



NORTH AMERICA INSIGHTS

APRIL 2023

The new retail relevancy

How businesses can navigate the exciting future of retail



FOREWORD



In the U.S. alone, retail sales in 2022 were 32% above 2019 levels.^{3,4,5} Yet, as retail sales continue to climb, it's not just business as usual; consumers are shopping differently, too. Rapid advances in areas like the metaverse, augmented reality, personalized apps and biometrics allow companies to meet changing consumer interests like never before.

To make the most of this opportunity, retail-focused businesses should focus on both the "now" and the "next." Meeting today's needs requires staying close to consumers by carefully monitoring and responding to their everyday retail desires and behaviors in real-time, and the rapid digitization spurred by the pandemic has enabled solutions that allows even the smallest of businesses to do so. Meanwhile, meeting tomorrow's needs involves anticipating fundamental shifts in new, unmet values to innovate first-in-class retail capabilities and newly imagined offerings and solutions for the long term. In this report, we explore these short- and long-term shifts, from multisensory retail to maximalist shopping experiences and from retail in the metaverse to regenerative and circular retail. We'll unpack how shopping journeys that occur in entirely virtual worlds will soon become mainstream, while in-person experiences will become increasingly immersive. As just one example, two-thirds of Gen Z and Millennials are interested in multisensory digital experiences, which integrate sights, sounds and smells into virtual shopping. We will also investigate consumers' rising effort to live more intentionally; when it comes to shopping, this means demanding more joy and convenience than ever before. Sustainability is another driving force as carbon-conscious shoppers seek regenerative retail approaches that actively restore the planet.

Tomorrow's retail landscape will be very different from today's — companies that proactively monitor and respond to consumers' changing priorities will better position themselves for the future. That future, moreover, looks lucrative.

Mastercard is helping its partners make the most of these challenges and opportunities by drawing on strengths in digital payments, digital security and other innovative technologies impacting the retail industry to position businesses large and small to benefit.

Shoppers want more joyful, more frictionless, and more sustainable retail experiences — let's create them together.

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1. [A sale of virtual sneakers raised \\$3.1 million USD in seven minutes](#)
2. [Decentraland to host the first Metaverse Fashion Week in March, here are the details](#)
3. [U.S. Census Bureau monthly retail trade, October](#)
4. [Mastercard SpendingPulse: U.S. retail sales up +8.8% year-over-year in January](#)
5. [Mastercard SpendingPulse: U.S. retail sales up +6.9% year-over-year in February](#)

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1 Smart spending is consumers' dominant mindset in the current climate

The turbulence of recent years, alongside rapid technological progress, have set the stage for major changes to the retail industry. Seven out of ten consumers say that high inflation has changed the way they shop and they are most likely to categorize their current spending mindset as “smart.” Rather than cutting back across the board, consumers are dialing into what matters most to them, with many splurging on luxuries while cutting back on basics.⁴ This is reflected in retail sales, with growth in joy-driven categories like experiences and jewelry.^{4,5}

2 Virtual retail levels up style and functionality

Today, “ambient” technologies — like voice commerce and augmented reality — focus on making the retail experience more seamless. Looking ahead, consumers are eager to explore more immersive virtual retail, which provides new opportunities for self-expression, sensory experiences and crossover with the physical world. The adoption of digital currencies will also gamify and accelerate spending in virtual environments.

3 Retailers must deliver more joyful and convenient experiences

More joyful shopping means an experience that offers more than shopping alone. Immersive exposure to innovation is on consumers' wish lists as 83% would like to view and test the latest products when they shop. Another 57% of consumers also express interest in accessing immersive virtual experiences while shopping in store that can augment the meaning of the shopping experience. Convenience in the retail experience is the other key lever to dialing up joy. That's why 59% of shoppers are interested in “on-demand” retail — whereby online orders are delivered at lightning speed.

4 Regenerative retail is critical to shaping the future

As more consumers seek to leave their communities and the environment better off, support for “regenerative retail” is spreading fast. As part of this transition, consumers are seeking transparent reporting from retailers about their progress toward their social and green commitments. More than half (53%) say they prioritize brands that reveal their carbon footprints. Consumers are also weighing the deeper purpose of their own shopping choices as 82% prefer to support small or local businesses, whenever possible.

