

2022

The Retail Report

Trends and insights shaping the industry



adyen

Methodology

The Adyen Retail Report is a comprehensive guide to the global and local trends impacting businesses around the world, fueled by evolving consumer behaviours and the possibilities of financial technology.

We spoke to businesses primarily in the retail sector, but also polled segments in the hospitality and food and beverage (F&B) sectors. These industries are facing both similar and contrasting challenges and opportunities; including their perspectives ensures we capture the growing exchange of inspiration, strategy, and innovation between industries, from the rise of self-serve kiosks to data-driven loyalty programs.

This study includes merchant and consumer data from a wide scope of countries, examined and compared on both global and local levels to ensure a holistic view complemented by regional nuances.

Consumer insights

Opinium Research LLP polled 40,020 adults in Singapore, Hong Kong, Japan, Australia, UAE, UK, France, Italy, Spain, Portugal, Germany, Poland, Belgium, the Netherlands, Brazil, Norway, Denmark, Sweden, USA, Canada, Malaysia, Mexico, Ireland, Austria, Switzerland and India. Respondents were incentivized to participate.

Merchant insights

Censuswide polled 11,530 merchants in Singapore, Hong Kong, Japan, Australia, UAE, UK, France, Italy, Spain, Portugal, Germany, Poland, Belgium, the Netherlands, Brazil, Norway, Denmark, Sweden, USA, Canada, Malaysia, Mexico and Ireland. Respondents were incentivized to participate.

Fieldwork was conducted between 23 December 2021 - 8 February 2022.

The sample includes minimum quotas of 100 in retail, 50 in travel and hospitality, 50 in food & beverage per market.

Opinium and Censuswide campaigns are conducted in accordance with all ESOMAR principles and best practice.

Economic insights

We commissioned the Centre for Economics and Business Research (Cebr) to provide analysis on the current state of retail, hospitality, and F&B businesses around the world.



We asked over

10,000 merchants, from 23 countries

to detail their fears, hopes, strategies, and
investments for 2022 and beyond.



Then we asked 40,000 consumers
from 26 countries if they're getting it right.



Welcome to the Retail Report 2022: The shape of ambition

When faced with sudden and significant change, we are compelled to examine our hopes, fears, and ambitions in a new light. What's most important to us? What do we want for the future? The answer can take a very different shape for each of us.

When we opened our Middle East office in Dubai in 2020, we knew that businesses and their customers had seen and felt a change in irrevocable ways. However, despite the strangeness and hardship, we also witnessed that many of them had been able to successfully adapt and thrive, showing incredible positivity and resilience. We've seen this in both our data and in our early conversations with our customers and partners across the Region.

As a result, 73% of businesses in the UAE grew in revenue by 20% or more in 2021 across the retail, food and beverage, and hospitality sectors, which is more than the 67% growth we see at a global scale - Digital transformation has played a pivotal role to make this possible.

In the face of enormous pressure and uncertainty, many of you have chosen innovation. Optimising processes, breaking down silos, growing loyalty, helping communities, and working towards a better future.

Ambition comes in many shapes and sizes. As do customer expectations. There are challenges on the horizon, in evolving risk, regulatory complexity, and rising competition. But now you know what's possible.

Read on as we are really excited to share our first annual consumer and merchant trends research in the UAE. Combined with our global findings, we hope the following insights and recommendations will help you shape, grow, and realise your ambitions for 2022 and beyond, whatever they may be.

Sander Maertens
Head of Middle East

Chapter 1

Digital transformation is ambition's best friend





Digital transformation is a trillion dollar opportunity.

In spite of – or perhaps because of – the multitude of pandemic-fueled challenges hitting retail, food and beverage (F&B), and hospitality over the last year, businesses around the world managed to invest in digital technologies. The goal? Improving operations and breaking down silos in backend processes and systems such as payments. **1 in 5 businesses** connected payment systems to other parts of the organisation, such as inventory management and supply chain.

This proved to be the right move. **49% of respondents** say their business is now in a better position due to investments to improve operations.

And customers agree. **61% of consumers** believe retailers used technology well to make their products available during the pandemic. No wonder **94% of businesses** plan to invest further in this area in 2022.

With so much investment planned, it's time for businesses to take a holistic view of digital transformation. Connecting operations and customer experience is key to success – not just in terms of sales, but also operational efficiency.

