

Big Retail's Innovation Mandate: Convenience And Personalization, a PYMNTS and ACI Worldwide collaboration, is based on a survey of 151 retailers in the U.S. and 149 retailers in the U.K. with at least 50 store locations representing the general retail, grocery retail, pharmacy and convenience retail and new or used automotive sales segments conducted between June 1 and June 21. The merchants in the U.S. had at least \$1 billion in annual revenues and those in the U.K. had at least £100 million (\$127 million USD).



■ OCTOBER 2022

# BIG RETAIL'S INNOVATION MANDATE:

CONVENIENCE AND PERSONALIZATION



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PYMNTS

ACI Worldwide

Big Retail's Innovation Mandate: Convenience And Personalization was produced in collaboration with ACI Worldwide, and PYMNTS is grateful for the company's support and insight. **PYMNTS** retains full editorial control over the following findings, methodology and data analysis.

# INTRODUCTION

In an economy marked by seemingly limitless options, personalized innovations — and the heightened convenience they foster — will keep customers shopping in-store. Data suggests that creating an in-store experience that is both convenient and personalized is now table stakes for consumers in both the United States and the United Kingdom. According to a recent PYMNTS survey, most retailers in the U.S. and the U.K. believe that their ability to duplicate the online sphere's seamless, intuitive shopping experiences is critical for maintaining customer loyalty and engagement. The coupling of convenience and personalized innovation has been definitive among retailers, and a majority are now developing new ways to leverage consumer data to drive innovative, customized and frictionless shopping experiences in-store.

Those experiences are enabled by retailers' access to the payments and data management technology that powers customer experience innovation. However, only half of retailers are satisfied with their current stack of digital tools and the customer experiences they can offer their shoppers. That means retailers are facing a considerable task: managing day-to-day concerns such as payments process accuracy and anti-fraud efforts while ensuring that their innovation efforts do not lag behind their competitors' offerings or their consumers' taste for digital-like experiences everywhere.

Big Retail's Innovation Mandate: Convenience And Personalization, a PYMNTS and ACI Worldwide collaboration, examines how retailers are addressing their dissatisfaction with their existing tech stacks and explores their preparation for a radically transformed retail future.

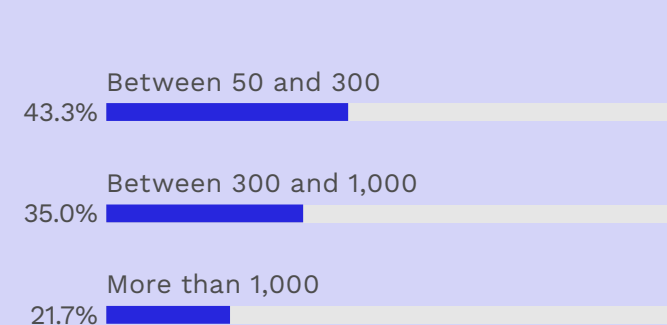
## HERE IS WHAT WE LEARNED.

### A look at survey respondents

These findings were based on a survey of retailers in the U.S. or the U.K. with at least 50 store locations and annual revenues of at least \$1 billion for U.S.-based companies or £100 million (\$127 million USD) for those based in the U.K. Respondents were asked about the digital tools and technologies they currently use, the challenges they perceive in maintaining customer loyalty and their plans for future innovation. The survey was conducted from June 1 to June 21.

**FIGURE 1:**  
Retailer sample analysis:  
Physical footprint

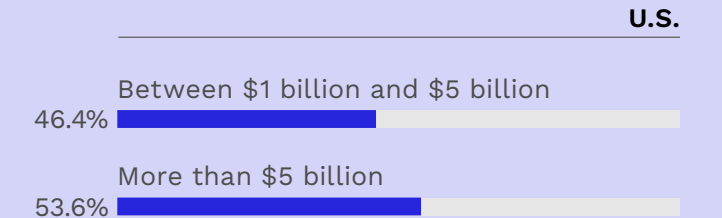
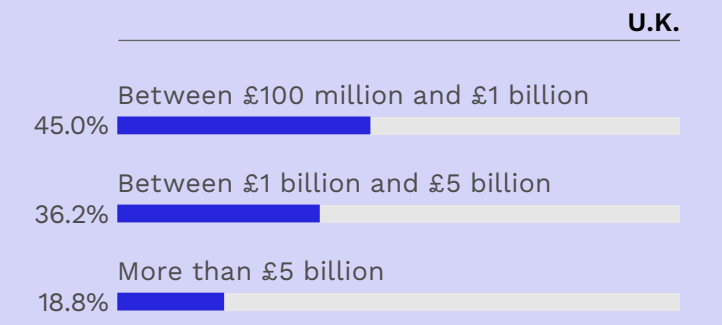
Share of retailers with select ranges of physical stores



Source: PYMNTS  
Big Retail's Innovation Mandate:  
Convenience And Personalization, October 2022  
N = 300: Complete responses, fielded June 1, 2022 – June 21, 2022

**FIGURE 2:**  
Retailer sample analysis:  
Revenues

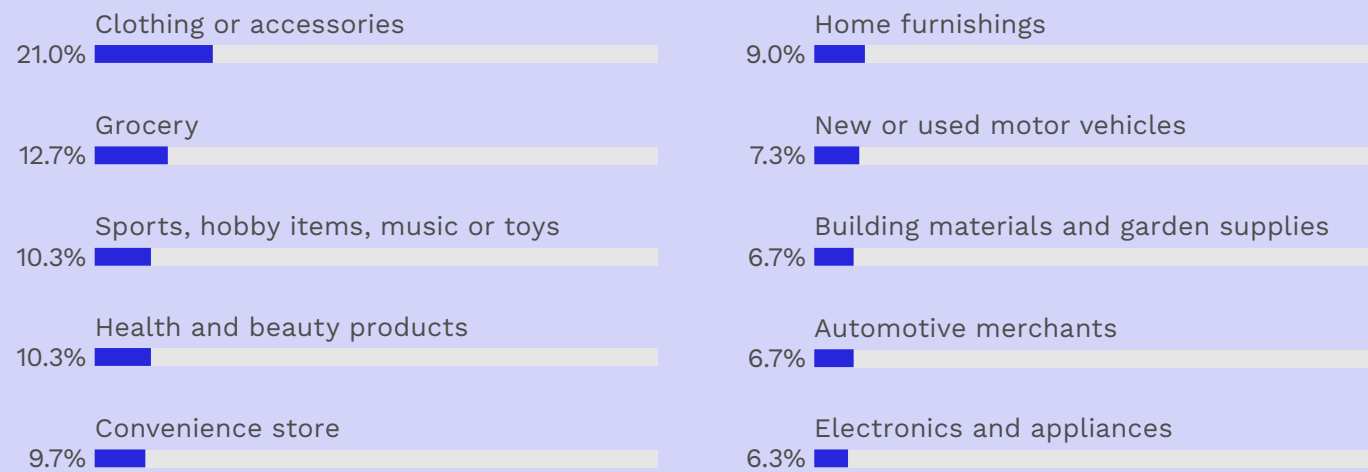
Share of retailers with select annual revenues



Source: PYMNTS  
Big Retail's Innovation Mandate: Convenience And  
Personalization, October 2022  
N = 300: Complete responses,  
fielded June 1, 2022 – June 21, 2022

**FIGURE 3:**  
**Retailer sample analysis:**  
**Industry**

**Share of retailers that generate the bulk of their revenue in select sectors**



**Source: PYMNTS**  
Big Retail's Innovation Mandate:  
Convenience And Personalization, October 2022  
N = 300: Complete responses, fielded June 1, 2022 – June 21, 2022

**01**

**Retailers want more from their digital tools. Many retailers are not confident in their ability to deliver engaging customer experiences or in the power of their digital tools to help them do so.**

Our research revealed that only around half of retailers in the U.S. and the U.K. believe that they have the right mix of digital tools to serve their customers well. This dissatisfaction is leading many retailers to launch innovation strategies designed to improve the customer experience and their digital capabilities, such as those that collect and analyze customer purchasing data.

