

2024 Retail Roadmap:



Where Retailers are Meeting,
and Missing, Consumer Expectations



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2024's Retail Roadmap Report

The widening chasm between retail's top performers and the rest of the market underlines the urgency for organizations to embrace change and evolve rapidly. In fact, the top five brands amounted to roughly 43% of net e-commerce sales in North America. Why are they capturing more dollars and market share? They're competing on customer experience and value.

However, even the category leaders aren't always meeting the dynamic and ever-rising expectations of consumers—and this challenge is the opportunity. Today's shoppers desire a retail experience that is both personalized and seamless, irrespective of the channel they choose to shop. By injecting the customer perspective into all facets of the business, from make and move to market and sell, retailers can "achieve happier sales" by driving new levels of customer satisfaction, loyalty, and advocacy.

To do this, retailers need to address the fragmented buyer journey, adapt to technological shifts, and maintain profitability amidst rising consumer expectations. When people can easily find their next favorite item, it helps retailers turn inventory faster, drive more frequent foot and web traffic, capture increased full-price sales, reduce returns, and grow faster and more profitably.

These challenges aren't new; we know that. Retailers have always had to adapt and do so while maintaining profitable growth. Consumers have always loved convenience, good value, and a sense of discovery delivered via personalized experiences. Yet the challenges continue, despite the industry's most sincere and best efforts to move forward. The good news is that a whole new class of technology has emerged to bridge this ongoing gap, delivering truly actionable insights, empowering strategic adaptability, and ensuring a path to growth through AI-driven solutions.

Lily AI Solution:

Lily AI bridges the consumer-retailer gap, providing actionable insights and technology solutions that ensure retailers can exceed customer expectations, fostering enduring loyalty and sustainable growth.

Current Retail Landscape: An Industry Transforming

The retail industry is at a pivotal juncture, influenced by a myriad of global factors. Geopolitical conflicts are reshaping global trade and consumer preferences, forcing retailers to reconsider their supply chains and international market strategies. The rise of artificial intelligence (AI) is redefining consumer experiences, streamlining operations, and offering real time insights like never before. Meanwhile, the repercussions of the pandemic have accelerated the shift to digital and e-commerce, requiring retailers to continuously and swiftly adapt to changing consumer habits. Additionally, climate change is not only affecting the global supply chain but also prompting consumers—especially Millennials and Gen Z—to demand sustainable and eco-friendly products. In fact, the popular online consignment purveyor, thredUp, says the resale marketplace reached \$177 billion in 2022 sales, up 28% over 2021. And of course, the escalating cost-of-living crisis is reshaping purchasing patterns, with consumers becoming more price-sensitive and seeking value-driven offerings. Collectively, these transformative elements are compelling the retail sector to innovate, adapt, and rethink strategies to thrive in this uncertain and evolving landscape.

“In a year of strong year-on-year growth in retail revenue across the top 250, we see that sustainability remains high on the agenda. Several players are working on the resale of slightly used goods and we see many technology-enabled innovations. Successful retailers combine technology with the human factor to provide optimal customer experience.”

EVAN SHEEHAN

GLOBAL RETAIL, WHOLESALE
& DISTRIBUTION LEADER AT DELOITTE



Underlying Trends & Drivers

Sustainability

The rising trend in the resale market stems from consumers' inclination towards eco-friendly purchasing choices and the escalating costs of brand-new items. Particularly among Millennials and Gen Z, there's a growing consciousness about the sustainability of their acquisitions, leading many to favor pre-owned goods. This shift towards environmentally-aware shopping gains momentum as people recognize the detrimental effects of fast fashion and overconsumption. Consequently, product categories like clothing and furniture in the resale domain are experiencing substantial growth.

“Our Like New program allows guests to extend the life of our products by buying lululemon Like New or trading in lululemon gear when they are done with it.”

MAUREEN ERICKSON

SENIOR VICE PRESIDENT GUEST
INNOVATION AT LULULEMON

73%

of Consumer CXOs have increased investments in sustainability over the last year.

71%

of executives from consumer industries said that they felt strong pressure from their clients and consumers to act on climate change.

51%

Among the categories preferred for purchasing pre-owned goods, clothing topped the list.

The Fragmented Buyer Journey

Retail businesses must make operational changes to adapt to ever-changing consumer behavior. In response to the current fragmented buyer journey, retailers are investing in a more seamless omnichannel approach that is rooted in a digital and data-centric model that enriches the shopping journey for their customers.