Our studies show that there is a **9% increase in growth** amongst businesses that connect payment

systems to other parts of their business compared to those that don't. This is reflected in their ambitions – the growth projections for 2022 are **11% higher** for those who connect their systems compared to those who do not.

Digital transformation is expected to continue opening up a wealth of opportunities. Our research found that **72% of retailers** expect to grow by 20% or more in 2022. With so many retailers planning to invest further and grow bigger, that number could be even higher. In fact, if technological adoption is accelerated, the retail sector could add 4.7% percentage points to its growth rate over the next five years.





61%

of consumers believe retailers used technology well to make their products available during the pandemic.



+9%

Companies that connect payments systems with other sections of their business grow **9% more** than those that don't.



+11%

Growth ambitions for 2022 are **11% higher** for those merchants who connect their payments systems across the business.

1 in 5

businesses globally have connected their payments systems to other parts of their business.





What does this mean for UAE?

When it comes to the UAE, the data reflects a different but exciting story of investment and ambition.

66% of UAE businesses have invested in digitising their organisations to improve operations over the course of the pandemic. That's almost a 20% uptake compared to the global average, which puts UAE on the forefront of innovation to the point that now **99% of merchants** are planning to invest in technology over the next year.

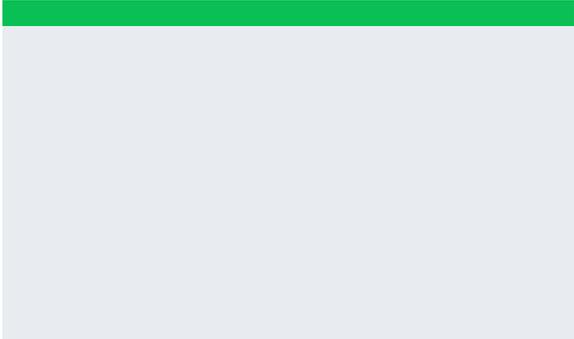
Agile businesses who connected their online, in-app, and in-store payment channels naturally benefited from growth in their business performance. This wasn't just a result of an indisputable improvement of customer experience, but also due to the fact that a 'unified' approach enables businesses to take more data-driven decisions, which inevitably leads to an improvement in supply chain and with inventory management as well. So much so that research indicates an average merchant expects a 64% increase in revenue growth in 2022.

Businesses in the UAE that have connected their systems and opportunities with unified commerce are also enjoying higher growth rates than the

worldwide average – **61% of UAE businesses** witnessed an improved customer experience which resulted in a remarkable **54% of growth** in sales. This is in large part thanks to the acceleration of digital transformation in the industry as businesses were forced to streamline operations and connect with customers in new ways amidst fluctuating pandemic restrictions.

Shopping trends and shopper buying behaviour are evolving, with customers increasingly aware of and more likely to shop with businesses that use innovations and technology to improve their shopping experience.

Check the next page for data.



8%

The expectation for UAE businesses to grow 20% or more is **8%** higher for those who have connected backed systems.

84%

of UAE businesses expect to grow 20% in 2022.



83%

of consumers are more likely to shop with retailers that use technology to improve their shopping experience.

WATCHBOX

“We have seen a huge increase in demand at WatchBox Middle East over the past several years, especially from clients looking to pay remotely. Through Adyen’s ‘Pay-by-link’ technology, we are able to send payment links directly to the customer, allowing them to reserve their piece even before, or without, setting foot in our boutique. Pay-by-link is an important tool to help us grow our business in the region.”

From insight to action

Connecting opportunities with unified commerce



47% of businesses say unified commerce improves customer experience

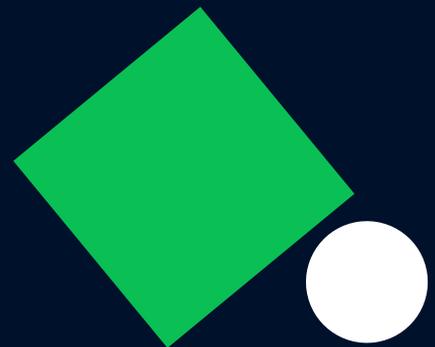
Businesses that consistently perform the best are those that can combine their physical and digital worlds to create a fluid, channel-agnostic experience which prioritises the customer. This is unified commerce, the next level up from omnichannel sales.

