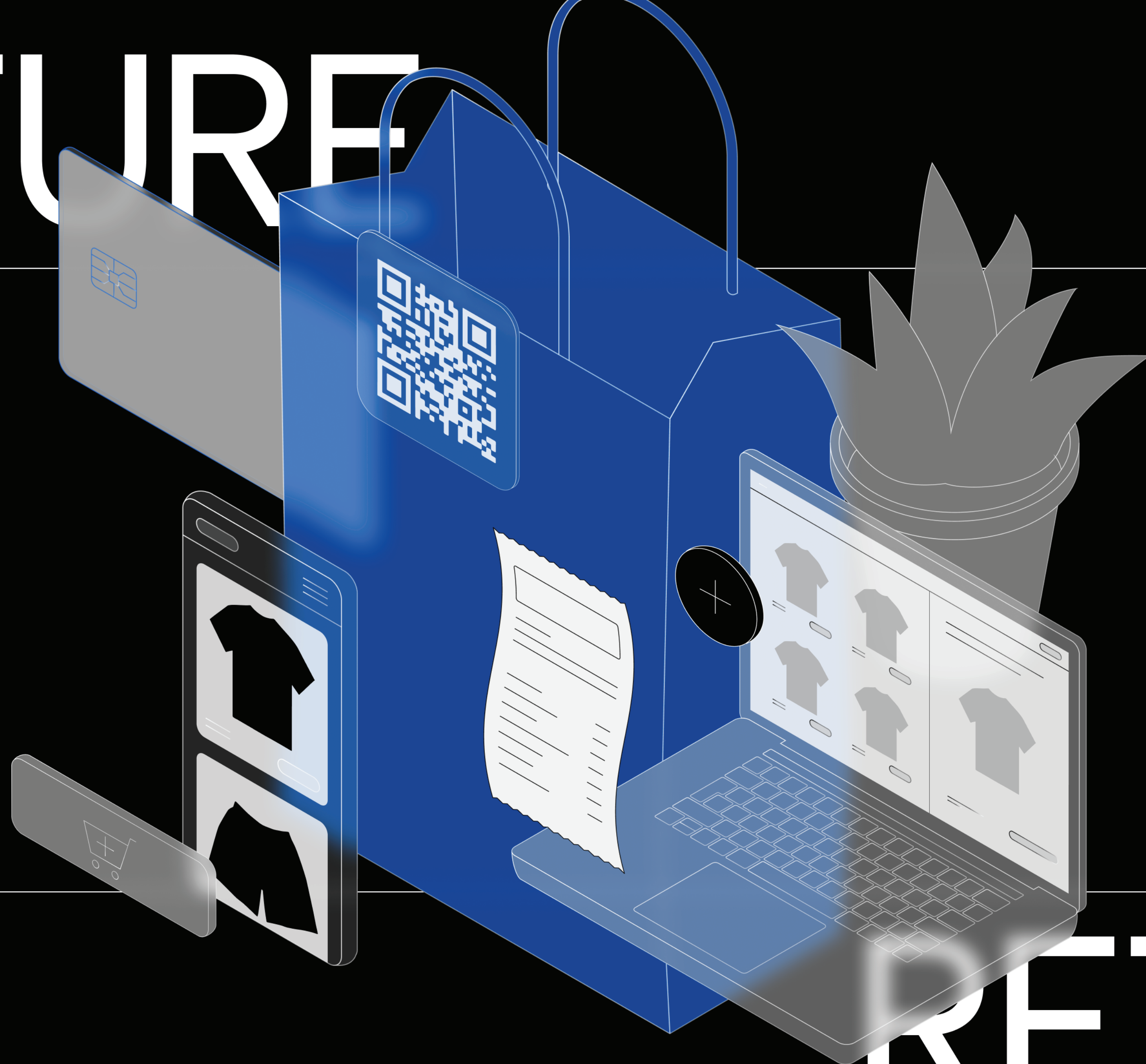


FUTURE

OF

WHAT'S AHEAD FOR
THE RETAIL INDUSTRY

2022



TREND REPORT

RETAIL

CONTENTS



03	Introduction
04	Labor shortage and automation
07	Omnichannel retail
12	Omnichannel and customer loyalty
16	eCommerce demand
19	More ways to pay
22	Conversational commerce
26	Social commerce
30	Updated retail experience
35	Methodological notes

INTRODUCTION

The retail landscape has changed in the past few years, accelerated by the global pandemic. Many customers changed the way they discover retailers, how they shop and how they pay, and retailers found new ways to connect with customers. What we're seeing now is that many of these changes have staying power, and retailers that understand these shifts in customer behavior may reap some benefits, including increased sales, customer engagement, and loyalty.

Many customers expect to be met where they are and have exceptional, seamless experiences whether they are shopping in-store, online, or anywhere in between. Their journey from browsing to buying is often nonlinear, meaning they may go back and forth on multiple channels while browsing and researching before they settle on buying. But how are retailers responding to ongoing challenges and opportunities, from staffing shortages to social media selling, to make this omnichannel experience a reality?

For the second annual Future of Retail report, Square partnered with Wakefield Research and surveyed [1,000 customers](#) along with [500 retail owners](#) and managers to uncover what businesses can expect for 2022. Learn more about current and expected consumer habits and how retailers around the country are rising to meet ongoing challenges. You'll also find tips from Square leaders and successful retailers to help take your business to the next level.

Labor shortage and automation



INSIGHT

→ Staffing remains an issue across industries, and retailers are looking to automation tools to help.

The labor shortage is an ongoing reality that retailers need to face head on, with a plan. In the past, automation may have felt like a bad word — one that conjured up the idea of robots taking over jobs. Now automation is helpful — not only to ensure staffing gaps get filled, but to enable staff to take on more important, impactful work that advances the business, improves customer service, and provides growth opportunities.

31% of retailers worry about being able to attract and retain staff.

41% of consumers say they are likely to avoid businesses that don't have staff or employees onsite to assist them.

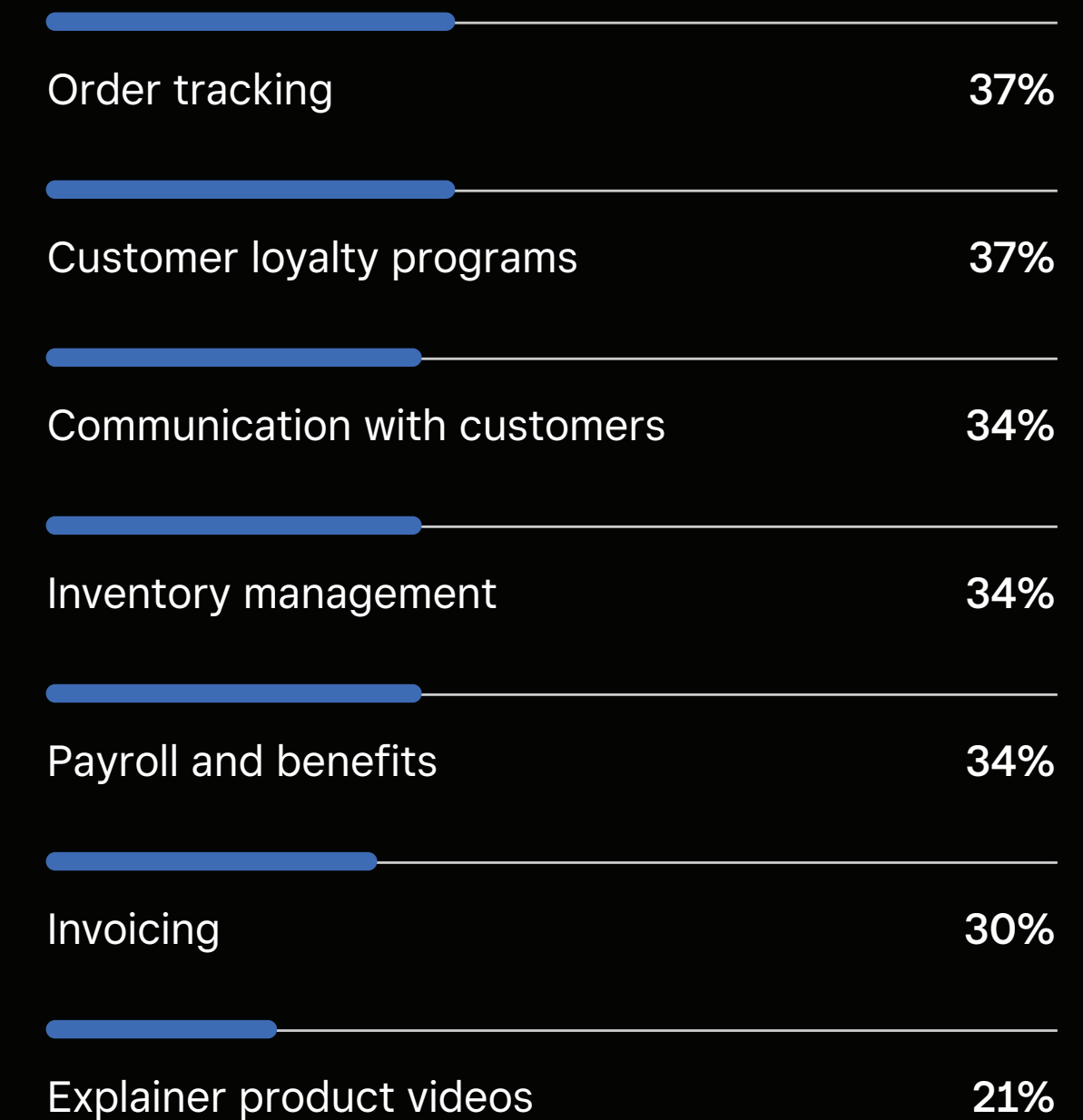
31% of consumers say chatting with store employees would make them more likely to stay and browse in store.