CUSTOMER EXPERIENCE	OMNICHANNEL
Buy in-store.	No
Buy in-store & return in-store.	No
Buy online & return in-store.	Yes
Research on a mobile device & buy in-store.	Yes
Research in-store. Buy online. Return in-store	Yes



Lily AI Solution:

Lily AI, leveraging computer vision, natural language processing, and machine learning, offers a solution to streamline this transformative journey for retailers. By providing enhanced product attribution, Lily AI bridges the communication chasm between merchant jargon and the language consumers understand. This not only positions retailers for increased profits and agility, but also ensures a heightened, personalized customer experience, resonating with today's discerning shoppers. In an era demanding seamless omnichannel adaptability, Lily AI stands out as an invaluable partner for businesses keen on mastering the art of consumer-centered retail.

Blending Digital & Physical: How Consumers Navigate Today's Retail Landscape

We all know e-commerce has revolutionized how consumers shop in recent years. Yet, it has not entirely surpassed the instant gratification of brick-and-mortar shopping. Retail trends indicate that consumers continue to desire shopping experiences both on and offline, which underscores the necessity of an omnichannel experience to acquire and retain customers.

“Customers love their personal experience at our experiential store, and we’ve ensured that our digital channels support this in-store experience.”

DONALD MCDONALD

MANAGING DIRECTOR OF BROWN THOMAS

Online

48% of North American consumers always conduct online research before making a major purchase.

In 2022, e-commerce accounted for nearly 19% of retail sales worldwide.

Forecasts indicate that by 2027, the online segment will make up close to a quarter of total global retail sales.

81% of consumers shop online at least once a month.

In-Store

Almost 40% of consumers make an in-store purchase at least once a week.

61% of shoppers said that they prefer in-store shopping because they want to see or try on the items they’re buying.

60% of consumers said that they favor in-person shopping because it allows them to have their items immediately.

Post-Pandemic Pivot: Prioritizing Speed, Data & AI in Retail's New Normal

As retail businesses seek transformative strategies in the post-pandemic era, extended implementation timelines, such as those required for Enterprise Resource Planning (ERP) initiatives, are no longer a viable option. These endeavors demand substantial investments and may not yield results for years. The pandemic revealed the potential to deliver rapid results in the retail sector. However, this has necessitated a shift away from conventional practices to concentrate on immediate gains. This includes:

- Utilizing data in more strategic and targeted ways
- Ease and speed of access to enhanced reporting
- AI to glean vital insights for achieving goals



Lily AI Solution:

Central to this approach is a robust data strategy which forms the bedrock for effective AI initiatives. With the right foundation of accurate data—encompassing internal sources, marketing platforms, consumer insights, innovations, and externally acquired data—businesses can assimilate information effectively to derive pragmatic and applicable insights. This forward-thinking approach can bridge the gap between addressing long-term commercial challenges and leveraging data and technology to operate the business efficiently in the short term.

E-Commerce Trends

Online Shopping Trends & Projections

1.1 trillion

U.S. e-commerce sales are projected to reach \$1.1 trillion by 2023.

56%

Online sales grew by over 56% between 2019 and 2022.

81%

In 2022, 81% of the population (268M Americans) shopped online in 2022.

278.33 million

It's predicted that there will be over 278.33 million online shoppers in the United States in 2023—in other words, virtually every person over the age of 18 will have made at least one online purchase in 2023.

Unleashing The Power of DTC

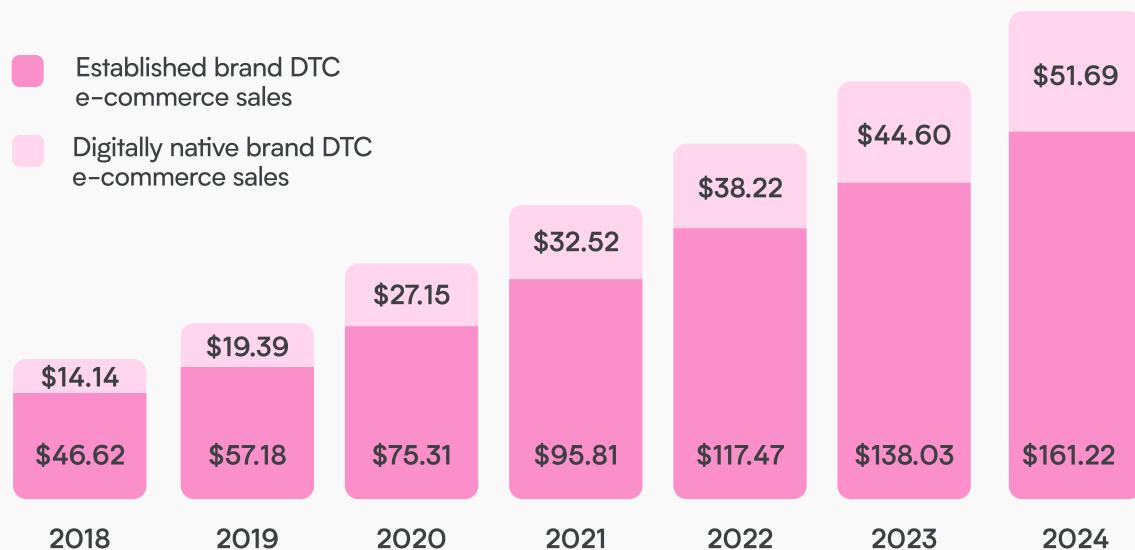
With direct-to-consumer (DTC) e-commerce sales projected to reach \$130.03 billion in 2023, an increasing number of established brands are making substantial investments in their DTC websites.

