ebook

Staying ahead in retail payments

A roadmap of customer trends and fintech solutions that are shaping the future of retail

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Forging a
new path

The bounceback the retail industry has been waiting for has begun. 2021 proved to be a major turning point, with new store openings in the US being roughly equal to the number of store closures.[1] Global retail sales are expected to hit $26.7 trillion in 2022 — surpassing the pre-pandemic figure of $24.8 trillion.[2]

This was a welcome contrast from 2020, which saw global sales falling by almost 6% — a decline of $1.4 trillion.[3] The US alone saw over 12,000 store closures,[4] with over three dozen major retailers filing for bankruptcy.[5]

But this bounceback is not a return to the old status quo. With every evolution comes new challenges, and this shift is no different. The rapid digitization of retail businesses and their expansion of e-commerce is persisting. New customer behaviors forced retailers to adapt, and these positive changes have become a permanent part of their businesses. Here we discuss the major trends impacting retail and what merchants can do now to get ahead of the curve.

Customer behaviors shaping the industry

Although customers are still heavily shopping online, they're also physically returning to stores. A survey by PwC of over 9,000 consumers across 26 territories in late 2021 found that almost half visit a physical store at least once a week.[6] As we enter the middle of 2022, this figure will only have risen — a more recent survey showed that 85% of consumers plan to do more in-store shopping this year.[7]

From emerging trends to customer expectations

Endless aisles

Curbside pick-up

Touch-free experiences

Alternative payment methods

50%

shop in-store 1x per week

85%

plan to shop more in-store

The return to stores has come with heightened expectations around safety and digital engagement. Customers want a way to pay without having to touch store-owned devices. They want to be able to find what they want on the physical shelves as easily as the digital ones. And they want to be able to collect (or return) their items with the least amount of hassle as possible.

To thrive in this environment, retailers must continue to adapt to the major trends shaping the retail landscape. Being willing to adopt new technology and approaches to meet shoppers' expectations will be critical to longevity. Being "omnichannel" is not enough when consumers expect unified experiences.

4 major trends
shaping the retail
landscape

1

Digital fatigue cements even as e-commerce continues to accelerate

The pandemic forced a huge leap forward in retail e-commerce. Total e-commerce sales in the US hit $870 billion in 2021 — more than 50% higher than 2019 — and comprised over 13% of all retail sales.[8] Globally, the figures are even higher, with e-commerce accounting for almost 20% of retail sales in 2021. This proportion is forecasted to reach the 25% mark by 2025.[9]

Total e-commerce sales in the US

2019: $435 billion

2021: $870 billion

E-commerce accounting for 20% of retail sales
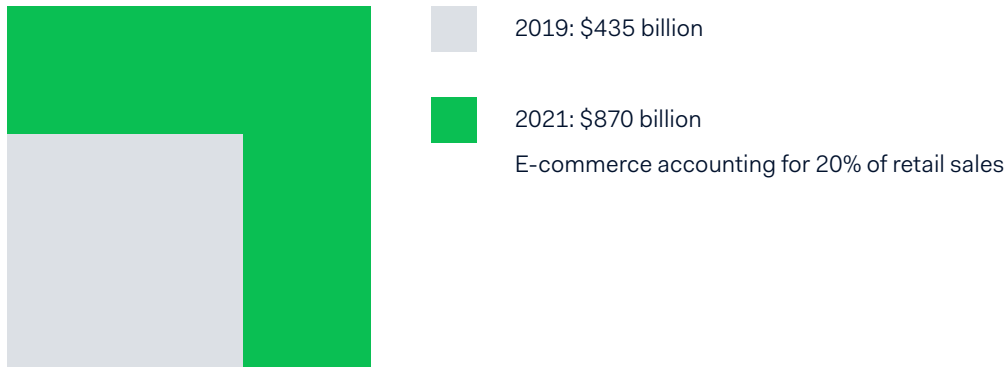
The takeaway

E-commerce isn't slowing down; it's only continuing to accelerate. But amid this acceleration, digital fatigue is setting in. Gartner predicts that by 2023, e-commerce will cease to be a differentiator in the retail marketplace.[10]

As Gartner emphasizes, this does not mean that e-commerce will lose its importance. Rather, it means that the battleground is shifting from the digital plane back into the physical world. This is why retailers are scrambling to deliver digital experiences that can mimic the in-store experience as much as possible.

