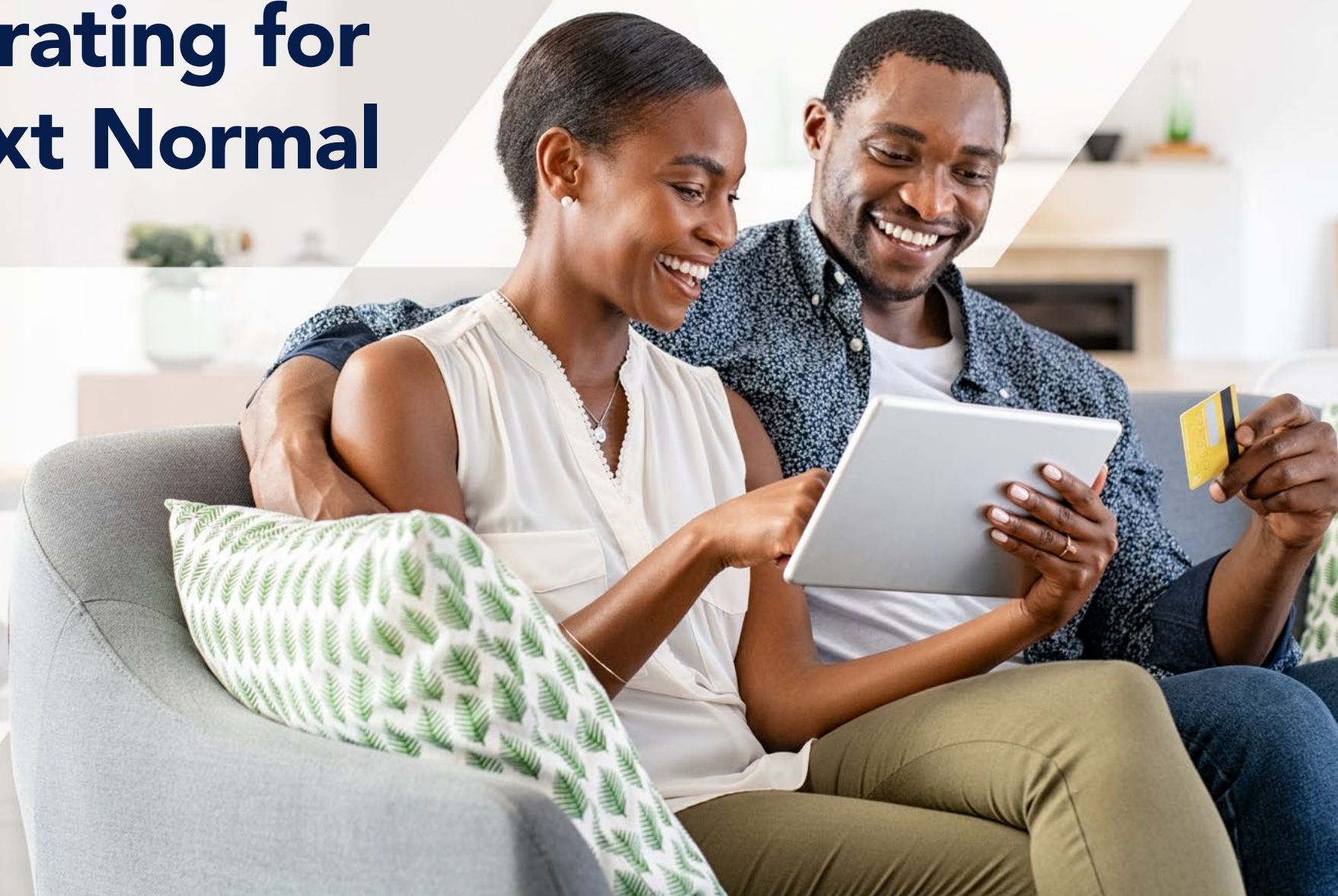


Recalibrating for the Next Normal



Foreword

The global retail industry has grown accustomed to disruption. Over the past decade, we have witnessed seismic structural shifts as the sector transformed for the digital era. More recently, the pandemic, global inflation crisis and wider geopolitical instability have contributed to supply chain disruption and dramatic shifts in customer behavior, continuing to test the industry's resolve.