- The DTC repurchase rate for a second order stands at 45%.
- After the third purchase, the likelihood of a customer placing another order risers to above 60%.

DTC paves the way for brands to amplify their reach and bolster their omnichannel footprint. Beyond sales, a DTC platform propels brand growth, offering an unhindered retail experience, free from third-party constraints. This direct channel cultivates deeper customer connections, granting full autonomy over messaging, branding, and product presentation. For today's e-commerce ventures, DTC is the evolution towards an enriched consumer journey.

US DTC E-Commerce Sales for Established Brands vs. Digitally Native Brands, 2018–2024

Billions



Note: includes products sold by consumer brand manufacturers that sell their products directly to consumers online via their owned and operated sites, bypassing standard distribution channels through a retailer, wholesaler, or third-party platform such as a marketplace; includes digitally native brands and established brands; excludes traditional retailers' private-label brands, excludes travel and event tickets and food or drink services. Source: eMarketer, March 2022

Personalization Is Still Key

No surprise that personalization for DTC brands and retailers has emerged as a pivotal factor in the modern consumer journey. In an era where customers are inundated with choices and information, tailored experiences stand out, fostering deeper connections and more meaningful interactions with retail brands. Not only does personalization cater to individual preferences and needs, but it also has tangible impacts on brand loyalty and customer retention. The data further emphasizes this trend, showcasing the significant repercussions of not meeting consumer expectations for personalized experiences. And oh by the way, personalization is more than a polite greeting of ‘Dear Taylor’ in an email. As much as it is about proven methods such as leveraging past browsing and purchase history to serve up the merchandise they are most interested in, it is even deeper still — knowing your customers so well that you inspire them in their shopping discovery with products and services they didn’t even know they need and want.

Consumers have little tolerance for impersonal experiences.

66% of consumers indicate they'll leave a brand if they don't receive a personalized experience.

Personalizing in real-time enhances the long-term value of a customer.

86% of consumers say that a personalized experience will boost their loyalty to brands.

Brands who focus on customer engagement online will win.

Revenue increased by 90% on average when brands invested in digital customer engagement.

The Commerce of Convenience

In the world of e-commerce, swift delivery is no longer a luxury but a necessity. Consumers' demand for speed has grown over time, pushing the boundaries of what's considered a timely delivery. Integral to meeting these escalating expectations is the efficiency of last-mile delivery — the final leg of the product's journey to the customer's doorstep. Recognizing its significance, brands are constantly innovating and seeking strategies to expedite this crucial phase, ensuring maximum convenience for the customer.



30%

of consumers expect their orders to be delivered within a day.

38%

of retailers are worried about meeting customer delivery expectations.

53%

of e-commerce retailers find shipping and logistics processes challenging.

Lily AI Solution:

While operational capabilities like next-day delivery have a significant business impact, today's consumers seek more than just swift checkout-to-doorstep experiences. It's about the entire journey with a brand, from the initial click to the final delivery mile. When it comes to delivery, it's important that customers receive exactly what they were expecting. During initial purchase, Lily ensures customers are presented with the products that are most relevant and supports clear descriptions so there are no surprises when customers open their boxes at home, thereby avoiding customer disappointment and minimizing returns.

Marketplaces, Categories & Products

E-Commerce Continues to Rise

The North American market has been demonstrating remarkable momentum, with an average annual growth rate of 14%. Given this trend, projections indicate that its value could reach an impressive \$1.5 trillion by the year 2025.



Of the top 500 e-commerce brands, 48% are fashion retailers.

44% of e-commerce brands are active in the home category.

