



# The New Retail Reality

How Trends, Turmoil and  
Technology Are Reshaping  
How the World Shops

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**Vidyo®**

An  Enghouse Company



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# An Uncertain Future

The retail industry has been subjected to so many transformative pressures for so long, change has become the only constant. From the rise of online research and e-commerce, to mobile shopping and inexpensive same-day delivery, the consumer buying experience has continuously evolved over the past two decades. Many retailers could barely keep up with the shifting landscape.

But then the COVID-19 pandemic hit, and the earth crumbled beneath retailers<sup>1</sup> feet. Transformation turned into decimation. 2020 witnessed some 50 major retail bankruptcies, the largest since the 2008-2009 financial crisis<sup>1</sup>, with additional filings the following year<sup>2,3</sup>. More than 15,000 brick and mortar stores closed. Not surprisingly, malls were also hit hard, with two owners of a combined 130 malls across the U.S. also filing for bankruptcy.<sup>4</sup>

As [one business news report put it](#): “Companies that were already struggling to keep up with trends, invest in necessary digital upgrades and shift to modern customer experiences simply couldn’t cope with the added pressure of store closures, a massive shift to e-commerce, safety protocols and other side effects of the coronavirus.”<sup>5</sup> The pandemic was the final straw.

## Embracing (Even More) Transformation

For retailers that have survived, the future can seem uncertain. Will consumers revert to in-store browsing, purchasing and returns, or will online shopping and customer support continue to dominate? What demand will they have for new strategies like curbside pickup? How can retailers drive upsell, impulse purchases and customer loyalty through more than price discounts?

This ebook presents insights and strategies for retail business models that adapt to changing consumer preferences and demand shifts. It features a specific focus on how video communication technologies can help retailers address operational challenges and improve the customer experience.

The last few years have demonstrated to us all how little we can predict the future — but the retail industry already knew that. Success depends on having the will and tools to adapt.

1 <https://www.marketwatch.com/story/retail-bankruptcies-in-2020-hit-the-highest-levels-in-more-than-a-decade-and-experts-say-there-are-more-to-come-11608151350>

2 <https://www.nbcnews.com/business/consumer/which-major-retail-companies-have-filed-bankruptcy-coronavirus-pandemic-hit-n1207866>

3 <https://www.bdo.com/insights/industries/retail-consumer-products/bdo-biannual-bankruptcy-update>

4 <https://www.cnn.com/2020/11/02/investing/mall-bankruptcies-cbl-properties-preit/index.html>

5 <https://www.marketwatch.com/story/retail-bankruptcies-in-2020-hit-the-highest-levels-in-more-than-a-decade-and-experts-say-there-are-more-to-come-11608151350>

# 1. Trends Shaping the Retail of Tomorrow

A truism of the pandemic is that it accelerated changes already occurring in many industries. Prior to 2020, for example, nearly every form of brick-and-mortar retail was in the midst of implementing various strategies to stay relevant in the face of online competition and evolving consumer shopping habits. COVID-19 lockdowns and shoppers' sudden reluctance to visit or linger forced retailers to pour everything into these new ways of selling their wares.

Here are some key retail trends that will persist.

## New Levels of Convenience Drive Retailer Preference

Even before consumers couldn't browse the local shops in person, retailers were rolling out innovations such as in-store pickups for online purchases and two-day shipping.

In pre-pandemic January 2020, the National Retail Federation released a report that highlighted the growing emphasis on convenience in the minds of consumers. The report noted that 83% of consumers surveyed said convenience while shopping is more important to them now than five years ago. Delivery services like Amazon Prime, Shipt and Instacart were already on the rise: 66% of shoppers were paying for at least one delivery service, and a quarter of respondents paid for multiple delivery services.<sup>6</sup>

Again, this was before the pandemic, and even then 93% of shoppers said they were more likely to shop at a specific retailer based on convenience.

In 2020, contactless curbside pickup became a requirement for retail locations. Now a fixture of the shopping experience, it will continue to evolve — think malls creating combined pick-up services, curbside areas reserved for multiple retailers, and curbside returns.

