FREEDOM.PAY + RetailEconomics

PERSONALISATION PAYS:

HOW DATA-DRIVEN STRATEGIES ARE RESHAPING RETAIL

FOREWORD

Over two thousand years ago, Aristotle said, "Knowing yourself is the beginning of all wisdom." Although technological, economic and industrial developments make today's landscape almost unrecognisable from that era, Aristotle's philosophy remains as poignant as ever. We can apply it in our approach to business: understanding our brand identity, purpose, and the needs and expectations of our existing and potential consumer base is key.

It has become especially important as customers feel the pinch in the UK and beyond as a result of rapidly rising inflation stemming from the geopolitical and economic factors we are all too familiar with: the war in Ukraine, Brexit, labour shortages, and supply chain issues, among others. The cost-of-living crisis has cultivated a "cautious commerce" approach for many consumers and merchants - customers' reduced discretionary spending, coupled with rising running costs for retailers has made many companies wary of financing new technologies and business growth. However, customer retention and relationship development are vital for businesses to survive and thrive in this climate.

FreedomPay, specialists in payments technology and global commerce, have aligned with leading retail insights consultancy Retail Economics to deliver Personalisation Pays: How Data-driven Strategies are Reshaping Retail. The UK-focused research reflects trends that

we are seeing on both sides of the pond, diving into the current browsing and spending habits of different age groups across the country and providing highly relevant insights for merchants in retail and adjacent sectors – for example, Brits are spending around four hours per week browsing (with this number jumping to six hours per week for millennials) but not buying. Critics of digitalisation often claim that technology is creating a distance between people, depersonalising our interactions. If used properly, nothing could be further from the truth. Unleashing the power of data can help us get to know one another on a deeper level. In the same way, it empowers us to better understand our strengths and shortcomings as businesses. Through payments technology, we can invest in relationships and establish true connection, improving engagement and efficiency.

Data allows retailers to personalise every customer journey to their preferences, across all points of interaction. This includes incentivising repeat purchases, adapting offers and advertising to demonstrate customer recognition at checkout - with our report showing that more than half (55%) of UK shoppers value relevant offers and discounts most when it comes to being offered a personalised experience. Facilitating the delivering of cues to guide team members as they strive to offer an individualised, enjoyable in-store experience for each consumer

is critical to support this reality. Further, mastering an inquisitive consumer online can build a natural bridge to their brick-and-mortar experience, so retailers must consider the cohesion of their e-Commerce, mobile, and card-present channels.

Consumers' non-food shopping habits are evolving as well. Shoppers are demanding faster, frictionless and more customised experiences online and in-store. Whether they're more slower-paced, tailored experiences or a brisk kiosk or self-checkout with enhanced payment optionality for tech-savvy consumers, knowing your audience's priorities and reflecting your brand proposition throughout the customer journey strengthens valuable relationships, increases loyalty and boosts profits for years to come.

CHRIS KRONENTHAL
PRESIDENT AT FREEDOMPAY

THE
BIG
PICTURE

The retail industry appears to be fast approaching a *critical juncture in its history* – and for many brands, the stakes have never been higher. Trading conditions are now exceedingly tough. Having emerged from a global pandemic, compounded by geopolitical tensions, and a cost-of-living crisis, the need for brands to 'up their game' is paramount for growth – or even survival.

Consumer spending has been significantly squeezed. 40-year-high inflation rates, ramped up household costs, and considerable uncertainty looming over the global economy have resulted in shoppers adopting recessionary behaviours. Beyond spending more time researching products, consumers are being much more considered in their purchases. They're trading down, switching brands or cancelling spend altogether. Consumers are also *prioritising value and lower costs* over product quality, experiences, and sustainability. Consequently, retail brands have been left battling for consumer attention, and scratching their heads in search of novel ways to engage and convert. This is where personalisation pays!

At a time when consumers are more budget-conscious than ever, many brands are keenly focused on offering value-based propositions and delivering positive customer experiences. Here, leveraging data science and customisation throughout the customer journey can yield significant rewards.

By delivering more tailored experiences for customers, brands can build stronger relationships and encourage repeat purchases, while simultaneously protecting margins.

Personalisation can take many forms such as serving targeted marketing messaging, offering personalised product recommendations, or creating individualised in-store experiences.

Data is the new 'gold'.

With AI and cloud computing taking the retail world by storm, there's never been a better time for brands to 'strike it rich' using personalised marketing strategies at scale. These technologies enable brands to deeply understand their customers' psychology and forge meaningful connections with them. As such, they can generate more personalised experiences throughout the customer journey: from the initial stages of awareness and research, to purchase, through to fulfilment, and then service and returns.

The growth of omnichannel retailing, dovetailed with ubiquitous smartphone use, also means brands must continually engage their customers across multiple channels and devices. Importantly, when shoppers reach the purchase stage (online or in-store), they increasingly expect a range of convenient payment options that accommodate both their technical savviness, and their bank balances. Better understanding of changing industry dynamics in this space, and leveraging the power of personalisation, is fast becoming a prerequisite for success.

This report, produced by **FreedomPay** and **Retail Economics,** provides deep insights around personalisation within the customer journey, the importance of data and technology, and consumer values concerning customisation. It is designed to assist retail (and related) industry professionals to explore the importance of personalisation, its role, and how it can be leveraged to provide a competitive advantage, secure market share, and ultimately drive growth.

The following section 2 identifies key trends in the personalisation space; section 3 identifies focal points for brand strategies to help them stay ahead of the curve; followed by the conclusion.

> "
> **Beyond spending more time researching products, consumers are being *much more considered* in their purchases."**

THE IMPORTANCE OF PERSONALISED CUSTOMER JOURNEYS

The stark reality is that consumers' purse-strings are tightening, and they expect more.

To secure loyalty, brands now need to go the extra mile to ensure consistent delivery of positive experiences throughout the entire customer journey. However, with different consumer cohorts and categories, what that means exactly can vary drastically. And with generational differences in digital adoption, habits, and attitudes towards personalisation, this is a 'tall order'.

Our research identifies **four consumer behaviour archetypes that drive differences in the pace of change in UK retail** (Fig.1). Channel preference, age, and affluence being primary influencers here. Generational differences in digital adoption also shape consumer habits and attitudes towards digital initiatives, data handling, and personalisation.

FIGURE 1

4 CONSUMER BEHAVIOUR ARCHETYPES DRIVING DIFFERENCES IN UK RETAIL

|	
OMNI-DIGITAL	41.1%
OMNI-STORE	23.9%
DIGITAL-FIRST	20.7%
STORE-FIRST	13.3%

DIGITAL-FIRST

Browses almost entirely online. 73.2% are digital natives, aged 18-44, typically born into the digital age, with tech engrained into way of life. Skewed towards higher affluence. 54.1% always trust retailers with their data.

GENERATION
DIGITAL NATIVE: 73.2%
DIGITAL ADOPTER: 21.3%
DIGITAL LATECOMER: 5.4%

AFFLUENCE
LEAST AFFLUENT: 11.8%
LOW-MIDDLE: 16.7%
MIDDLE: 27.8%
MIDDLE-HIGH: 23.0%
MOST AFFLUENT: 20.6%
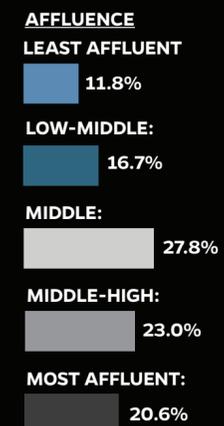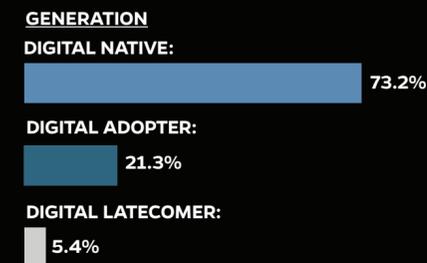
OMNI-DIGITAL

Mostly browses online, but sometimes in-store. 60.1% are aged under 45. 50.6% are among middle-high/high affluence. 51.5% of research time is spent online. Alongside 'Digital-first', they are the most likely cohort to prefer mobile payments (12.4%).

GENERATION
DIGITAL NATIVE: 60.1%
DIGITAL ADOPTER: 32.4%
DIGITAL LATECOMER: 7.6%

AFFLUENCE
LEAST AFFLUENT: 6.6%
LOW-MIDDLE: 16.5%
MIDDLE: 26.3%
MIDDLE-HIGH: 24.7%
MOST AFFLUENT: 25.9%
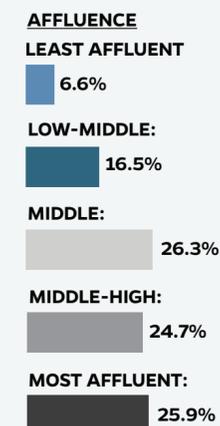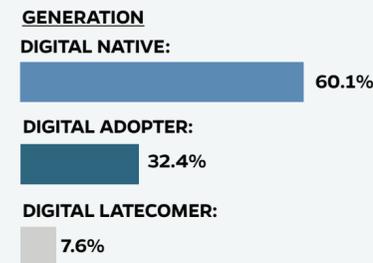
OMNI-STORE

Mostly browses in-store, but sometimes online. 42.7% are digital adopters, aged 45-64, growing up before the digital age, but have adopted it. 55.4% of product research time is spent in-store. Most likely to be middle-income consumers.