**02**

**Retailers see their access to omnichannel customer purchasing data as key to innovation.**

The majority of retailers are developing new ways to access omnichannel customer data. While this data can be used to gain insights into customer product and service preferences, it is also essential for retailers seeking to identify areas where they might remove payments friction.

**03**

**U.S. and U.K. merchants are innovating around speed and efficiency — such as by integrating real-time payments — to make in-store shopping more closely resemble online commerce. Most merchants are looking to outside help to develop and launch these innovations.**

Retailers are centering their innovation plans on bringing key elements of online shopping, such as “scan-and-go” apps, to in-store customer experiences. Real-time payments in particular are gaining steam: Currently, 43% of U.K. retailers and 33% of U.S. retailers plan to add real-time payments as an option for their consumers in the near future. Innovations such as these allow retailers to easily plan and launch convenience-focused in-store digital features, and many are tapping third-party technical solutions.

# PART I: THE INNOVATION MANDATE

**A**lthough long considered optional or merely nice to have, innovative digital tools designed to make in-store shopping more like the online experience are now essential. The data is clear: More than 70% of retail executives in the U.S. and U.K. now see the adoption of digital-first shopping tools as a prerequisite for customer loyalty.

Most retailers stated that consumers were likely to shop elsewhere if they could not use the following in-store digital features: mobile apps, cited by 81% of retailers we surveyed; barcode and QR code scanner apps, cited by 81%; digital rewards and coupons, cited by 77%; alternative payment methods, cited by 76%; and self-service kiosks, cited by 51%. Each of these features brings eCommerce sensibilities to brick-and-mortar shopping. Instant price checks via barcode and scanner apps help consumers find the best bargains without having to hunt for a sales assistant. Using a mobile app in-store could give them speedy access to the products they want. In-store digital coupons and rewards access empower consumers to get the same deals that they might find online.

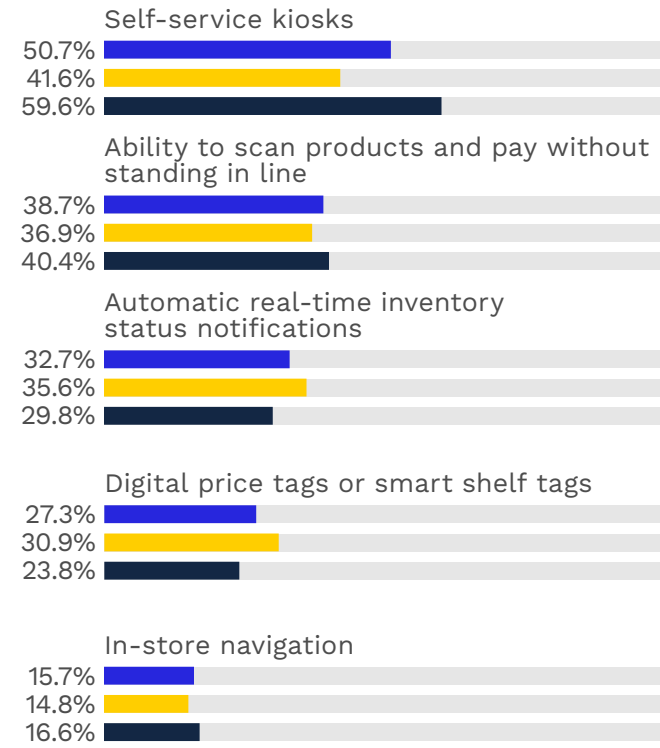
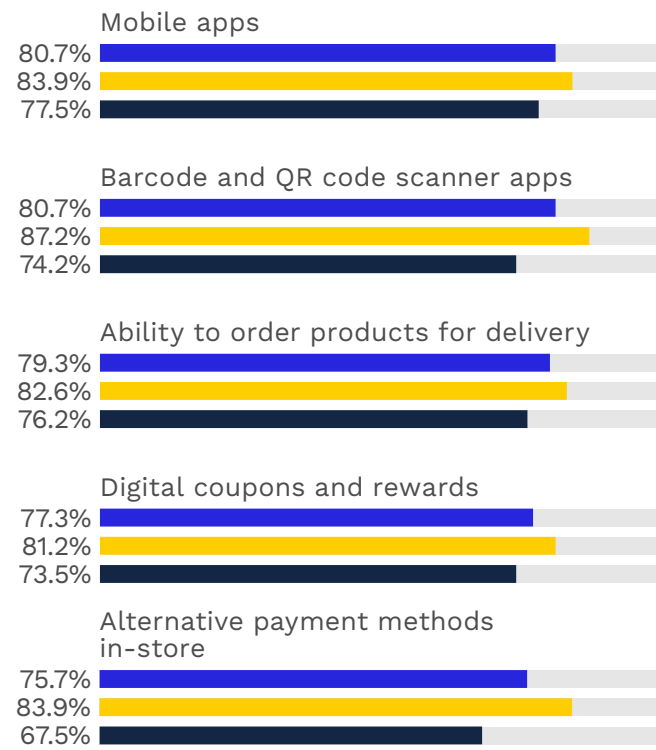
Our researchers also found that different retail segments prioritize particular innovations. General retailers saw barcode and QR code scanner apps as most important for customer retention, as did convenience stores and pharmacy retailers. Grocery retailers, however, saw mobile apps as equally critical to customer loyalty as barcode and QR scanner apps.

American retailers were most likely to perceive mobile apps (78%), the ability to shop in-store and order for delivery (76%) and barcode and QR code scanner app access (74%) as features they had to provide to retain customers. Although a greater share of U.K. retailers feel that delivery is crucial (83%), even more cited barcode and QR code scanner access (87%), mobile apps (84%) and in-store access to alternative payment methods (84%) as mandatory offerings to keep customers loyal. U.K. merchants' consistently higher shares could suggest there is either weaker customer loyalty or stronger competition between retailers in the country. The only major outlier in this regard is for in-store kiosks: 60% of U.S.-based retailers believe their customers will switch if the feature is not offered, whereas just 42% of those in the U.K. agree.