Omnichannel businesses are great at delivering cohesive cross-channel experiences to their customers. But behind the scenes, backend systems are often unconnected, complicating cross-channel reconciliation, limiting the experiences you can offer customers and hindering your operational agility across multiple channels and regions.

With unified commerce, payments from all your channels – online, in app, and in store – feed into the same system. This gives you more targeted, data-driven decision making, and a more seamless, flexible experience for customers. It also keeps you agile since you can add new channels and support new customer journeys quickly because everything's connected.

Chapter 2

You'll win hearts, minds, and wallets with unified commerce





61% of consumers believe that retailers should deliver the same cross-channel flexibility they provided during the pandemic.

The flexible, tech-driven experiences made available mid-pandemic have blurred the line between sales channels and encouraged the rise of nonlinear customer journeys. Businesses are providing new or simply different ways to shop, from the convenience of click and collect or curbside pick-up to the perks of brand-owned apps – and customers are embracing the change. **50% of shoppers** globally reported using shopping apps more frequently during the

pandemic than previously – the percentage is higher for the UAE, as 74% of shoppers claim that they were using various shopping apps during the pandemic.

Both businesses and consumers have a taste for what's possible with technology – and now there's no going back. **61% of consumers** believe that retailers should deliver the same cross-channel flexibility they provided during the pandemic. Keeping up with

these expectations greatly improves the likelihood of repeat purchases and higher spending. Falling short could result in the opposite: **70% of consumers** will not shop with organisations that have a bad shopping experience, either online or in store.

It makes sense that linking online, in-app, and in-store payments with a single system – i.e. unified commerce – has proved to enhance both brand resilience and customer satisfaction. **51% of businesses** say online stores were able to offset the losses at physical stores during the pandemic.

And the more channels your shoppers use, the higher their value: **47% of businesses** say a benefit of unified commerce is improved customer experience, **46%** say it helps increase sales, and **44%** say unified commerce increases customer loyalty.

Our research shows that globally, unified commerce increases businesses' performance by 9%.

This brings us to some interesting findings around loyalty programs. Only a handful of brands are making the most of them – look to Domino's Pizza and Gap for inspiration – and it's an area of the customer experience ripe for innovation. **70% of consumers** globally say retailers should use tech to make their loyalty or rewards schemes easier and more effective. Payments-linked loyalty programs and brand apps are a good place to start: **61% of consumers** would download a retailer's app to receive better loyalty rewards.





61%

of consumers say they would download a retailer's app to receive better loyalty bonuses or rewards.



70%

of consumers think retailers need to use technology to make their loyalty/rewards schemes easier and more effective.

- Agree
- Neither agree or disagree
- Disagree

% merchants that say unified commerce has:



Improved customer experience.



Increased sales.



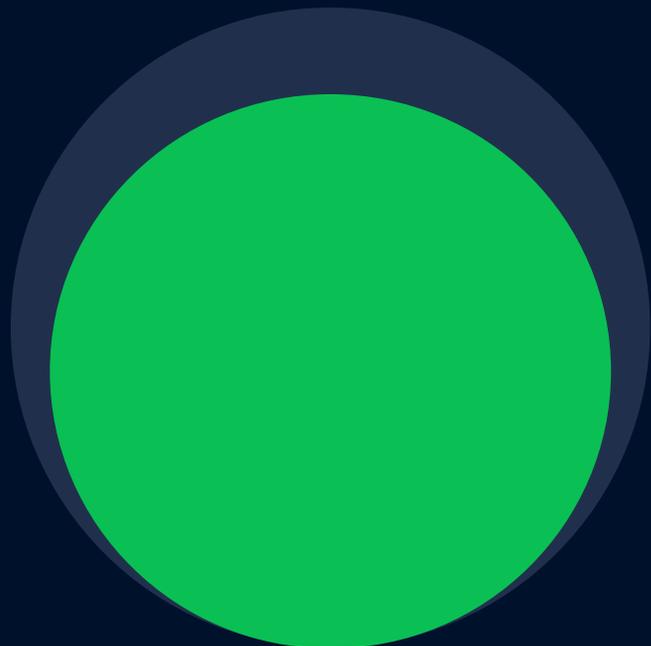
Increased customer loyalty.