GENERATION
DIGITAL NATIVE: 37.4%
DIGITAL ADOPTER: 42.7%
DIGITAL LATECOMER: 19.9%

AFFLUENCE
LEAST AFFLUENT: 10.3%
LOW-MIDDLE: 25.0%
MIDDLE: 29.5%
MIDDLE-HIGH: 22.7%
MOST AFFLUENT: 12.5%
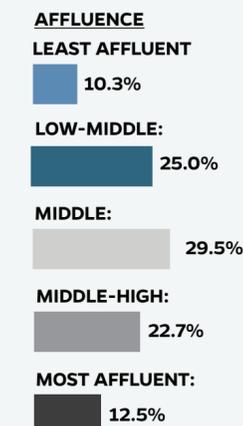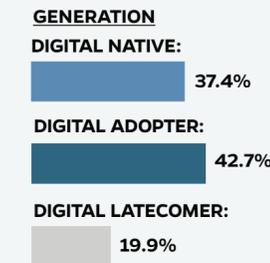
STORE-FIRST

Browses almost entirely in-store. 35.9% are digital-latecomers, aged 65+, either unaware or reluctant to become fully immersed in digital. 60.1% are low/low-middle affluence. Most likely to use cash (28.6%). Only 19.2% always trust retailers with their data.

GENERATION
DIGITAL NATIVE: 17.5%
DIGITAL ADOPTER: 46.6%
DIGITAL LATECOMER: 35.9%

AFFLUENCE
LEAST AFFLUENT: 27.4%
LOW-MIDDLE: 32.7%
MIDDLE: 24.0%
MIDDLE-HIGH: 11.4%
MOST AFFLUENT: 4.6%
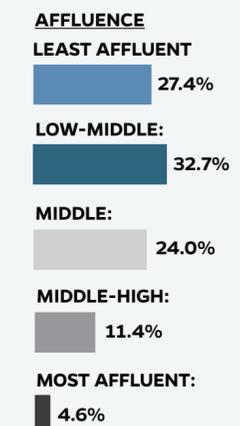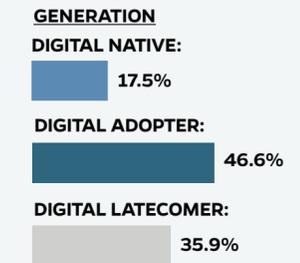
Customer journeys are increasingly complex. Shoppers assimilate new digital technologies into their lives, altering their browsing and spending behaviour; while turning to physical stores for touch and feel experiences, click-and-collect, and face-to-face service. This leads to shifting behaviours across channels at different stages on the path to purchase.

Across non-food categories, shoppers spend more time online than in-store at the research stage, with

## 1 in 5 (20.7%) looking to browse almost entirely online,

compared to 1 in 7 (13.3%) looking to browse almost entirely in-store. However, across categories this does not directly translate to sales, but the reliance on stores differs by category.

Shoppers prefer to research categories such as home-related categories and health & beauty online, *but typically prefer to purchase in-store where touch and feel remains critical for conversion.* Mature online categories such as apparel, toys and electricals are less reliant on stores for sales, as shoppers are more comfortable buying lower value or homogenous products online. These insights have significant implications for brands perfecting their omnichannel strategies.

These behavioural archetypes are being shaped by **five key trends** explored in this section. They are critical in understanding the changing dynamics of shoppers across non-food categories in the context of data and personalisation.

FIGURE 2

STRENGTH OF CHANNEL PREFERENCES VARIES BY CATEGORY

STRENGTH OF BROWSING PREFERENCE

PREFER IN-STORE — PREFER ONLINE

NET BALANCE PREFER ONLINE (%)

TOYS
CLOTHING + FOOTWEAR
ELECTRICALS
HOME WARES
FURNITURE + FLOORING
DIY
HEALTH + BEAUTY

NET BALANCE PREFER ONLINE (%)

STRENGTH OF BUYING PREFERENCE
PREFER ONLINE
PREFER IN-STORE
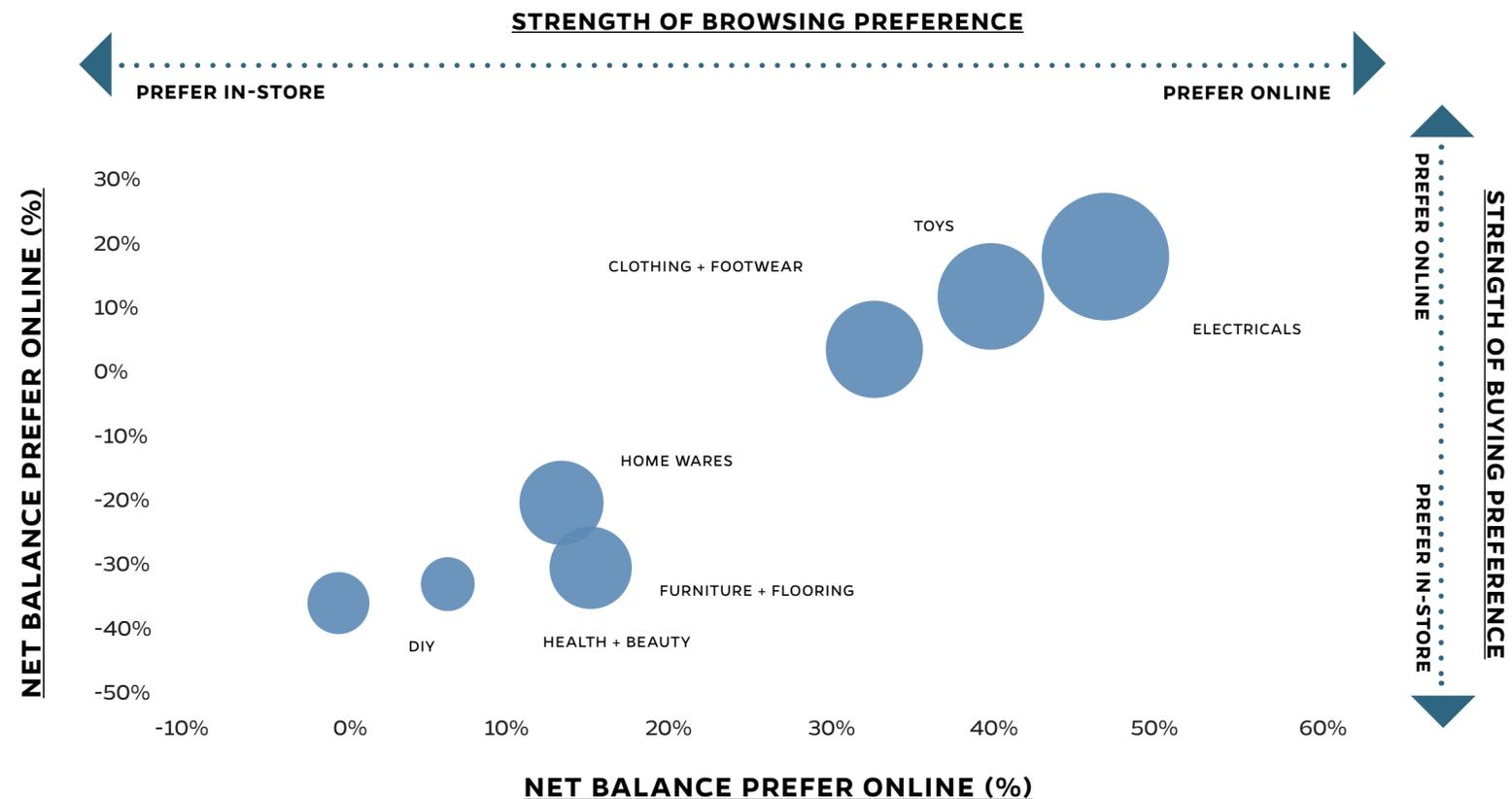
BROWSING MORE BUT BUYING LESS

Economic Necessity

The pandemic-induced shift online was profound. It forced technically-unsavvy shoppers to research online, normalising this behaviour for many. Fast forward, geopolitical instability sparked cost hikes, ushering in a cost-of-living crisis, compounded by 40-year highs in inflation, escalating interest rates and job insecurity.

Consequently, consumers are browsing more online to make budgets stretch. They're exhibiting recessionary shopping behaviours: seeking out alternative retailers and brands, hunting for the best deals, cutting back, trading down, being hesitant and more price sensitive. Essentially, they're exercising more consideration before purchasing – but buying less due to squeezed budgets.

Our research found that more than a third of shoppers (33.7%) have increased online browsing time in the past year, as they research products, compare prices and options. This is most prevalent across digital natives (18-44 years) at 43.7%. From the total number browsing more, 39.8% are doing so in search of deals; 35.1% are making sure products are worth buying; and 25.1% are browsing in lieu of other activities like socialising, potentially

to save money again. Conversely, only 1 in 10 shoppers said they actually reduced online browsing, perhaps to avoid impulsive purchases.