However, if fewer customers browse in-store, it can get harder to upsell, cross-sell or prompt impulse purchases. Click and collect (a.k.a. BOPIS, for “buy online, pick up in store”) offers several benefits, including that it drives people back into the store. It also leads to larger baskets. According to Forrester research, 35% of shoppers who pick up an online order in-store will buy something else as well.<sup>7</sup>

<sup>6</sup> <https://nrf.com/media-center/press-releases/growing-emphasis-convenience-todays-consumers>

<sup>7</sup> <https://www.cnbc.com/2020/05/18/retailers-are-rushing-to-get-online-but-that-brings-new-challenges.html>

## Erasing the Checkout Line

Another area of innovation that offers greater convenience for customers is Point of Sale (POS). While few customers ever enjoyed lining up at the checkout, they remained effective for retailers—until congregating there became a health risk.

The pandemic has driven greater adoption of less traditional types of checkouts. Mobile POS on tablets and smartphones, for example, let floor representatives look up information, scan items, close transactions, accept payments and print receipts where the customers are — away from a checkout counter. Self-checkouts are becoming more common as well, helping to limit contact between customers and employees, but also requiring less physical store space and redeploying staff to answer questions on the floor.

A step further are scan-and-go smartphone apps in consumers' own hands: Scanning items as they add them to the cart or to quickly look up more information, and paying from a mobile wallet. There are cashierless stores that use ceiling-mounted cameras, RFID tags and shelf sensors to track shoppers' purchases without them needing to scan them at all.

The push to simpler payment extends online as well, with stored account details and “buy now” buttons reducing friction in the shopping and checkout process.

## Virtual Experiences

Like nearly every other industry, retailers experimented with various forms of online engagement that combined video and interactivity to connect with customers. The most successful steered clear of the everyday video call, and instead embraced more. For example:

- Streaming online training sessions with informative skill-building tips and safety lessons with Q&A
- Launch party with multiple rooms featuring interactive talks, concerts, and portraits drawn live by an illustrator that attendees could receive
- Live streaming an influencer browsing a flagship location

The pandemic has helped entrench video as a pervasive form of communication, and retailers will continue to utilize it to extend their customer reach, even when in-person shopping fully returns.

## Reimagining Brick-and-Mortar

Shopping in-store may well return as a form of leisure, but many consumers have also fully embraced the convenience of not wandering aisles and displays. In turn, retailers have transformed some locations to simplify contactless pick-up of orders. For example, customers use a barcode on their phone to open a secure drawer containing their online purchases.

Other stores have become like small warehouses, packing online orders for delivery or pickup — using the real estate as fulfillment centers that improve product distribution.

Another pandemic trend that may persist: scheduled visits. For purchases that require expert advice and consultation — think auto dealers, fashion, luxury items — booking a personal appointment online offers consumers the convenience of planning their shopping to maximize their time and receive personalized attention. For retailers that have been building account profiles at POS, this provides an opportunity to utilize customer profile data for better service. These one-on-one sessions occur on a video call, or in-person — and often require less floor space to display their wares.





## 2. Big Troubles in Little (and Big) Retail

With or without COVID-19 restrictions, retailers face some significant challenges for the foreseeable future — both in-store and online. Retailers will need to understand these threats, businesses will find ways of navigating these persistent headwinds.

### Amazon — and Other One-Stop Shops

As department stores fade fast, consumers are also shifting away from large national “specialist” chains. (R.I.P. Toys R Us, Tower Records, ComUSA, et al.) This is another trend the pandemic accelerated: the rise of “generalist” chains like Walmart, Target and Costco due to convenience and price. Shoppers in 2020 dramatically shifted their purchasing to these one-stop big-box stores, to reduce their trips and potential virus exposure.<sup>8</sup>

Amazon, of course, is the ultimate generalist retailer. Its dominance overshadows the entire industry, with unparalleled delivery capabilities, product universe and pricing. But all four of these huge players have expansive capital resources to invest. Smaller specialists, whether they’re chains or direct-to-consumer brands, need to find ways to offer compelling reasons to come back.