DID YOU KNOW?

With [Square Payroll](#), you can offer [On-Demand Pay](#), providing qualified employees with early access to a portion of their earned wages before the pay period is over. Qualified members of your team can choose to access their earnings before their usual pay date through Cash App for free.

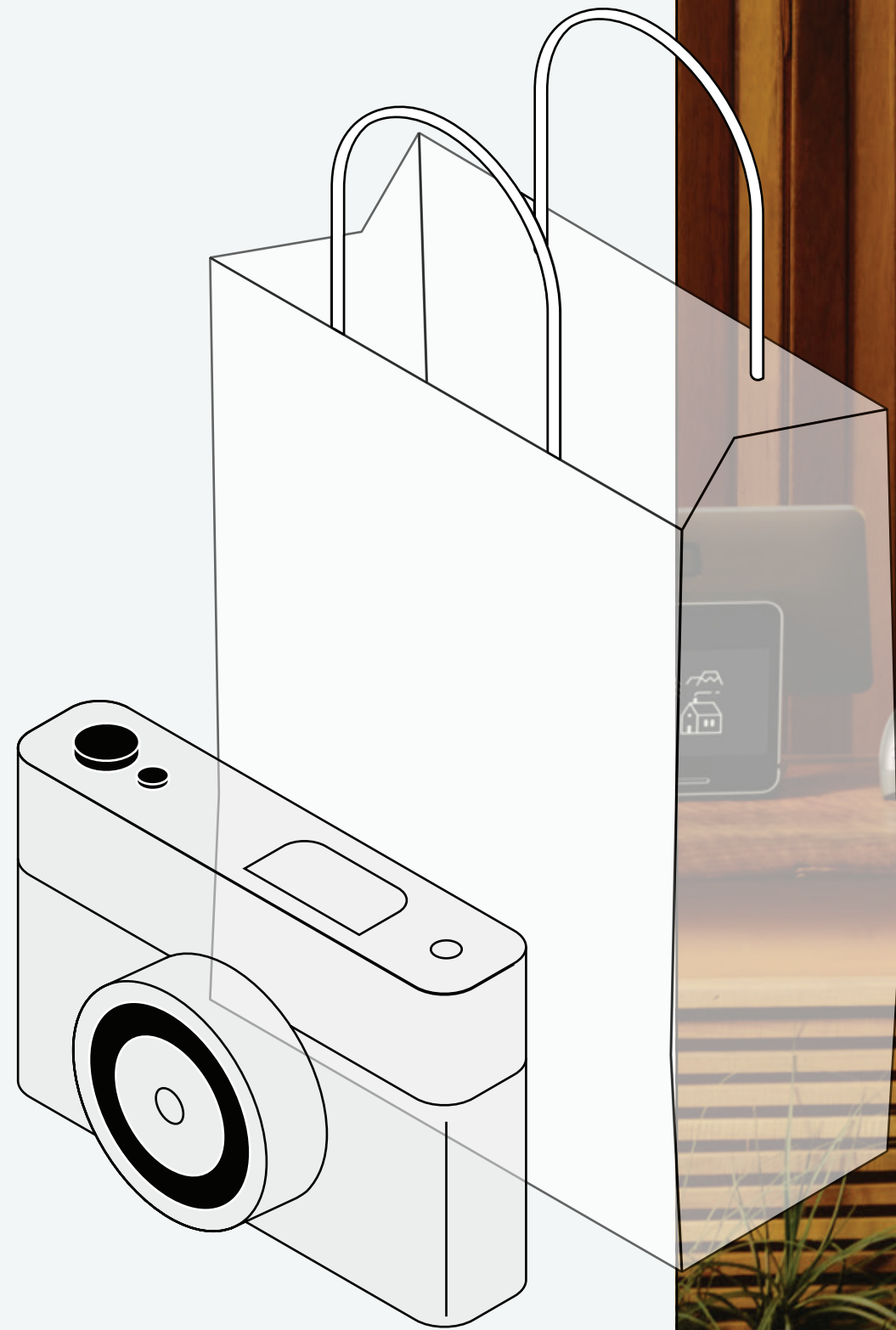
72% of retailers use or plan to use automation to decrease staff members' hands-on time:

Q: In which of the following areas, if any, are you using or planning to use technology or automation to decrease staff members' hands-on time for these functions?



Tips

- Automating tasks like [payroll](#), [inventory](#), and [customer loyalty programs](#) can help free up staff, allowing them to take on high-impact work like in-store customer engagement or launching new sales channels.
- Using technology can speed up tedious, time-consuming tasks, like [inventory counting](#), which can be done on the go with your iPhone or iPad.
- Scheduling software, like Square Team Management, can empower your team to make the schedule work for them and the rest of the staff by allowing for shift-trading and picking up open shifts.
- Scheduling software can also help you analyze statistics to keep track of how efficiently you and your staff are using your hours, making better staffing decisions based on demand and business needs.
- Review the benefits you offer employees. Are they competitive enough to successfully attract and retain employees? [Square Payroll](#) partners with providers to help employers save time while managing worker's compensation, health insurance, and retirement and 401(k) benefits.





INSIGHT

→ When it comes to shopping, customers want options for how they get — and how they return — their products.

Section — 02

Omnichannel retail

This is the heart of omnichannel retail, and it means allowing customers to buy online and pick up in store, buy online and return in store, or order through chat and pickup curbside. Many customers want the conveniences they got used to during COVID-19 to remain even after the pandemic subsides, and they also want the ability to connect with staff in-store.

64% of consumers prefer delivery, but 26% prefer to order online and pick up in store.

