%) of core retail sales.
Combining tech and human interaction for a compelling customer experience

Young shoppers aged 18-24 revel in the community of commerce

In fact, today’s consumers are more willing to spend more money for higher-quality products that reflect their values. And they are more focused on the overall shopping experience. In fact, our survey of 1,000+ consumers nationwide revealed that they perceive value in a shopping experience that offers multiple retailers under one roof along with dining and entertainment options.

Consumers aged 18-24 are particularly engaged by this community of commerce. They enjoy socializing with family and friends (44%) at shopping centers and malls at almost double the rate of consumers overall (23%). As for shopping, 64% of them enjoy shopping at the mall versus 56% of consumers overall.

Q: What are the main reasons you go to a mall?
Note: Consumers asked to select up to FIVE options. Base: 1039
The retail evolution

Today’s omnichannel environment is a community of commerce.
The future of retail

Contemporary retail is transitioning into a wider community of commerce, one that effortlessly combines entertainment with shopping. Whether in a single store or in a shopping center, retail is finding new ways to entertain.

Not every shopping center can have a zip line, as the Mall of America does. However, every successful retailer has found a way to keep customers engaged so they keep coming back.

In fact, the only retailers left standing will be those who are willing to transform to meet ever-changing customer demands, combining the best of online and in-store options.

Some questions remain:

- What will tech-enabled retail look like in the future?
- What evolving customer needs will retailers have to meet?
- How will artificial intelligence change the face of retail?

By examining current trends, we will be better able to anticipate what the future holds.
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