But even as the digital shopping experience evolves, customers are still expecting the same cross-channel experiences they had during the pandemic — from BOPIS (buy online and pick up in store) and contactless payments to curbside pickup and delivery. Their return to physical stores have come with increased expectations. They want the boundaries between the physical and digital experiences to be as seamless as possible.

The opportunity

E-commerce is quickly shifting from being an advantage to being the status quo. For retailers to future-proof their businesses, they must be able to seamlessly and synergistically merge both offline and online channels to offer a unified yet flexible customer experience.

This takes more than just delivering front-end omnichannel experiences to customers. For it to be both efficient and synergistic, the back-end systems operating behind the scenes must similarly be interconnected. Any disconnect when transitioning from online to in-store frustrates customers. Closing this gap is key to getting ahead of the curve.

Omnichannel
Siloed systems

Unified commerce
Everything connected

But how do you make it happen? It's about connecting traditionally disparate systems — POS, OMS, ECOM storefront, CRM. Making sure that they don't just talk to each other, but that they flow together — providing unified experiences for your customers and your business.

2

Hyper-personalization demands clash with heightened data privacy awareness

It's no secret that customers want and expect personalized experiences. Personalization is closely tied to convenience — the more personalized a shopping experience is, the less time and effort it takes to get what you want. When brands make those personal efforts, customers notice the difference.

The pandemic has only heightened such expectations. Even seemingly minor points of friction — whether having to scroll through a few pages of less-than-relevant options to find what they want or having to type in a credit card number or billing address — causes shoppers to click off and abandon carts.

The only way to deliver hyper-personalized experiences at scale is through leveraging customer data. But customers are becoming increasingly aware of how corporations collect and monetize their data. They are now more conscious of privacy issues and reluctant to share the very data needed to meet their own expectations.[11]

Such data collection challenges are also exacerbated by stricter regulations like the GDPR and CCPA — not to mention by corporations catering to such awareness. But these challenges create an opportunity for retailers who are able to still gather useful customer data compliantly and at scale.

The opportunity

Retailers who can successfully integrate their operations — from front-end customer data to back-end inventory management — stand to win not just the battle for customers, but also improve their own operational efficiencies. They must be able to capture customer data as part of transactions, and use such data to better manage their inventory.
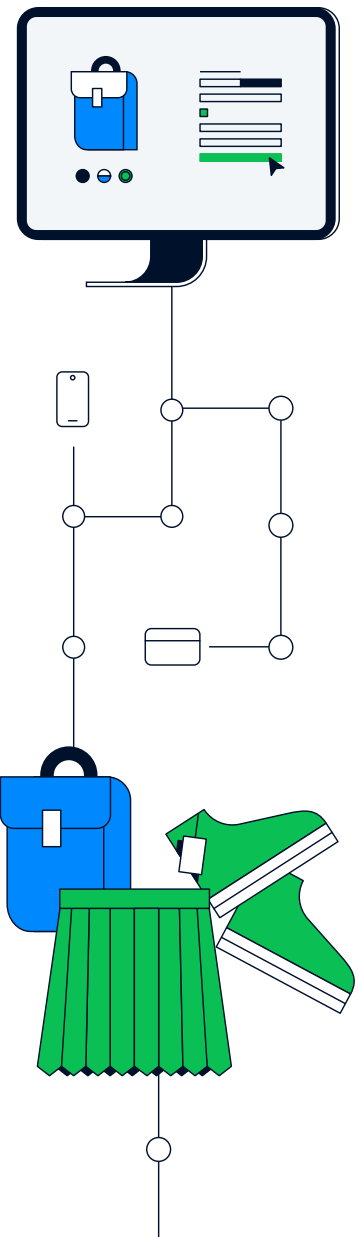
Technology will be critical for this. AI and machine learning are increasingly becoming must-haves to optimize and streamline product assortments, as well as to better manage inventory. It's no wonder then that Gartner analysts forecast that by year end 2025, all global multichannel fashion retailers will use AI and automation to create more targeted assortments, reducing product options by up to 30%.[12]