Amazon was the top seller across the fashion, home, and beauty (personal care) categories.

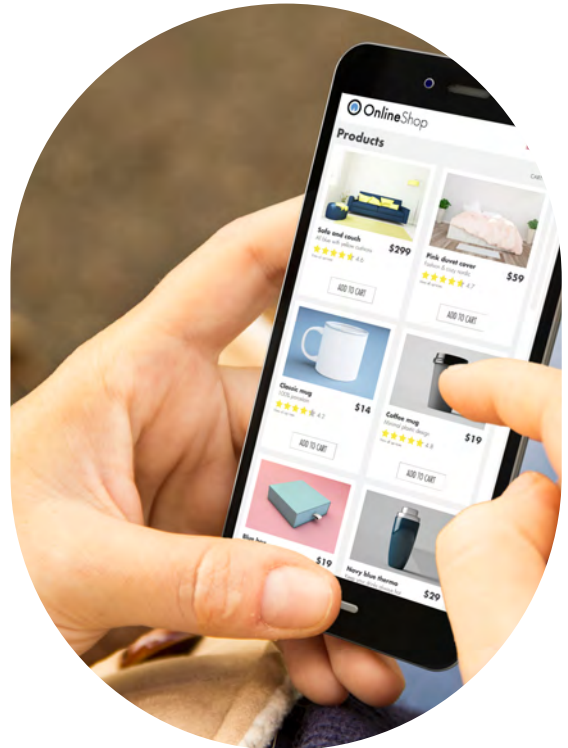
Nearly half (48%) of shoppers always research online before a significant purchase.

47% find online reviews extremely beneficial.

A mere 32% prefer to physically see and touch a product before purchasing.

Most Profitable Online Marketplaces & Categories

The contemporary e-commerce environment is significantly influenced by digital marketplaces such as Walmart—currently set to outpace Amazon in the next four years—eBay, and Rakuten. The proportion of sales these online platforms contribute to the overall worldwide e-commerce sector is perpetually increasing. Concurrently, blended business approaches, such as the one championed by e-commerce behemoth Amazon, are witnessing heightened importance in their marketplace operations.



Two-thirds of Amazon's gross merchandise value (GMV) is generated through the Marketplace business.

The top three most profitable categories on Amazon are Beauty & Personal Care (30%), Home & Kitchen (30%), and Clothing, Shoes, and Jewelry (27%).

Clothing and accessories, home goods from cleaning supplies to pillows, and personal care items were included in Walmart's 11 best selling product categories.

eBay receives 1.7 billion visitors per month, with the top three bestselling categories for 2023 including home and garden, health and beauty, clothing, shoes, and accessories.

The online marketplace Rakuten has 1.3 billion global members, and a domestic e-commerce volume of \$9.4 billion.

Fashion E-Commerce Remains A Dominant Force

The fashion e-commerce sector in the U.S. demonstrates robust growth and a significant contribution to the country's overall digital sales. With the substantial revenue it currently generates, it's evident that online apparel shopping has become a dominant force in the consumer market. The considerable sales growth rate also points to the industry's dynamic nature, while the projection for the coming years indicates optimism and opportunities for businesses operating within this realm. The fashion segment's sizable proportion of the entire e-commerce market underscores its relevance and prominence among online shoppers.

\$207 billion

U.S. apparel e-commerce revenue stands at \$207 billion.

13%

E-commerce sales for apparel have grown by 13% since 2018.

23%

Fashion accounts for 23% of the U.S. e-commerce market.

\$300 billion

Expected revenue growth: \$300 billion by 2027.

Lily AI Solution:

Lily AI transforms the e-commerce landscape for retailers by seamlessly integrating customer-centric product attributes into various digital touchpoints, from site search engines to SEO/SEM capabilities. Further, by enhancing recommendation engines and streamlining item setup processes, Lily AI not only drives operational efficiencies but also fosters a significant boost in revenue through higher conversion rates. Beyond merely enhancing operational metrics, Lily AI positions fashion, home, and beauty retailers to achieve improved profit margins in the digital age.

The Point of Purchase

Rising Trust in High-Value Online Purchases

Pricing is a crucial factor in the digital shopping realm, but it doesn't mean that online purchases must be inexpensive. It's clear that consumer confidence in online shopping platforms has significantly grown, leading to a readiness to commit to more substantial transactions. This heightened trust can likely be attributed to enhanced user experiences and robust customer service on digital platforms. Moreover, the American market displays a considerable comfort level with online expenditure, evident from the substantial sum they are willing to allocate to a singular online transaction.

Customers are more willing to make higher-priced purchases online due in part to better customer experience.