Higher average spend.

73%

of merchants who grow by 20% or more enable customers to shop and complete transactions easily across online and offline channels.





What does this mean for UAE?

High customer expectations are even higher in the UAE.

The UAE has seen a drastic increase in consumers expectations from businesses. **68% of UAE consumers** feel that if businesses were able to successfully sell across multiple channels during the pandemic – such as in store, online, and via social media – they should continue the same trend moving forward.

Consumer expectations of ease and flexibility don't stop there. UAE customers are less tolerant of poor online experiences and more inclined to shop with businesses that offer a seamless cross-channel experience. To put this in perspective, **70% of consumers** in the UAE will not shop with businesses where they have a bad shopping experience – either online or in store.

An expectation gap that's worth highlighting exists between what consumers desire from loyalty programs and what brands are able to deliver: **86% of UAE consumers** expect businesses to use technology to make their loyalty programs easier and more effective.

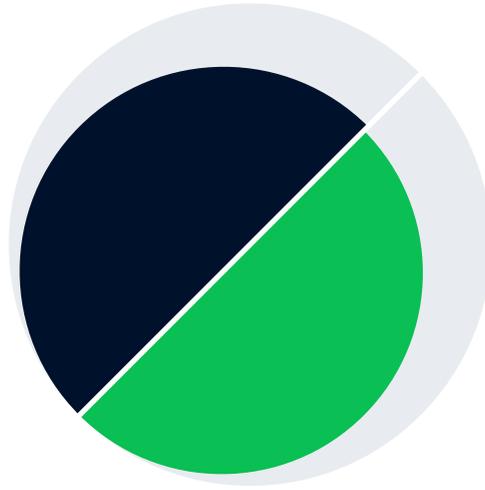
This highlights a huge opportunity for the brands that get it right. In doing so, you'll win a devoted following of loyal customers. However, there still are businesses who do not offer this experience, and are at a risk of losing their customers due to their inability to adapt.

The same goes for restaurants and hotels; the hospitality sector can also benefit from strategic tech adoption. **67% of consumers** think technology enhances their dining experience and that restaurants, bars, and cafes should also link their online platforms with their physical locations to make their booking, ordering and dining experiences better.

Check the next page for data.

70%

of consumers feel retailers need to improve the ways they reward them for choosing their brand over others.



68%

of consumers are more likely to shop with a retailer if their loyalty programme worked automatically through their payment card.

71%

of consumers want restaurants and cafes to link their online platforms with their physical locations.



68%

of consumers are more loyal to stores that offer both physical and online options.

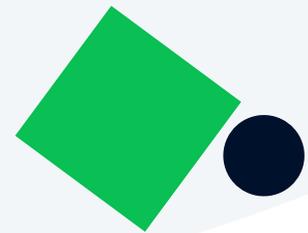
AL HALLAB
RESTAURANT & SWEETS

“Digitization has improved our day to day processes and optimises our guests journey. For example Adyen’s integrated terminals and its ‘pay-at-table’ feature has led to significantly faster table turnaround times and a 100% increase in tipping volume because customers can now select from pre-loaded tipping options, directly from the payment terminal at the table.”

Fayssal Al Hallab — General Manager, Al Hallab Restaurant & Sweets

From insight to action

Cross-channel recognition and payment-linked loyalty



Address customer needs in real time

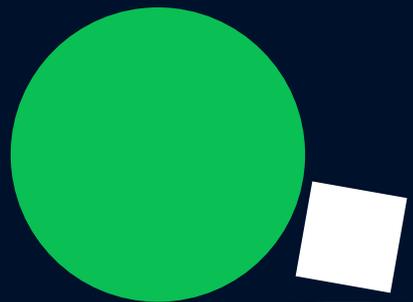
Payments data enables you to build a better picture of your customers, their purchases, and their preferences in real time, across every channel and region. With these insights you can investigate your customer segments, understand their behaviour, and address their needs more quickly – plus shape more effective product, marketing, and operational strategies for the future.

Recognise and reward loyal customers

Use customer recognition to make your loyalty program more frictionless by removing the need for a traditional loyalty card or app. When customers make a payment in your online or physical store, you can automatically recognize them and award them with points, discounts, or a reward.