Even then, perfect inventory management is impossible. This makes the ability to offer seamless and unified omnichannel customer experiences even more important as it acts as a crucial relief valve on inventory pressures. If a customer can't find their desired product on one channel, they should have other channels they can easily and conveniently fall back on.
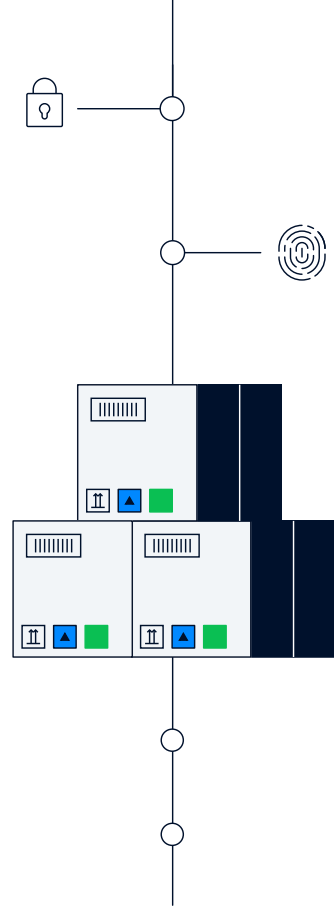
AI and automation are must-haves

100%

of global multichannel fashion retailers by 2025

3

Supply chain disruptions complicate inventory management

Then there's the issue of inventory. Already, the ongoing supply chain disruptions have made allocating inventory to the right place at the right time a substantial challenge. Throw in customers' heightened expectations of having their desired products when they want wherever they want, and you have a recipe for increased strain on inventory management.

A survey by Deloitte found that 80% of retail executives believe customers will prioritize stock availability over retailer loyalty.[13] Fortunately, customer surveys do indicate that they may not be as fickle as the executives believe. A recent survey showed that almost 60% of global customers would wait for their favorite brand's products to be back in stock. US customers are even more loyal, with two-thirds saying they would wait.[14]

Loyal customers will wait for restock

60%

of global customers

2/3

of US customers

4

Retail labor exodus stresses operations, talent retention, and productivity

According to Deloitte, 83% of retailers are investing the most heavily in employee recruitment and retention.[15] This should come as no surprise. The "Great Resignation" of 2020–2021 did not affect all sectors equally. Retail has been one of the hardest hit, with research indicating that about 4% of the retail workforce is resigning each month. To make things worse, about half of these leavers have said they have no intention of ever returning to the industry.[16]

Higher wages don't appear to be doing enough to stem the tide. Although average pay for retail workers now stands about 13% higher than pre-pandemic levels, the employment gap has only widened. This gap is directly impacting retailers' finances, with over two-thirds of respondents in a recent retailer survey noting that labor problems have caused them to struggle to meet sales targets.[17]

This labor shortage has a cascading effect that can extend throughout the entire supply chain. But because it is affecting the entire industry, it also creates an opportunity for retailers that can reverse this talent outflow.

The opportunity

Retailers that understand how to retain talent can leapfrog the competition and deliver superior customer service — not to mention enjoy cost savings and greater efficiencies. But wages are just one part of the overall talent retention equation. In fact, a survey of 2,500 frontline retail workers in the U.S., UK and Australia found that, of those planning to leave their jobs, 58% cited burnout as the top reason.[18]

Therefore, the big question facing retailers is — how do I make the jobs of my front-line staff smoother and easier?

One solution is having technology that doesn't let your employees or the customer down. This way, your shoppers are able to get what they want when they want it, while making your technology easy and attractive to employees. There are multiple factors at play here — the mechanics of supply chain, but also the personalized experience that brands offer.

5 questions retailers must answer to capitalize on new opportunities

1

How can retailers satisfy customer expectations no matter where they buy from?

How can retailers deliver on the "total customer experience"? The truth is, with the ongoing supply chain disruptions, there is no one perfect solution that can guarantee that the customer gets what they want when they want how they want every time.

But what you can do is greatly increase the odds of being able to deliver on this promise. The only way to do that is by leveraging universal commerce services across as much of the retail experience as possible — from inventory management and customer data analysis to payments and cross-channel experiences.