The era when consumers were skeptical of online platforms and hesitant to make high-priced purchases online is fading away.

\$381 is the current maximum amount American shoppers would be happy to spend on a single purchase.

Lily AI Solution:

Lily AI supports retailers in home goods by ensuring they present only the most relevant products to their customers. Take, for instance, a new living room set. Since it's a pricier considered purchase for most shoppers, clear and accurate descriptions are crucial to ensure customers choose the right pieces for their space.

Digital Influence Powers American Purchasing Decisions

As more consumers integrate online research into their buying habits, the impact of digital channels on offline sales has become increasingly evident. The progression indicates a substantial rise in the value of digital-influenced retail sales in the coming years. Creating effective digital content, like how-to videos, can significantly influence in-store sales. The beauty industry exemplifies this well with tutorials like "How To Do a Smokey Eye." Such content encourages customers to visit stores and test new makeup shades on their skin. This strategy suggests that U.S. retailers across different sectors could benefit immensely by focusing on personalized digital experiences to tap into this growing market potential.



48%

48% of American consumers always research online before making a major purchase.

38%

According to Forrester, U.S. digital-influenced retail sales are expected to grow from \$2.7 trillion in 2022 to \$3.8 trillion in 2027, and 38% of offline sales specifically were digitally influenced.

\$1 trillion

According to McKinsey, shifting to top-quartile performance in personalization would generate over \$1 trillion in value across U.S. industries.

Amazon's Reign & the Expanding Horizons of E-Commerce Search

The dominance of Amazon as a starting point for online shopping underscores its unparalleled influence in the U.S. e-commerce landscape. Additionally, the outsized contribution of a small percentage of people who employ site search to total e-commerce earnings highlights the critical role of effective on-site search functionalities for online retailers.



Nearly two-thirds of US consumers start their online shopping search on Amazon.

11-20% begin their search on social sites like YouTube, Facebook, Instagram, or TikTok.

Although only 15% of shoppers use site search, they account for 45% of all e-commerce revenue.

The Influence of Social Commerce

The emergence of social media platforms as participants in the search ecosystem indicates a shift towards a more diverse online shopping experience.

\$1.3 trillion

Social commerce is also on the rise, projected to reach \$1.3 trillion in 2023, marking a 30.8% growth from the previous year, and is anticipated to soar to \$2.9 trillion by 2026.

93%

93% of consumers find user-generated content extremely beneficial in guiding their purchase decisions.

More than half of global social media users express interest in live content sponsored by brands.

\$21.1 billion

Influencer marketing continues to be a potent avenue for brands, projected to be valued at \$21.1 billion in 2023.

Navigating Rising Customer Acquisition Costs in E-Commerce

The digital commerce arena is grappling with escalating costs related to attracting new customers. For a majority of retailers, particularly those primarily operating in the digital space, these rising costs pose a significant barrier to meeting their annual e-commerce financial objectives. This trend underscores the need for innovative strategies to optimize customer acquisition without escalating expenses.

Rising customer acquisition costs are seen as the top obstacle to achieving e-commerce goals by . . .

61%

of retailers

66%

of digital-first retailers

And most brands have a mixed customer acquisition cost from both online and in-store traffic.



Lost Revenue & the Call for Improved Functionality in Search

Ineffective search functionality continues to be a pressing concern for the U.S. e-commerce sector. A significant number of consumers end their shopping sessions prematurely due to unsatisfactory search results. This "search abandonment" leads to a substantial loss of revenue for retailers annually. Despite the ongoing issue, a notable majority of site managers lack the strategic support necessary to rectify these search-related challenges. This situation is particularly concerning, given that the majority of online shoppers prioritize the use of the search bar when visiting e-commerce sites, and a large portion leave dissatisfied with their search experience. The data underscores a critical area of improvement for e-commerce platforms if they wish to retain and satisfy their customers.

94%

Of U.S. shoppers have left a shopping site due to irrelevant search results.

\$300 billion

U.S. retailers lose \$300 billion annually from search abandonment.

64%

Of U.S. retail site managers lack a strategy to address search abandonment.

Lily AI Solution:

Lily AI makes selling easier for retailers by matching online shoppers to the merchandise they're looking for, based on typical words used by real people, which are often far more colloquial search terms and product descriptions.

