

A photograph of a modern retail store interior. The floor is covered in a vibrant red carpet. In the foreground, a wooden display table holds a pair of black boots and several folded items of clothing. To the right, a clothing rack is filled with various garments, and shelves above it hold more folded clothes. The background shows a long, brightly lit aisle with more clothing displays and a mannequin. The ceiling features recessed lighting fixtures. The overall atmosphere is clean, organized, and stylish.

VisualRetailing

The State of Retail: 2018

US, UK, Germany, France, and Spain



Terrorist attacks in Barcelona and Brexit negotiations in the UK – among many other factors – have created a certain volatility in the global economy. Meanwhile, consumers have become more demanding and less predictable.

As the ever-present “retail apocalypse” stares us down in every closed storefront we pass, there’s a need to be agile and transform business models quicker than ever before. Now is the time for retailers to determine their future.

But we’ve taken the guesswork out of the retail evolution by compiling data from five markets (US, UK, Germany, France, and Spain). From customer expectations to spending habits to embracing technological advancements – we dived into this information, breaking it down into actionable insights.

Consumer confidence will provide a strong foundation.

2017 brought one of the most competitive retail environments to the UK than the country has seen in decades. With it, a growing preference for online and mobile shopping.

But retail sales volumes in the year were up – making this the first year retailers saw three consecutive months of sales volume growth.

That said, UK growth projected to slow from an already low 1.8% in 2016 to around 1.4% in 2018.

In the US, a different period of transition is stirring.

Fewer American consumers are feeling economic pressure today than at any time since 2008, but their attitude towards spending is more conservative, noting that a majority of Americans would rather save any new disposable income than spend it.

Germany remains the largest consumer market in Europe – in both terms of population size and purchasing power. Despite global economic distractions, consumers remain optimistic translating into robust consumer spending.

However, ethical issues and renewable resources have started influencing shopping habits, fueling demand for a wider range of products.

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According to a McKinsey and Company study, “German buyers also want to rely on the quality, origin, and ecological compatibility of products.”

And they’re willing to pay a premium – favoring providers with social objectives in addition to profit.

In Spain, the market is seeing a greater awareness of consumer health emerging as it previously has in neighbouring countries. This data is supported by an increase in wealthier Spaniards in Catalonia and throughout the entire country. In fact, the Spanish economy is showing positive signs and with it a declining unemployment rate reaching figures not seen since 2009.

Spaniards are now more willing to spend especially in categories previously perceived as unnecessary.

Sadly, French consumer confidence fell in October 2017 from just the month prior. This was the lowest reading since April 2017, as consumers become less optimistic about their future financial situation.

As such, early 2018 is expected to show slow retail purchasing in the country.

Brand loyalty will be challenged in some markets.

Competition in today's market is intense. In turn, acquiring new customers is increasingly complicated and expensive. In this new normal of retail, loyalty equals profits. As such, business strategies are no longer focused on customer satisfaction but rather on customer loyalty.

The way we regard brands has completely changed over the past decade. While it feels like consumer loyalty has waned, there is some stand out data.

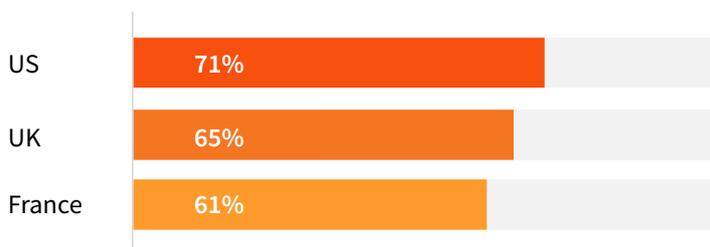
Germany, for instance, is the leader in brand loyalty.

Trust, loyalty, familiarity, quality, and security are core brand values in Germany and translate through to consumer values as well.

Both US and UK consumers like to shop based on brand loyalty rather than trying something new.

71% of Americans consider themselves brand-loyal while 65% of UK shoppers say the same. However, one in three Brits is more adventurous with online shopping and 34.8% admit they are willing to try new products.

Customer Loyalty



French consumers are also heavily loyal with over 61% stating they know what they like and buy it most often. However, that won't stop them from buying the same brand at another store as after-sales service is a decisive element in choosing where to shop.

On the flip side, Spanish buyers are not necessarily loyal to brands anymore as consumers in the country attach a lower importance to known brands than other determining factors.

Additionally, Millennials across the globe are less and less loyal to brands and more open to trying new products.

It's no secret that being in touch with consumers more frequently contributes to loyalty. But the level of contribution varies – with France and Spain coming in at the low end. This is partially due to both countries being relatively low adopters of retail technology and favoring traditional forms of advertising leaving retailers limited in their customer approach.

Retailers that promote product quality, a unique customer experience and convenience will flourish.

Consumer needs are more diverse than ever before. Consumer needs are becoming increasingly diverse driven by wider social and cultural shifts, such as urbanisation and an aging population.