The pandemic in particular has upended shopping habits, thrusting us into a more digital world. Shopping has changed forever; there will be no return to the status quo. However, we must prepare for a deceleration in the pace of change as shoppers revert back to some semblance of normality, albeit one that is inherently more hybrid than we could have ever imagined prior to the pandemic.

What does this mean for retailers? As the sector recalibrates for this "next normal", retailers must double down on the technologies that help them navigate this disruption and enhance the customer experience — in both physical and digital worlds.

In this report, we explore the biggest technology-enabled consumer trends, based on exclusive sponsored research into their expectations and retailers' ability to meet them.* Retailers are reporting differing business priorities for the coming year, but the most common is focusing on customer service solutions (28%), followed by creating a more sustainable and environmentally aware supply chain (26%) and offering customers the choice of couriers to fulfill their orders (23%).

These are the trends that retailers should focus on to mitigate risk, manage resilience and build for recovery through 2022.

They are:

- › **Recalibrating omnichannel**
- › **A single view of inventory**
- › **Modern stores mirror the modern consumer**

Retailers' most common business priorities for the coming year:



28%

focusing on customer service solutions



26%

creating a more sustainable and environmentally aware supply chain



23%

offering customers the choice of couriers to fulfill their orders

3,500 adult (18+ years old) consumers were surveyed about their sentiments and attitudes towards the role of the physical store, innovative fulfillment options, inventory visibility, convenience, consistency across channels and the shift in commerce.

700 management or senior-level officers in Tier 1 retail organisations (generating more than \$100m in annual revenue) were surveyed about their technology-based investment plans to support ecommerce, reduce customer friction and increase fulfillment options. Respondents represented retailers operating stores and online venues in the following sectors: Grocery; Consumer Electronics; DIY and Home Improvement; Beauty; Sporting Goods; Fashion; and Pets.

Consumer and retailer respondents were based in the following countries: France, Germany, Italy, The Netherlands, UK and USA.

* Research findings of this report are based on primary consumer and retailer research carried out via online surveys starting in February 2022.



TREND #1

Recalibrating omnichannel

The pandemic served as the ultimate catalyst for ecommerce growth, allowing retailers to continue serving shoppers digitally when physically wasn't an option. Since COVID restrictions have eased, we have witnessed some reversion to pre-pandemic shopping habits and, therefore, a natural deceleration in online sales growth.

However, it's important to bear in mind that the overall share of global retail sales that take place online remains higher than pre-pandemic, and it is becoming increasingly difficult to distinguish between physical and digital retail due to the accelerated adoption of click & collect and in-store technologies that blend both worlds. Therefore, the ability to fulfill online orders — flexibly, efficiently and profitably — remains business-critical.

Consumer expectations

Eight in 10 consumers surveyed consider home delivery to be the most important delivery service when shopping online, through a catalog, via mobile app or through a call center.

Just over one-third of consumers, meanwhile, consider click & collect to be the most important delivery method, followed by contactless/curbside pickup (19% of consumers). Although there are some clear overarching themes, it's important to call out the regional variations here. For example, just 10% of Dutch consumers consider contactless/curbside pickup to be of material significance compared to over one-third of consumers in the US, a market where car dependency is high and curbside services have proliferated throughout the pandemic. Meanwhile, nearly half (44%) of UK consumers believe that a combination of click & collect options is the most important method of delivery.

Consumers are increasingly demanding flexibility in delivery dates and, to a lesser extent, cost options. Almost two-thirds (65%) would like to have a choice of couriers and delivery dates, and 18% would like a choice of couriers with different cost options. When it comes to fulfillment, clearly one size no longer fits all.