Mobile Dominance: Trust & Transformation in Online Shopping Behavior

In all three North American markets, smartphones have emerged as the dominant devices for online shopping. The shopping behavior of North Americans has evolved with the proliferation of enhanced modern technology. The vast majority have adopted smartphones, indicating the potential for mobile commerce and the importance of optimizing for mobile-first platforms. This tech-savvy population predominantly values

online research when considering significant acquisitions, underscoring the importance of digital presence for brands and retailers. Furthermore, consumer reliance on online reviews highlights the ever-growing trust in peer feedback. Interestingly, a decreasing emphasis on physically interacting with a product before purchasing suggests increasing confidence in e-commerce platforms and their ability to meet consumer expectations.

In 2022, 88% of North Americans owned a smartphone.

During the 2022 holiday season, smartphones were used for more than half of all e-commerce transactions.

In the past 6 months, 79% of mobile phone users have conducted online purchases using their smartphones.

Inside physical stores, 80% of consumers utilized their mobile phones to check product reviews, compare costs, or locate other store branches.

Retail Technology Outlook

Technology Insights For 2024 and Beyond

The years ahead promise a transformative phase for the retail industry, especially for the apparel sector, largely driven by advancements in artificial intelligence. The evident potential for substantial increases in operational profits for this industry points to the deepening integration of AI in various aspects of business. Beyond e-commerce specifically, the broader implications of AI are vast, with the technology expected to unlock enormous economic value, integrating both online and offline markets. This immense economic contribution signifies the pivotal role AI will play across sectors and its profound impact on global financial landscapes.

- The apparel industry alone is expected to experience a significant boost in operating profits in the range of \$150 billion, conservatively, up to \$275 billion within the next three to five years, thanks to the adoption of generative AI.
- AI is poised to revolutionize online search, commerce, and content. This burgeoning technology could help tech companies tap some \$3.3 trillion in offline retail spending.
- The retail industry is one of the top three sectors that will see the biggest gains from AI, as it increases product quality, productivity, and consumption.

“[Retail] businesses will need to adapt to the ever-changing expectations of customers who want more than price, range, and convenience. They are looking for engaging experiences and a sense of community while wanting to make informed choices with regards to sustainability. In addition, physical stores and DTC channels are becoming equally important. Those that win will seamlessly link the two experiences for their customers by leveraging the right data and technology and offering differentiated customer experiences.”