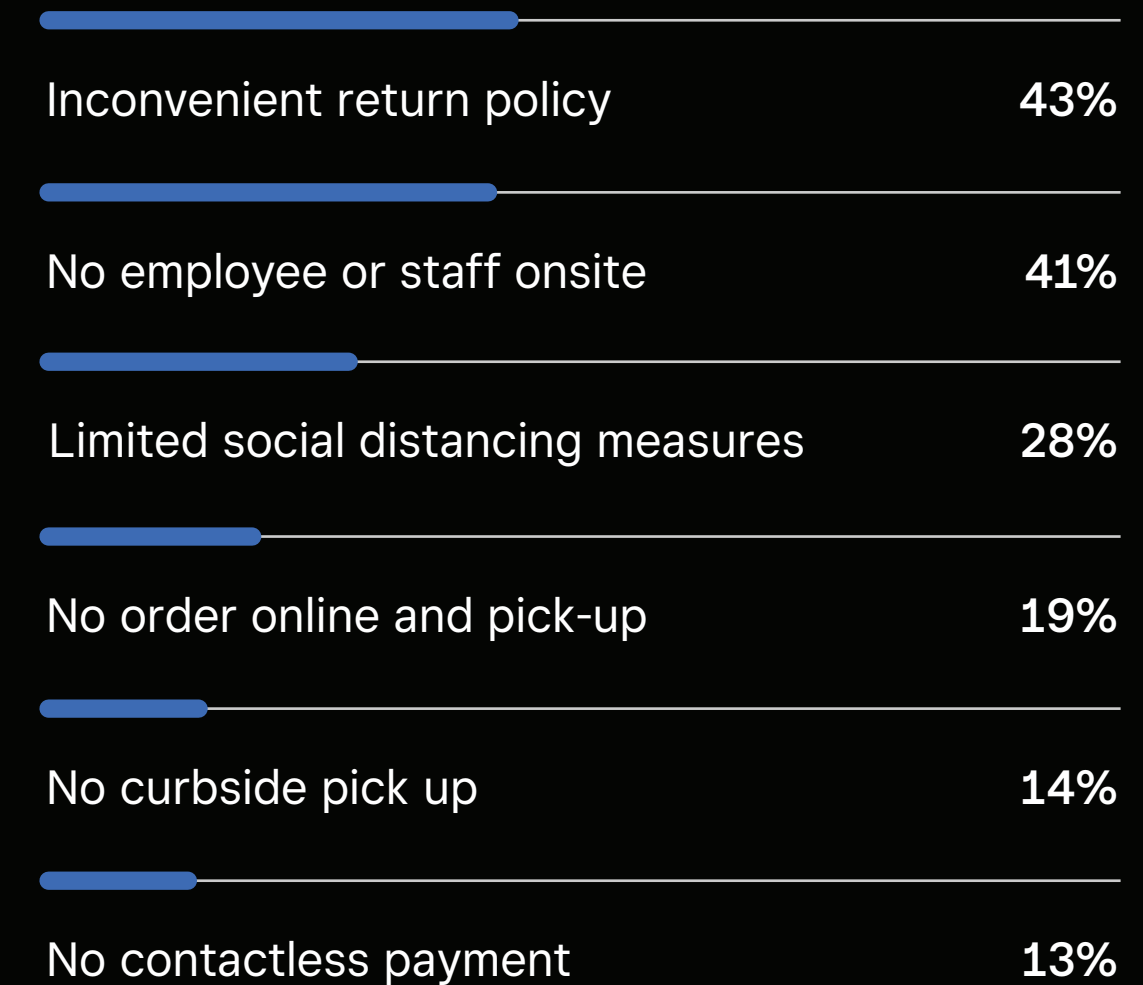
39% of consumers say they want curbside pickup to stick around even after COVID-19 variants subside.

11% of consumers prefer curbside pickup, and that jumps to 17% for Gen Z consumers.

DID YOU KNOW?

With Square Online, you can offer On-Demand Delivery, as well as options like curbside pickup and buy online, pickup in store. With [Square App Marketplace](#), you can integrate partners like [Shippo](#) and [Easy Ship](#) to offer nationwide shipping and tracking

Q: Which of the following is likely to make you avoid shopping at a particular business?



Many retailers are on board: they say they'll continue to offer these convenient services:

① Nationwide Shipping

48%

53%

④ Same Day Delivery

38%

38%

② Buy Online, Pick-Up In-Store

47%

50%

⑤ Drive-Through Services

20%

16%

③ Curbside Pick-Up

40%

39%

● % of businesses surveyed currently offering service

● % of businesses surveyed planning to continue to offer service post-COVID



//

Consumers clearly value and use flexible omnichannel experiences like buying online and picking up or returning in-store. It comes at a cost, however. You have to ensure the item is prepped and ready to go at pickup time, that your staff is equipped to get orders shipped on time, and that you minimize out-of-stock moments. An omni-literate system will help you fulfill your omnichannel sales and keep your products moving while minimizing excess inventory sitting around. Those costs add up fast and consumers don't expect to pay more to cover them."

Roshan Jhunja
GM, Square for Retail

Omnichannel commerce and retailer misconceptions

eCommerce sales channels are diversifying, giving retailers opportunities to reach customers where they are. However, retailers still have reservations about expanding channels where they sell, and some even say that they don't believe their customers want to buy on additional channels. A solid [omnichannel strategy](#) can help retailers overcome their doubts and leverage these new channels.

32%

of retailers say that not knowing enough about technology options/ platforms keeps them from selling goods through newer online or social channels.

29%

of retailers say delivering consistent shopping experiences across online and in-store channels is a challenge.

24%

believe their customers wouldn't be interested in purchasing on newer online or social channels.



Omnichannel and customer loyalty



INSIGHT

→ Omnichannel can help build customer loyalty, and customer loyalty can help businesses weather storms.

Consumers clearly value and use flexible omnichannel experiences like buying online and picking up or returning in-store. It comes at a cost, however. You have to ensure the item is prepped and ready to go at pickup time, that your staff is equipped to get orders shipped on time, and that you minimize out-of-stock moments. An omni-literate system will help you fulfill your omnichannel sales and keep your products moving while minimizing excess inventory sitting around. Those costs add up fast and consumers don't expect to pay more to cover them.

68% of retailers have seen customer support through this past year.

47%
of retailers say they have seen increased interest from new customers over the past year.

41%
of retailers say they have seen increased purchases from existing over the past year.

28%
of retailers say they have seen customers purchasing gift cards over the past year.

21%
of retailers say the pandemic encouraged them to invest in customer loyalty programs.

31%
of retailers say the pandemic encouraged them to invest in expanding marketing or advertising.

95% of customers agree it's more important than ever to shop at local businesses.

Q: In which of the following ways, if any, have you supported local businesses over the last year?

