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# Emerging Retail & Consumer Trends Report

# Q1 2024

During 2023, terms like "inflation" and "recession" riddled the headlines.

As we move into 2024, the outlook appears more positive for retailers: 2023 holiday season spending was strong, driving a 3.8% rise in sales[1], with record online shopping over Thanksgiving[2] weekend. Discount shopping continued to be a strong driver of sales with more and more customers focusing on bargain hunting[3] and experiences[4] rather than luxury spending. The combination of shifting consumer shopping trends and an evolving economic climate raises the question—how can retailers effectively connect with consumers when they must fight for every dollar?

Our report looks at three notable trends:

1. Reimagining customer connection and loyalty in the digital age
2. Refreshing the self-checkout process to reduce losses and improve the customer experience
3. Leveraging GenAI to generate personalized content and create meaningful connections with customers

### Trend 1: Driving brand loyalty in the digital age

Gen Z is on the rise. This generation commands an estimated $360 billion[5] in disposable income and, when combined with millennials, already accounts for one-third[6] of all spending. Brands and retailers can unlock decades of future engagement by understanding and connecting with this newly digital and "empowered consumer,"[7] and many have already taken the leap.

In November 2023, a car caught on fire with the viral Stanley tumbler[8] in the cupholder. The owner uploaded a now viral video to TikTok showcasing the charred remains of her vehicle and the Stanley cup not only intact, but still containing ice. Capitalizing on the opportunity, Stanley's president stitched the user's video, sending their condolences and offering to replace her vehicle, and received more than 5 million views.

In December 2023, The North Face[9] pulled off a similar stunt, flying a new waterproof jacket via helicopter to a disappointed customer at the top of a New Zealand mountain. The customer had previously uploaded a video to TikTok, complaining that her "rainproof" jacket had not kept her dry. The brand's video documenting the replacement delivery had amassed more than 4 million views.

More frequently, brands are executing similarly creative, innovative, and nontraditional marketing strategies to capture and win the "empowered consumer," [10] a group largely comprising younger generations and heavily influenced by their buying habits and preferences. These "empowered consumers" are marked by intentionality, specifically in where and how they invest their loyalty, time, and money—82%[11] of shoppers look for brands' values to align with their own, and they'll vote with their wallet if they don't feel a match. Seventy-nine percent [12] of consumers say that brands must demonstrate a deep understanding of their priorities and preferences and, above all, *care about them* before they consider purchasing. While Stanley and The North Face represent drastic examples, they demonstrate a physical realization of this tenet—connecting to consumers in the modern age allows companies to build trust and retain loyalty.

What these anecdotes and findings reveal is that the consumer relationship is more critical than ever—social media has provided a front seat for brands and retailers to engage with and hear directly from their consumers. Those that listen to their community mitigate the potential fallout of a neglected audience (at best, Glossier's unpopular reformulation[13] of its cult favorite, Balm Dotcom; at worst, the ensuing battle between legacy brands[14] and digitally native vertical brands).

The successful brand pays attention to its community and engages with them where they spend the most time—97%[15] of Gen Z shoppers use social media for shopping ideas, and 45%[16] have purchased something online after seeing it on social media. The brand understands that both the average person and influencer have unprecedented power: 40%[17] of US consumers are more likely to trust a brand if an online content creator they trust has reviewed it. Thus, the brand that wins sees its community as an equal and a partner—they are co-creating.[18]

Does this mean all brands and retailers should churn out similarly jaw-dropping content? Not necessarily. Creating spectacular moments may win over this new consumer, but the key is to ensure they feel seen, heard, and cared for—that they play a role in the future of a brand in which they've placed their trust, loyalty, and dollars. That is how to keep the empowered consumer.

### Trend 2: Self-checkout reimagined

Self-checkouts are part of everyday life, from grocery stores to airport kiosks. According to 2023 data from the Food Industry Association, 96% of grocery stores have self-checkout lanes[19], processing 30% of all transactions. Self-checkouts were initially introduced in the 1980s to lower labor expenses by shifting the work of paid employees to machines and customers, then increased tremendously in popularity during the COVID-19 pandemic[20] to reduce physical contact.

Four years after the pandemic, retailers are rethinking their widespread adoption of self-checkout, with some media outlets claiming that self-checkout technology "hasn't delivered" [21] and characterizing it as a "spectacular failure."[22] Self-checkout has resulted in merchandise loss, sometimes due to intentional shoplifting or customer errors[23]. One study of retailers in the United States, Britain, and other European countries found that companies with self-checkout lanes and apps had a loss rate of 4%[24], which is double the industry average.