This level of integration is known as Unified Commerce, the next evolution of omnichannel. Most businesses today are omnichannel, and have silos and limited ability to see integrated insights. In a unified commerce platform everything is connected.
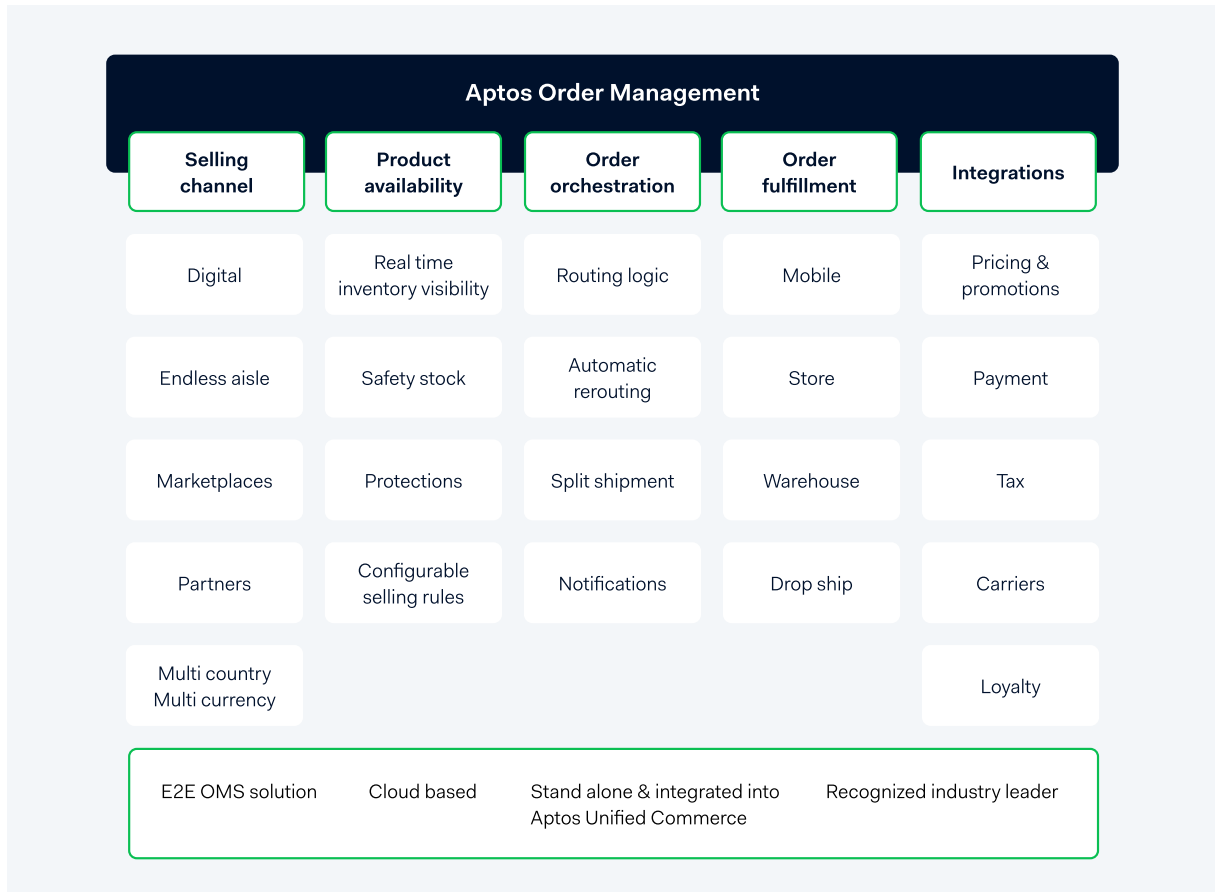
How Adyen and Aptos can help

The combination of our technology and insights provides a potent solution for implementing unified commerce across your retail operations — encompassing customer payments all the way to inventory. The Adyen/Aptos Payment Solution works with all of Aptos' retail management solutions, including its market-leading POS and Order Management applications.

Aptos enables you to optimize inventory location and ordering processes across all channels, giving you real-time inventory visibility — combined with powerful order brokering and sourcing logic — from a central commerce hub. Every ordering process and customer promise can be kept on track with extensive

order monitoring and reporting. This includes store connection monitoring, in-store order monitoring, order history, and SKU demand.

Aptos' integration with Adyen adds front-end payments to this mix. Imagine a shopper being able to return their purchase and receive a refund via their original method of payment — without needing to present their card. Or being able to send a customer a payment link, allowing for a secure and compliant payment process even when your customer support staff are working from home. Or a shopper buying something online and picking it up from the curb the very next day.

Aptos Order Management

Aptos Order Management				
Selling channel	**Product availability**	**Order orchestration**	**Order fulfillment**	**Integrations**
Digital	Real time inventory visibility	Routing logic	Mobile	Pricing & promotions
Endless aisle	Safety stock	Automatic rerouting	Store	Payment
Marketplaces	Protections	Split shipment	Warehouse	Tax
Partners	Configurable selling rules	Notifications	Drop ship	Carriers
Multi country Multi currency				Loyalty

E2E OMS solution	Cloud based	Stand alone & integrated into Aptos Unified Commerce	Recognized industry leader

Aptos Order Management includes a complete arsenal of order management tools capable of managing high volumes of orders across multiple channels and locations, while delivering the services shoppers now demand.