Age a Key Factor

Age is a key factor influencing browsing behaviour. Half of consumers browsing more are aged between 25-34 (Fig. 3). This group dedicate the most time at around six hours per week to researching products across stores, online and traditional media such as TV and print – more than double the time spent by those aged 55 and older.

FIGURE 3

MILLENNIALS SPEND THE MOST TIME BROWSING FOR PRODUCTS
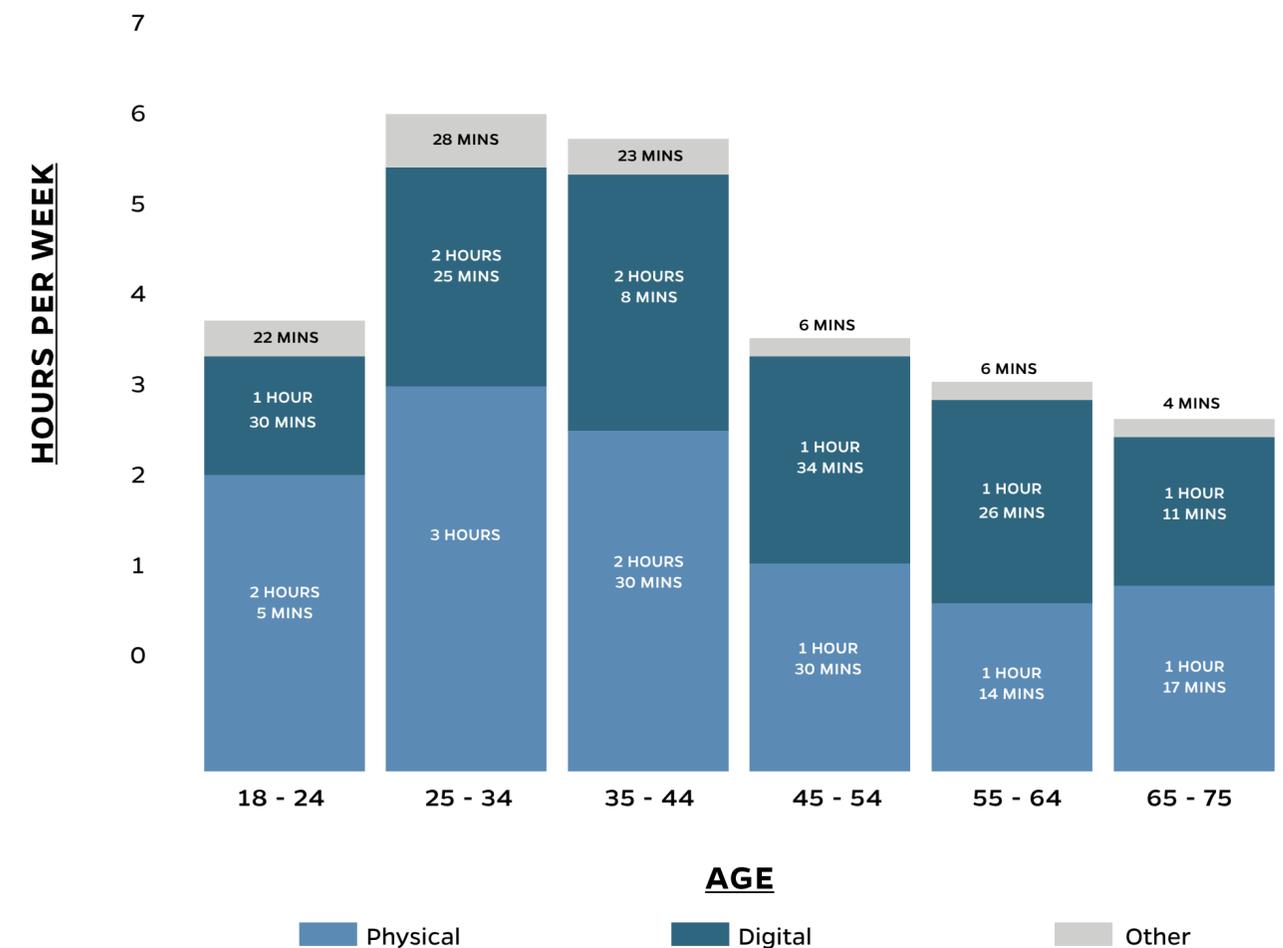
Stacked bar chart — HOURS PER WEEK (y-axis) vs AGE (x-axis)

Age	Physical	Digital	Other
18 - 24	2 HOURS 5 MINS	1 HOUR 30 MINS	22 MINS
25 - 34	3 HOURS	2 HOURS 25 MINS	28 MINS
35 - 44	2 HOURS 30 MINS	2 HOURS 8 MINS	23 MINS
45 - 54	1 HOUR 30 MINS	1 HOUR 34 MINS	6 MINS
55 - 64	1 HOUR 14 MINS	1 HOUR 26 MINS	6 MINS
65 - 75	1 HOUR 17 MINS	1 HOUR 11 MINS	4 MINS

Legend: Physical, Digital, Other

"

Shoppers now spend **35 more minutes per week browsing and comparing products,** up **17.6%** from last year, totalling 1.5 additional days annually."

Motivations

Discovering the motivating factors from the research is intriguing (Fig. 4). **Younger consumers aged 18-24 years are 2.5 times more likely than over 55s to browse more due to cutting back on activities like socialising and leisure.** Those over 65 appear more focused on making sure products are worth buying (48.1%); and the 25-34 year olds are principally interested in searching for deals (44.9%), which is also the primary motivator among 35-64 year olds.

Insight into these different motivations within the age groups can help brands tailor marketing messaging more effectively to attract shopper segmentations, engage, and convert into sales.

FIGURE 4

RECESSIONARY BEHAVIOURS DRIVE MORE TIME BROWSING.

PROPORTION OF RESPONDENTS (%)

	18 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65 - 75
	42.1	25.2	26.7	16.7	17.7	16.3
	33.4	29.9	35.3	33.7	41.0	48.1
	24.5	44.9	38.0	49.6	41.2	35.6

AGE

- Spending more time searching for deals
- Spending more time making sure [products are worth buying
- Spending more time browsing because I'm spending less time on other activities
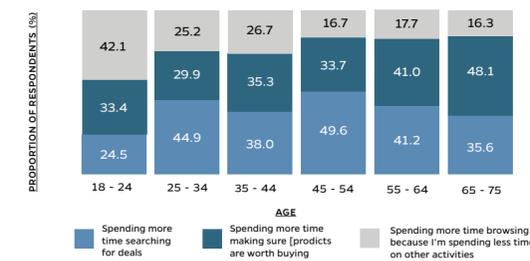
Sales Impact

Shoppers now spend **35 more minutes per week browsing and comparing products**, up 17.6% from last year, totalling 1.5 additional days annually. On average, consumers spend about

4 more hours

per week on **researching**, **price comparing**, and **finding the best deals** for non-food products across digital and physical channels. However, additional browsing time is not converting to sales. The amount of non-food product sales was down 5.7% on last year (Fig. 5).

Interestingly, this phenomenon disproportionately impacts pure online players. Shoppers are twice as likely to spend additional time browsing online,

FIGURE 5

MORE TIME BROWSING ONLINE DOESN'T CONVERT TO SALES

Non-food browsing time

Research time (hours per week)

+17.6%

	2021/22	2022/23
	14 mins	14 mins
+11.3%	1 hour 44 mins	1 hour 56 mins
+28.3%	1 hour 24 mins	1 hour 47 mins

online   store   other

Non-food sales volumes

Retail sales volume (amount, £ billions)

-5.7%

	2021/22	2022/23
+1.1%	£141.0	£142.6
-14.9%	£103.0	£87.6

online   store
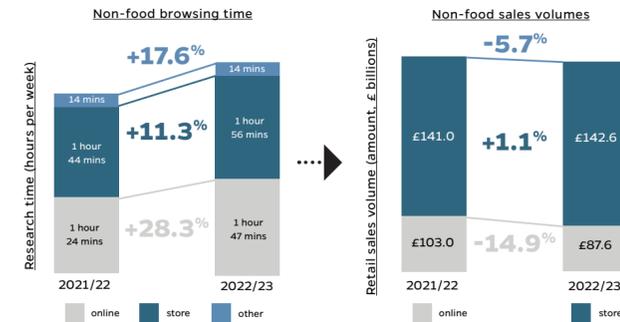
[1] Year-on-year comparisons are for April 2022 to March 2023 compared to April 2021 to March 2022 – the latest available data.

rather than in-store, increasing by over a quarter (28.3%) compared with last year. Notably, non-food ecommerce volumes have fallen 14.9% year-on-year. **This suggests that shoppers are spending more time researching online, with ultimate intentions of purchasing in-store.**

This comes as 85.8% of shoppers who say that they shop 'almost entirely online' are considering shopping with new retailers for the first time to save money, compared to 70.8% of those who shop 'almost entirely in-store'.

Our research also discovered that **'Digital-first' consumers** (typically younger but rising in commercial significance, accounting for 20.7% of consumers) spend a disproportionate amount of time browsing. They account for 39.9% of total research time across shoppers – but this does not directly translate to sales, as 'Digital-first' consumers account for 22.0% of non-food spending (Fig. 6).