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TREND #1 RECALIBRATING OMNICHANNEL

However, the cost of delivery remains a barrier to online shopping with over half (55%) of consumers stating they would abandon an online order and shop elsewhere due to the retailer charging a high delivery fee. One in 10 would do this because of an inconvenient delivery date (11%) or an inconvenient returns process (11%).

Retailer capabilities

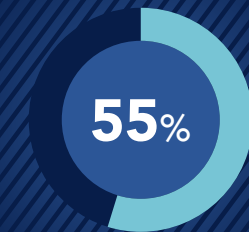
Retailers' online fulfillment capabilities are largely on par with customer expectations around delivery: More than two-thirds (68%) of surveyed retailers reported that home delivery is the most popular delivery option for their customers, with 'same-day home delivery' (26%) and next-day delivery (26%) beating out home delivery of 2+ days (16%).

Around a quarter (24%) report click & collect services as the most popular, which should serve as a reminder to retailers that reliability and the ability to collect on the shopper's terms can often trump speed. What is more, as consumers return to normality and spend less time in the home, the risk of missing a delivery increases — making click & collect an increasingly attractive option.

Perhaps unsurprisingly, a mere 5% of retailers report same-day click & collect as the most popular delivery option, owing to the more niche nature of this shopping mission and the lack of offering among retailers due to poor inventory visibility.

However, this will become more important in the future as shopper expectations continue to soar while the barriers between physical and digital continue to break down. Although retailers recognise their customers' need for speed and convenience, the numerous channels and methods require careful consideration and streamlining to be as efficient as possible without impacting customer experience.

The most common method of fulfilling an online order is from regional distribution centers via their own trucks (43%), followed by shop stock for collections and shopping (39%). This is flipped from 2021, where shop stock was the most common method of online fulfillment (44%). In order to speed those methods up even further, 68% of retailers report that their organization operates a micro-fulfillment strategy.



of consumers state they would abandon an online order and shop elsewhere due to the retailer charging a high delivery fee

TREND #2

A single view of inventory

The pandemic has reinforced the need to turn physical stores into fulfillment hubs. While stores were initially viewed as liabilities in this digital era, retailers have since recognised the vital role their bricks & mortar spaces play in facilitating online sales — through click & collect, returns, endless aisles, saving the sale, same-day delivery and more. All of this makes the need for a single inventory view more pressing than ever.

The store's role will become more strategic, as retailers recognise the benefits of repurposing the space to capitalize on hyper-proximity. Shoppers today expect to shop on their own terms; therefore, it is essential that retailers provide a choice of flexible fulfillment options.

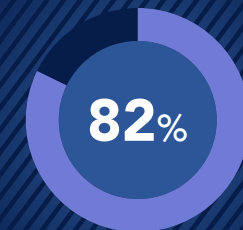
Consumer expectations

It is common knowledge in the retail industry today that most sales are digitally influenced. In fact, a whopping **82% of consumers prepare for an in-store shopping experience by looking online.**

The most common reasons for doing this are to see what the best offer is (46%), to find out more about the product before they purchase (44%), to make sure the product is in stock (42%) and to read reviews (41%).

While the proportion of consumers utilising an online approach before in-store shopping remains stable from 2021, the reasons for doing so have increased. For example, in 2021, 40% of consumers would go online to see the best offer before shopping in-store, compared to 46% in 2022. This increase, despite the return to bricks & mortar retail, is perhaps an indication of shoppers' digital skills outlasting the pandemic as well as the need to hunt out the best deals due to growing inflationary pressures on household budgets.

The biggest increase, meanwhile, is in those who read reviews beforehand — going from 33% in 2021, to 41% in 2022. It's also important to bear in mind that such digital touchpoints are also taking place at the point of purchase, whether through a mobile device, endless aisles or electronic shelf labels.



of consumers prepare for an in-store shopping experience by looking online

TREND #2 A SINGLE VIEW OF INVENTORY

When it comes to staff interactions in-store, most shoppers (51%) agreed that having product knowledge is the most important aspect of service they could receive. This is followed by the ability to show and demonstrate the product (19%) and having a personal experience of products (9%). Again, it's important to note regional differences here. For example, in markets like the UK and US, the ability to check stock availability is growing in importance with roughly 12-13% of shoppers stating it is the most important aspect of service provided by a shop assistant. This compares to just 1% of German shoppers.