**FIGURE 4A:**  
**Retailers' views of digital tools**

Share of retailers that think consumers would be very or extremely likely to switch merchants if select capabilities were not provided, by location

■ Whole sample  
■ United Kingdom  
■ United States



Source: PYMNTS  
Big Retail's Innovation Mandate:  
Convenience And Personalization, October 2022  
N = 300: Complete responses,  
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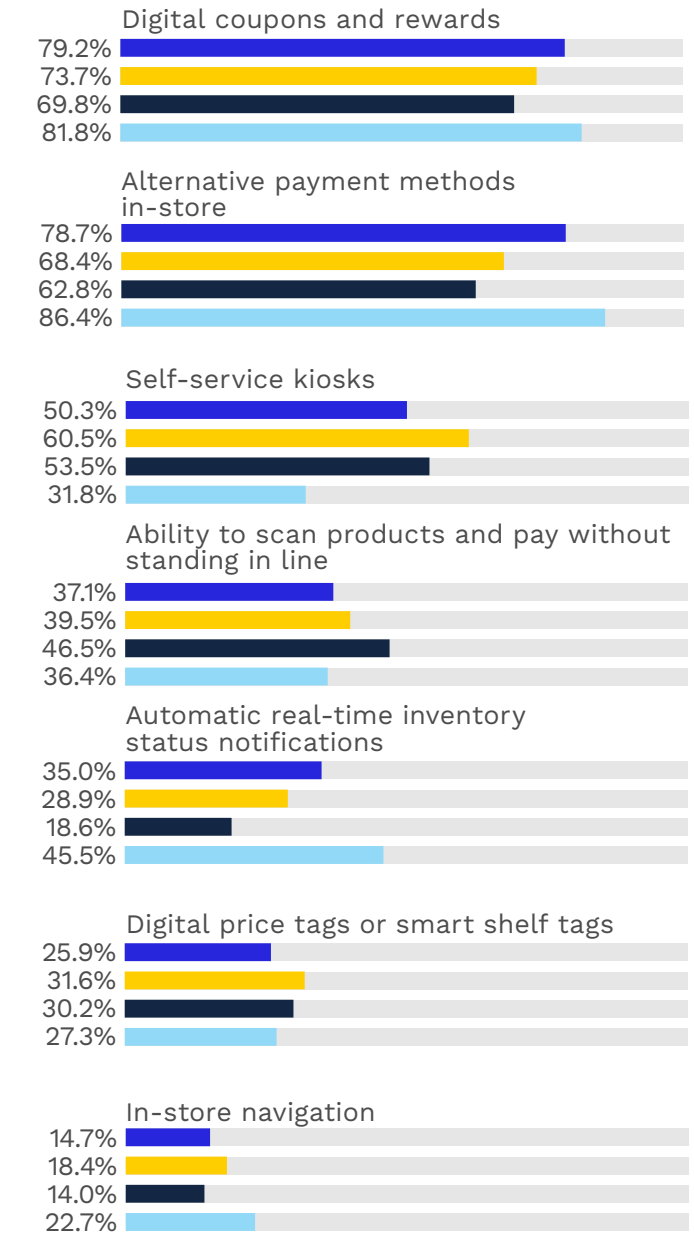
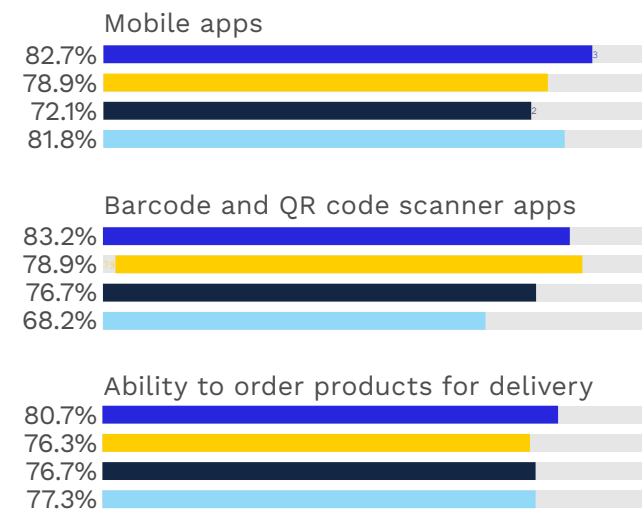




**FIGURE 4B:**  
**Retailers' views of digital tools**

Share of retailers that think consumers would be very or extremely likely to switch merchants if select capabilities were not provided, by segment

- General retail
- Grocery retail
- Convenience stores and pharmacies
- Automotive merchants



**Source: PYMNTS**  
Big Retail's Innovation Mandate:  
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# PART II: HOW FEATURES AND SATISFACTION GO HAND IN HAND

**W**hile many retailers use digital tools to accommodate consumers' taste for seamless digital experiences in-store, current efforts are still not enough. Even though basic digital tools are almost universally used, only about half of retailers report they are satisfied with both the digital tools they possess and the customer experience they offer. Only a slim majority of general retailers (53%) and pharmacy and convenience stores (54%) — and just 50% of grocery and 9% of automotive merchants — are satisfied with both the digital tools they currently use and the customer experience they deliver.

There is a clear correlation: Retailers that use more digital tools enjoy them and the customer experiences they help create. Our research showed

that three-quarters of retailers that currently use the most digital tools — 7 or more — were satisfied with the digital features employed and the customer experiences created. Only 17% of retailers using the fewest digital tools — 3 or fewer — showed satisfaction with their shoppers' customer experiences and the digital features their stores offered.

American retailers showed a higher rate of satisfaction with the digital tools they use and their customer experiences than U.K. retailers, at 56% and 43%, respectively. One would thus expect American retailers to use more digital tools than U.K.-based retailers, and this holds true: U.S. retailers used an average of 5.3 digital tools, whereas U.K. retailers used an average of 4.7 tools.



