

A woman with her hair in a ponytail is looking down at her smartphone in a clothing store. She is wearing a black leather jacket over a green top and a gold necklace. She has several shopping bags, including a white one and a blue one, slung over her shoulders and arms. The background shows clothing racks with various items.

THE SYNCHRONY TREND SPOTTER

FIVE RETAIL TRENDS TO WATCH IN 2018

5 RETAIL TRENDS TO WATCH IN 2018

The transformation in retail is driven mainly by technology and artificial intelligence. See which five trends are changing the way people shop in 2018 and beyond.



TREND

1

RETAILERS DOUBLE DOWN ON VOICE TECHNOLOGY

Consumers are becoming enchanted by voice technology. A recent Synchrony Financial consumer survey reports that **30 percent of consumers now own a voice controlled device.**¹ The growth in device usage has been rapid. According to consumer data firm Verto Analytics, Alexa usage has seen a 325 percent year-over-year increase in unique monthly users (between May 2016 and May 2017).²



The good news for retailers is that consumers are using these devices to shop. **Fifty-one percent of consumers who own the technology report they are shopping using a smart speaker to shop.**³ As a result, more retailers are heading down the path originally paved by Amazon. Best Buy, Target and Walmart have forged partnerships with Google to make it possible to shop for some products using Google Home⁴. According to Marc Lore, Walmart's head of U.S. Commerce, *"You're going to be able to talk to your car, your home, your phone in a very conversational way, as you would with somebody on the floor of a brick-and-mortar retail specialist."*⁵

Voice technology that functions as a speaker for purchases is only the beginning. Retailers who couple voice with artificial intelligence are ahead of the game. Examples of this include using purchase data to automatically order regularly purchased items or customize purchases according to brands most purchased. This trend is set to continue as more retailers get into the voice game. *"The reason you see so much excitement around the connected home is because, as a retailer, you have to be everywhere to reach the modern shopper,"* says Maya Mikhailov, CMO of GPS shopper.

TREND

2

THE CONNECTED CAR—AN EXCITING NEW SALES CHANNEL

Related to the voice technology provided by Alexa and Google in the home, the connected car is another channel that retailers are watching closely. According to Koupon Media, **75 percent of new cars will be equipped with internet connection by 2020.** Eventually, there will be 250 million connected cars on the road.⁶

Car makers are rapidly developing connected cars in 2018 and beyond. GM is making it possible to shop right from the vehicle's information system, in a system called "Marketplace." This enables purchase options from certain retailers right from the dashboard.⁷ In addition, Toyota recently announced that it would introduce Alexa in some Toyota and Lexus vehicles in 2018, adding additional vehicle models in 2019 and beyond.⁸

With the connected car, comes several retail opportunities. According to a study by PYMNTS.com and Visa, 66 percent of commuters who make mobile order-ahead purchases today would do so more often if the technology were available in their vehicles.⁹ The ability to use the connected car's GPS in order to deliver location-based offers can be an exciting marketing tool for gas stations, coffee shops and other brands. Many retailers are already planning on increasing their investments in location technology. eMarketer recently published a study by IHL Group and RIS News, revealing that retailers are planning on spending 7.3 percent more on proximity/location-based marketing in the coming year.¹⁰ The connected car is a perfect vehicle with which to use location marketing to drive additional sales.



TREND

3

ARTIFICIAL INTELLIGENCE—THE KEY TO CREATING CUSTOMIZED SHOPPING EXPERIENCES

According to an article in the Harvard Business Review, the most important general-purpose technology of our era is artificial intelligence (AI).¹¹ AI is defined as a simulation of human intelligence processes by computer systems, including learning, reasoning and self-correction. Many companies are already exploring this technology. In their March 2017 “Customer Experience Innovation Survey—AI now on the CX Map” report, Gartner surveyed a panel of IT and business leaders. The data indicates that, “more than half of the organizations in the 2017 study expect to be using machine learning within the next three years.”¹²

What does all this have to do with retail? AI leads to personalization and personalization leads to satisfied and loyal customers. Fifty percent of shoppers said if they received relevant offers from a favorite retailer, they would shop there more often.¹³ Machine learning, a subset of AI, is perfect for using automation to instantly provide customized offers based on past behavior. Other examples of AI in retail include management of stock and inventory levels, personalized offers, gift selections and customized ordering tools.