'Store-first' consumers (13.3%), who are among the least affluent, spend a relatively high proportion of time researching products compared to their spending, as their cautiousness is high, amid weak personal finances.

By comparison, **'Omnichannel consumers'** (who make up 65.0% of shoppers) account for 70.1% of non-food spending, but just 45.0% of research time – driven in particular by **'Omni-digital' shoppers**, who are high affluence, but time poor individuals, typically comprising millennials.

FIGURE 6

OMNICHANNEL SHOPPERS ARE TIME POOR BUT ACCOUNT FOR A DISPROPORTIONATE AMOUNT OF SPEND

	CONSUMER COHORT	BROWSING TIME	SHARE OF WALLET	
STORE-FIRST	13.3%	15.1%	7.9%	£ 18.2 BN
OMNI-STORE	23.9%	18.0%	21.0%	£ 48.4 BN
OMNI-DIGITAL	41.1%	27.0%	49.1%	£ 113.0 BN
DIGITAL-FIRST	20.7%	39.9%	22.0%	£ 50.7 BN

DIGITAL-FIRST   OMNI-DIGITAL   OMNI-STORE   STORE-FIRST
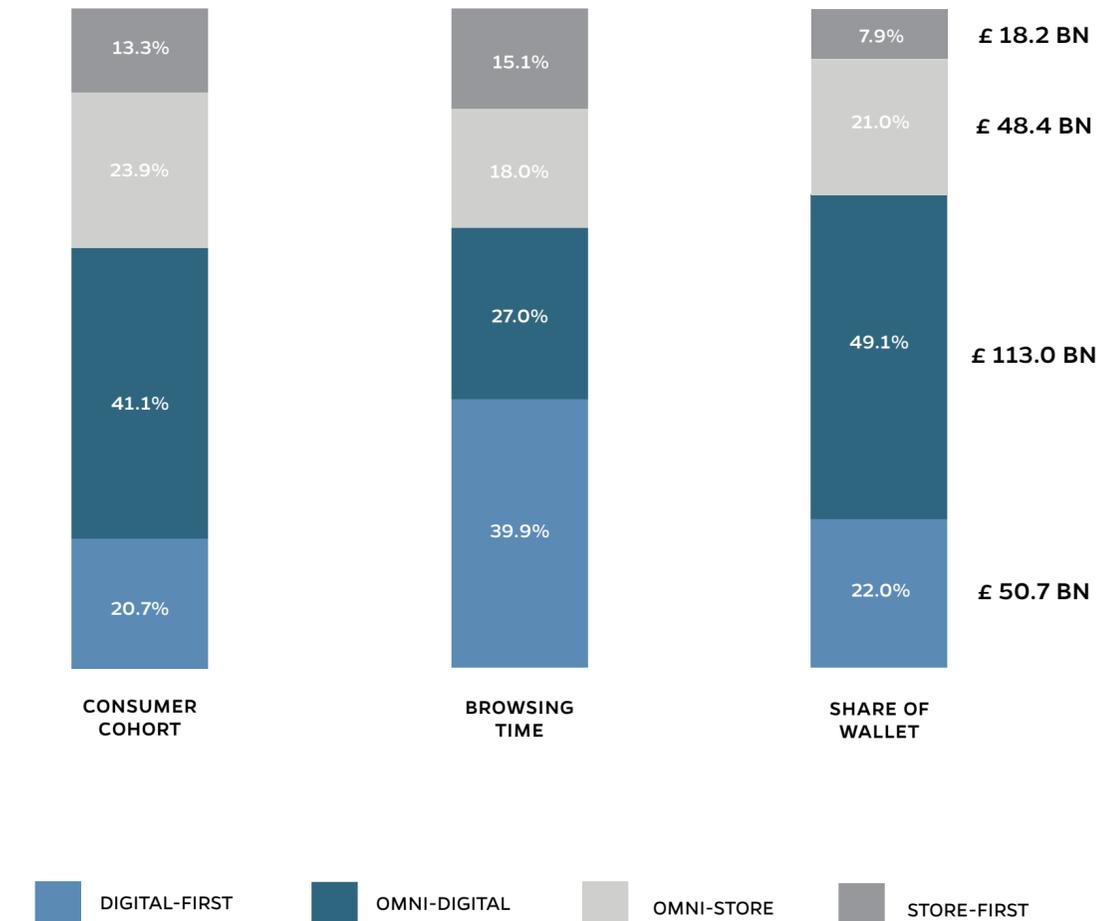
BATTLING FOR ATTENTION

It's a recognised understatement that 'battling for attention is tough'. For context, the average modern person was exposed to around 5,000 adverts per day (Yankelovich, Inc.) – back in 2007 when the first iPhone launched.

Since then, the rise of social media, mobile devices, and e-commerce platforms have created a fiercely competitive *attention economy*. In this dazzling haze of messages, animated pixels and images, the ability to serve personalised, relevant content can quickly cut through the 'noise'. Doing so, can easily differentiate a brand from mundane, generalised marketing from competitors, potentially reducing the cost per acquisition per customer.

Our research shows a deep-rooted complexity in how the different age groups split their attention across channels and devices.

In contrast to older consumers, younger shoppers are more likely to multitask while shopping at home and in-store. **'Digital-first' shoppers** are also much more likely to multitask while shopping, as they're wanting to be constantly connected. This includes browsing and purchasing on their mobile devices while in-store or while watching television. They are seven times more likely to buy online while in-store compared to **'Store-first' shoppers**; and twice as likely to watch television while browsing their mobile devices.

This split-attention risks 'inattentional blindness' when shopping. For example, consumers can disengage from physical in-store triggers while concentrating on their smartphones. This undermines attempts to attract shoppers with physical touch points, thus diminishing ROI.

Brands must carefully consider how to capture the attention of **'Digital-native' shoppers** when they browse, while facilitating cross-channel experiences. Rather than attempting to encourage them to put down their mobile devices, retailers must accept this split of attention to leverage mobile-first campaigns by serving targeted messages to smartphones, developing apps, and offering augmented reality experiences at home and in-store.

Interestingly, affluence is also a key factor. More affluent consumers are far more likely to multitask across channels while shopping. Higher disposable income and greater spending power means consumers dedicate significantly more time to shopping than other consumers.

The most affluent, who drive non-essential spending, dedicate 5.5 hours per week to browsing non-food products (compared to just 3.3 hours among the least affluent). This means that their shopping time is likely to overlap with other

PURCHASING INTENT IS HIGHER IN-STORE ACROSS CONSUMERS

■ Browse without purchasing intent online
■ Browse without purchasing intent in-store

DIGITAL NATIVE

58.2%

52.6%

DIGITAL ADOPTER

42.2%

32.3%

DIGITAL LATECOMER

16.0%

13.2%
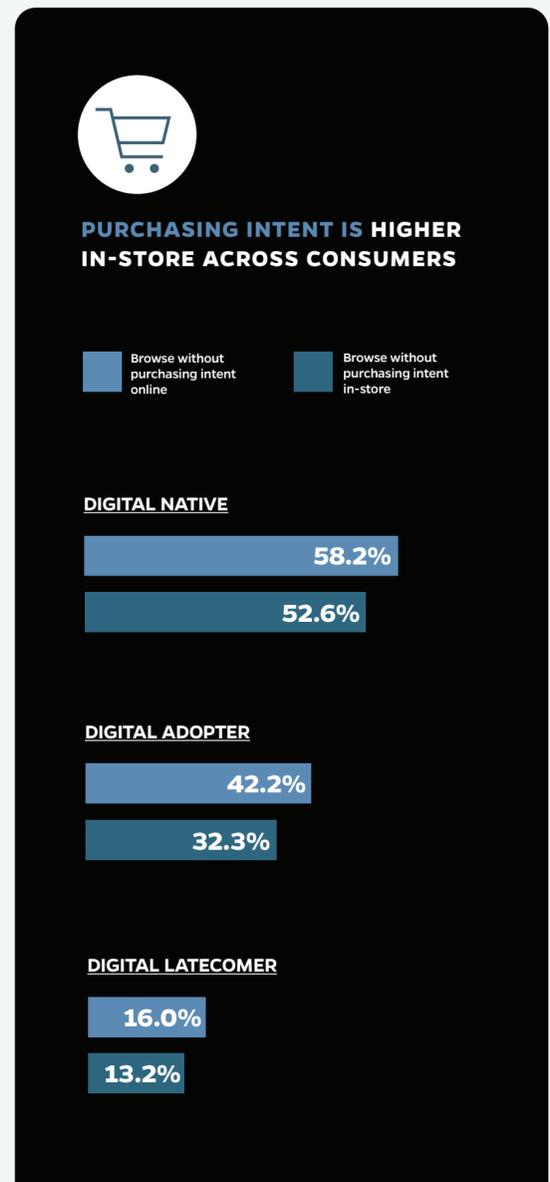
activities like watching television. Additionally, greater budgets increase the probability of showrooming to discover products instead of being restricted by value purchases in physical stores with limited options.