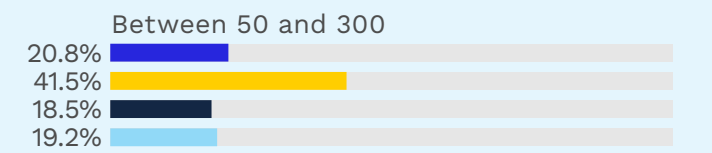
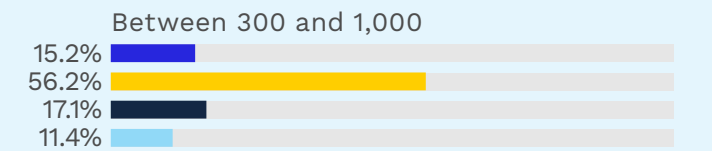
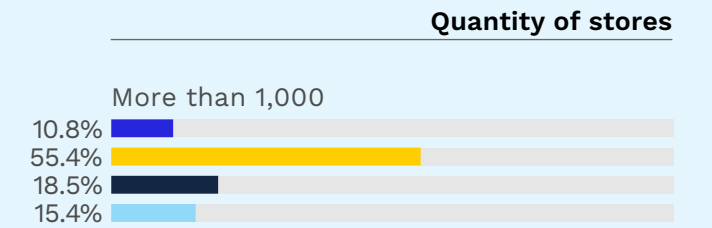
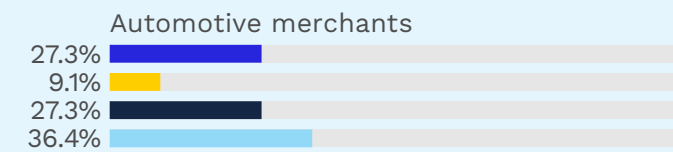
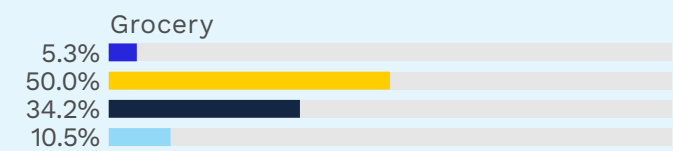
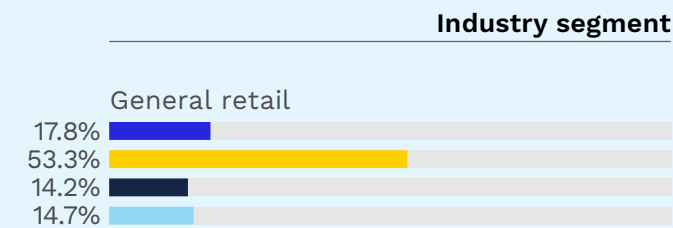
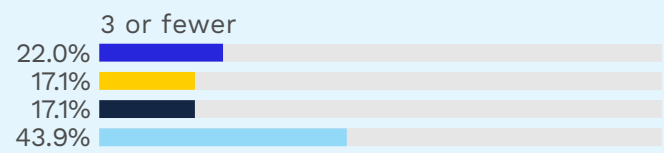
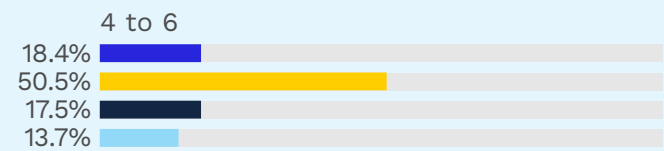
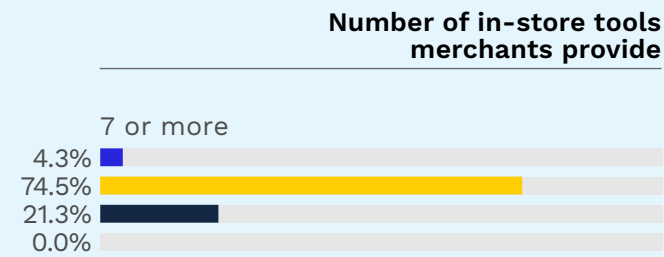
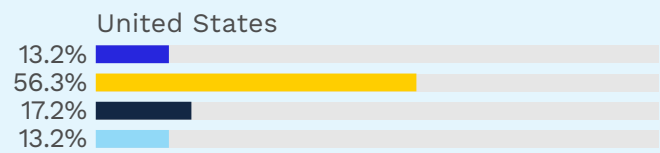
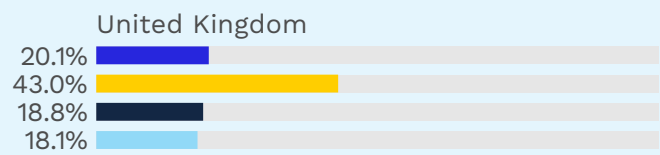
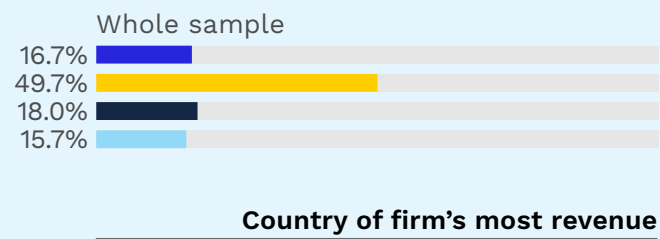




**FIGURE 5:**  
**Retailers' satisfaction with the status quo**

Share of retailers that are very or extremely satisfied with their digital tools and customer experiences

- Likes digital tools but not customer experience
- Likes both digital tools and customer experience
- Does not like digital tools but likes customer experience
- Does not like either digital tools or customer experience



Source: PYMNTS  
Big Retail's Innovation Mandate:  
Convenience And Personalization, October 2022  
N = 300: Complete responses,  
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# PART III: MERCHANTS' BIG DATA PLAY

**R**etailers understand the value of omnichannel customer data, and they are ready to find new ways to gather and leverage those insights to improve their operations and consumer shopping experiences. No longer leaving the advanced analytics to marketing teams, retailers are leaning into a much broader base of data than just in-store purchasing habits.

The majority of U.S. and U.K. retailers have introduced or plan to adopt innovations to track omnichannel customer purchasing data. Forty-eight percent of U.S. and U.K. retailers currently have adopted this strategy. Another 25% of U.S. retailers plan to do so in the next 12 months, as do 34% of U.K. retailers. Retail segments showed about the same rate of omnichannel consumer data adoption between grocery, at 50%; general retail, at 51%; and automotive merchants, at 55%. Pharmacy and convenience retailers were an outlier at just 33%, perhaps because their eCommerce presences are more limited. Even so, this may evolve as they build innovative in-store shopping experiences.

We also found minor regional differences in the reasons why retailers are introducing payments-related innovations such as data tracking. U.S. retailers cited the desire to attract new customers (64%), improve customer retention (62%) and reduce payment errors (58%). U.K. retailers, on the other hand, cited improving customer retention (64%) and attracting new customers (58%) along with reducing payment errors, improving data security and reducing manual activities (all 54%) as some of their top motivations.