Increased my purchases from businesses I supported before this past year **42%**

Started purchasing from businesses I had not previously supported **35%**

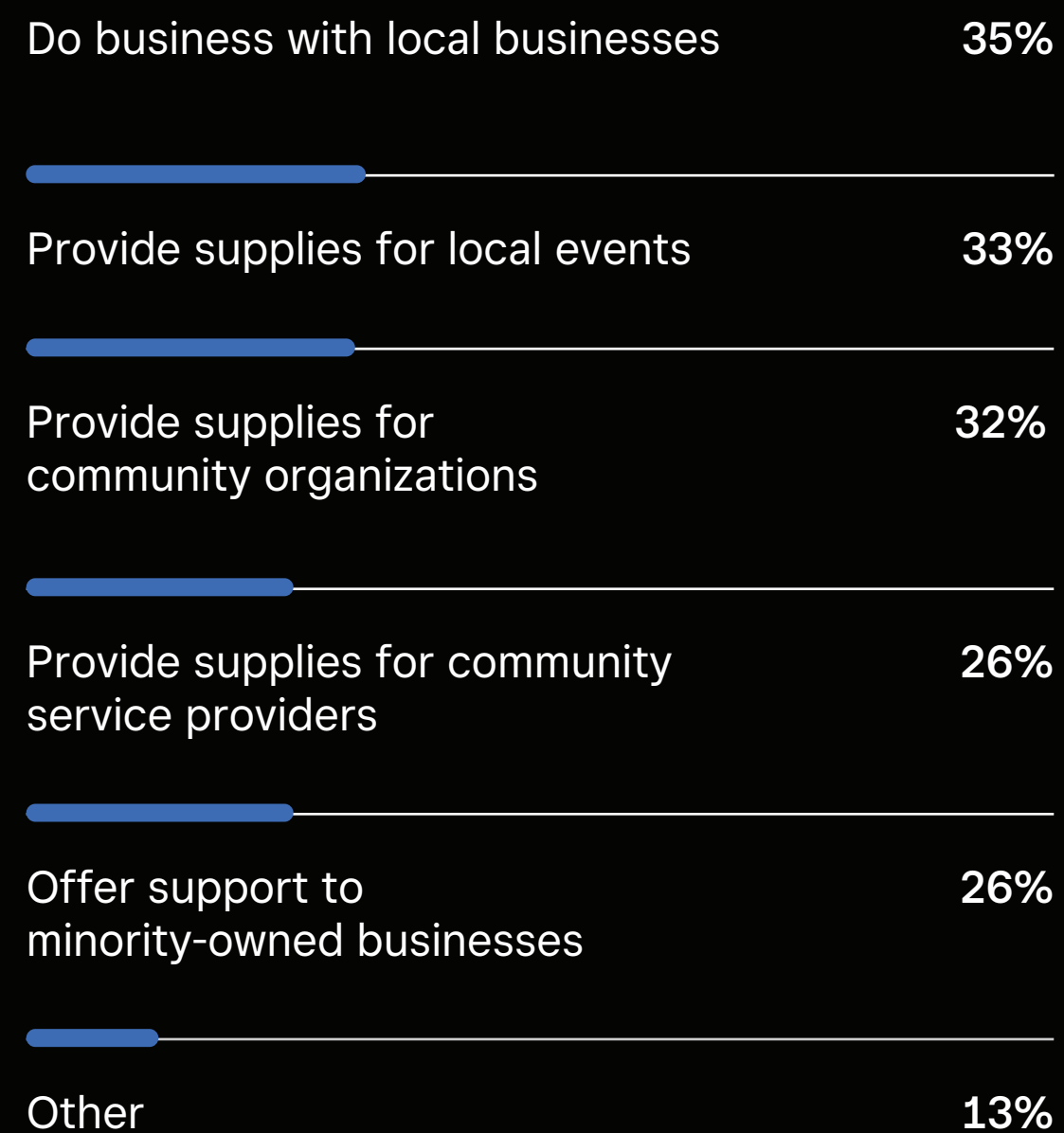
Purchased gift cards **32%**

Donations to support the business **14%**

Letter, calls, and emails to support the business **11%**

68% of retailers plan to continue community engagement initiatives.

Q: Which of the following community engagement initiatives, if any, are you planning to add or continue doing in 2022?



//

The customers are more loyal to us because they're able to communicate with us better, and [an omnichannel strategy] allows us to reach out to them in so many different ways than we were [able to] before."

Gabi Holthausen
VP of Hemline, from "Atlantic:Rethink"

DID YOU KNOW?

Customers who enroll in a [Square Loyalty](#) rewards program are twice as likely to be repeat customers and spend 37% more than customers who aren't in a loyalty program.



There is a lot of competition for customers' time and attention these days. Each of the growing number of marketplaces and social media platforms approach their audiences differently, which can make it hard to figure out how to effectively translate the essence of your business to reach your customers in a consistent and relatable way.

First, choose a business partner with a broad array of small business tools, and a commitment to continually improving and expanding them to ensure you'll be able to keep up as channels evolve.

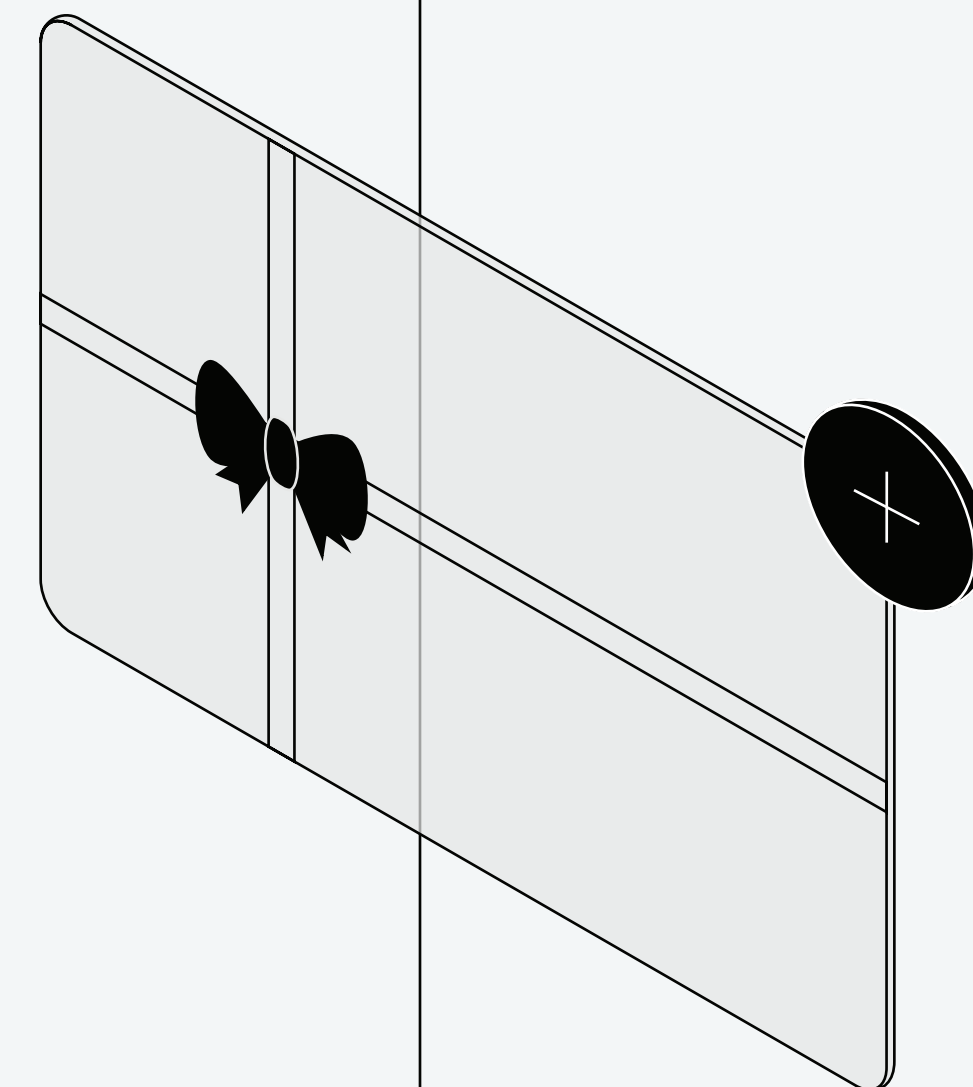
Next, keep your product details up to date in your digital system. This will pay dividends when you want to sell on a new channel, making it possible to automate the heavy lifting and enabling you to experiment easily with new channel approaches.

Lastly, check in with your customers to see where they're spending time. A lot of businesses we've heard from had success approaching new sales channels experimentally, testing to see what works, and then leaning into that."

Roshan Jhunja
GM, Square for Retail

Tips

- Create multiple touchpoints with consumers to increase loyalty and turn them into advocates.
- Make it clear and easy for customers to reach you, listing out customer service channels on your website.
- Use data insights to understand your top customers' purchasing habits, to help you personalize loyalty perks and promote the right products at the right time.
- Use and market gift cards, which is an easy way for customers to support you and advocate for you.





INSIGHT

→ Even as in-person shopping roars back, the demand for eCommerce is likely to stick around.