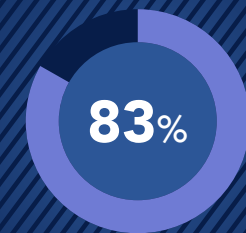
If a product is out of stock, nearly one quarter of consumers now expect the shop assistant to 1) check availability in a nearby store or 2) order the product for home delivery or collection. The latter is becoming increasingly common in markets like France (26% of consumers) and Italy (30%).

Retailer capabilities

The majority of retailers believe they are adequately serving today's hyper-informed, digitally influenced shopper. In fact, 83% of surveyed retailers in 2022 stated that they have a level of interconnection between their online and in-store functions, up slightly from 2021 (81%). Yet, only around half are doing any of the following: buy in-store and return online (50%), order online if out of stock in-store (50%) and buy online and return in-store (46%). **While most retailers recognize the importance of a seamless omnichannel experience, they could be doing more to facilitate it in practice.**

If a return is made in-store, nearly all (99%) of retailers make the product available for resale if it's in the right condition, with 38% making it available online, 25% putting it on the shop floor and 27% doing both. Retailers report that their organization operates a micro-fulfillment strategy.

Retailers could be doing more to facilitate a seamless omnichannel experience:



of surveyed retailers have a level of interconnection between their online and in-store functions

50%

buy in-store and return online

50%

order online if out of stock in-store

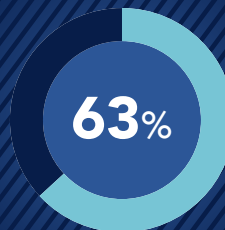
46%

buy online and return in-store

TREND #2 A SINGLE VIEW OF INVENTORY

Yet, only 6% of retailers believe that they have an accurate overview of their inventory across the business (in-store and online) 100% of the time. This could mean that the stock management, delivery and returns operations could be quite cumbersome — streamlining this would mean a more satisfactory experience for shoppers both in-store and online as well as create efficiencies and reduce wasted stock for the retailer.

Nearly two-thirds of retailers (63%) agreed that checking stock availability is the most important customer-facing duty performed by their shop assistants. Yet, when it comes to managing out-of-stocks, only half of surveyed retailers stated that they are able to order online and advise the customer on fulfillment options (ranging from 37% of retailers in Germany to 61% of French retailers). Clearly, more investment in this space is needed to keep up with rapidly changing customer demands.



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TREND #3

Modern stores mirror the modern consumer

With shopper behavior changing so radically over the past two years, retailers have learned the true meaning of agility. Retailers have pivoted — and then pivoted again — as demand shifted. Today, retailers must not only seamlessly meet customers wherever they are, but also continue to proactively cut friction and optimise service levels.

Hyper-personalization and connectivity are vital in this customer-is-king era. Store associates have the power to be a retailer's best asset. Moreover, just as the role of the physical store has gone beyond selling, the role of the store associate will dramatically evolve, too. With more automation, retailers have the potential to free up staff time to focus on more valuable, and ideally tech-enabled, customer interactions. Providing store associates with access to real-time information is therefore more important than ever. We are witnessing the democratization of white-glove service.

Consumer expectations

The pandemic has accelerated the adoption of contactless payments and frictionless checkout. While two in five (40%) consumers still favour a traditional sales checkout in-store, a notable proportion would like to use more digitalised methods such as self-checkout on the shop floor (19%), Scan and Go via a shop or mobile device (12%), checkout with a shop assistant via a mobile device (8%) and Amazon Go (5%). Customer demand for digitalization and seamless shopping is outlasting the pandemic; though, again, we should not discount the importance of human interaction.