Younger consumers are also more likely to discover products as a leisure activity – browsing without intent to purchase, compared to older shoppers. **Browsing without purchasing intent is more conducive online, versus browsing in-store with greater intent to purchase.** This is underlined by 'Digital-first' shoppers being more than twice as likely to browse without purchasing intent than 'Store-first' consumers.

Younger consumers exhibit higher digital engagement and split-attention, resulting in spontaneous purchasing behaviour across channels if well-targeted messaging hits home. This reflects a desire to discover new products, keep up with trends, and make quick decisions in today's fast-paced society. Less constrained, affluent consumers are five times more likely to make spontaneous purchases while shopping.

Greater browsing activity (with or without intent to purchase) among younger and more affluent consumers, introduces opportunities for brands to leverage personalisation to effectively grab attention, drive product awareness and convert to sales.

SMART REWARDING

In a post-pandemic age of austerity, consumers are now fiercely price focused. Although 'brand promiscuous', they're seeking alliances with retailers that routinely offer them genuine value.

Our research reveals that 85.2% of UK consumers are actively considering shopping with new retailers to save money.

This trend spans across various demographics such as age, region, and income, highlighting the severity of the financial strain on households. Resultantly, retailers are experiencing shifts in market share, favouring those offering compelling value propositions that resonate with cost-conscious consumers. To attract and retain customers, businesses must prioritise loyalty programs and targeted promotions, enabled by robust data collection and analytics capabilities.

When shopping with new retailers, consumers want rewarding. This includes being offered loyalty points (45.0%) and relevant promotions (42.7%)(Fig. 7). To achieve this requires data collection and analytics to quickly identify consumers and tailor offers accordingly.

FIGURE 7

CONSUMERS WANT REWARDING WHEN TRYING A NEW BRANDS AND RETAILERS.

PROPORTION OF RESPONDENTS (%)

REWARD ME	BE CONVENIENT	GET TO KNOW ME

|	
OFFER LOYALTY POINTS	45.0%
EASE OF NAVIGATION IN-STORE AND/OR ONLINE	43.8%
TARGETED PROMOTIONS	42.7%
RELEVANT PRODUCT RECOMMENDATIONS	31.6%
TAILORED MESSAGING TO MY NEEDS	18.4%
REMINDERS AROUND KEY EVENTS	10.2%
SEND REMINDER ALERTS BASED ON MY BEHAVIOUR	9.4%
ONBOARD ME TO AN ACCOUNT	9.2%
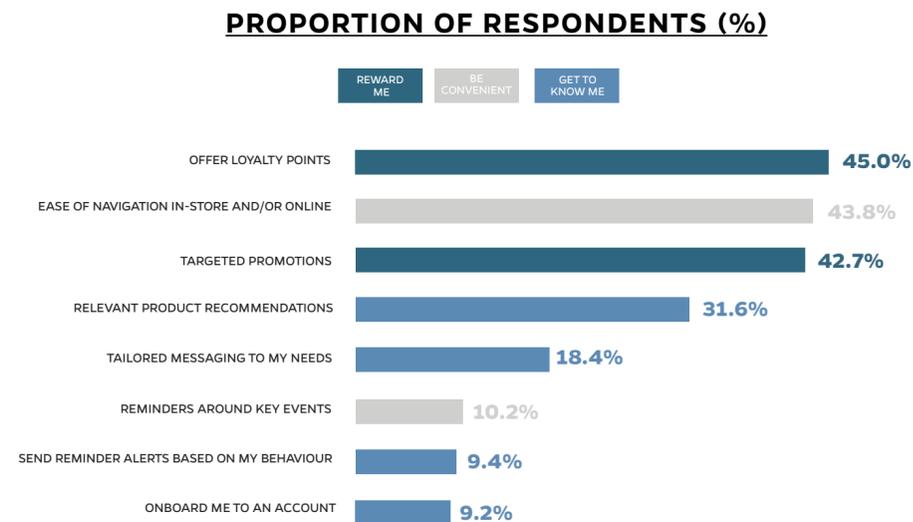
Relevant offers and discounts are highly valued by shoppers for repeat purchases across non-food categories. Loyalty points are also sought after as consumers look for rewards during weak economic times. In addition, providing stock visibility has become crucial as shoppers browse online while spending in-store, creating a seamless shopping experience. These factors outweigh convenience through fulfilment options, speed of customer service, and awareness of new products.

While the ranking order of values in Figure 8 typically remain static between product categories, there are stark differences among 'Digital-first' and 'Store-first' consumers. Crucially, retailers need to deliver against consumer preferences which change depending on shopper mission, product category and target market.

FIGURE 8

DIGITAL-FIRST CONSUMERS VALUE EARLY ACCESS AND PRODUCT INFORMATION

PROPORTION OF RESPONDENTS (%)

	DIGITAL-FIRST	STORE-FIRST	NON-FOOD AVERAGE
RELEVANT OFFERS AND DISCOUNTS	46.8%	50.3%	54.5%
EARLY ACCESS TO NEW PRODUCTS	29.8%	10.6%	19.8%
BEING MADE AWARE OF RELEVANT NEW PRODUCTS	28.5%	11.6%	21.2%
HAVING THE CONVENIENCE OF STOCK VISIBILITY	22.1%	35.6%	30.7%
ADDITIONAL PRODUCT OR STORE INFORMATION SPECIFIC TO MY NEEDS	20.0%	10.9%	18.1%
BEING GIVEN REMINDERS AROUND KEY EVENTS	19.2%	8.2%	11.4%
BEING OFFERED LOYALTY POINTS	14.0%	33.1%	26.6%
SPEED OF CUSTOMER SERVICE OR CHECKOUT	14.0%	25.4%	16.1%
RANGE OF FULFILLMENT OPTIONS THAT SUIT MY NEEDS	9.5%	12.0%	14.9%

Probing deeper, our research unveils key differences across the following personalisation efforts:

EARLY ACCESS AND AWARENESS OF NEW PRODUCTS:
More than twice as likely to be valued by 'Digital-first' consumers than 'Store-first' shoppers. This effort is more category-sensitive where demand changes frequently and innovation is strong (e.g. apparel, beauty and toys).

LOYALTY REWARDS:
Matters most to 'Store-first' shoppers typically on tighter budgets and want rewards for spending. Relatively less important for categories shopped infrequently with products with long lifecycles (e.g. Furniture & Flooring and Electricals).

ADDITIONAL INFORMATION:
Product information is twice as likely to be valued among 'Digital-first' than 'Store-first' shoppers. 'Store-first' shoppers can rely on touch and feel in-store to evaluate products, while product attributes are more difficult to convey online.

STOCK VISIBILITY:
Matters more to 'Store-first' consumers to avoid disappointment in apparel and home categories where extensive research is typically conducted online, but touch and feel in-store remains critical for conversion.

Differences in values across consumers and categories means brands need to identify and segment customers by shopper mission to drive preferences that support conversion – and ultimately enhance shopping experiences.

IMPORTANCE OF PAYMENT PREFERENCES

Over the last decade, an **explosion of digital payment solutions and providers** has come online, leading to distinct payment preferences emerging. Naturally, payment preferences differ by cohort, digital savviness, and affluence.

Our research shows that digital natives are most likely to demand a range of payment options. In particular, 18–24 year olds are driving mobile payments. They are twice as likely to use Apple Pay, Samsung Pay or similar platforms than their seniors; and three times more likely to prefer these options than those over 65.

Digital-first consumers are more likely to be engaged with new payment options as well. They are four times more likely to prefer mobile or digital wallet payments than store-first consumers; while store-first shoppers are twice as likely to prefer cash payments.

Younger shoppers are most likely to explore non-traditional payments – in stark contrast to older consumers. Based on our findings, 25–44-year-olds are also twice as likely compared to 55+ consumers to have made non-food payments using loyalty options. This suggests that savvy consumers looking for rewards, have emerged among digital natives. This is key insight for brands to avoid payment barriers when striving to create seamless experiences that entice spending.

When focusing on income as a factor, the least affluent are twice as likely **(21.4%)** to prefer using cash than middle income or high affluence households. Interestingly, the cost-of-living crisis has reinvigorated in-store shopping and traditional saving methods like cash jars and piggy banks!

Meanwhile, those who shop 'almost entirely online' are four times more likely to demand mobile or digital wallets compared to those who shop 'almost entirely in-store'; digital wallets such as PayPal being increasingly integrated at online checkouts.

Contracting disposable income, colliding with an explosion of payment solutions means that brands are under pressure to offer streamlined payment and checkout experiences. But a one-size fits all approach is wholly inadequate. By offering a range of payment solutions, brands can capitalise on younger, digitally engaged, affluent consumers.

18–24 YEAR OLDS
ARE DRIVING MOBILE PAYMENTS

They are twice as likely to use Apple Pay, Samsung Pay or similar platforms than their seniors; and **3x more likely** to prefer these options than those over 65.