“All of the stars have aligned to make AI and machine learning impactful,” says Greg Simpson, Synchrony Financial’s Chief Technology Officer. “Plentiful data, inexpensive computing power, and powerful capabilities at the edge (which in retail, is often the smartphone in the consumer’s hand) provides tremendous opportunities. The elements of AI combine to make entirely new, highly-personalized shopping experiences possible, while simultaneously reducing fraud.”

TREND

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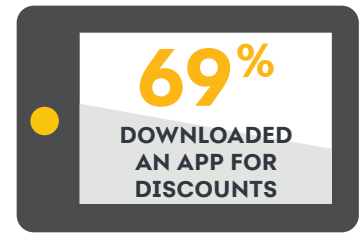
RETAIL MOBILE APPS—PROVIDE OPPORTUNITIES FOR INCREASED CONNECTION WITH CONSUMERS

According to the Synchrony Financial Digital Study, **63 percent of the U.S. population—and 81 percent of Millennials—have downloaded a retailer mobile app.** According to App Annie, the time spent shopping through retailer mobile apps is on the rise, with U.S. consumers now spending nearly 50 minutes in shopping apps per month, or 10 hours per year. In the U.S., the top five digital-first shopping apps saw more than 60 percent growth in total sessions year-over-year, and during the first half of 2017, traditional retailers’ mobile apps showed a 50 percent growth year-over-year.¹⁴

What’s in it for the retailer? A retailer mobile app creates the perfect opportunity to deepen the relationship with the customer. For example, did they redeem an offer on a cordless drill? Now you know they may be building something, and it may be a good time to present an offer for paint, or nails, or anything construction related. Retail mobile

apps not only give the retailer valuable information on offers that are resonating, they enable a retailer to provide a customized campaign that drives the next offer.

What’s in it for the shopper? The top reasons shoppers download apps is to get added value and increased speed. **Sixty-nine percent of survey respondents say they downloaded an app for access to discounts**



and 30 percent said they did so to order products quickly.¹⁵ “Shoppers are looking to mobile apps as a differentiated experience,” says GPSshopper CMO Maya Mikhailov. “This means it doesn’t need to be an exact copy of a retailer’s website, but should take into account what features and functionality consumers want for those mobile moments which can occur anytime and anywhere.”

TREND

5

SOCIAL RESPONSIBILITY—A NEW IMPERATIVE FOR BRANDS

Brands are no longer simply places to buy items. Consumers care about the social responsibility of brands they interact with. Sixty-five percent of consumers say they like to shop at brands that reflect their values, and 49 percent say they will stop shopping at a brand if it doesn’t reflect values they think are important.¹⁶ As a result, corporate responsibility has become a part of a brand’s positioning.

The number of natural disasters that occurred in 2017 have highlighted this trend. Last year produced fifteen natural disasters, including floods, freezes, cyclones, hurricanes and wildfires, which was a record in the U.S. Retailers and brands have reacted to these events by increasing their outreach to the communities impacted. For instance, Gallery Furniture used their stores to shelter hundreds during Hurricane Harvey and had over 6,000 people attend a Thanksgiving dinner hosted in a Gallery Furniture parking lot. Owner Joe McIngvale said customers have flocked to his business ever since, and most say it was because of his actions.¹⁷ Countless retailers, from Lowe’s to Custom Ink donated goods and money to hurricane victims.

The social causes that are attracting retailer attention are not limited to natural disasters. For instance, Patagonia donated all of its Black Friday sales to grass roots environmental organizations, and Eileen Fisher has teamed with Columbus Consulting International to help the brand achieve 100 percent sustainable sourcing and manufacturing by 2020.

As consumers desire more of a connection with the organizations they are buying from, this trend is sure to grow in 2018 and beyond. As a result, retail brands are being challenged to create a plan for community outreach, whether through disaster relief or ongoing commitment to a cause.

PAYMENTS CORNER

THE RETAIL TECHNOLOGIES MENTIONED ABOVE ARE IN LOCK-STEP WITH INNOVATIONS IN PAYMENTS TECHNOLOGY.