Section — 04

eCommerce demand

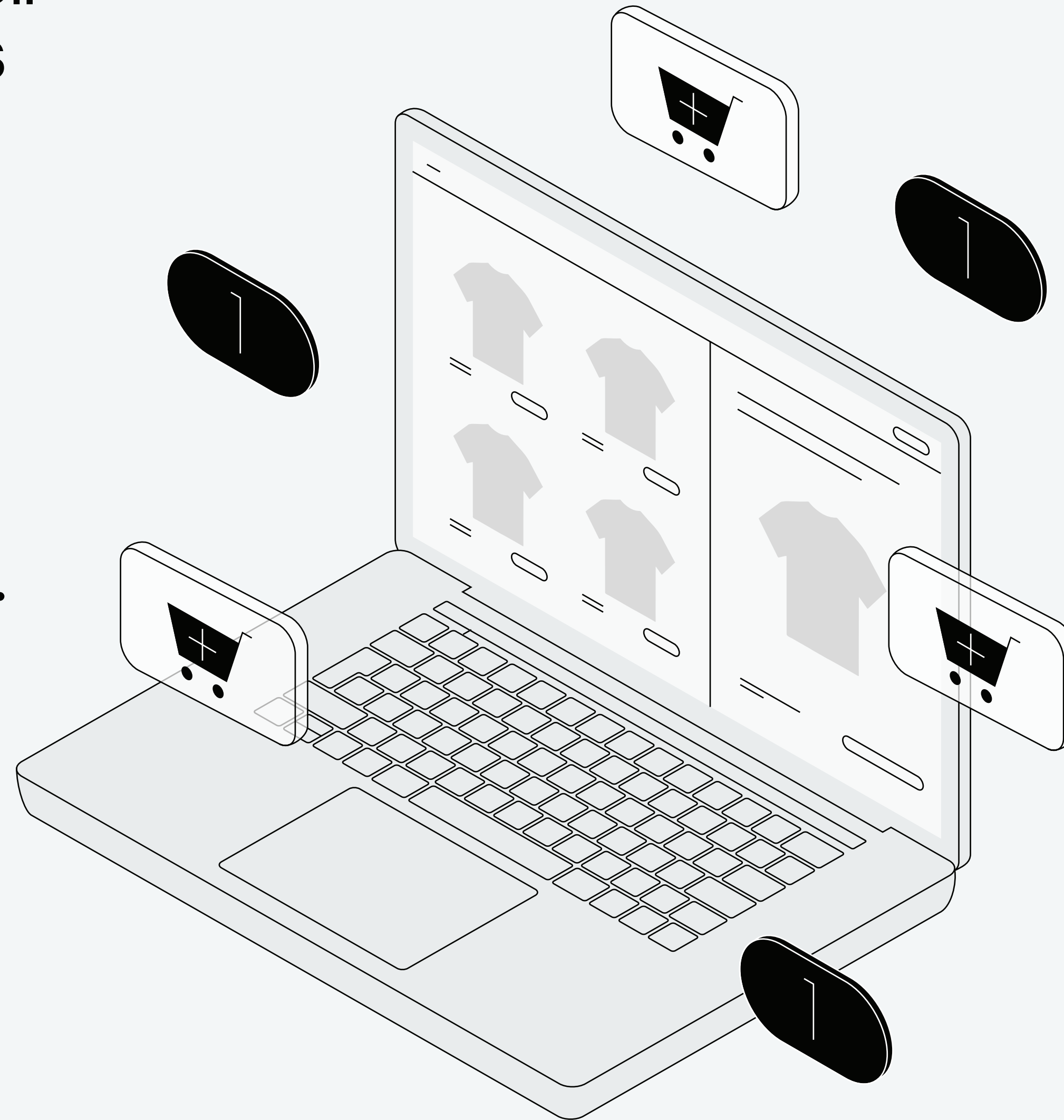
Online shopping skyrocketed as stores closed their doors in 2020. Now it's become a regular part of consumers' lives, and retailers that adapt may benefit.

Consumers say an average of **37%** of all their monthly retail purchases are done online.

Retailers using eCommerce report that an average of **58%** of their revenue currently comes from online sales.

29%

of retailers say the pandemic encouraged them to invest in opening their online store.



//

Customers were pushed online, to the only available channels during the pandemic, and this altered the balance of their time and attention preference across channels to favor online more than before. While updating your business to support more channels more flexibly can seem difficult, automation tools can help.”

Roshan Jhunja
GM, Square for Retail



We have an existing clientele that we've been servicing for 100 years. There's kind of like that older generation that's not quite comfortable shopping online, and then we have this new modern man.

We're much more than a store, we are the heart of the community. So we are still figuring out how to make it so that [the online experience] still resonates with the interactive experience that we're known for with in-store shopping, while also making the site easy to navigate for our customers that aren't used to online shipping.

We're lucky to have some interns who are studying what's working and try some new ideas. Our focus is to really build that eCommerce and nurture it and give it the attention it needs so it can grow."

Lauren Stovall

Head of Marketing, [Hot Sam's](#) Menswear Shop, Detroit, MI

DID YOU KNOW?

You can launch a free eCommerce site with [Square Online](#). And with the [Square Photo Studio app](#), you can easily shoot and edit professional-quality product photos on your phone, with tools to swap out the background — no design skills needed.

Tips

- It's never too late to build out your online experience. You can start with a few of your most popular items and then expand your catalog over time.
- Make sure your online experience [feels like your brand](#) aesthetically, including photos of your physical space and a similar color scheme.
- Photos are incredibly important for selling online and directly correlate with increased sales. In fact, according to recent Square data, retail merchants found that 94% of their first orders included product images. Photograph your products from multiple angles and with good lighting.

More ways to pay



→ Consumers are changing the way they want to pay, and retailers are providing options.

With contactless payment methods, retailers are quickly able to track payments and know their customers. Customers, particularly younger ones, may prefer options like [mobile wallet apps](#), thanks to the convenience of being able to tap and go right from their phones. And neither party needs to worry about having cash on hand. [Another recent study](#) found that 55% of consumers had used a buy now, pay later option to make purchases. Many customers may find that businesses that offer more ways to shop and pay offer extra value.

84% of customers say measures put in place to make shopping a more contactless experience have made shopping more enjoyable.

21% of Gen Z consumers prefer mobile wallet apps, just behind the 24% who prefer traditional credit cards.

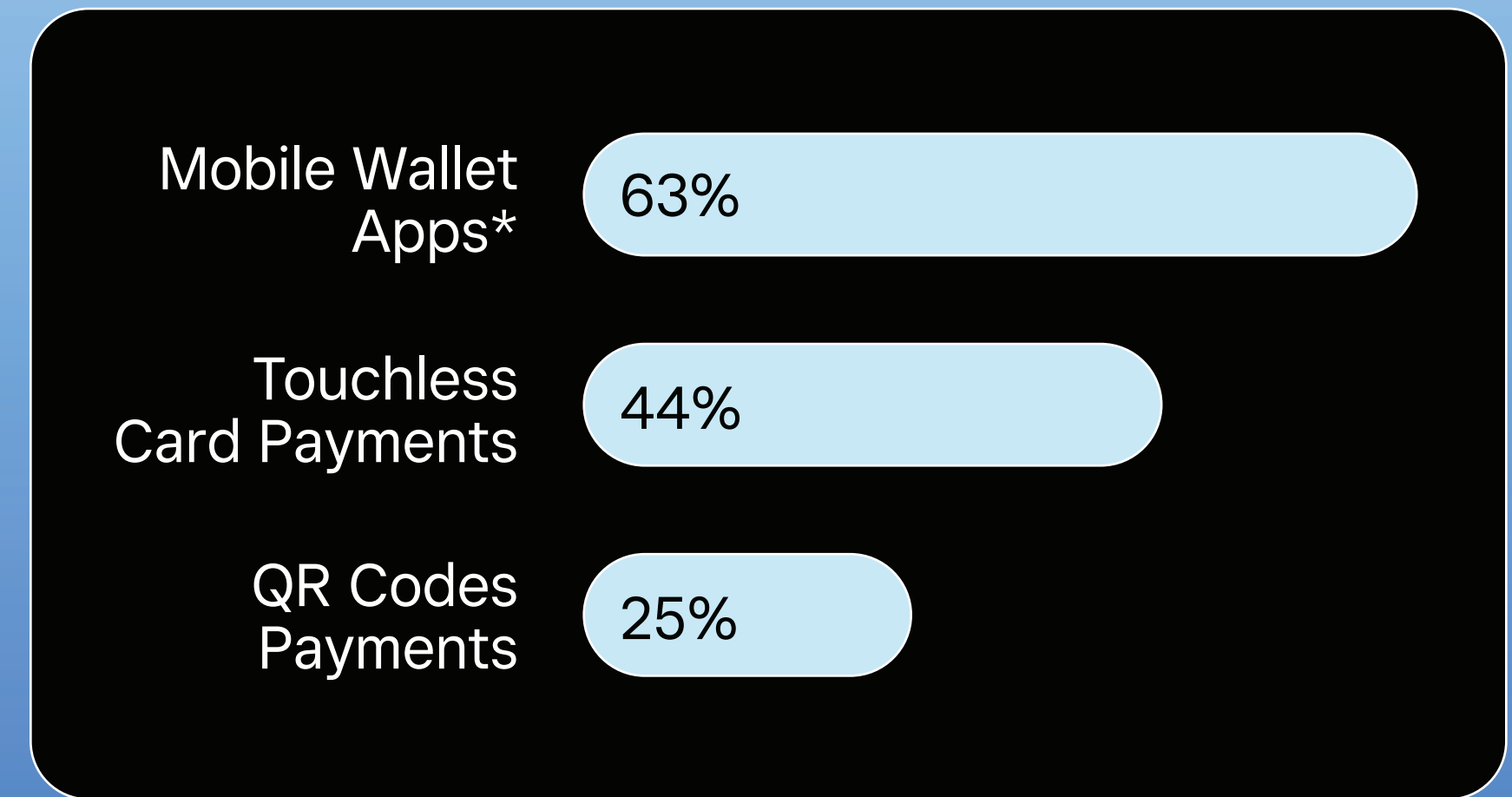
39% of retailers say an average of 39% of their customers choose contactless payment options.