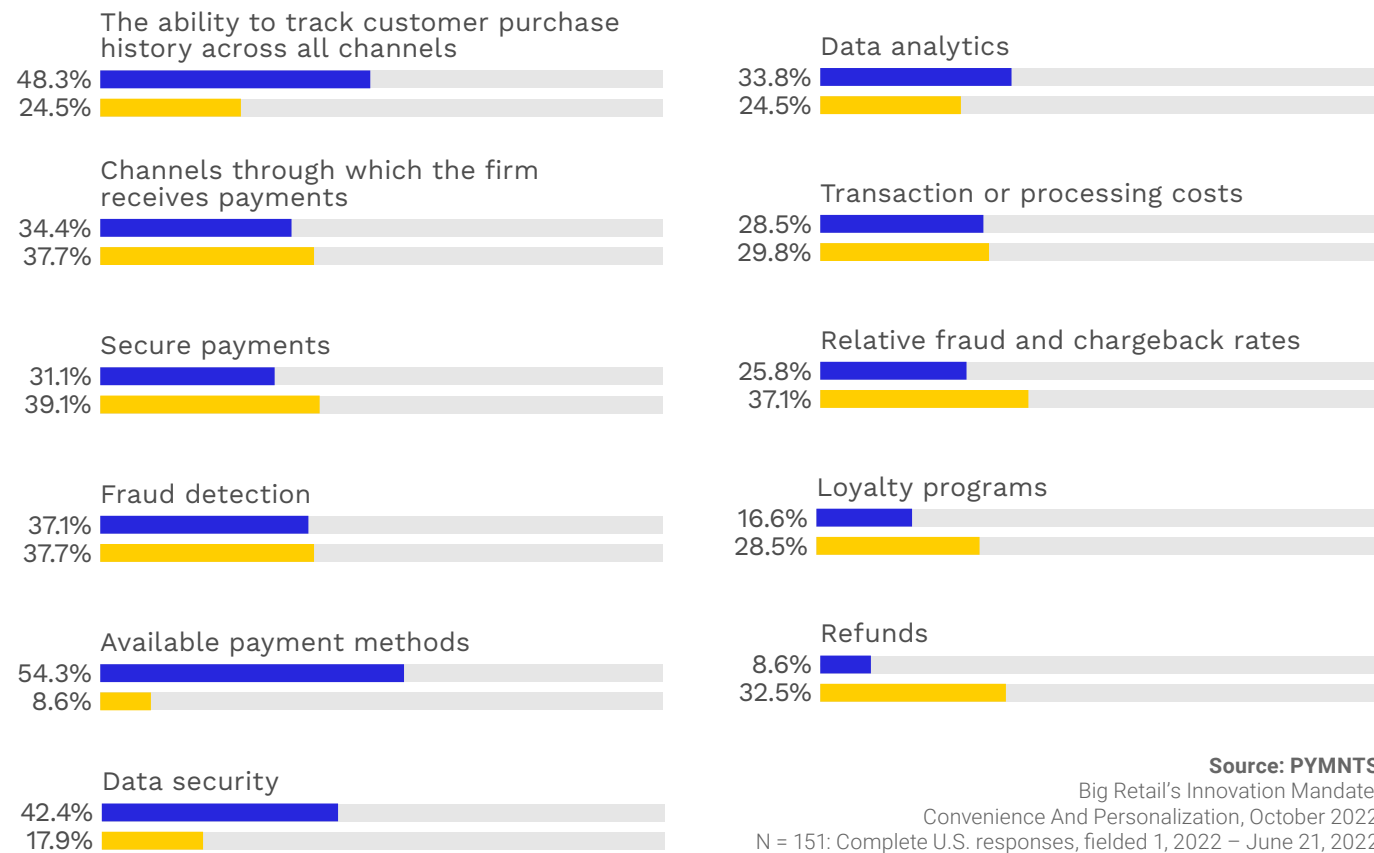
Although the reasons behind innovation are quite similar in both countries, the ways these innovations are executed differs notably by segment. Data shows that 51% of U.K. retailers have already introduced data analytics innovations, and 24% of them plan to do so in the next 12 months. Only 34% of U.S. retailers have introduced data analytics innovations, and 25% plan to do so in the next year.

Retail segments showed about the same rate of omnichannel consumer data adoption between grocery, at 50%; general retail, at 51%; and automotive merchants, at 55%. Pharmacy and convenience retailers were an outlier at just 33%.

**FIGURE 6A:**  
**Retailers' planned innovations**

Share of U.S. retailers innovating or planning to innovate in the following areas over the next three years

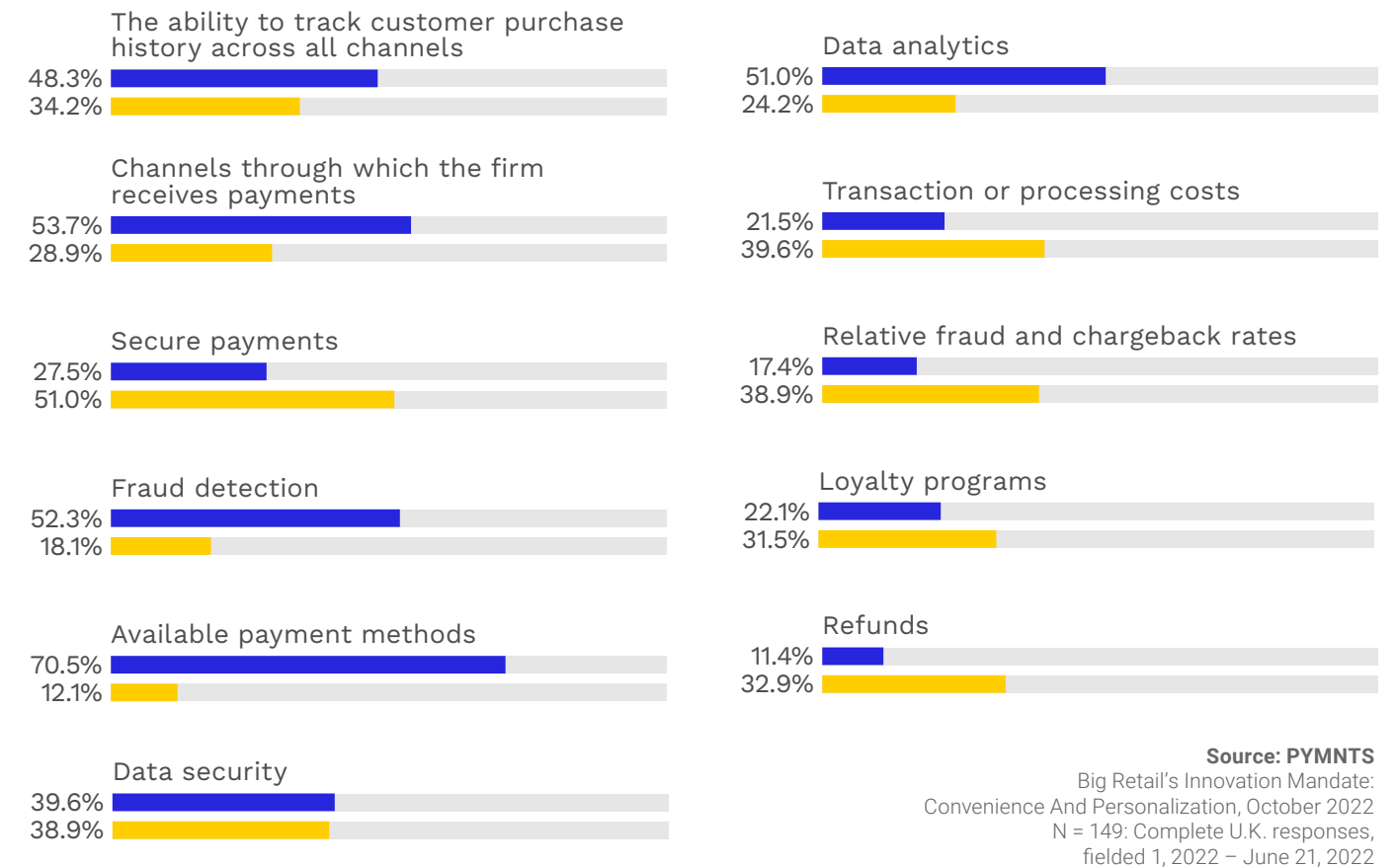
- Currently innovating in this area
- Plan to innovate in this area within the next 12 months