Chapter 3

Customers appreciate physical stores more than ever (but there's a catch)





61% of consumers would be more loyal to a retailer that lets them buy things online and return in store – but only 23% of businesses offer this.

They say absence makes the heart grow fonder, and everyone is feeling very fond of the physical store experience indeed. **41% of consumers** globally say they have a new appreciation for being able to touch, feel or physically try products before they buy, and **59%** prefer to shop in store.

On the business side, things are looking equally affectionate: **51%** expect the proportion of revenue to increase from physical stores in the next year, and **41%** plan to increase their number of physical stores in the same period.

This doesn't mean we can stock some shelves, throw open the doors, and expect the crowds to coalesce. It's about creating a destination that entices: **59% of consumers** say physical stores should be exciting places to visit. Stores must offer something more than the products and services available online.

Technology proves pivotal in creating an in-store experience worth visiting. From endless aisle shopping – providing kiosks or terminals to check additional stock for home delivery – to offering new

ways to pay through QR codes or mobile payment terminals, **55% of consumers** say they are more likely to shop with retailers that use technology to improve the shopping experience.

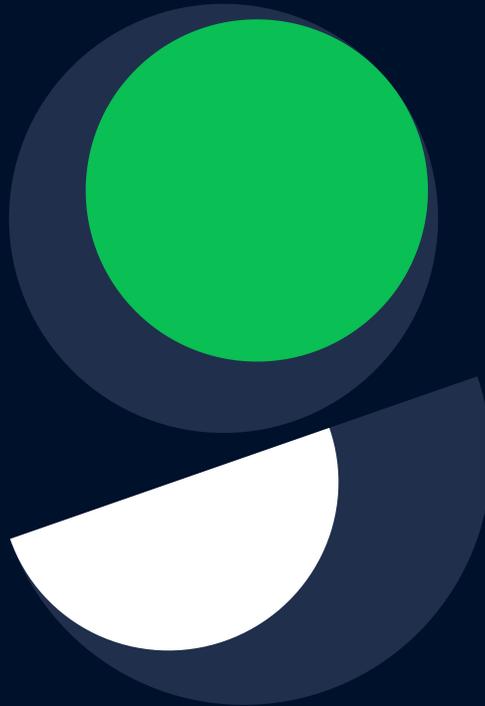
But even more crucial is the ability to connect online and physical channels to ensure a truly seamless experience: **61% of consumers** would be more loyal to a retailer that allows them to buy things online and return in store, an increase of 13% compared to our 2020 Retail Report research. Shockingly, only 23% of businesses globally say they currently provide this option.

Customer and staff experiences are inextricably intertwined; any technology you leverage for in-store experiences should help, not hinder, your sales teams. **46% of consumers** say they would love it if in-store sales assistants used technology to assemble items from their online wishlist in the changing room ready to try on.



64%

of consumers say physical stores are an important touchpoint, even if they shop with the same retailer online.



41%

of businesses plan to increase their number of physical stores in the next year.

Customers are more loyal to businesses that:

61%



Offer buy online, return in store options.

64%



Allow customers to buy out of stock items in store, and have delivered home.

55%



Have physical stores and online options.



What does this mean for UAE?

In store shopping remains important, but sales channels are stronger together.

Even with the acceleration of ecommerce caused by the pandemic, UAE consumers continue to love shopping in malls. It's simply a way of living which is reflected in our local research findings. Every **3 out of 5 UAE consumers** still prefer to shop in a physical store – **24% higher** than UK shoppers, where 51% prefer to shop online. Additionally, **70% of UAE consumers** view physical stores as an important “touch-point”, even if they have access to shop with the same retailer online.

The preference for in-store shopping goes beyond simply browsing and paying in person nowadays. On the contrary, **68% of UAE consumers** go to physical stores for pleasure but lean towards online shopping purely for convenience – which, in fact, is equally important.

Relying solely on physical stores with helpful staff and an exciting environment alone won't cut it in the UAE; businesses need to think about the bigger picture to stand out by offering an

omnichannel experience. For example, only **31% of UAE businesses** offer a 'buy online, return in store' flexibility, while **73% of the UAE consumers** indicate being more loyal to retailers offering these cross-channel payment experiences. This implies that there's a significant expectation gap and huge opportunity here for UAE businesses to avail.