### The High Cost of Returns

One area in which Amazon excels is the ease of returns. For all retailers, reverse logistics (the process behind customer returns) has been an expensive problem for years. No business wants to spend time and resources on a product that’s now a liability.

Retailers need to assess the condition of an unwanted item and decide what to do: resell, liquidate or send to landfill. Returned goods can travel hundreds of miles back to a warehouse, which tacks on considerable costs. Between shipping, warehousing, replacements and more, returns cost the industry trillions of dollars each year.<sup>9</sup>

Increased e-commerce has only exacerbated the challenges. Consumers now expect free shipping/returns: 34% of e-commerce shoppers cite lack of free returns shipping as a top reason for cart abandonment.<sup>10</sup> E-commerce also enables in-store returns, however. Nearly 60% of consumers prefer to return online

<sup>8</sup> <https://www.retaildive.com/news/9-retail-trends-to-watch-in-2021/593146/>

<sup>9</sup> <https://www.cnn.com/2019/01/10/growing-online-sales-means-more-returns-and-trash-for-landfills.html>

<sup>10</sup> <https://retailwire.com/discussion/how-can-retailers-avert-a-holiday-returns-catastrophe/>

purchases in person, even during the pandemic.<sup>11</sup> Although it can wreak havoc on in-store inventory control, it's also more economical, with staff able to reprice it and place it in a sale display without repackaging it.<sup>12</sup>

## Digital Cart Abandonment

Another long-standing challenge facing online stores: abandoned checkout carts. On average, across all industries, 7 out of every 10 shoppers leave without making a purchase.<sup>13</sup> It's even worse on mobile, where the abandonment rate is about 85%.<sup>14</sup>

A nearly endless series of reasons can cause shoppers to back out before checkout, from extra costs for shipping and long delivery times, to price comparison shopping across browser tabs and too many required form fields. Success in retail, both in-store and online, is often a matter of optimizing the experience for human behaviour and psychology. But online, it's much easier for a shopper to bail — no person there to convince them otherwise or (subconsciously have to disappoint), and there's no real risk, since it only takes seconds to return if they change their mind.

As more shopping occurs online, the stakes rise for retailers to make the experience as completely frictionless possible.

## Rising Consumer Expectations

As it is, very few consumers are consistently pleased by their online shopping experiences. A late-2020 survey of 4000 consumers in the U.S. and five European countries, found that only 15% of consumers were happy with their recent experiences. The top sources of frustration: pop-ups and advertisements (49%), crashes during checkout (48%), discount codes not working (45%), an inability to find what they're looking for (42%), and a website or app going offline (23%).<sup>15</sup>

The research discovered that for almost a third of consumers, online shopping is associated with boredom, frustration and even anxiety, and 30% said they feel merely “content” with their digital shopping experience.

Retailers' online presence can no longer be an afterthought. According to a retail industry outlook by Deloitte, only three in 10 retail executives said their organizations had mature digital capabilities, and a majority of retailers expect demand for digital interactions to increase through 2021. Customer acquisition costs

11 <https://finance.yahoo.com/news/inmar-intelligence-happy-returns-announce-100000125.html>

12 <https://www.retaildive.com/news/the-omnichannel-age-is-here-and-its-expensive/597653/>

13 <https://baymard.com/lists/cart-abandonment-rate>

14 <https://www.barilliance.com/cart-abandonment-rate-statistics/>

15 <https://www.businesswire.com/news/home/20201214005389/en>



will rise due (on top of everything else) to competition from digitally native retailers, subscription models, and consumer products companies selling direct to consumers.<sup>16</sup>

## Gen Z's Hard-Won Loyalty

The digital natives of Gen Z have grown up with the world at their fingertips. Representing an estimated purchasing power of \$143 billion, they know they have many alternatives to bad online shopping experiences — and all the time they spent with their devices during the pandemic only reinforced that attitude.

A 1,061-person U.S. survey of 18-24 years olds conducted in early spring 2021<sup>17</sup> found that 80% are now more willing to try new brands online since the pandemic, and 57% are now less loyal to brands.

The survey also revealed a third had never purchased anything online before the pandemic, but now, 87% state their online shopping skills have improved. In fact, nearly two-thirds find online shopping now more enjoyable than in-person, and say they want to continue buying almost everything online.