About the research

This research was conducted by The Harris Poll on behalf of Mastercard, from October 5 to October 14, 2022. Survey respondents consisted of 4,018 consumers, including 2,012 from the U.S. and 2,006 from Canada. Expert interviews and industry-landscaping research also informed the study. This research was led by Abbey Lunney and Morgan Rentko. For more information about The Harris Poll, please contact abbey.lunney@harrispoll.com. WGSN explored the new travel narratives impacted by global power shifts and consumer value systems. Methodology included: WGSN proprietary research; WGSN case studies, internal expert interviews and opinions; bespoke secondary research and strategic analysis, expert opinion and case studies, and consumer and industry trends, cross-industry innovation. For more information about WGSN, please contact clare.preston@wsgn.com.

4. [Mastercard SpendingPulse: U.S. retail sales up +8.8% year-over-year in January](#)

5. [Mastercard SpendingPulse: U.S. retail sales up +6.9% year-over-year in February](#)

6. [Consumers tired of inflation scrimp—and splurge](#)



Part 1:
Unpacking the forces
reshaping retail

Smart spending on the rise

70%

of consumers agree that inflation has changed the way they shop

8.1%

increase in e-commerce from 2018 to 2022⁵

46%

of consumers are couponing more in response to high inflation

The world is experiencing a paradigm shift in how people live, work and play. In the wake of all the changes of the last few years, many are recalibrating their priorities and values. This "Great Reset," together with the "Great Rewire" – the recent, rapid acceleration of technology adoption – are reshaping the shopping journey.

The pandemic ushered in an e-commerce boom, with e-commerce sales jumping from 10.2% of total retail sales in 2018 to 18.3% in 2022 – an 8.1% jump in just four years.⁴ Today, despite the widespread return to in-person shopping, the plethora of digital shopping options persists. Even more advanced offerings are on the way, thanks to the ongoing development of the metaverse.

New digital payment methods (such as buy now, pay later) are also giving individuals more agile ways to pay, whether online or in-store. Digital security tools that reduce payment fraud are becoming more sophisticated, too. Collectively, these innovations are contributing to healthy retail sales numbers, which continue to outpace 2022.^{4,5}

Smart spending is increasingly the dominant mindset, as many consumers get intentional about where they want to dial up spending. Budget-conscious shoppers are turning to old favorites, like couponing. To find the best deals, many consumers are shopping earlier to give themselves more time or shopping off-peak to find better prices. As pandemic restrictions fade, demand for things like dining out and travel has bounced back strongly.

When consumers shop these days, they do so more deliberately...

Top spending mindsets



4. [Mastercard SpendingPulse: U.S. retail sales up +8.8% year-over-year in January](#)

5. [Mastercard SpendingPulse: U.S. retail sales up +6.9% year-over-year in February](#)



Part 2: Reimagining the retail experience

Living virtually: Diving into new retail worlds

\$50
billion

Projected value of the “direct-to-avatar” market – where people buy digital clothes for their metaverse personas – in 2022

87%

of cryptocurrency owners are interested in earning loyalty rewards in cryptocurrency (as are more than 1 in 3 consumers overall, 36%)

While shopping across multiple channels – omnichannel shopping – has been a norm for years, shopping in completely virtual worlds – the metaverse – is opening up new territory for exploration. With such “metachannel” retail, consumers browse, try and purchase products in the metaverse.

Nearly seven out of ten have shopped (17%) or are considering shopping (48%) in the metaverse for real-world items. The metachannel will play an even greater role in the retail experience in the years ahead: More than half of consumers expect that, by 2027, every physical product they buy will also come with a complimentary “digital twin” (a virtual copy of the digital items purchased).

The desire to live more virtually has numerous benefits. One appeal of virtual spaces is that they provide environments that are especially conducive to creativity and self-expression. This advantage helps to explain why more than two-thirds of consumers believe that fashion and other styles will become more exuberant and daring in the virtual world.

These environments also give consumers greater control over how they engage with the outside world. Retailers should note that more than half of consumers expect brands to offer highly personalized experiences in the metaverse. A similar amount eagerly await the opportunity to explore and/or build virtual worlds with their favorite retail brands.