Within this competitive environment, brands must work harder to focus their efforts on the high potential innovation spaces, and this starts with understanding consumer needs.

German consumers believe shopping should be an experience, but also simple and convenient.

For instance, the rising trend in click-and-collect services is heavily favored by both German and UK shoppers. In fact, delivery service is a common theme throughout all markets when it comes to customer expectations.

“Delivery service expectations have become a common theme among international customers.”

83% of German e-commerce shoppers said they would choose a different retailer offering the same product because of a positive delivery experience. 55% of consumers in the country feel that standard delivery (3 to 5 days) should be free.

In the UK, 29% of shoppers say that fast and reliable delivery (same day, collect from store or designated place) and a good returns policy (free or return to store) are reasons for shopping with their favourite retailer.

Americans value free over fast, with 88% of respondents saying “free shipping” was more important [compared to just 12% who prefer faster delivery options](#). In fact, 80% of those surveyed said they are more likely to make a purchase online if offered free shipping.

In Spain, as a preference for online shopping increases, tolerance for long delivery windows decreases.

Stores that offer more personalisation and innovation will thrive.

Personal offers and individual service are also growing trends among international consumers – both on and offline.

Millennials as a whole are more demanding of individual treatment. Compared to their older counterparts, they tend to be relatively less impressed with the quality of customer support, instead opting for companies that offer personal elements such as customised promotions, recognition across channels, or the ability to anticipate needs.

“Compared to their older counterparts, Millennials tend to be less impressed with the quality of customer support.”

In the US, 59% of consumers want real-time personal offers designed especially for them. They also expect 59% want an inviting ambiance when they shop. 78% feel sales associates should have a deep knowledge of the entire product range.

60% of German respondents criticised service in retail, and another 80% reported switching to a competitor (offline or online) when their needs and desires were not met.

And thanks to consumer protections laid out by the local legislation, Germany online sales return rates are high – ranging from 5 to 10% for electronics to 70% for fashion.

In a country where buying most often equals pleasure – France – there’s a high consumption of leisure and cultural products and gifts.

The French consumer is also relatively affluent and impulsive, makes frequent purchases and likes to try new and innovative products.

Pricing will remain a key factor.

Low price continues to dominate shopping decisions across the globe as retailers work to refine their pricing strategies.

In the UK, 59% of shopper acknowledged this as the core factor. In America, 87% value price above all other elements.

As such, promotions and price comparisons play key roles.

Three out of four Spanish people are mindful of promotions when shopping and 20% admitted they may even change to another store in order to find a better deal. While 35% of UK shoppers use price comparison sites.

Contrasting these results to those in Germany and France demonstrates that although the price is globally important when choosing a retailer, slight differences do exist.

While sales remain an important shopping factor for the French, quality is becoming increasingly important as a growing number of French consumers favour products with a quality label or brand.

Quality also guides decision-making in Germany. Other long-standing Germany retail-related traditions are also being challenged as Millennials no longer see holding debt as taboo.

In contrast, slow economic growth and high unemployment rates in Spain have positively changed consumer ideas of discount stores and cheaper products.

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Physical stores remain highly relevant.

2017 caused a new digital tipping point for US retailer as e-commerce continued on its relentless growth trajectory with 8,600 stores estimated to close this year.

In short, US shoppers want easy, personalized, and customizable shopping experiences and are willing to try new methods to get them. In fact, e-commerce in America is growing 23% year-over-year.

In fact, the current globally accepted customer journey often involves researching online and buying in-store. In some instances, shoppers may use their cellphones to research on-the-go while in the store. As such, retailers will accommodate the customer's desire for more convenience with an increasing number of touchpoints.

But physical stores remain highly relevant – we're tactile creatures after all.

Though the internet penetration rate in Germany is very high at 89%, Germans still favor traditional retail trade. 67.2% to be specific.

And while shoppers in France increasingly combine online and offline research when checking out a potential purchase, 62% of adult French consumers said they would generally go to a brick-and-mortar to buy compared to only 38% who opted for online.

Nevertheless, the outlook for e-commerce in France is very positive. The lure of online shopping is growing and e-commerce sales in the country are expected to reach 6.9%, with the entire e-commerce market projected to surpass \$53 billion by 2018.

In Spain, as footfall continues to slowly grow year-over-year, it adds to the number of positive indicators showing growing momentum in the physical retail sector. And shows Spaniards are still reluctant to buy online.

Compared to traditional shopping, online shopping in Spain is quite recent and accounts for only 1% of purchases. In fact, less than 1 out of every 2 (48%) Spanish shoppers make a purchase online at least once a month. Though this is an increase of 15% compared to previous year.

So what are the top factors for in-store shopping? Profoundly knowledgeable sales associates and the ability to check stock both online and off.

Unfortunately, this doesn't seem to be a priority for UK retailers as only 23 percent of consumers there said they enjoy the shopping experience in stores. As a result, many UK shoppers now start their product search online – 37.5% to be exact – and over a quarter (28.5%) now shop less in store.