While that offers potential for digital retailers, Gen Z is quick to switch: 63% are now less patient with slow or poorly functioning websites; 37% abandoned a purchase or posted a negative review due to a poor digital shopping experience; 38% of shoppers allow a brand just a single second chance; and if an online store is out of stock, three quarters will simply move to another retailer.

## What's Next?

The picture for retailers can seem bleak. The pandemic has forever altered consumer behaviour — across all generations. Habits were broken and eyes were opened to entirely new ways to shop online and in-store. The biggest players got stronger. For retail stores and brands to look toward a brighter future post-pandemic, they must commit to differentiating their digital experiences.

<sup>16</sup> <https://www2.deloitte.com/us/en/pages/consumer-business/articles/retail-distribution-industry-outlook.html>

<sup>17</sup> <https://www.prnewswire.com/news-releases/brands-at-risk-of-being-cancelled-by-gen-z-new-research-finds-301269352.html>

### 3. Principles of an Enhanced Buying Experience

Given the trends and challenges retailers face, how might they adapt the shopping experience for their customers? The shift to online is likely permanent, and retailers must strive to differentiate themselves with digital experiences that are as carefully designed and managed as brick-and-mortar stores. Several tenets can guide retailers' in their own journey to design a better buying journey.

#### Design Seamless Buying Experiences

The connective tissue between online and physical shopping must now be strong and essentially invisible to customers. Omnichannel retailing is a fully integrated approach that unifies the experience across all channels and touchpoints. Silos may simplify how you operate, but they complicate how consumers shop with you.

As a consequence, a fully integrated e-commerce platform becomes essential. Retailers need seamless communication between online channels and store locations so purchases that are started online can be fulfilled in-person. Inventory transparency matters: now that shopping trips are more intentional, retailers need to ensure the item really is in stock, and where they can find it. Information must be reliable, and in real-time. Running your retail management system in the cloud — technology like virtual POS runs all terminals centrally — helps ensure up-to-the-minute visibility for customers and your operations alike, and reduces the costly headaches of reverse logistics.<sup>18</sup>

Forming new partnerships and alliances can also help create a profitable and digital omnichannel experience. For example, traditional brick-and-mortar companies may team up with digitally native retailers<sup>19</sup> to gain efficiencies and open up cross-channel opportunities for both while expanding customer bases.<sup>20</sup>

#### Personalize the Experience

Offering richer and more personalized shopping will help retailers compete. According to an April 2021 survey, 83% of Gen Z consumers view online shopping as an experience, not a transaction. Three quarters want new and exciting experiences when they shop online, and 71% expect a highly personalized experience.<sup>21</sup>

18 <https://www.lsretail.com/retail-of-the-future-whitepaper>

19 <https://wwd.com/beauty-industry-news/products/dollar-shave-club-debuts-new-look-with-omnichannel-model-1234587729/>

20 <https://www2.deloitte.com/us/en/pages/consumer-business/articles/retail-distribution-industry-outlook.html>

21 <https://www.prnewswire.com/news-releases/brands-at-risk-of-being-cancelled-by-gen-z-new-research-finds-301269352.html>

Appealing to Gen Z is a litmus test for broader market success — they set the bar high. The same survey identified three essential requirements for online retail:

1. Works well on mobile devices
2. Remembers shopping preferences
3. Provides personalized suggestions

In many ways, the enhanced buying experience online should mirror the best in-person shopping experiences, with the ability to quickly get answers to questions and recommendations. For a shopper, customer reviews are hard to trust and wade through; friends in their own social network are more reliable. But from a store's perspective, a knowledgeable salesperson is in the ideal position to understand a shopper's personal preferences and guide them toward purchases they will feel good about.

## Invest in Virtual Experiences

Since the beginning of e-commerce, retailers have often viewed online stores almost as a high-tech form of catalogues, just with a more automated way to find an item and the potential for a more expansive product selection. This approach effectively commoditizes the concept of shopping. The pandemic has demonstrated the limitations of that approach; the largest competitors have all the advantages.