It's also important to bear in mind regional variations here. Self-checkout, for example, is the preferred method of checkout for nearly 30% of US consumers, compared to just 12% of consumers in Italy and 13% in Germany. Even within Western Europe, the differences can be quite stark. Adoption of Scan and Go in the Netherlands is quite high, with nearly one quarter of Dutch consumers stating it is their preferred checkout method, compared to just 6% in France.



TREND #3 MODERN STORES MIRROR THE MODERN CONSUMER

When it comes to communicating with retailers — both pre- and post-purchase — the majority (54%) of consumers would turn to email, followed by online chat (40%). Social media, meanwhile, could be better utilised for relationship building between retailer and consumer. While only 15% of consumers report social media as a communication channel, they'd be likely to use it to interact with a retailer, as evident in the finding that six in 10 (58%) consumers would like to have a level of social media interaction with a retailer.

Finally, with the pandemic having shone a light on the environmental impact of consumption, sustainability continues to be a growing concern for consumers. The ESG revolution continues to reshape shopping patterns, consumption choices and customer expectations from retailers. In fact, **just over half (51%) of consumers report that the environmental/sustainability efforts of a retailer are important or top considerations when choosing where to shop.**

Retailer capabilities

Almost three quarters of surveyed retailers provide shop assistants with handheld devices that show a consolidated view of inventory across the network (74%) and of customer transactions online and in-store (73%).

Providing these tools not only arms shop assistants with knowledge about the product (which is the most important aspect, according to consumers – 51%), but also supports the most important customer-facing duties that retail decision makers feel shop assistants provide — checking stock availability (63%) and upselling/cross-selling product lines (63%).

Promisingly, one of the most common priorities for retailers was creating a more sustainable and environmentally aware supply chain, which 26% placed in their top three priorities. While the sustainability efforts from retailers and expectation from consumers might not match right now, there is indication that this will be closer together in the future.



51%

of consumers report that the environmental efforts of a retailer are important considerations when choosing where to shop

Conclusion

Nearly three in 10 (29%) of senior retail decision-makers state that great customer service is one of the three primary ways their organization encourages customer loyalty.

Although great customer service is key, over half of consumers (58%) reported that value for money is the key loyalty driver for them — a clear reflection of the challenging economic backdrop. This was followed by great products (40%), great customer service (40%) and helpful shop assistant (24%), demonstrating that the foundations of great retailing — providing quality products at an appropriate price — is still important to how organizations establish a loyal customer base.

But the research findings suggest there is a disconnect between what retailers say they provide customers and how well this meets those customers' expectations.