VOICE TECHNOLOGY: Consumers are looking for ways to simplify their lives and paying bills is an area ripe for simplification. Sixty-three percent of consumers in a Synchrony survey say they are interested in paying bills through a smart speaker and receiving alerts when payments are due.¹⁸ The payments industry is looking into smart speakers as a way of providing seamless and helpful payments technology in the home and car.



ARTIFICIAL INTELLIGENCE is a powerful tool the payments industry employs today. Statement processing, risk assessment and fraud mitigation are all examples of how payments issuers use AI to improve the customer experience. Quick credit decisions, customized credit solutions and notifications of potential fraudulent transactions all have a positive effect on the customer and their experience with the credit card and its issuing brand.



RETAIL MOBILE APPS are also enhanced by payments technology. Providing customers with the ability to check account balances, access savings coupons and make payments on their accounts from within the retailer app are elements of the overall experience that customers find valuable. Fifty-one percent of consumers said they would be likely to use the retailer's mobile app more frequently if these features were included in the retailer app.¹⁹ *"Retailers that seamlessly integrate the credit experience into mobile apps see higher customer engagement and brand loyalty."* said John Williams, SVP Marketing Innovation at Synchrony Financial.

¹Synchrony Financial Consumer Survey. January 2018.

²Verto Analytics. New Research from Verto Analytics Shows Sluggish Consumer Adoption of AI-Driven Personal Assistant Apps. July 11, 2017. <http://www.vertoanalytics.com/10024-2/>

³Synchrony Financial Consumer Survey. January 2018.

⁴Retail Dive. Best Buy taps Amazon's Alexa for voice ordering. November 6, 2017. <https://www.retaildive.com/news/best-buy-taps-amazons-alexa-for-voice-ordering/510133/>

⁵Cnet.com. Walmart sees a shopping future filled with VR, AI and chatbots. October 17, 2017. <https://www.cnet.com/news/walmart-sees-a-shopping-future-filled-with-vr-ai-and-chatbots/>

⁶Koupon Media. The Connected Car: The Future of Marketing.

⁷Techcrunch.com. GM launches Marketplace for in-car shopping and reservations. December 5, 2017. <https://techcrunch.com/2017/12/05/gm-launches-marketplace-for-in-car-shopping-and-reservations/>

⁸<https://www.cnbc.com/2018/01/09/toyota-will-add-amazon-alexa-to-select-cars-in-2018.html>

⁹PYMNTS.com. Connected Cars Drive 212B Annually in Commerce Spend. January 8, 2018. <https://www.pymnts.com/intelligence-of-things/2018/digital-drive-report-connected-cars-commerce-order-ahead-visa/>

¹⁰eMarketer. Retail Place Technology Bets for 2018. January 9, 2018. <https://retail.emarketer.com/article/which-technologies-will-retailers-investing-2018/5a5544e8ebd40008bc7911f3?ecid=NL1014>

¹¹Harvard Business Review. The Business of Artificial Intelligence. August 7, 2017. <https://hbr.org/cover-story/2017/07/the-business-of-artificial-intelligence>

¹²Gartner Research. Survey Analysis: Customer Experience Innovation 2017 – AI now on the CX Map. March 30, 2017.

¹³Synchrony Financial 2017 Digital Study.

¹⁴AppAnnie.com. Retailers: Why Data Should Drive your Mobile Strategy. October 11, 2017. <https://www.appannie.com/en/insights/market-data/global-mobile-app-retail-report-2017/>

¹⁵Synchrony Financial 2017 Digital Study.

¹⁶Synchrony Financial Consumer Survey. January 2018.

¹⁷Retail Dive. 12 Retail Execs share their goals for 2018. January 18, 2018. <https://www.retaildive.com/news/12-retail-execs-share-their-goals-for-2018/515040/>

¹⁸Synchrony Financial Consumer Survey. January 2018.

¹⁹Synchrony Financial 2017 Digital Study.

For more information about how Synchrony Financial can help grow your business email synchronyconnect@syf.com. To view additional retail insights and thought leadership, go to <http://newsroom.synchronyfinancial.com/insights>.



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^{*}Nilson Report (June 2017. Issue # 1112) - based on 2016 data.

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