50% of Gen Z and Millennial consumers prefer contactless payment options.

31% of consumers want contactless payments to stick around even after COVID-19.

14% of retailers say they no longer accept cash.

77% of retailers offer contactless payment options including:



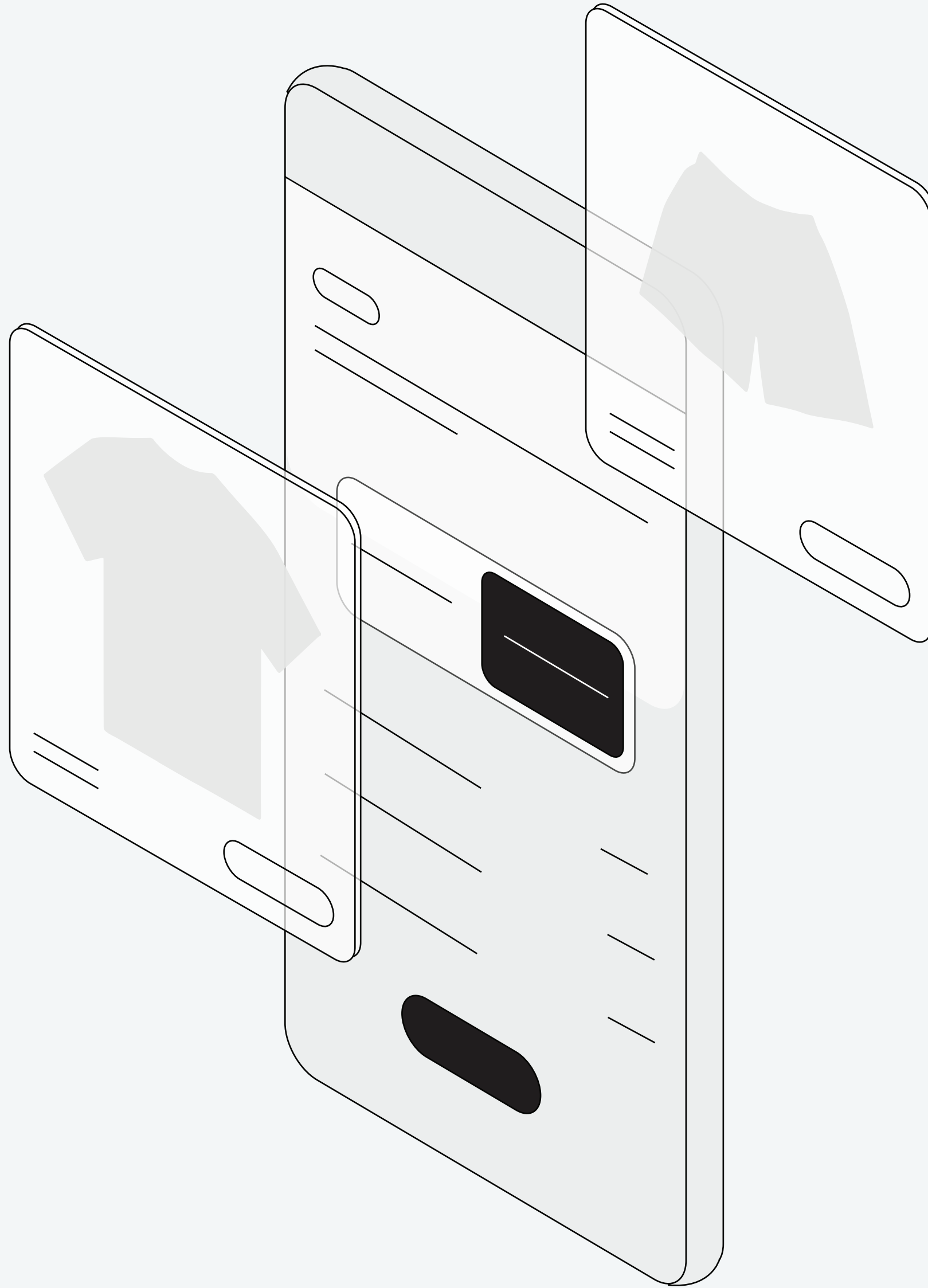
* Such as Apple Pay and Cash App

//
I was able to do vintage sales on Instagram and then issue [invoices through Square](#). It's a way to have the customer have confidence in you, so they know my shop is legitimate. It still reads very professional."

Cadah Goulet
[Poor George boutique](#), Cold Spring, NY

DID YOU KNOW?

You can accept payments quickly, easily, and with built-in security using [Square Payments](#). Square integrates hardware, software, and credit card processing whether you prefer to take payments online, [in person](#), or [remotely](#). Learn more about how Square's [processing fees](#) work



Tips

- Offering a variety of contactless pay options can make [transactions quicker](#) and cut down on wait time for your customers. [Square for Retail](#), for example, can be paired with all contactless payment options.
- Using merchant services that are PCI compliant can help mitigate security risks. Square provides end-to-end encryption and PCI DSS compliant payment processing with no PCI or security fees.
- Accept payments in a way your customers want to pay. By offering a variety of payment options that allow your customers to swipe, dip, or tap with a credit card or mobile wallet, they can pay however they feel comfortable.



INSIGHT

→ Conversational commerce is having a moment.

Section — 06

Conversational commerce

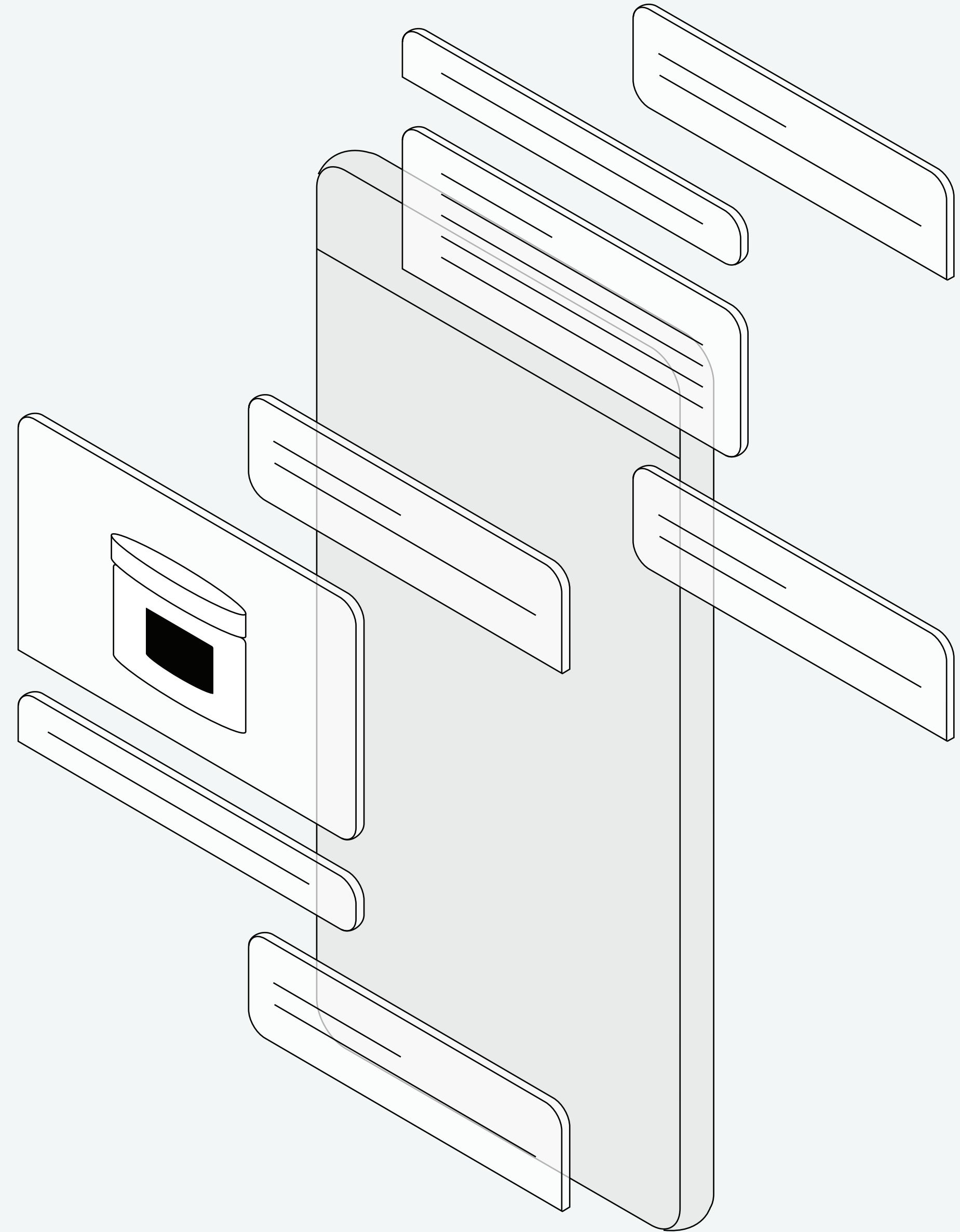
From marketing and selling via text message to solving customer problems via chatbot, text and chat are increasingly becoming important ways to connect with customers.