A key take away to all of this is that your shoppers expect a unified experience, where in store and digital complement each other throughout the customer journey.

Check the next page for data.



73%

of UAE consumers would be more loyal to a retailer that lets them buy things online and return in store or purchase an item that was out-of-stock in store and have it shipped directly to home.



68%

of UAE consumers is more loyal to retailers who have physical stores and online options (apps website etc).

67%

of UAE consumers want physical stores to be an exciting places to visit, not just about products because they can get those online easily.



58%

of UAE consumers only plan to shop in store if retailers make the experience more interesting, for example Virtual Reality experiences, in-store cafes, or special events.

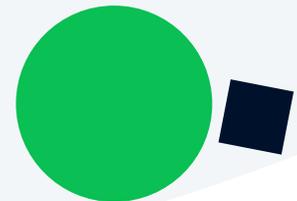


“We can go to the customer rather than the customer having to queue and come to the till point. This has been especially good at Christmas, where we can queue bust, but also help our less-abled customers, who sometimes might feel intimidated coming to the till point.”

Mike West — Digital Director, LUSH

From insight to action

Driving in-store convenience through technology



How to improve in-store experiences with payments innovation

Enhance in-person payments

Offer flexibility with options like endless aisle shopping. Use the terminal to ask questions and better interact with customers.

Recognise your customers

Personalise experiences and grow loyalty through data insights, brand apps, or payments.

Make donations easier

Make donating at the checkout easier for you and your customers.

Localise the checkout

Present customers with relevant languages and payment methods.

Chapter 4

**There's untapped
potential in real time
payments data**





28% of businesses globally use payments data to understand user behaviour and improve customer experience.

COVID-19 hasn't just influenced consumer behaviour; it's completely disoriented it. Think of all the one-off purchases like kettlebells and baking tins, or the temporary exodus from cities muddling location insights. The historic data businesses use to inform decision making has been compromised.

Our research shows that consumers want businesses to recognize, predict, and meet their needs in a relevant and timely way: **47% of consumers** prefer retailers who remember their preferences and previous shopping behaviours

to create a more tailored shopping experience. Businesses who can leverage real time data insights instead of relying on historic data will be best placed to deliver these more personalised, sophisticated experiences.

The insights unlocked via payments data, and particularly unified payments, allow businesses to act more immediately on what consumers are telling them. A growing number of businesses are leveraging this opportunity – but many are still missing out. **28% of businesses** globally use

payments data to understand user behaviour and improve customer experience, and **27%** to build a better picture of their customers.

Those businesses who are using payments data can identify popular product lines, inform inventory management, create personalised marketing campaigns, and inform decision making – a testament to the wealth of insights made possible through payments data.

If you're diving into the payments data pool, there are a few crucial things to keep in mind. Regulations such as General Data Protection Regulation (GDPR) and Payment Card Industry Data Security Standards (PCI DSS), the Revised Payment Services Directive (PSD2) and similar data protection laws are developing around the world. In the absence of federal legislation, some U.S. states are devising their own. On a global scale, it's clear consumers are

demanding responsible use of their personal data – and the industry demands it.

43% of consumers believe retailers shouldn't be able to use their data or purchase behaviour information unless they give express permission. And **39% of consumers** will only allow data to be stored and used by retailers if there are assurances around security and privacy. Businesses need to stay informed and compliant to protect shoppers and themselves from data breaches and fraud.





47%

of customers prefer retailers who remember their preferences and previous shopping behaviours to create a more tailored shopping experience.



45%

of customers like it when retailers serve personalised adverts or suggestions.

- Agree
- Neither agree or disagree
- Disagree

How businesses are using payments data:



To understand user behaviour and improve customer experience.



To help with inventory and guide what stock needs to go where.



To build a better picture of customers.



To drive personalised marketing campaigns.



To identify popular product lines and guide product development.



To inform decision making in other areas of the business.



What does this mean for UAE?

The hidden gem for UAE businesses: consumer payment data

Every **7 out of 10 UAE consumers** prefer retailers to use their data to create a better personalised customer experience. That's almost **50% more** than the global average. However, our data suggests that UAE businesses have fallen behind on addressing this increasing demand: only **37%** use payments data to improve the customer experience.