**FIGURE 6B:**  
**Retailers' planned innovations**

Share of U.K. retailers innovating or planning to innovate in the following areas over the next three years

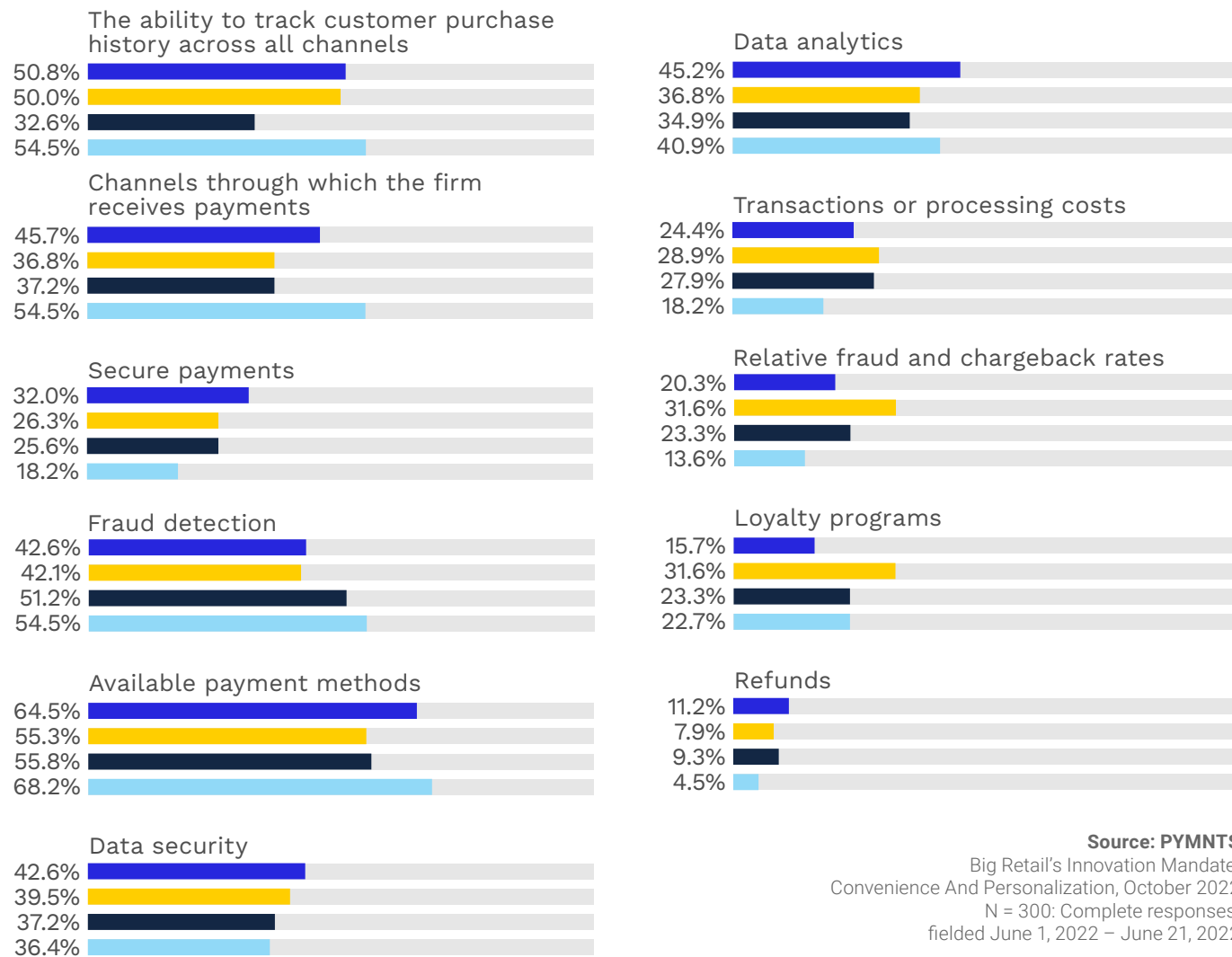
- Currently innovating in this area
- Plan to innovate in this area within the next 12 month



**FIGURE 6C:**  
**Retailers' planned innovations**

Share of all surveyed retailers currently innovating select digital features, by market segment

- General retail
- Grocery retail
- Convenience stores and pharmacies
- Automotive merchants



**Source: PYMNTS**  
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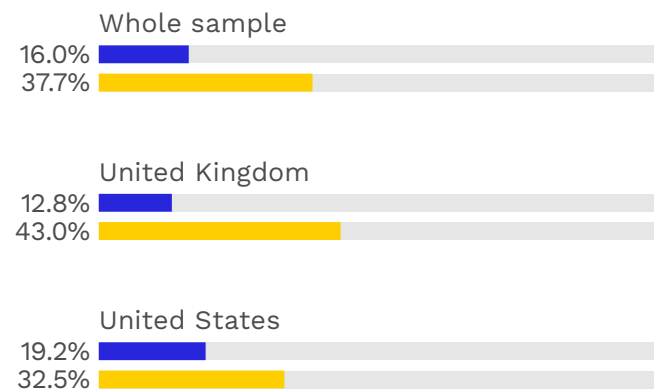
## RETAILER PRIORITIES

This year, retailers made a significant shift towards integrating real-time payments into their current payments strategy. Currently, 43% of U.K. retailers and 33% of U.S. retailers have active plans to launch real-time payment options within the next three years. Real-time payments allow retailers to experiment with cutting-edge innovations that range from smart carts to scan and go — limiting queues for customers and allowing retailers to make in-store shopping time more efficient for customers. Because real-time payments serve as the engine of in-store shopping convenience features, it is not surprising that modernizing payments is among retailers' top priorities. Retailers' interest in innovation-based real-time technology extends to other areas as well.

**FIGURE 7:**  
**Real-time payments**

**Share of retailers that currently accept or plan to add real-time payment methods**

■ **Currently accept**  
■ **Plan to add**



**Source: PYMNTS**  
Big Retail's Innovation Mandate:  
Convenience And Personalization, October 2022  
N = 300: Complete responses, fielded 1, 2022 – June 21, 2022