18% of customers say they are interested in shopping via text or chat; among Gen Z consumers, that number jumps to 25%.

For people who bought retail items from salons and spas, 31% say they bought products through text messages from the business.

42% of retailers say they currently, or plan to, implement selling via text or chat.

34% of retailers currently or plan to automate communication with customers.



//

There are a lot of cases for conversational commerce that are emerging, like a scenario where customers need to reschedule an appointment or need to do a return or get a refund. There's an opportunity for conversational commerce to handle customer service-type inquiries for small businesses, which can help them offload the burden of having to pick up the phone or have a receptionist answer those inquiries."

David Rusenko
Head of eCommerce, Square



Tips

- Text is a great way to connect with customers where they are, letting them know about sales, new products, events, delivery updates, and even allowing them to purchase directly from the message.
- Online chat can help solve customer problems in real time, improving the customer experience.
- AI chatbots and other automated conversational tools can help offload tasks, which can be beneficial at a time when 31% of retailers say staffing is a challenge.

DID YOU KNOW?

You can promote products and services through text to subscribed customers with [Square Messages](#) and include a [Square checkout link](#) which allows customers to purchase products right from your text.

Get started with SMS marketing: Text tips from Fybr Bamboo

I noticed an immediate difference when we started using Square Marketing, especially when we were able to send SMS messages to our loyalty members about unused rewards. We'll have customers come in that day and shop. It's now simple to share information on new arrivals, business updates, sales, or to send a coupon. I love having technology that works for me right inside my POS system. Here are my tips for getting started with SMS messages for your business.

Kamala Allison, President and CEO of Fybr Bamboo, Santa Cruz, CA

01

Take advantage of automation.

You don't have to work hard when you use text message marketing software. Using automation can save you hours of time that could be spent with your customers or on other projects.

02

Keep it short and sweet.

No one wants to read a long-winded text message. The best way to keep your text messages short is by sending only the most essential information, and be sure to use your unique brand voice.

03

Always use a call-to-action.

A call to action helps your customers know what they should do next by giving them direct instruction on how to proceed.

04

Be mindful of the time.

Be courteous of your customer's time — don't text too early or too late. Check into ideal times of day for maximum open rates.



INSIGHT

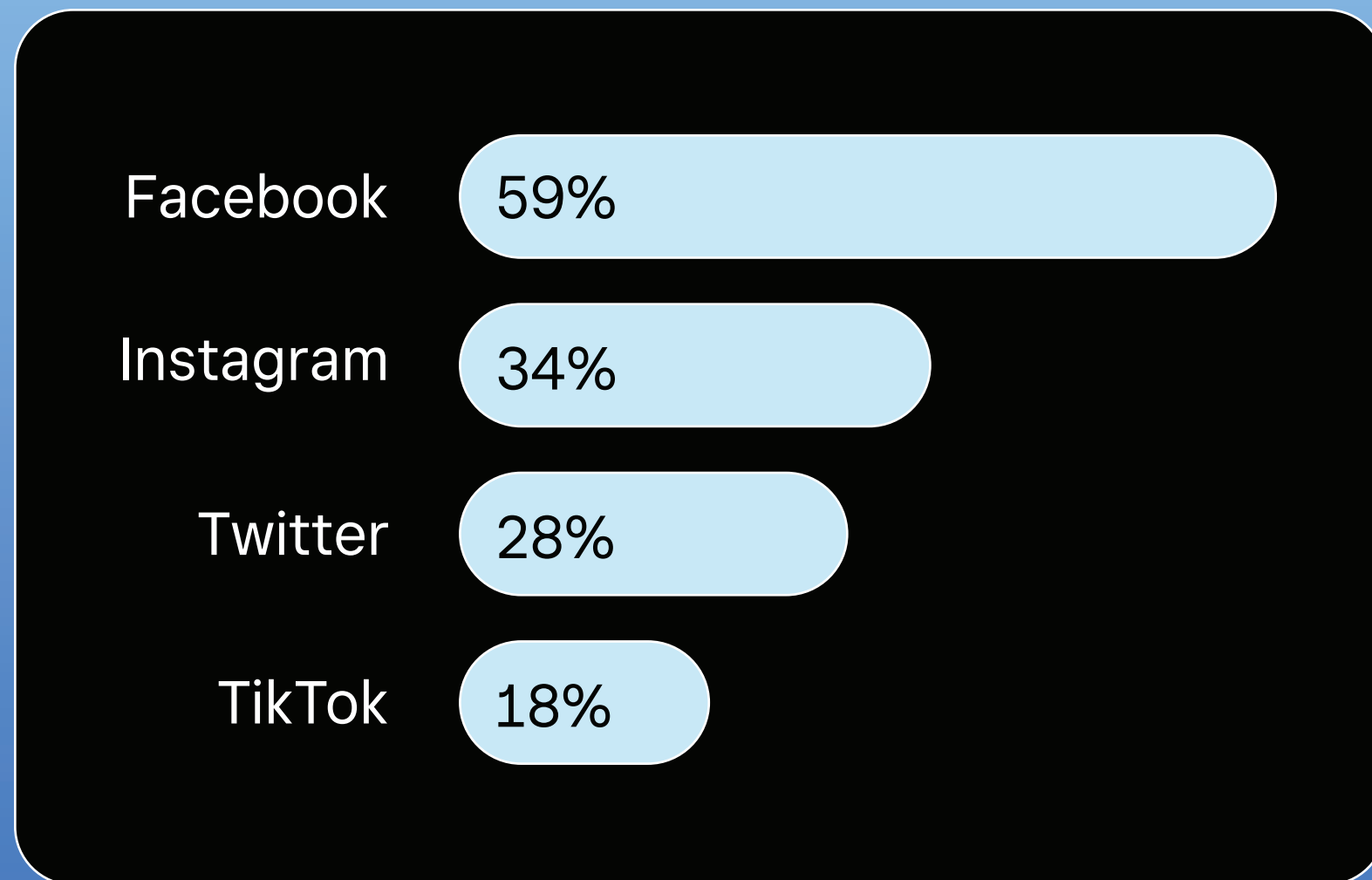
→ Social media isn't just building connections; it's improving customer demand and translating into sales.