The data that comes from payment technologies is still overlooked; however it's an unobvious opportunity to improve business performance overall. It allows businesses to identify their returning customers anywhere, anytime; study the triggers that led them to make the purchase; distinguish where potential consumers are in the buying lifecycle, and much more. This allows businesses to allocate stocks and resources as per demand, optimise marketing budgets, and learn when to invest in product development. Businesses can even use payments data to decide where they will open their next physical store according to geographical insights from ecommerce sales.

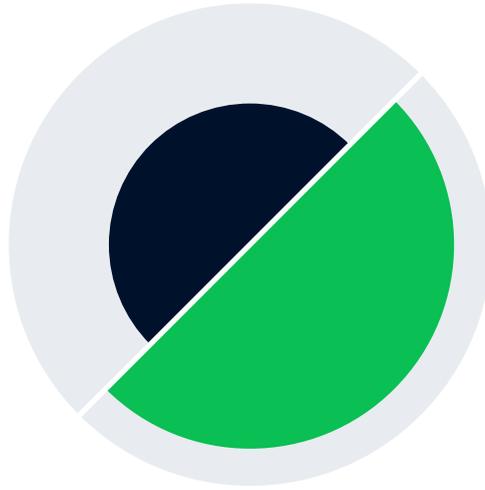
Having said that, remember to be transparent and secure when using customer data. Shoppers are now much more informed and will only allow retailers to store and use their data if they see appropriate protocols in place. **37% of UAE consumers** believe they should give retailers permission beforehand and will only allow data to be stored and used if assured about security and privacy.

Given the above results, it's clear that data plays a key role in the overall shopping experience – and can even help grow your business. The discrepancy between consumers' preferences and how businesses currently leverage data tells us that there's a hidden gem to unlock for UAE businesses. Finding the right technology partner to help you ensure transparency, compliancy, and security is paramount.

Check the next page for data.

33%

of retailers use payments data to drive personalised marketing campaign.

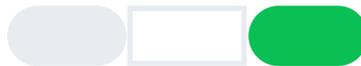
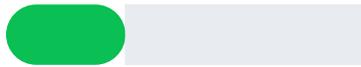


70%

of UAE consumers like it when retailers serve them with personalised adverts.

33%

of retailers leverages payments data to inform decision making in other areas of the business.



1 in 3

UAE retailers leverage payments data to build a better picture of their customers.



“Whether it's predictive tools for rostering or for estimating the amount of features we're going to sell this week. It makes the business stronger. It prevents waste, it prevents us from doing the wrong thing... so innovation is fun but also really necessary to make the business better.”

Andre Ten Wolde — CEO, Domino's Europe

From insight to action

Securing trust with smooth payment authentication



Make the most of customer data while staying compliant

No ecommerce strategy is complete without a clear plan for Strong Customer Authentication (SCA), especially since consumers expect the process to be fast, with no action required from them. There's no one-size-fits-all approach to applying SCA, but the right technology partner will take care of this for you.

Implementing authentication protocols, even when required by regulations, helps to reduce fraud – but there are additional steps businesses should take to ensure secure payments.

The Adyen Authentication Engine, for example, won't trigger 3D Secure for out of scope transactions or exemptions, and will skip 3D Secure if the issuing bank doesn't enforce it.

A resilient industry with new ambition

The evidence is there. Businesses in 2022 are optimistic about the future, and so they should be.

Whilst resilience and adaptability have been key themes of the last few years, there is also opportunity. Digital transformation remains a key priority, accelerated by recent challenges but at the same time more within reach than ever. Consumers continue to drive innovation and flexibility, and businesses are expected to not only keep up, but continue to shape whatever comes next.

At Adyen our focus is, and always has been, on supporting long-term, sustainable growth. We're committed to ensuring our customers remain at the forefront of this ever-evolving industry and look forward to speaking with you about how payments can be the strategic growth driver you're looking for.

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Adyen is the payments platform of choice for many of the world's leading companies, providing a modern end-to-end infrastructure connecting directly to Visa, Mastercard, and consumers' globally preferred payment methods. Adyen delivers frictionless payments across online, mobile, and in-store channels. With offices across the world, Adyen serves customers including Facebook, Uber, Spotify, Casper, Bonobos and L'Oreal.

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