The spread of digital currencies, meanwhile, will underpin the rise of virtual commerce. By the end of 2023, an estimated \$16 billion in digital goods and services will be bought and sold via cryptocurrency – a 55% increase from current levels.⁷ In the coming years, cryptocurrencies may also create lucrative opportunities for brands to “gamify” their loyalty rewards and deepen customer engagement. For example, Burger King launched a cryptocurrency prize offering where Royal Perks loyalty members have the chance to win a “side of cryptocurrency” – including Dogecoin, Ethereum or Bitcoin – with a qualifying purchase.⁸



7. [34 million U.S. adults own cryptocurrency](#)

8. [Burger King to give crypto rewards with Robinhood](#)

Living intentionally: Making shopping more joyful and convenient





93%

of consumers say that if they have a positive shopping experience at a store, they will return

68%

of consumers say that they want a highly personalized shopping experience, whether online or in-store

As consumers get more intentional about their purchases, they are looking to maximize both joy and convenience when shopping. For many, more joyful shopping also means offering experiences more than just shopping alone, including the ability for it to be complemented by:

-  Viewing and testing the latest products (83% of consumers desire this)
-  Eating and drinking (75%)
-  Socializing with friends (59%)
-  Jumping into immersive digital experiences (57%)
-  Learning about brands' personal stories (53%)

Looking ahead to what's next for joy-driven shopping, we imagine a future where consumers are part of creating the retail experience, both online and in-store. Our already hyper-connected digital landscape today sees consumers looking for more engaging and interactive experiences. One example is the store-as-a-content-studio model where influencers can use the space to create, stage and shoot content for social media and blogs and even host podcasts.

Shopping is also more fun when it is more convenient. That's why consumers are seeking ways to streamline their buying experiences: 59% of shoppers are interested in "on-demand" retail – whereby online orders are delivered at lightning speed. One example is Zipline, a startup that is testing out an 11-foot wide, fixed-wing drone to parachute-drop packages to customers, maximizing convenience and safety with improved operational efficiency when compared to traditional shipping methods. Experts predict that the value of the on-demand market will hit \$335 billion by 2025.⁹

Hyper-personalization is also entering the mainstream to further dial up convenience. For example, cosmetics giant Ulta Beauty and software firm Haut.AI recently teamed up to create an artificial-intelligence app that provides tailored skincare recommendations based on customers' unique facial features.¹⁰

Checkout is another opportunity for innovation to meet shoppers' enhanced desire for convenience: 62% of shoppers expect rapid checkout – where they can use a QR code or fingerprint to scan and go within seconds – to be widespread by 2030. Eight in ten consumers think that contactless payment (such as through their phones) is the most seamless type of in-store payment method today. Forty-four percent are also curious about buying items with the help of biometrics that uses technology to scan your eyes, fingerprints or palm print to verify purchases. These innovations won't be limited to major retail chains. Already small and microbusinesses can turn their smartphones into acceptance devices through Tap on Phone, which enables them to accept contactless payments without additional hardware or dongles.

Retail of the future will look very different in other ways, too. Experts predict that "dark" stores (also known as digital-fulfillment centers) and self-service customer kiosks will account for 50% of the retail industry's physical footprint by 2032.¹¹ These developments will increase the efficiency and convenience of retail.

9. [Technology is powering new modes of delivery for an on-demand economy](#)

10. [Ulta Beauty and Haut.AI strategic partnership announcement](#)

11. [The future of shopping: what to expect in 2032](#)

Living impactfully: Turning transparency into progress



In April 2022, Selfridges, the renowned London department store, opened "SUPERMARKET," a pop-up shop that uses 3D printers and sustainable materials to make personalized luxury goods — on demand

82%

of consumers prefer to support small or local businesses, whenever possible

Consumers are increasingly concerned about the externalities associated with their spending — especially the impact on the environment and on their local communities. As more people seek to measure and optimize their consumption to improve the world, they also expect businesses to be more transparent and accountable about their own behavior.

"Carbon transparency," for example, is a means for retailers to deepen customer engagement and loyalty: 53% of consumers say they prioritize brands that reveal their carbon footprint. Mastercard's [Carbon Calculator](#) makes things even simpler for eco-conscious shoppers. On a single app, users can view a complete tally of the carbon emissions of all their purchases.