In the United States, Target[25], Walmart, and Costco[26] among other chains, have started trading self-checkouts in favor of more human cashiers. Target announced[27] that it will be limiting self-checkout lanes to 10 items or less at certain stores. Walmart[28] removed self-checkouts from a select group of stores. Another grocer sought a more tech-forward[29], mobile-friendly path, by offering shoppers an app that let them scan, bag, and pay for their groceries, but had to pull the app due to losses reported with the app transactions. During a December 2023 earnings call[30], the CEO of Dollar General reported that the business was planning to spend $50 million to increase store staff in a plan to reverse its previous self-checkout strategy and instead use self-checkouts "as a secondary checkout vehicle, not a primary." [31]

Even more, self-checkout machines can cause customer frustration, as shoppers are forced to wait for a human associate to assist them with certain items. According to a study from Drexel University[32], published in the *Journal of Business Research*, shoppers are more loyal to a store when a "regular checkout" experience with a human cashier is offered.

**Implications and innovative alternatives:** Certain stores, such as Whole Foods and Amazon Fresh stores, have adopted cutting-edge, innovative technologies to enable biometric-based payment methods. In a news release from June 2023[33], Amazon announced its goal to roll out its Amazon One palm payment and Prime membership technology to all 500+ Whole Foods Market stores across the United States by year end. Whole Foods customers that opt for Amazon One will be able to pay for their items (as well as link their Prime membership) by hovering their palm over a palm reading device, no wallet needed. Other businesses[34], such as fast casual chains, sports stadium venues, and airport travel retailers, have also begun to leverage the Amazon One palm payment technology. Amazon highlights the convenience, speed, and improved shopping experience for customers of Amazon One.

Retailers[35] and grocers alike have started to leverage both high- and low-tech methods to detect and prevent theft in stores[36]. High-tech tools include AI sensors and cameras at self-checkouts, while low-tech tools include security alerts at self-checkouts.

A popular clothing retailer has focused on reducing the effort of the customer in scanning every item and having to involve store employees for assistance[37]. At self-checkout, the customer simply puts their items into the machine's bin and all the items are scanned by RFID chips embedded in the price tags. This innovative, effortless, customer-forward experience drove customer satisfaction: 70% of customers choose to use the store's self-checkout[38].

### Trend 3: Using AI and machine learning to drive content generation

Generative AI (GenAI) is paving the way for more personalized content and meaningful connections. Ever since the introduction of GenAI in late 2022, the world has been in a frenzy to find ways to integrate the new technology and save money and time. References to GenAI have become ubiquitous among company executives, with nearly 2,500 mentions of GenAI in 2023 earnings call transcripts[39]. Generative AI is defined[40] as a deep-learning model that takes large amounts of training data as an input and "learns" to generate statistically probable outputs when prompted. Retailers can leverage GenAI to create a more personalized experience for consumers and deliver a more intimate experience.

One such way is to leverage GenAI to generate marketing content. Retailers can create custom-tailored content specifically for a target audience. For example, Amazon launched AI-generated review summaries[41] that condense thousands of customer reviews of a product into a succinct paragraph. These reviews create a more efficient customer experience, can significantly reduce the time between product discovery and checkout, and could possibly lead to increased conversions.

Another application is using GenAI to personalize marketing campaigns[42], a tactic employed by a large crafts retailer. Using GenAI, this retailer customized messaging for its advertisement communications to be unique to each customer segment and type. For example, crafting advertising messages using personalized language during a certain moment in that customer's life in which they might be most inspired to purchase.

Finally, some retailers are leveraging GenAI to create custom chatbots[43] that use natural language processing to interact with customers in real time and provide immediate, relevant, and customized suggestions. A Japanese e-commerce retailer built a similar solution, dubbing it a personal shopping assistant[44] that provides custom suggestions to enhance the e-commerce experience. The shopping assistant not only responds to customer questions, but also asks clarifying questions to learn preferences and budget.

Although an evolving topic, GenAI's impact on retailers and consumer products companies has already demonstrated exciting opportunities and impact. According to a survey of nearly 3,000 technology and business leaders, 31% expect substantial transformation[45] from GenAI in less than one year. While it can feel like a race to deploy GenAI solutions, companies should be more deliberate to prioritize areas where GenAI can drive innovation and differentiation[46] to maximize value. Custom solutions that address a specific need can contribute toward creating a sustainable competitive advantage.

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