EMMA FORD

DIRECTOR RETAIL, PWC

Focusing on The Future

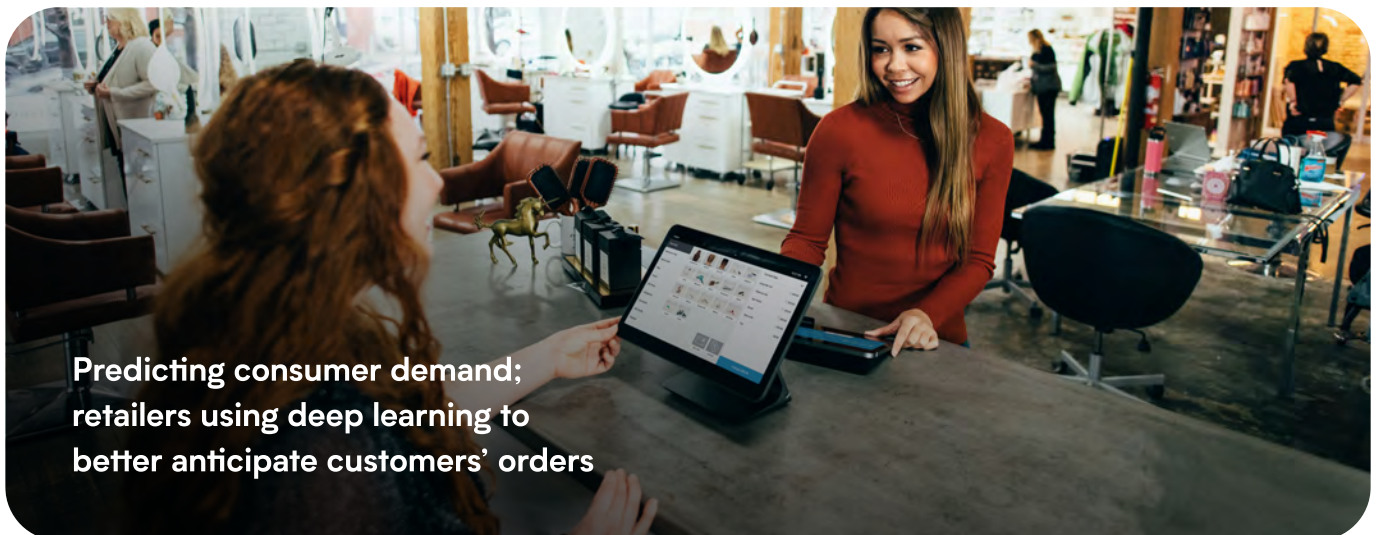
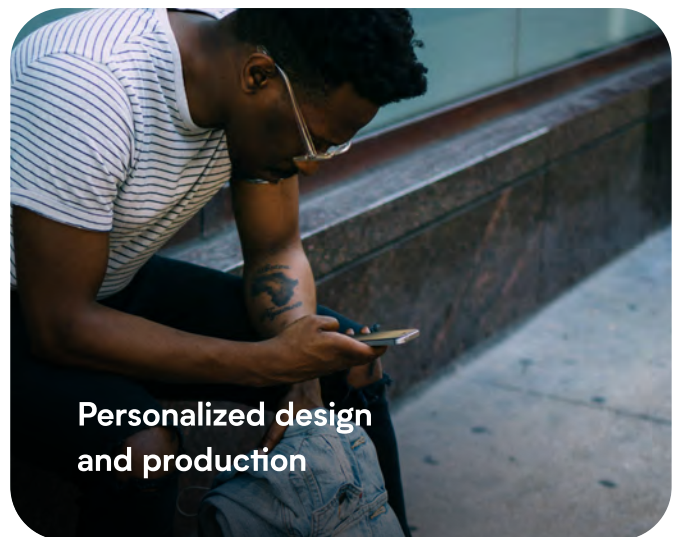
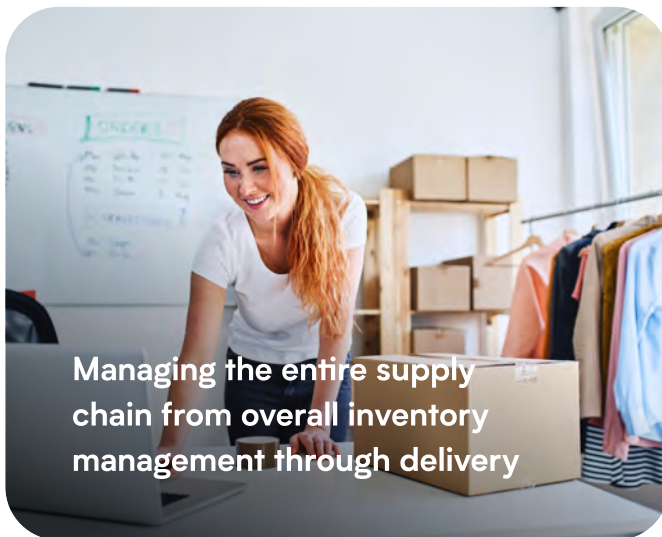
The 2024 retail landscape will be marked by heightened digital integration, tailored experiences, quickness, and a commitment to sustainability. As these shifts persist, they are sure to bring forth a mix of challenges and opportunities for retailers.

“We believe the demand backdrop in 2024 will improve as inflationary and rising interest rate pressures on the consumer potentially subside.”