FIGURE 8
DIGITAL NATIVES ARE MOST LIKELY TO DEMAND A RANGE OF PAYMENT OPTIONS

Stacked bar chart — PROPORTION OF RESPONDENTS (%)

| Payment option	Digital Native	Digital Adopter	Digital Latecomer
Buy Now, Pay Later Services	1.9%	0.9%	1.7%
Loyalty Points	3.4%	1.4%	0.3%
Store Card	3.5%	0.4%	—
Cash	12.0%	10.1%	8.0%
Mobile or Digital Wallets	12.3%	9.5%	6.3%
Credit Card	16.8%	23.9%	34.2%
Debit Card	50.2%	53.8%	49.5%
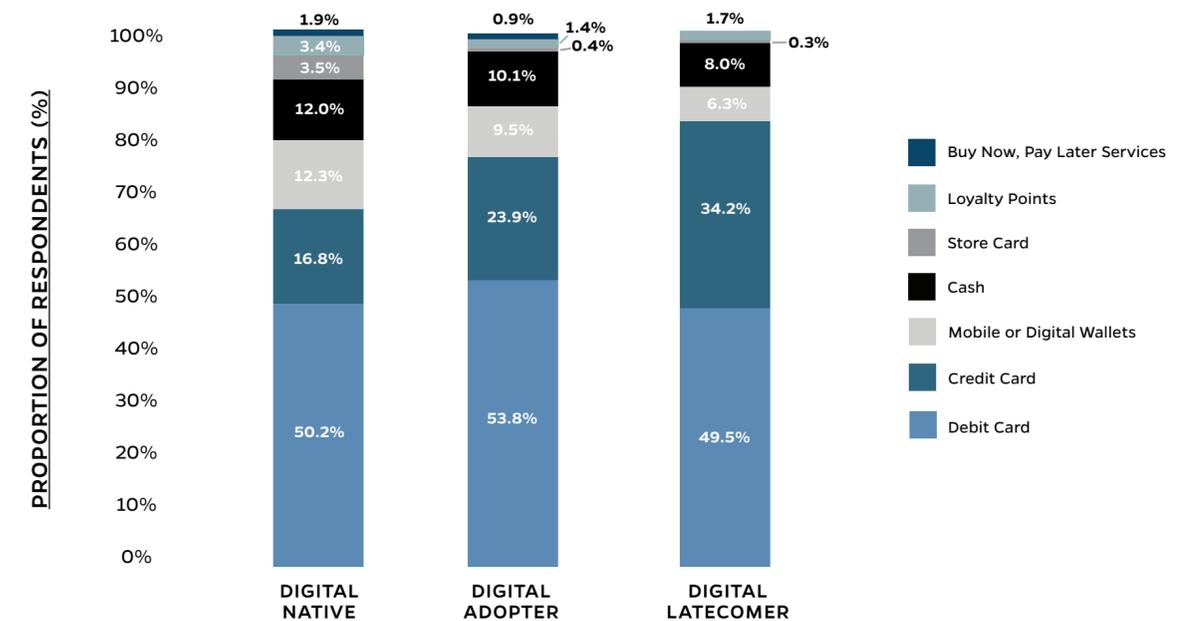
RETAINING NEW CUSTOMERS

In the current retail landscape, consumers demand more than just transactional relationships – **they want to be rewarded for their loyalty.**

Our research reveals that a net balance of 70.7% of consumers feel that loyalty programs rewarding specific purchasing behaviour is important to them. However, attitudes toward loyalty programs vary significantly by affluence, age, and channel preference.

Among the most affluent consumers, a net balance of **79.0% consider customised loyalty schemes important,** while among the least affluent, this balance falls to 57.7%. Higher-income households wielding greater disposable income for non-essentials tend to purchase higher-priced products, leading to higher expectations for personalisation and loyalty. Conversely, the least affluent prioritise price and value, making them more receptive to other rewards, such as discounts and price-match promises.

Our research also reveals striking differences in the importance of customised loyalty programs between the youngest and oldest consumers. Among 'Digital-natives', an impressive **86.2% believe tailored loyalty programs are important**, compared to a mere 32.3% among 'Digital latecomers'. Similarly, among 'Digital-first' shoppers, 80.2% consider customised loyalty programs important, whereas among 'Store-first' consumers, this balance slides to 51.2%.

70.7%

of consumers feel that loyalty programs rewarding specific purchasing behaviour is important to them.

Driving the desire for customised schemes amongst younger (and online-first) consumers is their greater engagement with brands through digital channels, , where tailored content has become an expectation across touch points, including social media, websites, and email. Younger consumers are also more likely to be 'brand hungry', aligning with those that reflect their core values and personality, where establishing connection also fosters a genuine sense of community.

Different consumer attitudes means brands need to incentivise repeat purchases through tailored messaging. This ultimately requires them to tap into customer data, converting it to meaningful engagement.

While most shoppers **(69.5%)** are willing to share data in exchange for benefits (e.g. tailored promotions and recommendations), **there's a severe drop off in willingness to share data by age.** Digital natives are twice as likely to part with personal information for benefits, compared to digital latecomers **(82.1% vs. 42.2% respectively).**

Older and 'Store-first' consumers are twice as likely to never trust retailers with their personal data, compared with their younger counterparts. On the other hand, over half **(54.1%)** of 'Digital-first' shoppers always trust retailers with their data, while

only **19.2%** of 'Store-first' consumers do so. This reflects the younger generation's openness to share personal information, while older generation's show greater concern over potential data breeches.

Retailers face real challenges in driving repeat purchases, as personalised loyalty rewards have become important for consumers of all ages. To achieve this, brands need to establish trust with shoppers by effectively communicating their data handling practices.

STRATEGIES TO STAY AHEAD OF THE CURVE

Brands need to operate smarter amid the turmoil of continued industry disruption. Relevancy, value and customer loyalty are now 'super-critical' factors in maintaining profitability.

Tough trading conditions characterised by the remanence of the pandemic, geopolitical instability, a cost-of-living crisis, and disruptive technology mean that businesses need to work harder.

Our research highlights part of that work involving four strategic pillars of activity across the customer journey. This section examines these pillars, providing powerful insights into how they must be deeply understood and handled to enable businesses to stay ahead of the curve.

The figure to the right summarises the key activity points brands need to consider when developing digital strategies aimed at streamlining operations, implementing personalisation, and delivering outstanding customer experiences.

DATA & ANALYTICS (COLLECT)

PRE-PURCHASE

AWARENESS
· Identify shoppers
· Web tracking

RESEARCH
· Stock visibility
· Identify complementary goods

PURCHASE

SALE
· Preference history
· Transaction data
· Order history

POST-PURCHASE

FULFILMENT
· Parcel tracking
· Stock visibility
· Preference history

AFTER SALES SERVICE
· Returns tracking
· Identify loyal customers
· Purchase history

TECHNOLOGY (FACILITATE)

PRE-PURCHASE

AWARENESS
· Web development
· Mobile optimisation
· In-store screens
· Artificial intelligence (AI)
· In-store beacons
· Facial recognition

RESEARCH
· Interactive displays in-store
· Augmented/Virtual reality (AR/VR)
· QR codes
· RFID
· Chat-bots

PURCHASE

SALE
· POS systems
· Self-checkout
· Mobile payments

· Digital wallets
· Facial recognition payments

POST-PURCHASE

FULFILMENT
· Home & out-of-home delivery (click & collect lockers)
· Route optimisation
· Inventory manage-ment systems

AFTER SALES SERVICE
· RFID
· Mobile apps
· Chat-bots
· Self-service portals
· Customer relationship management platform

MARKETING (COMMUNICATE)

PRE-PURCHASE

AWARENESS
· Influencers
· Alerts (email, mobile)
· Personalised web adverts
· Personalised web pages

RESEARCH
· Influencers
· Recommendations

PURCHASE

SALE
· Upsell offers at checkout saved details
· Digital receipts

POST-PURCHASE

FULFILMENT
· Delivery status notifications
· Preferred delivery

AFTER SALES SERVICE
· Offers exclusives
· Track returns
· Survey requests to rate/review

EXPERIENCE (OBJECTIVE)

PRE-PURCHASE

AWARENESS
· Personalised user experience
· Promote products
· Localisation

RESEARCH
· Navigation (to store & in-store)
· Encourage online shoppers into stores
· Upsell/Cross-sell
· Provide in-depth product information

PURCHASE

SALE
· Optimised pricing
· Frictionless checkout

POST-PURCHASE

FULFILMENT
· Cross-channel convenience
· Drive online shoppers to stores
· Real-time status

AFTER SALES SERVICE
· Loyalty
· Repeat purchases
· Leverage stores for online services
· User-generated content (social)

DATA AND ANALYTICS: SUPERCHARGING OPERATIONAL EFFICIENCY

Today, data is the 'new gold'. As such, leveraging data science and adopting appropriate technologies is crucial for brands looking to drive growth through maximising efficiencies, supercharging capabilities, and to master the art of personalising experiences. However, the data landscape is forever evolving – and rapidly. Retailers must strategically consider:

• **DATA HANDLING:** Includes implementing privacy-focused solutions, such as differential privacy techniques that protect individual data while still allowing for analysis at scale. Retailers must also focus on building trust, particularly with older consumers, by being transparent about data usage and handling.