What sets nearly every other retailer apart is their expertise — product selection and style, pairing with complementary items, understanding various features, and how to get the most out of it all. A major retail trend had been to host events and high-touch experiences that brought consumers in store, until the pandemic changed all that.

With shopping increasingly digital, experiences that demonstrate retailers' expertise must move online as well in order to forge connections with customers.

Video is at the core of what it means to engage online. A growing number of consumers discover brands through video content and social media. In one survey, 84% percent of respondents said they've been convinced to buy a product or service by watching a brand's video, and 96% of people have watched an explainer video to learn more about a product or service.<sup>22</sup>

Retailers need to design a seamless process that directly leads to sales. Live chats and chatbots offer limited opportunities, but unanswered questions can lead to cart abandonment.

Live streaming is one area of growing experimentation, helping brands and retailers build direct and meaningful connections. Livestream-generated sales are expected to double to \$120 billion worldwide

<sup>22</sup> <https://www.wyzowl.com/video-marketing-statistics/>

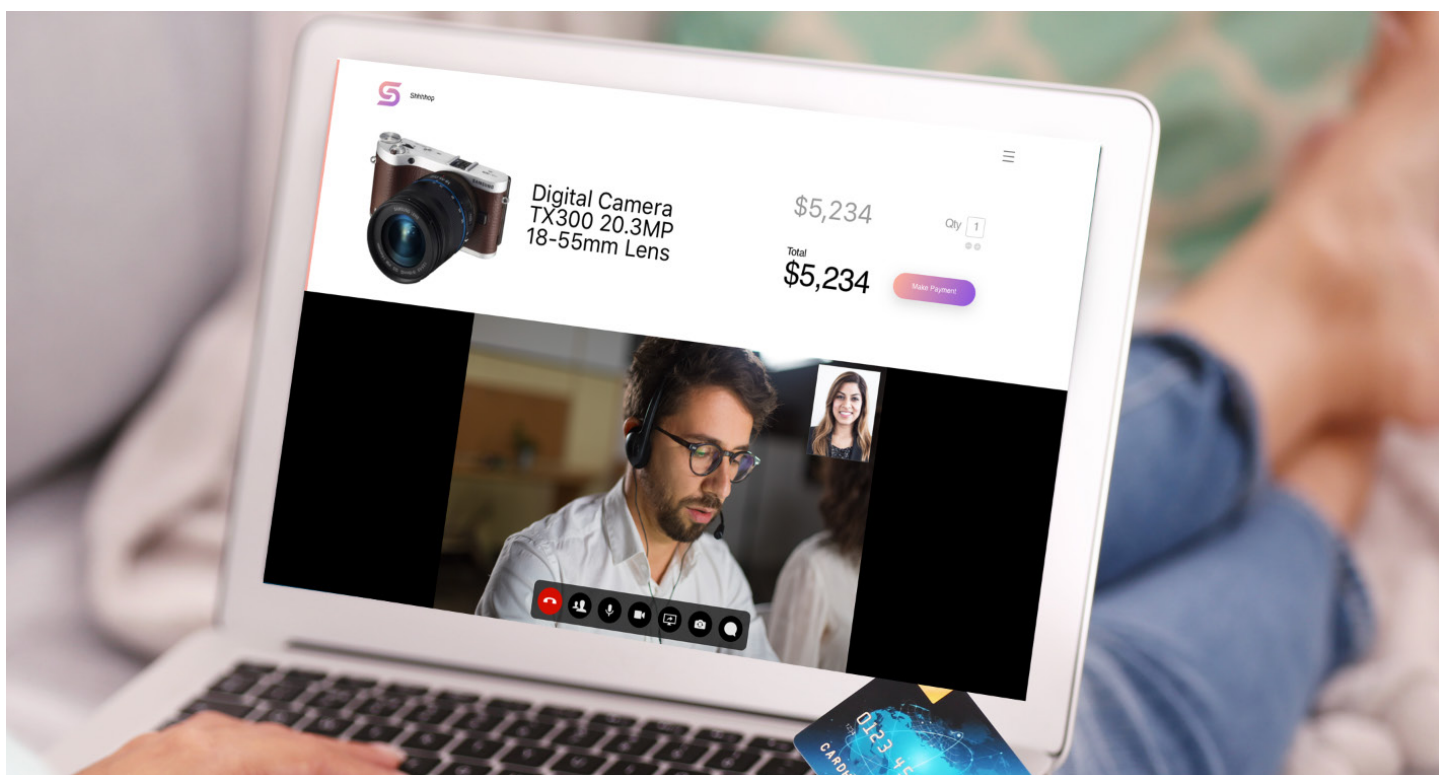


in 2021.<sup>23</sup> Estée Lauder, for example, offers on-demand live streaming through its Clinique Skin School, and hosted more than a million virtual try-on sessions in Summer 2020. As president and CEO Fabrizio Freda said on the company's quarterly analyst call:

*"Even with most retail doors reopened around the world, sales rose 60% organically on our brand sites. We now have virtual try-on across more brands and categories in more markets. In the first quarter alone, we hosted over 1 million virtual try-on sessions globally, with consumers spending more than 30 minutes on average in a session."*<sup>24</sup>

Similarly, high-end retailer Nordstrom has held livestream events with experts from brands like Tom Ford, Giorgio Armani, Anastasia Beverly Hills and more.<sup>25</sup> The Home Depot also livestreams do-it-yourself interactive workshops.<sup>26</sup>

Effective online events engage attendees with a mix of personalization, immersiveness, and one-on-one moments. At the level of an individual customer, video-based customer service offers a virtual way to get questions answered live from an expert, view a product demo, and generally receive guidance throughout the entire buyers' journey.



23 <https://www.prnewswire.com/news-releases/iabs-2021-brand-disruption-report-reveals-covid-19-acceleration-of-key-trends-301168772.html>

24 <https://www.fool.com/earnings/call-transcripts/2020/11/02/the-estee-lauder-companies-el-q1-2021-earnings-cal/>

25 <https://press.nordstrom.com/news-releases/news-release-details/nordstrom-introduces-livestream-shopping>

26 <https://nrf.com/blog/how-nordstrom-and-home-depot-take-advantage-livestreamings-potential>

## 4. The Power of Video Customer Engagement

To stay relevant, retailers must rethink how they communicate with customers.

Shoppers seeking seamless transitions between the web, chat, email, in-person are often disappointed. Getting all of those experiences to interlace is a challenge for retailers — especially offering an in-person experience online.

Embedding video chat can deliver on that vision, connecting customers with product experts, live product demos, and important information during the buyer's journey.