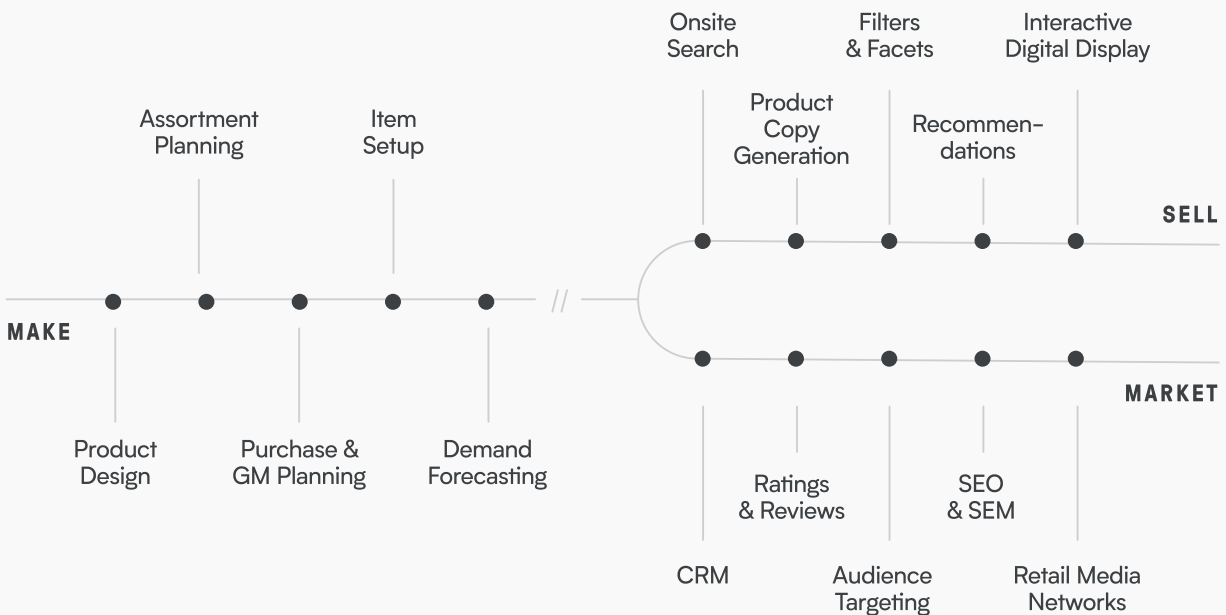
ADRIENNE YIH

BARCLAYS ANALYST

Three areas with
the most AI potential:



The lack of consumer language and perspective disrupts the entire retail value chain.



E.G Stockouts and overstock as a result of poor product data



E.G Product data lacking customer context and preferences leads to missed SEO opportunities

Lily AI Solution:

Vertical AI purpose-built for retail is revolutionizing every aspect of the retail value chain. Learn how this technology is delivering immediate and practical, not theoretical, impact on the way consumers connect, discover and shop today.

How Retailers Can Integrate AI

The data underscores the dynamic nature of the retail and fashion e-commerce sectors. With digital influence continuing to grow, leading retailers are integrating advanced technologies like AI to stay competitive and meet consumer demands. Here are three things retailers can do to begin their modern AI journey . . .



Galvanize Cross-Functional Team Members

Incorporating cross-functional teams at the initial stages of implementing a new AI technology in the retail sector is paramount for a holistic and successful integration. Engaging the data and analytics team ensures that the AI system is fed with the right, accurate data, optimized for precision and relevance. Simultaneously, the IT team can address technical integrations, system compatibilities, and provide continuous support, ensuring that the technology runs seamlessly, is safe and secure, and is well-integrated into existing systems. Furthermore, involving the CFO from the outset ensures that the financial implications, both short-term investments and long-term returns, are clear and aligned with the company's fiscal goals. This collective approach not only streamlines the adoption process but also fosters a collaborative environment where every aspect of the business is primed to leverage the benefits of purpose-built AI for retail.

Data Collection, Management & Training

Before leveraging AI's immense potential, retailers must first ensure they have a robust system for accurate data collection and management. This involves gathering relevant data points from across the customer journey, such as purchase history, online behavior, and feedback. Consolidating the necessary data into a centralized repository can provide a solid foundation upon which AI algorithms can operate, turning raw data into truly actionable insights. Additionally, comprehensive training is essential across the entire organization, not just within specialized teams like IT and Data Science. Every team, from Merchandising and Marketing to Operations, needs to be equipped with the knowledge to harness the capabilities of AI in support of business objectives. It's crucial to remember that AI serves as a tool to enhance operations, rather than being the ultimate goal. Leaders should first define the experiences they aim to offer and the results they wish to attain. Then they can augment their existing tech stack with a vertical AI solution that best facilitates these objectives.

Integrate AI-Driven Personalization Tools

At the heart of modern retail success is a deep understanding of individual customer preferences and needs. Retailers can embark on their AI journey by integrating AI-driven tools into their existing tech stack to tailor the shopping experience to each customer. By bridging the gap between merchant-speak and consumer-speak across the entire retail ecosystem, retailers and brands can create a shopping experience that feels more relevant to each customer, fostering loyalty and increasing sales.

Improve Retail Performance With Lily AI

The retail landscape is experiencing unprecedented transformation. As the dominance of top brands becomes more apparent, it's evident that personalization and a seamless shopping journey are at the core of today's retail success. While the most successful brands are already tapping into this shift, there is still room for improvement in meeting the constantly evolving consumer demands. As challenges in the retail sector remain persistent, it's imperative for businesses to be proactive in adapting, using cutting-edge technology. The emergence of modern AI solutions offers a promising avenue, not simply as

a reactive measure, but as a proactive tool to gain insight, foster adaptability, and secure sustainable growth. Embracing this wave of technological advancements can be the key to bridging the existing gaps and ensuring a prosperous future in retail. Lily AI helps retailers think like their customers. From search to recommendations to SEO & SEM, Lily AI bridges the gap between merchant-speak and customer-speak across your existing commerce ecosystem. Get in touch today to learn more about why Lily AI is trusted by global brands and industry leaders in the retail space.