2

How can I deliver personalized customer experiences using payments data?

Data is valuable but increasingly hard to capture. But there is one source of rich customer data that is always available — payments. Payment data is one the most reliable and useful forms of customer data retailers can collect. It is the glue that links the actual dollar amounts customers are spending their hard-earned money on, the products, and the customer themselves.

With payments data, you can find customers that haven't shopped with you for a while and apply the right loyalty bonuses, personalized offers, or even survey them. You can assess your returning customers' sales channel preference, average transaction value and frequency — allowing you to know when,

what channel, and what price point to use so they're back shopping with you.

But such data is only useful if you have a unified view of what the customer is trying to accomplish. Imagine a shopper who uses different payment methods for different channels. Maybe they use credit cards for buying online and delivering to their home while preferring cash and carry when physically visiting the store.

But if your payment data is not flowing into a single system, reconciling all that fragmented data and converting it into actionable insights becomes a time-consuming and inefficient task.

How Adyen and Aptos can help

This is where our technology and industry knowledge come into play. Our partnership gives you the tools to get to know the customer behind each payment, link transactions to individuals, and build a deeper understanding of customer behavior, all in a compliant manner. All in one unified platform. Adyen uses tokenization to enable you to recognize returning customers across channels without storing sensitive card data.

This integration can also have a positive impact on customer loyalty. You can connect your loyalty

program to your customers' payment cards, overcoming customers' understandable reluctance to install yet another loyalty app on their smartphones.

Even without a loyalty program, customer information can be linked to their payment method, offering a means to identify customers where they may typically be anonymous (in physical stores). And it's easy to track customer behavior and assign loyalty points, regardless of which channel a customer buys from or which payment method they use.

3

Why do POS systems need to be unified and offer local payment methods?

Point-of-sale (POS) systems have multiple roles to play in a retail operation. First, they must be able to cater to the myriad ways a customer can pay — from basic credit cards and cash to mobile wallets and QR codes

And this varies by country. Shoppers in Germany might prefer to use girocard, while those in China might prefer WeChat Pay or AliPay. The ideal POS system must also be able to support these diverse payment methods across multiple channels.

Next, it must be able to be seamlessly integrated into the unified commerce model. This means allowing customers to reuse their credit cards across platforms and transactions, whether it's creating mixed carts, returning products, or subscribing to services.

It also means feeding into both data analytics and inventory management. We've discussed how this can aid both the customer experience and internal efficiencies. But it can also boost your business's agility.

The more scattered your operations are across systems and channels, the harder it is to pivot. Centralized payments allow you to easily expand to new sales channels — a crucial capability in today's fast-changing world.

The problem is getting all these capabilities in a single POS solution. Often, retailers need multiple solutions to do so — defeating the whole point of having a unified commerce platform. Often, they need multiple solutions to get these capabilities, which in itself creates silos and defeats the whole point of having a unified commerce platform.

How Adyen and Aptos can help

The Adyen integration with Aptos offers retailers all of the above unified commerce capabilities in a single POS system. And all it takes is just one simple integration.

In addition, these capabilities extend across the globe. No matter which country you operate in, we will be able to support their most popular local payment methods. With the Adyen/Aptos Payment Solution, expanding your payment systems will feel more like a new store rollout rather than taking on a completely new payment initiative.

4

How can retailers elevate the associate experience to avoid turnover?

Raising wages to boost staff retention may be a tried-and-true tactic — but it's also a very costly one. And in an increasingly competitive landscape where margins are constantly under pressure and shoppers have more choices than ever, this is not a sustainable long-term solution.

But what can be done is to make the jobs of the frontline retail staff simpler and easier. And one of the best ways to do so is cutting down the complexity during the payments process. Shoppers are demanding more payment methods, and it is in retailers' best interests to cater to such demands. But if you're only able to do so at the expense of adding greater stress to your frontline staff, then you might be incurring invisible tradeoffs.

Imagine if your staff needs to juggle different devices for different payment methods. From the shoppers' perspective, they might be expecting a fast and simple transaction. But when faced with the reality of a slow, complicated, and head-scratching process that spans multiple devices and payment points, they might understandably be frustrated.