• **DATA ANALYTICS:** Using advanced tools and exploring partnerships to extract meaningful insights from customer data. Subsequent insights can then inform marketing strategies aimed at improving personalised marketing, streamlining processes, and reducing costs.
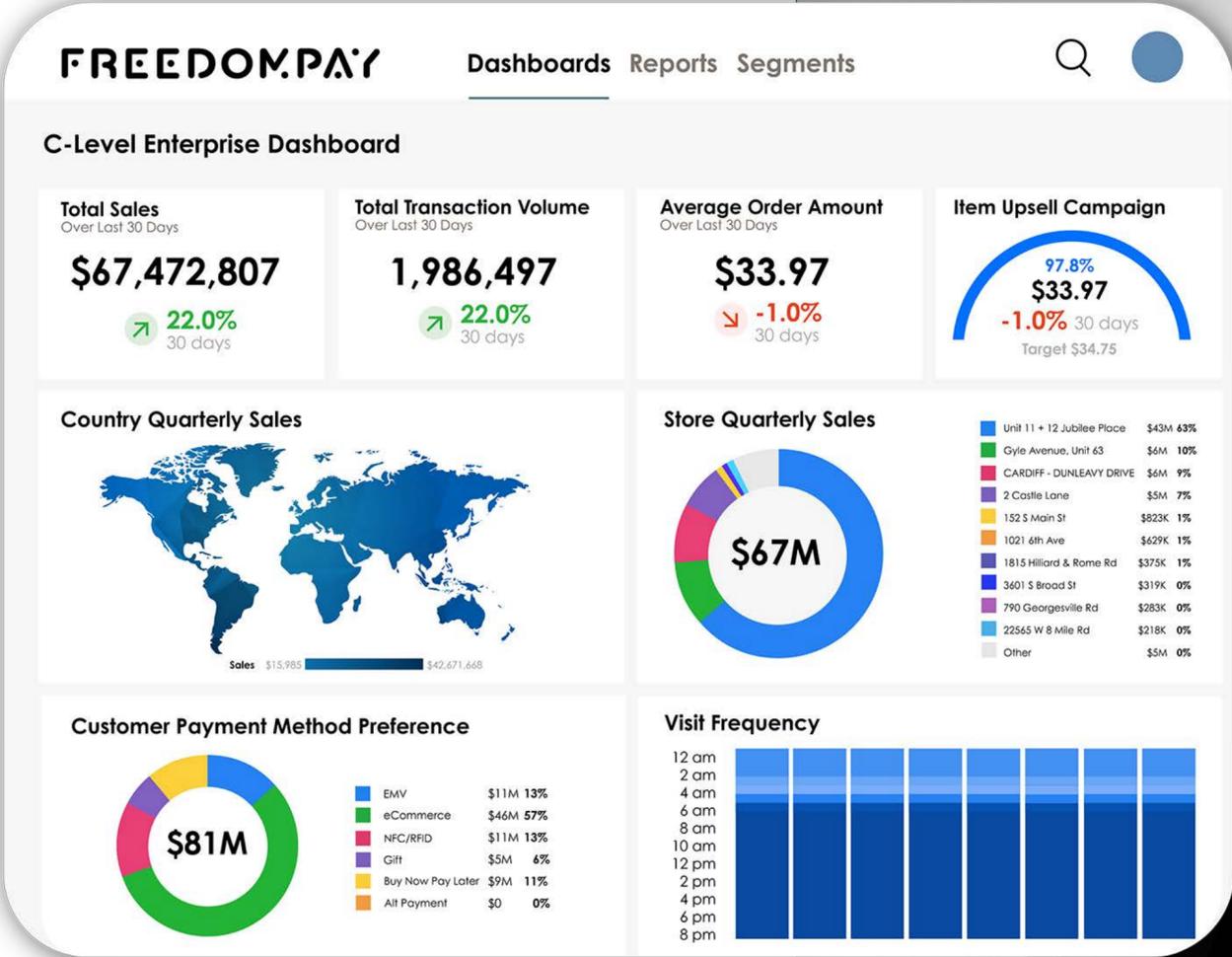
TECHNOLOGY: EFFECTIVELY 'CONNECTING THE DOTS'

The advancement of technology is facilitating the bridging of operational gaps within businesses. With the advancement of AI and ML techniques, solutions that effectively 'connect the dots' within business models are being adopted by successful brands (e.g. connecting demand prediction and inventory management systems).

Here, exploring emerging technologies, adoption, and smart implementation lie at the epicentre of surviving ongoing industry disruption. When leveraging technology, brands must focus on the following:

TECHNOLOGICAL INVESTMENT:
Brands need to assess the ROI of different technologies to make informed decisions on investments. Exploration of technologies, testing, measuring and learning must drive ongoing strategies that support key objectives in a more complex, omnichannel world with fast-paced trends.

VISIBILITY:
Brands must strive for the 'holy grail' of a single view of stock and customer. This requires an integrated technological infrastructure, allowing retailers to track inventory levels across channels and facilitate personalised experiences across channels.

CONVENIENT PAYMENTS:
Consumer expectations and preferences towards payment options (across channels and regions) require brands to be more adaptive. Payment orchestration solutions support streamlined processes, reduce payment errors and fraud, and ultimately improve convenience for shoppers.

COST STRUCTURE:
There is now an abundance of technological solutions that allows retailers to streamline their supply chain operations, reduce inventory and labour costs, and improve workforce productivity. Also, using real-time data, retailers can also make more informed decisions, reduce waste, and improve overall operational efficiencies.

EVOLVING PHYSICAL STORES:
Beyond transactions, stores must also serve as hubs for consumers to brand-bond, online fulfilment and aftersales services. These functions support wider marketing goals and reduce distribution costs. Personalisation can also encourage store visits and enhance store experiences.

MARKETING: HYPER-PERSONALISATION IS NOW THE PINNACLE OF EFFECTIVE MESSAGING

In today's retail landscape, the ability to deliver hyper-personalised marketing content has become the pinnacle of effective marketing. Brands that can target their customers with the right message, at the right time, through the right channel, are best positioned to drive engagement, increase loyalty, and ultimately boost profitability. Here, retailers must focus on **3 key areas:**

PRICING:
In the face of an increasingly cost-conscious consumer, retailers must strike a balance between competitive pricing and delivering perceived value to customers. Dynamic pricing strategies can help retailers adjust prices in real-time, based on demand, inventory, and competition, while safeguarding margins.

SEGMENTATION:
Sophisticated customer segmentation (ideally to the individual) is critical in understanding the unique needs and preferences of different cohorts. By personalising marketing messages and offers, retailers can better connect with their customers, drive loyalty, and improve margins.

ENGAGEMENT:
Personalised experiences (e.g. tailored offers, recommendations, loyalty schemes, and social media engagement) can help differentiate brands from the competition. It can also aid in building long-term relationships with core customers to drive growth.
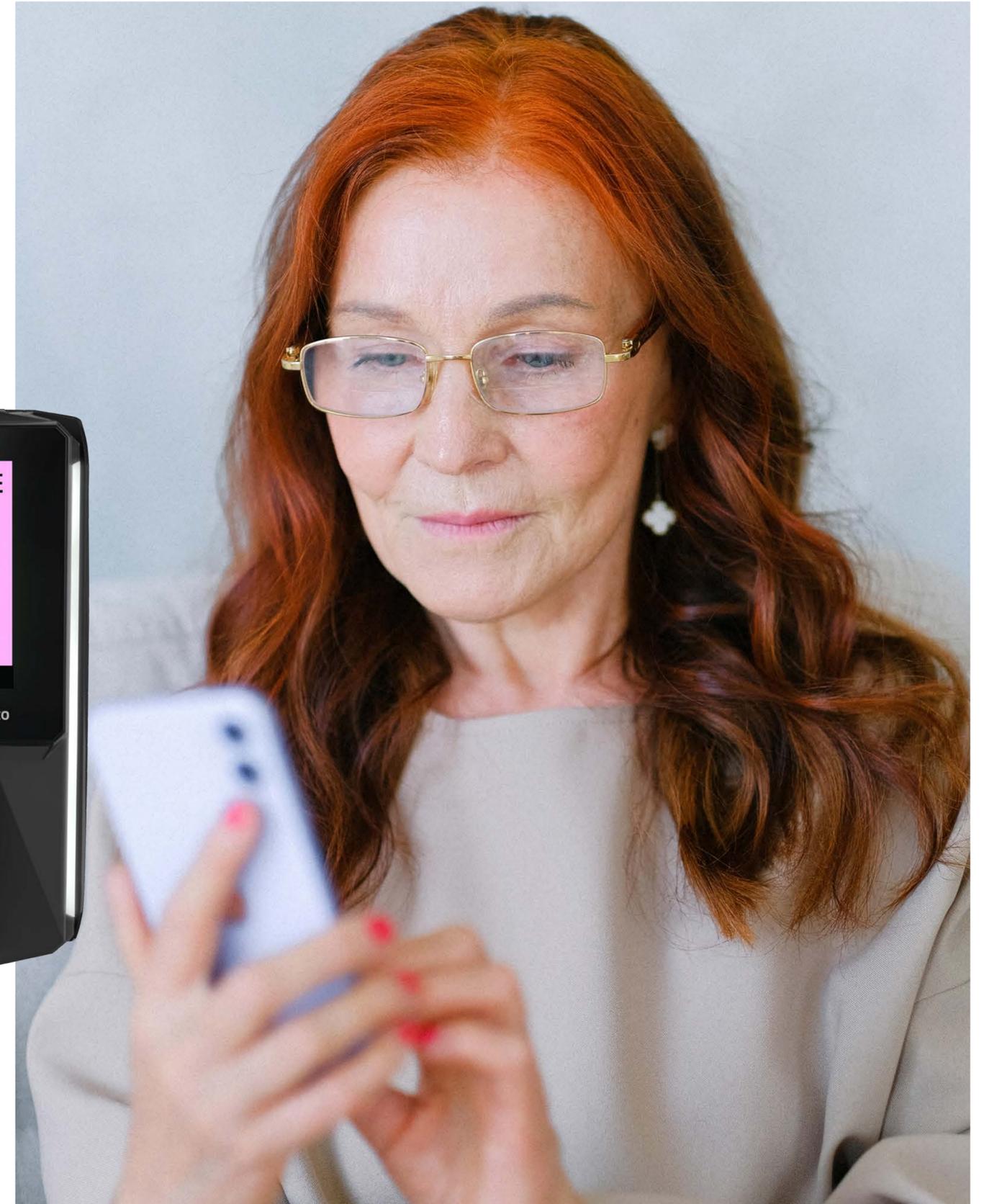
EXPERIENCE: CONSISTENCY IS KING