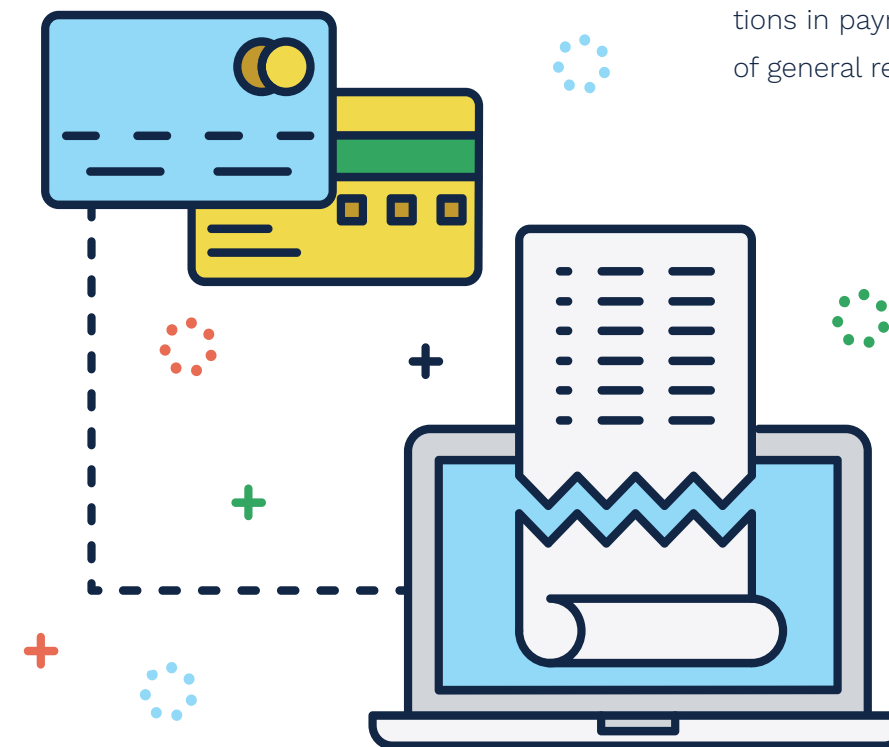
Retailers' innovation plans for the next three years center on bringing the speed and transparency of online shopping to in-store customer experiences. Innovations around payments channels and fraud detection are particularly popular, although most retailers will outsource these efforts.

Planned retailer innovations tend to mimic features that consumers have come to expect on eCommerce sites, such as automatic real-time inventory checks that allow consumers to view in-store inventory. Sixty-eight percent of automotive merchants, 61% of grocery merchants, 50% of general retailers and 42% of convenience stores and pharmacies plan to tackle this innovation. Thirty-two percent of U.K. retailers will also add “scan-and-go” options through apps that allow

consumers to make purchases without waiting in line, and 21% of U.S. retailers will do the same.

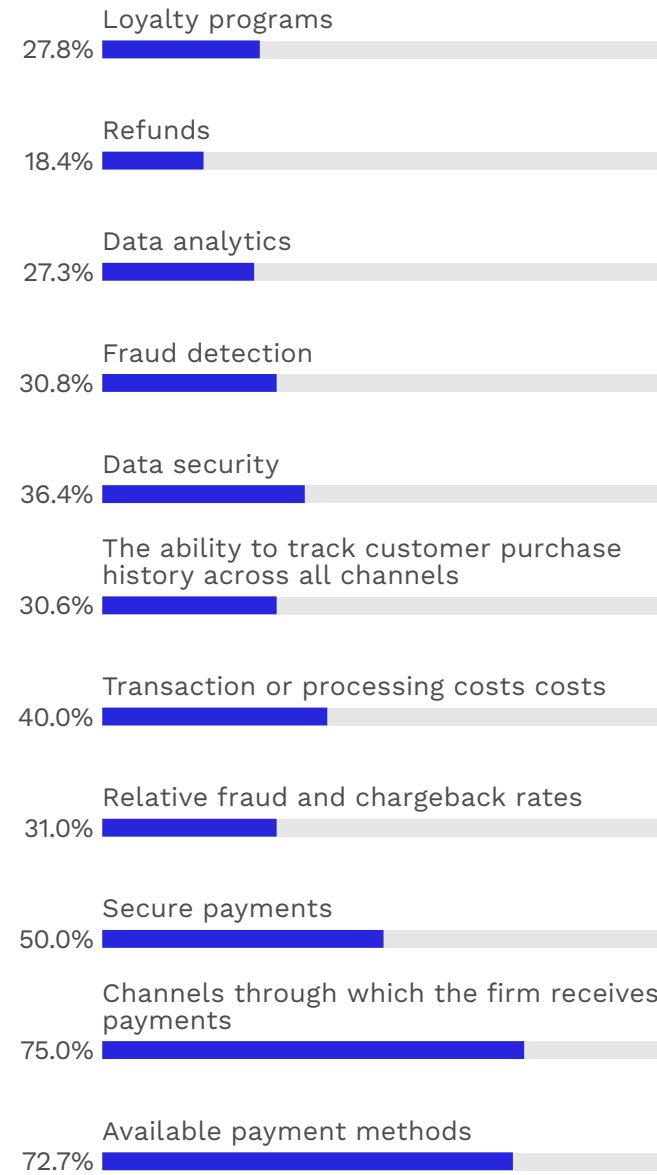
Even greater shares of retailers are prioritizing payments and security innovations, such as digitally secured payments processes. We found that 73% of U.S. retailers and 83% of U.K. retailers have launched or plan to launch innovation efforts around their payment channels. Another 75% of U.S. retailers have introduced or plan to introduce innovations around fraud detection, as have 70% of U.K. merchants.

Many retailers will be looking to third parties for these solutions. Our survey found that 51% of U.S. and 63% of U.K. retailers are planning to completely outsource payment method innovations. Some segments plan to leverage outsourcing much more than others: 73% of convenience stores and pharmacies will outsource innovations in payment methods, compared with 57% of general retailers.