And as we know, frustrated shoppers often take it out on the frontline staff. This is a big reason why attrition is so high in these customer-facing roles.

How Adyen and Aptos can help

The Adyen/Aptos Payment Solution gives you the best of both worlds. You can offer a greater variety of payment methods while simplifying processes for your frontline staff.

Because everything is centralized, everything they need to provide a great customer experience — from smooth transactions to customer loyalty programs — can be handled through a single intuitive POS system. Then your frontline staff can focus on selling and relationships, the things that really move the needle in your business.

Plus, there are advantages created by the back-end processes. Superior inventory management thanks to Aptos means a greater chance of your customer getting their desired product via their preferred channel at their preferred time. Rich mobile solutions that are easy to learn and use and that give store associates more tools — to handle everything from customer inquiries and product searches to selling and stock management — lead to more satisfied customers and a better experience for your frontline staff.

5

How can I transition my disconnected, legacy tech with minimal disruption?

Technology is essential in order to continuously adapt to a fast-changing environment, boost internal efficiencies, and satisfy customers' ever-increasing expectations.

Yet, in most cases, adopting new technology is easier said than done. Upgrading legacy technology can be a time-consuming and resource-intensive process — not to mention the fact that such upgrading can cause substantial disruptions in day-to-day operations.

This is a significant barrier that holds many retailers back from upgrading their legacy tech stack — even if they realize the benefits of doing so. The result? By the time they muster enough motivation to overcome this inertia, they may already be behind the curve and scrambling to play catch-up.

How Adyen and Aptos can help

A single API integration is all you need to unleash the full capabilities of the Adyen/Aptos Payment Solution. Our ready-to-go plugin makes the timeframe from decision to full implementation incredibly fast. Plus, our API allows for easy automatic updates — without needing additional intensive product integration efforts.

In short, not only will you be able to transition to a unified commerce platform with minimal business disruption, but also you will be able to enjoy seamless and continuous product updates.

The future of retail is **unified**

If it weren't for the pandemic, retailers might have been able to get away with having disconnected processes — at least for a few more years. But this isn't the case. Customers expect more, with a recent survey showing that 4 out of 5 of them would abandon a retailer after just three bad experiences.[19]

Add the acceleration of e-commerce and supply chain challenges to the mix, and you have an environment where unified commerce has almost become a necessity for retailers to thrive.

The combination of Adyen and Aptos offers the perfect vehicle for retailers to implement unified commerce in their own operations. From the frontend to the backend, it is a total solution that empowers you to integrate payments, orders, inventory, and analytics in a single intuitive platform.

The future of retail is unified. Subscribe to innovation with Adyen/Aptos and start harnessing the power of unified commerce in your own business today.

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"Adyen is the rainbow and unicorn approach to retail payments. Starting with Tory Burch, Adyen has been partnering with Aptos since 2017 to pair our market-leading unified commerce payment platform with their innovative retail solutions. It's so fantastic to see how payments technology can be combined with operational retail solutions to create a unified offering that not only helps retailers thrive in the modern landscape but gives consumers the best customer experience."

Jay Shields — Vice President of Global Retail Sales, Adyen

"We live in a fast-changing world, but the retail landscape moves even faster. Succeeding in such an environment requires looking ahead and anticipating not just how customers' needs are changing, but also other operational factors — such as those related to the supply chain. Payments is an integral part of adapting to this, and our partnership with Adyen allows us to offer a true unified commerce solution to our customers."

Nikki Baird — Vice President of Strategy, Aptos Retail

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Adyen

Adyen (AMS: ADYEN) is the financial technology platform of choice for leading companies. By providing end-to-end payments capabilities, data-driven insights, and financial products in a single global solution, Adyen helps businesses achieve their ambitions faster. With offices around the world, Adyen works with the likes of Facebook, Uber, H&M, eBay, and Microsoft. Visit adyen.com to get started.

Aptos

In an era of virtually limitless choice, sustained competitive advantage only comes to retailers who truly understand their customers, what they want and why they buy. We are committed to a deep understanding of each of our clients and to fulfilling their needs with the retail industry's most comprehensive omnichannel solutions. More than 1,000 retail brands rely on our solutions to deliver every shopper a personalized, empowered and seamless experience — no matter when, where or how they shop. Learn more: www.aptos.com.