Sustained practice makes perfect. Similarly, consistently delivering positive shopper experiences lies at the heart of securing lifetime value from customers. Opportunities abound within the customer journey to intrigue, excite and delight. What elevates experiences to the next level is, of course, personalising the experience to make customers feel special, and thus valued. Here are just **3 critical areas** for brands to focus on:

OPTIMISED PRICING:
Retailers can leverage experiences to optimise pricing strategies to create a genuine sense of value for customers. This can include using dynamic pricing, as well as providing price matching and loyalty scheme discounts.

FRICTIONLESS PAYMENT:
Providing a seamless and frictionless checkout experience with different payment options is essential for creating positive customer experiences. In fact, this has now become a minimum expectation among many younger consumers. This can include using mobile payment options, store apps and contactless, among others

USER-GENERATED CONTENT:
Brands can leverage user-generated content such as social media posts and reviews to create a sense of community and 'social proof'. This can help build trust and confidence with customers, as well as drive engagement and loyalty.

" What elevates experiences to the **NEXT LEVEL** is, of course, personalising the experience to make customers **feel special**, and thus **valued**."
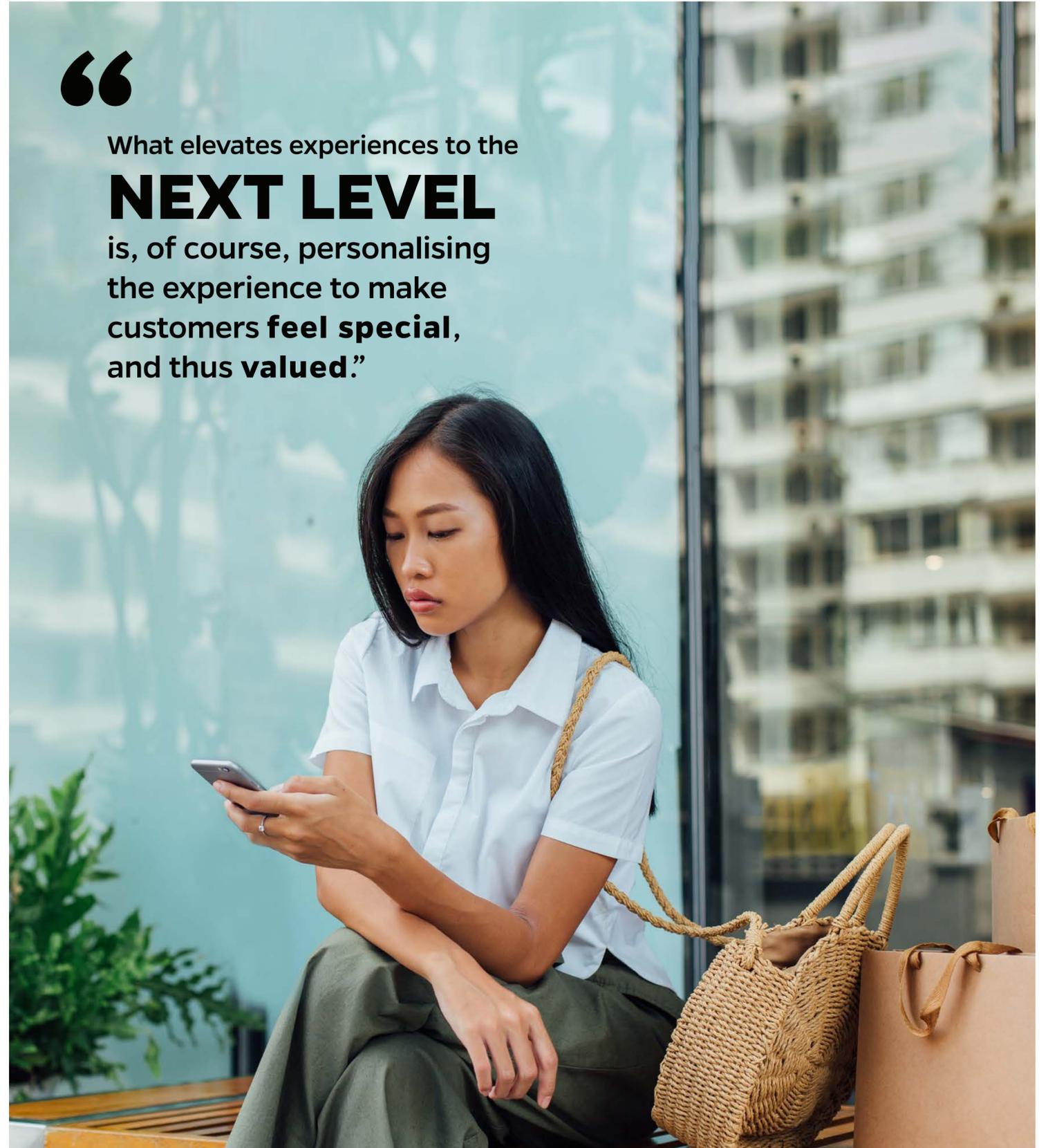
CONCLUSION

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The retail industry is arguably nearing a pivotal moment in history.

Trading conditions are becoming increasingly **more challenging** as global political and economic factors squeeze consumer spending. Consequently, shoppers are *adopting recessionary behaviours*. In part, this is characterised by prolonged research during initial stages of the customer journey and making more considered purchases.

Within the dynamic omnichannel retail environment, many businesses have recognised the need to operate more effectively to attract customers in order to generate sales and remain profitable. Here, **leveraging data science** with **personalisation strategies** has become critical.

Technological advancement, particularly in AI and machine learning, is a key enabler. It has allowed businesses to utilise data evermore effectively for personalisation **to gain a deeper understanding**

of their customer base, generate more **customised experiences**, and **better engage customers** across multiple channels and devices. Effective personalisation also builds stronger customer relationships, and encourages repeat purchases, while protecting margins.

This research presents crucial insights in this space, highlighting **five key trends** associated with the increasing importance of data use and personalised customer journeys. It also recommends *key focal points for retailers' strategies* to help them stay ahead of the curve.

Ultimately, as more connected devices come online and data harvesting yields greater opportunities to gather meaningful insights, successful brands will inevitably gravitate towards personalisation across the entire customer journey to secure market share in the disruptive years ahead.

RESEARCH METHODOLOGY

Consumer surveys were undertaken by **Retail Economics in April 2023** to model shopping behaviour and include answers from a sample of more than **2,000** nationally representative consumers across the UK. 'Time browsing' excludes time spent travelling to different destinations.

Retail sales data is modelled using data from the Office for National Statistics (ONS).

ABOUT FREEDOMPAY:

FreedomPay's **Next Level Commerce™** platform transforms existing payment systems and processes from legacy to leading edge and enables merchants to unleash the power of pay. As the premier choice for many of the largest companies across the globe in retail, hospitality, lodging, gaming, sports and entertainment, foodservice, education, healthcare and financial services, FreedomPay's technology has been purposely built to deliver rock solid performance in the highly complex environment of global commerce.

The company maintains a world-class security environment and was first to earn the coveted validation by the PCI Security Standards Council against Point-to-Point Encryption (P2PE/EMV) standard in North America. FreedomPay's robust solutions across payments, security, identity, and data analytics are available in-store, online and on-mobile and are supported by rapid API adoption. The award winning FreedomPay Commerce Platform operates on a single, unified technology stack across multiple continents allowing enterprises to deliver an innovative Next Level experience on a global scale. www.freedompay.com

FREEDOMPAY

ABOUT RETAIL ECONOMICS:

Retail Economics is an independent economics research consultancy focused on the consumer and retail industry. We provide independent thought leadership on major economic and retail trends and analyse their impact on the industry.

Retail Economics provides proprietary data on sector growth, behavioural trends, channel performance and forecasts.

Find out more at www.retaileconomics.co.uk

RetailEconomics

Contributors:
Nicholas Found
Richard Lim