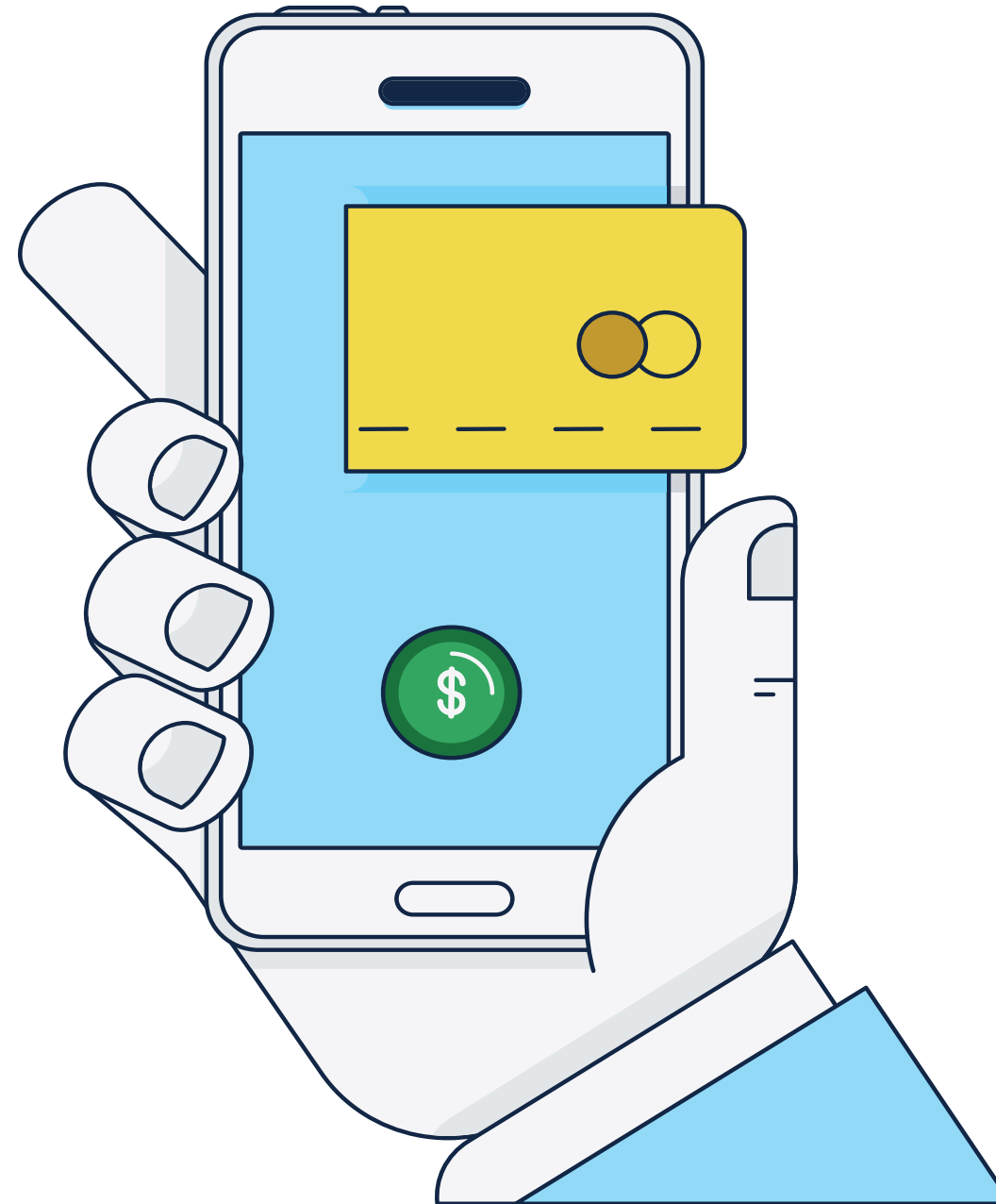


**FIGURE 8A:**  
**Outsourcing innovation**

**Share of convenience stores and pharmacies that plan to implement select payment strategies through third-party providers**

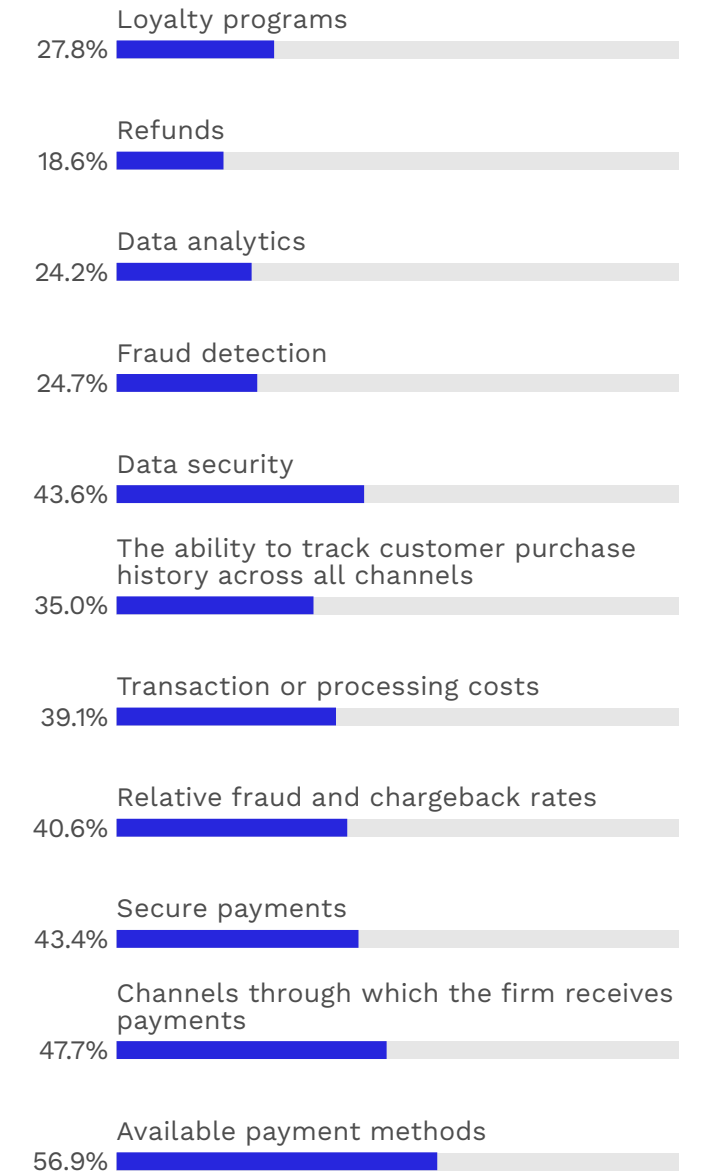


**Source: PYMNTS**  
Big Retail's Innovation Mandate: Convenience And Personalization, October 2022  
N varies depending on whether retailers are currently innovating or planning to innovate in the select areas, fielded June 1, 2022 – June 21, 2022



**FIGURE 8B:**  
**Outsourcing innovation**

**Share of general retailers that plan to implement select payment strategies through third-party providers**



**Source: PYMNTS**  
Big Retail's Innovation Mandate: Convenience And Personalization, October 2022  
N varies depending on whether retailers are currently innovating or planning to innovate in the select areas, fielded June 1, 2022 – June 21, 2022

# CONCLUSION

**R**etailers' innovation efforts are no longer confined to incremental improvements in the conveniences offered to in-store shoppers alone. The digital shift of 2020 has heightened retailers' awareness of the lure of frictionless online shopping and the importance of the technology that drives eCom-merce features. Only half of today's U.S. and U.K. retailers are happy with their current tech stack and the customer service experiences they are able to offer. This is troubling, as most consider modern digital tools that enable online-shopping-like experiences for in-store shoppers essential to maintaining customer loyalty. Retailers are prioritizing digitally powered in-store shopping experiences while developing new ways to track customer purchasing data and harvest the insights they deliver. As retailers implement innovations designed to improve in-store user experiences, a majority plan to look for help through third-party tech solutions that are designed to give them an edge — or at least more of a fair fight with their online challengers.



## METHODOLOGY

**W**e surveyed 151 retailers in the U.S. and 149 retailers in the U.K. with at least 50 store locations representing the general retail, grocery retail, pharmacy and convenience retail and new or used automotive sales segments from June 1 to June 21. The merchants in the U.S. had at least \$1 billion in annual revenues and those in the U.K. had at least £100 million (\$127 million USD).

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## ABOUT

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**ACI Worldwide** is a global leader in mission-critical, real-time payments software. Our proven, secure and scalable software solutions enable leading corporations, FinTechs and financial disruptors to process and manage digital payments, power omni-commerce payments, present and process bill payments, and manage fraud and risk. We combine our global footprint with a local presence to drive the real-time digital transformation of payments and commerce.

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