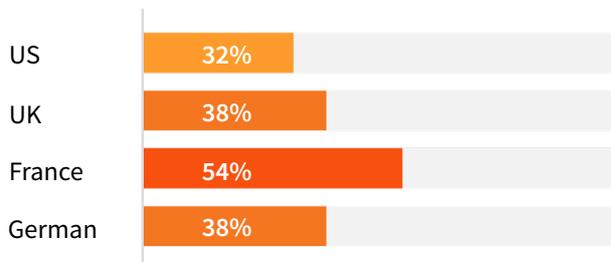
And [49% of Spanish shoppers](#) claim brick-and-mortar shopping is a chore.

Brands will continue investing in omnichannel.

Customers are firmly in the driving seat and will continue to embrace omnichannel retailing as the tipping point between in-store and online is reached.

Interactions that are complex and attract more multichannel behaviour, have the biggest potential to delight customers. Factors such as a consistent, individual experience across all channels is driving the growth of omnichannel in retail. But retailers aren't yet offering a seamless experience to customers across channels.

Annual Purchases via M-Commerce



In the UK, only 50% of UK online shoppers felt they get a consistent and superior multi-channel experience and 22.3% argue retailers' mobile websites are not easy to use.

Simple tweaks to business strategies could serve retailers well as over half of British respondents are happy to receive offers and coupons on their phones and 42.6% are willing to use mobiles to pay.

The US isn't far behind with almost one-third of US respondents saying they use their mobile devices for purchasing. In fact, 35% of US consumers say the mobile/smartphone will become their main purchasing tool. Data shows that online shopping on a mobile device is set to overtake desktop purchases in next few years.

Additionally, US consumers claimed to have shifted as much as one-fifth of their spending toward each of three channels: online pure-play retailers, hard discounters, and club stores.

The mobile leader, France, has seen a phenomenal increase in mobile retail (m-commerce) with over 54% of online transactions now come via smartphones. France also ranks at the top of the omnichannel experience with 40% of digital purchases involving at least two platforms or devices.

One of the fastest growing selling strategies in e-commerce is mobile retail (m-commerce); especially in Germany, where mobile shopping accounts for 38% of all e-commerce sales.

26% of German shoppers also compare prices using their mobile phone when inside a store.

While enjoying the highest smartphone penetration rate in Europe, Spanish consumers are still wary of using their phones for purchases. However, 35% of the country's shoppers made a purchase using a mobile device in 2016, so the outlook on multichannel shopping is bright.

Better payment security will allow online shopping to prosper.

The number of online shoppers keeps rising from year to year. Unfortunately, so does the number of shopper fraud and data breaches.

Buyers around the world want to shop online but they're still nervous about doing so.

1 in 6 Spaniards has been a victim of online fraud. With 81% of those affected by this type of fraud altering their online behaviour afterward.

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Germans are also untrusting about entering credit card details. As such, it's typical for German consumers to pay afterward via invoice.

And in America, almost half – 48 percent – of online shoppers experienced some version of payment fraud in the last year. Another 40 percent perceive online shopping as much less safe than buying in-store.

But there are some positive numbers and security steps that can be implemented.

With a bit more security, such as entering a CVV code, US consumers would feel more confident in purchasing online. In fact, 63% of US consumers are willing to create online profiles if it meant better protection of their banking details and account verification.

And France, with over 52% of online transactions, is generally more trusting of security measures encompassing their banking details.

Retail and technology will become inseparable.

While the process of innovation is evolving to be more agile, it still remains crucial to underpin approaches with an understanding of consumer needs in order to ensure that any new innovation is relevant, emotionally engaging, and meets consumer's changing expectations.

Consumers demand experiences that are adaptive, relevant, consistent and exciting, that help them navigate seemingly-endless choices and solve their problems quickly and seamlessly.

“Consumers demand experiences that are adaptive, relevant, consistent and exciting.”

And the data confirms that customers are ready for this new technology.

While 45% of US shoppers said they'd need to see how well technology worked before feeling comfortable, 38% said they liked the idea of augmented reality in stores.

It's been proved that AI technologies can turn the data brands collect into true intelligence that delivers great content and experiences to customers.

The typical German consumer is savvier than ever meaning it's imperative retailers utilize technology in order to get the right information to the right person via the right channel at the right time.

In France, we're seeing retail tech companies going global, following a pattern of local consumers' willingness to embrace technology – including chatbots and point-of-sale digitisation.

2018 will favor retailers using bold ways to personalise and elevate every aspect of the shopping experience.

Uncertainty in individual markets has a transverse effect on the economy. Increasing price and demand volatility have also complicated the picture.

But despite slow retail starts, store closings, online fraud, and a little thing called Brexit the outlook for 2018 and beyond looks bright.

Millennials, on a global scale, are either the largest living generation or steadily growing in numbers. Universally, they have a spending power of approximately \$2.5 trillion – expected to grow three times by 2025.

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