### How to Connect with Customers Using Video Chat

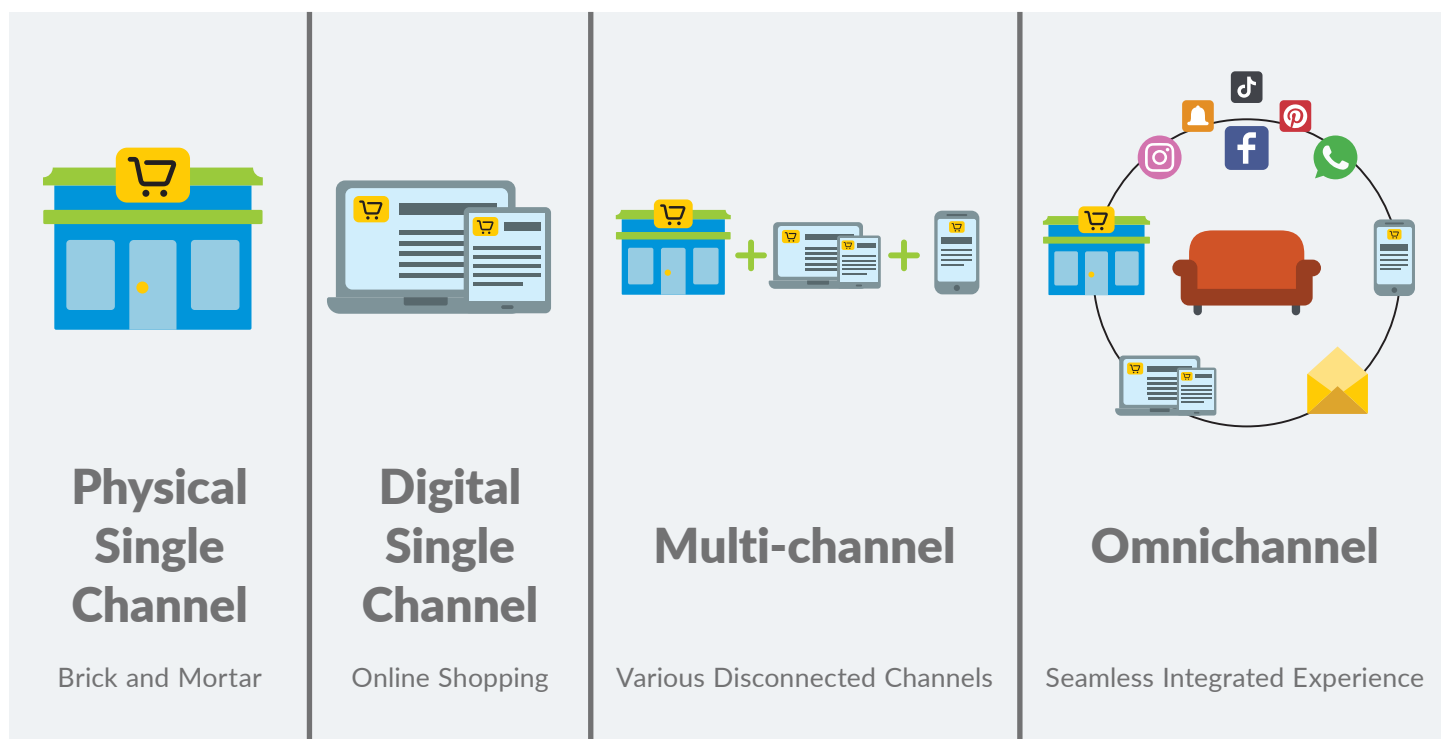
With the right solution, retailers can embed video chat in nearly any customer touchpoint: website, chatbot, social media, mobile apps, even in-branch kiosks. That flexibility allows retailers to create seamless video buying experiences on a wide range of digital devices, initiating scheduled and ad hoc calls all through simple click-to-video chat.

The applications of this easy-to-use technology are myriad:

- Real-time online shopping assistance from sales associates
- Video-enabled Point of Sale kiosks
- Remote expert assessments and consultation
- Interactive contact center video support
- Video tours, virtual demos and test drives



In order to work within the omnichannel reality of retailers, video chat solutions need highly versatile customized workflows. A few potential examples of how it can work:



## Finding the Best Solution

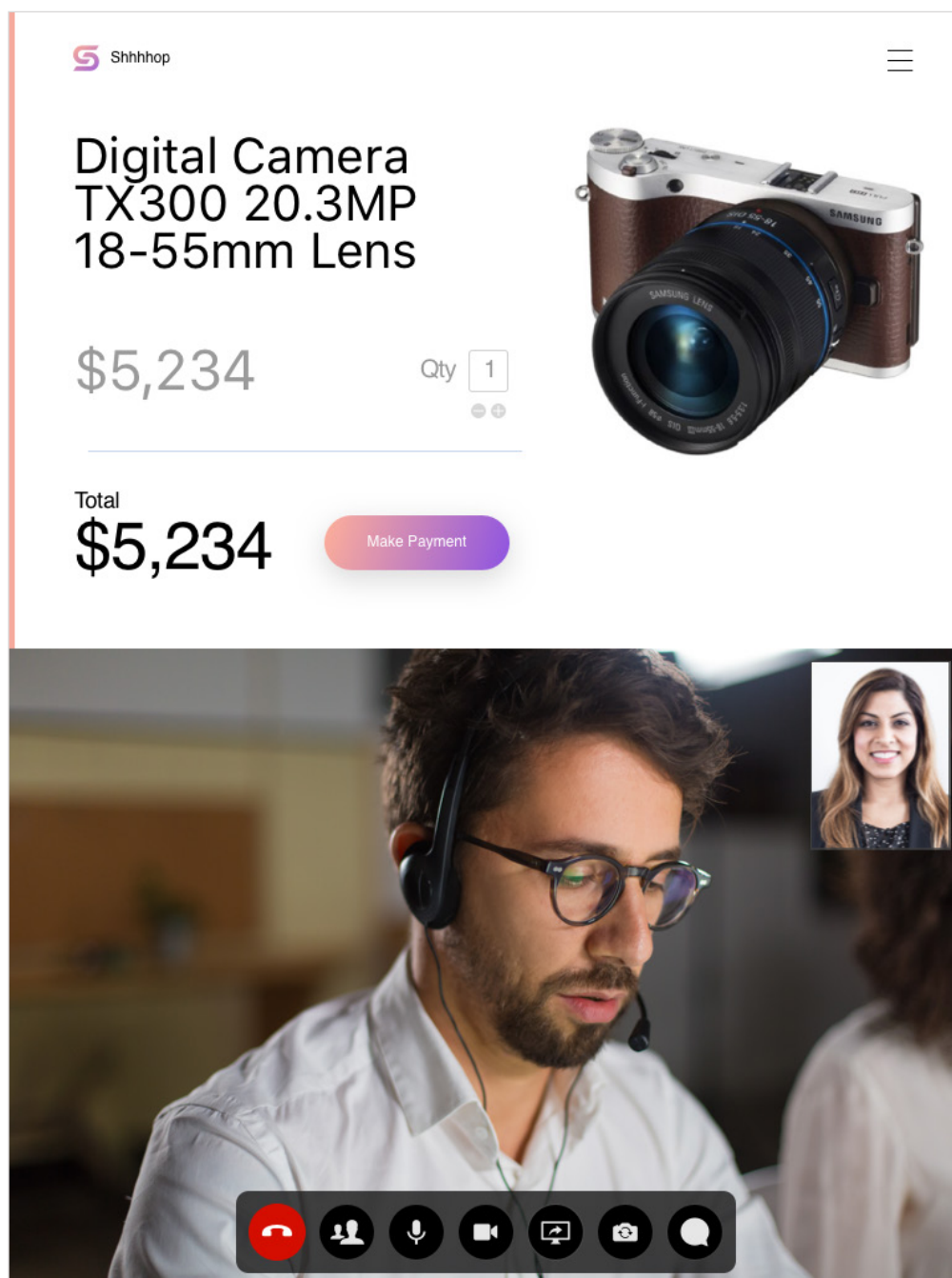
Such personalized attention to customers' needs mirrors the kind of in-store experiences that either may not be possible, or that shoppers have become willing to forgo. They deliver high value to both customer and retailer — preventing revenue loss, introducing up-sell and cross-sell opportunities, improving customer satisfaction and loyalty, and efficiently allocating scarce resources.

Here are 7 key features to consider in any video chat solution:

1. **Consistency across all channels** — Working with a single platform for mobile, online, and in-branch kiosks is important for both operational efficiency, and customer experience.
2. **Fully customizable branding** — **Everything retailers do needs to align with their carefully brand look and feel, and that extends to video interaction. The video, audio and document sharing experience should be in the same style.**
3. **Social media integrations** — Chat apps like Facebook Messenger and WhatsApp that are familiar to customers can provide an easy way to connect.



4. **Routing based on skills** — Connect the customer to the right person to answer their questions. Multiple call queues and branded waiting treatments streamline the experience.
5. **Co-browsing and screen sharing** — Guide customers through product demonstrations via device camera, or helping them make a complex purchase online.
6. **Learn from every call** — Post-call customer surveys, call summary, and reporting provide critical information to agents and supervisors.
7. **Third-party integrations** — Meet unique requirements by building additional application integrations.





## About Enhouse VidyoEngage™ for Retail

Enhouse VidyoEngage™ for Retail combines a best-in-class call center routing technology with an exceptional video communication platform. Together, they deliver a flexible and powerful all-in-one solution that bridges digital experiences with in-person experiences.

To learn more, visit

[www.vidyo.com/video-conferencing-solutions/industry/retail](http://www.vidyo.com/video-conferencing-solutions/industry/retail)

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