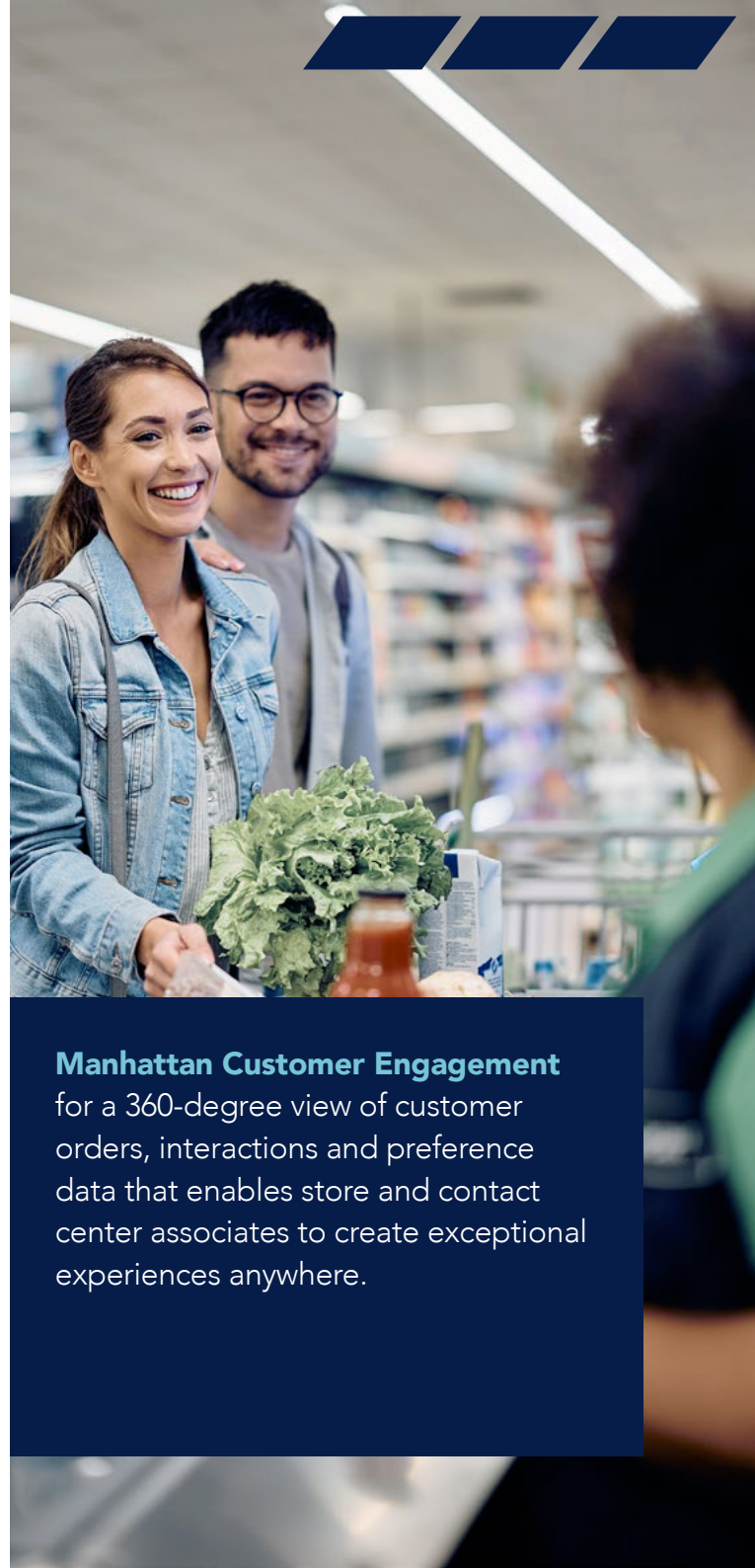
While retailers may understand how important it still is to get the basics right, many have some way to go before they can all say they are not just meeting, but exceeding rapidly, evolving technology-enabled expectations.

In order to keep pace with post-pandemic consumer demands in the 'new normal', Manhattan Associates provides:

Manhattan Active® Allocation, so fashion retailers can open up inventory allocation across online, stores and distribution centers, to offer omnichannel fulfillment fully aligned with cross-channel inventory consumption.

Manhattan Active® Omni Store Inventory & Fulfillment for retailers and their stores to offer any combination of fulfillment: ship from store, pickup in-store and even contactless curbside pickup. Associates need intuitive tools and guidance, and customers need real-time updates and communication about their orders.

Manhattan Customer Engagement for a 360-degree view of customer orders, interactions and preference data that enables store and contact center associates to create exceptional experiences anywhere.



Capitalizing on trends

Where to start

As our research has underlined, consumers are raising the bar for retailers in terms of their in-store and online expectations. As physical retailers continue to evolve, the challenge is for them to work with technology, processes and people in new ways to satisfy customer expectations. Manhattan Active® Solutions enable enterprises to optimise large and complex operations, adapt to market and demand changes, and iterate and innovate with speed.

We're here to help — and we're ready to start when you are.

Manhattan Associates is a technology leader in supply chain and omnichannel commerce. We unite information across the enterprise, converging front-end sales with back-end supply chain execution. Our software, platform technology and unmatched experience help drive both top-line growth and bottom-line profitability for our customers.

Manhattan Associates designs, builds and delivers leading edge cloud and on-premises solutions so that across the store, through your network or from your fulfillment center, you are ready to reap the rewards of the omnichannel marketplace.

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