Looking ahead, more than 200 companies have pledged to be net-zero by 2040 as part of the Climate Pledge. If all organizations meet the goal, it will collectively mitigate 1.98 billion metric tons of carbon emissions by 2040 (5.4% of global annual emissions).¹² This exemplifies the shift toward "regenerative" retail, which is focused not just on offsetting harm but on creating a net-positive impact.

The desire to live more impactfully is especially strong among younger consumers: Seven out of ten Gen Z and Millennials say that their sustainability concerns have made secondhand garments, furniture, books and other used products more appealing. Retail services that can make products last longer are also in high demand. Sojo, a London-based app, connects users who have old or damaged clothing with skilled local tailors. Bicycle-powered pickup and delivery of the items is also provided.

In addition to seeking ways to reduce their impact on the environment, a growing number of consumers also want to proactively improve their communities. Service-focused retailers saw a 34% increase in global online sales in August 2022 — compared to August 2020 levels; small, service-focused, retailers enjoyed a 59% jump in sales during the same period.¹³

Cities are also innovating to encourage residents to patronize small businesses. In 2021, Akron, Ohio released its Akronite app. The app both helps local retailers market their offerings, with a focus on promoting female- and minority-owned businesses. It also offers rewards to residents who shop locally; in its first year alone, the app generated \$1.2 million in sales.¹⁴

In the future, consumers' growing desire for greater business transparency will help drive more profound social and environmental change. For example, "regenerative" retail — shopping that creates wide-ranging positive externalities — could receive a big boost from consumers who are equipped with more informed decision-making tools. Fifty-nine percent of Gen Z and Millennials say they would love an easy way to find and track their spending at BIPOC, LGBTQ+ and other minority-owned businesses.

12. [Over 200 companies pledge net-zero emissions by 2040 as pressure on private sector mounts](#)

13. [Shifting wallets: new consumer spending habits](#)

14. [Akronite app celebrates first year of operation, \\$1.2 million in local economic activity](#)



Part 3:
Making the
future of retail
brighter

Five opportunities to drive innovation in retail

1 **Encourage meta-commerce** by creating retail experiences and rewards ecosystems that span virtual and physical worlds and embrace the crossover between them

2 **Provide alternative-payment solutions** that meet consumers in the way they want to pay, such as cryptocurrency, biometrics and buy now, pay later

3 **Facilitate different shopping mindsets** by designing retail environments that can meet multiple needs such as optimizing for joy and convenience with delightful experiences that provides seamless engagement

4 **Leverage personalization to maximize convenience** with technology that enables seamless, digital-first shopping

5 **Empower consumers with data** to support socially- and environmentally-conscious shopping

Opportunities to collaborate



Mastercard Economics Institute

Mastercard's team of economists and data scientists analyze the macroeconomic landscape through a consumer lens. The Institute provides our customers with tailored macroeconomic insights on the multi-speed global economy across retail and other sectors at the local, regional and global levels.



Data & Services for Retail

Mastercard Data & Services empowers retailers to make data-driven decisions, navigate the shift to digital, acquire high-value consumers and engage existing ones. Dynamic Yield's personalization engine helps brands quickly deliver and test personalized, optimized, and synchronized digital customer experiences.



Mastercard Digital Acceptance Solutions

Mastercard digital acceptance solutions such as Contactless, Tap on Phone, Click to Pay and QR enable small and medium enterprises to get paid in a faster, safer way. Among this range of offerings, Click to Pay is an online checkout solution that allows consumers to pay securely from any device. Designed to be customized and integrated into your existing checkout, Click to Pay provides a low-effort adoption with a high return on investment.



Mastercard Trust Center

The Mastercard Trust Centers helps small business owners defend their business through free online access to trusted cybersecurity research, resources and tools.



Priceless Planet Coalition

The Priceless Planet Coalition unites the efforts of consumers, financial institutions and merchants to fight climate change through the restoration of 100 million trees. Our partners are committed to running campaigns to engage consumers, such as encouraging consumers to donate to tree planting or using their loyalty points to plant trees.