Section — 07

Social commerce

Social media platforms are now legitimate sales channels. Many customers, particularly younger ones, don't hesitate to buy products from the social media channels they frequent. As these platforms make it easier to connect with eCommerce offerings, retailers that put real thought into their social selling strategy may experience increased revenue.

Among retailers who sell online, 74% say they sell on a social channel.



Among customers who made retail purchases online, 59% made a purchase directly from social media over the past month, buying an average of 12 items from those channels.

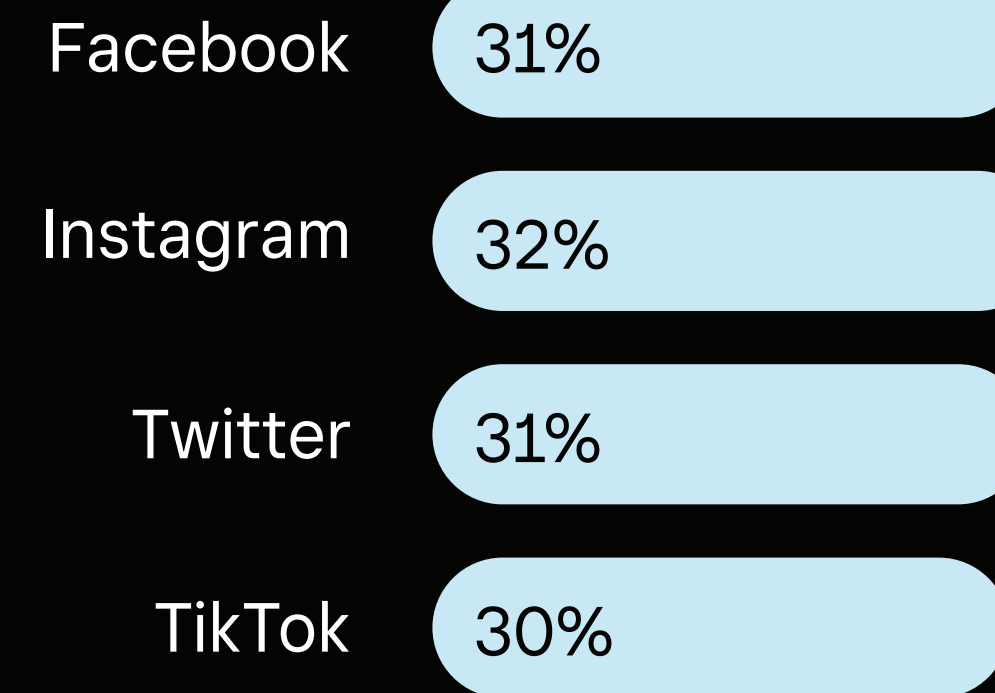
27%

of all customers surveyed say they are interested in making purchases directly on social media when it's offered by retailers. Among Millennials and Gen Z consumers, that number jumps to 44%.

//
Retail is no longer a question of online or offline, it is a holistic approach for businesses to meet their customers wherever they are, and to communicate with those customers precisely how they want to be spoken to. These changes, in particular with the rapid expansion of social selling, are dramatically shifting how retailers merchandise products and generate content. By fine-tuning their message on all social channels available, retailers have a unique opportunity to meet millions of potential new customers and reach existing customers to help drive additional sales.”

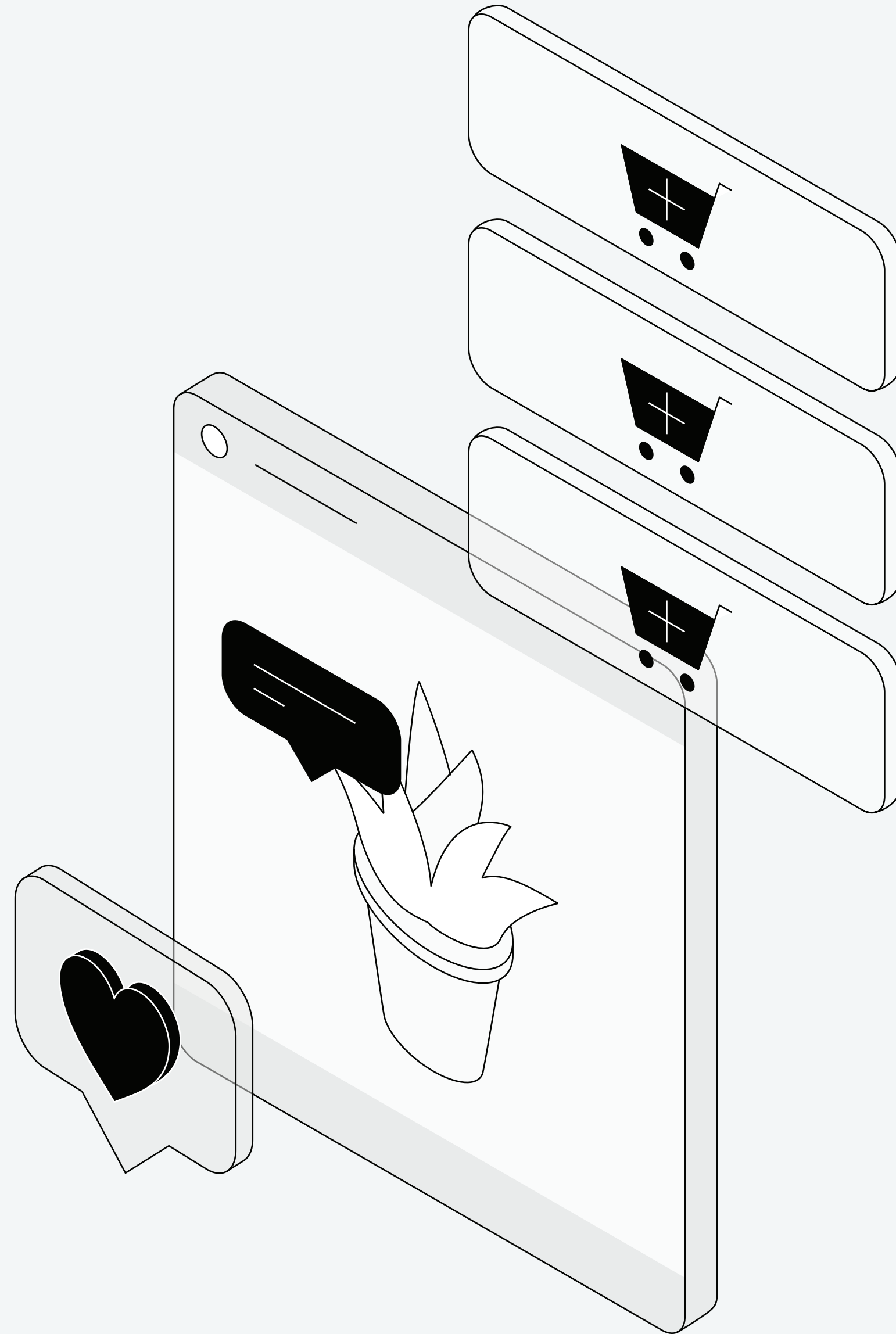
Brandon Levy
GM, Inventory, Fulfillment, and Merchandising, Square

Among retailers who sell on social media, the percentage of revenue that comes from each channel is as follows:



//
TikTok is huge right now and only continuing to grow. With Square x TikTok we're able to quickly and easily feature our products in our TikTok content and seamlessly direct buyers to our Square Online store. We're really excited to give fans an easier way to shop, directly from the platform where they're already spending their time."

Jessica Thompson
Owner of Bee Joyful, Traverse City, MI



Tips

- You don't need to be on every social media platform, but it helps to know which ones your target customers frequent.
- Each platform is unique and content will perform differently on each. Experiment with content that you can leverage across platforms. For example, if you want to post a video, create slightly different versions when you shoot so that it has the appropriate specs and tone for each platform.

DID YOU KNOW?

TikTok is particularly powerful for businesses at the moment. Learn how you can find success on TikTok by [syncing your Square online catalog](#).

Updated retail experience



→ Businesses can stand out with interactive retail experiences.

Stores are more than just a place to buy things; they can offer experiences to remember, both on and off-premise. Retailers can experiment with new ways to delight their customers, encouraging them to spend more time with their brands.

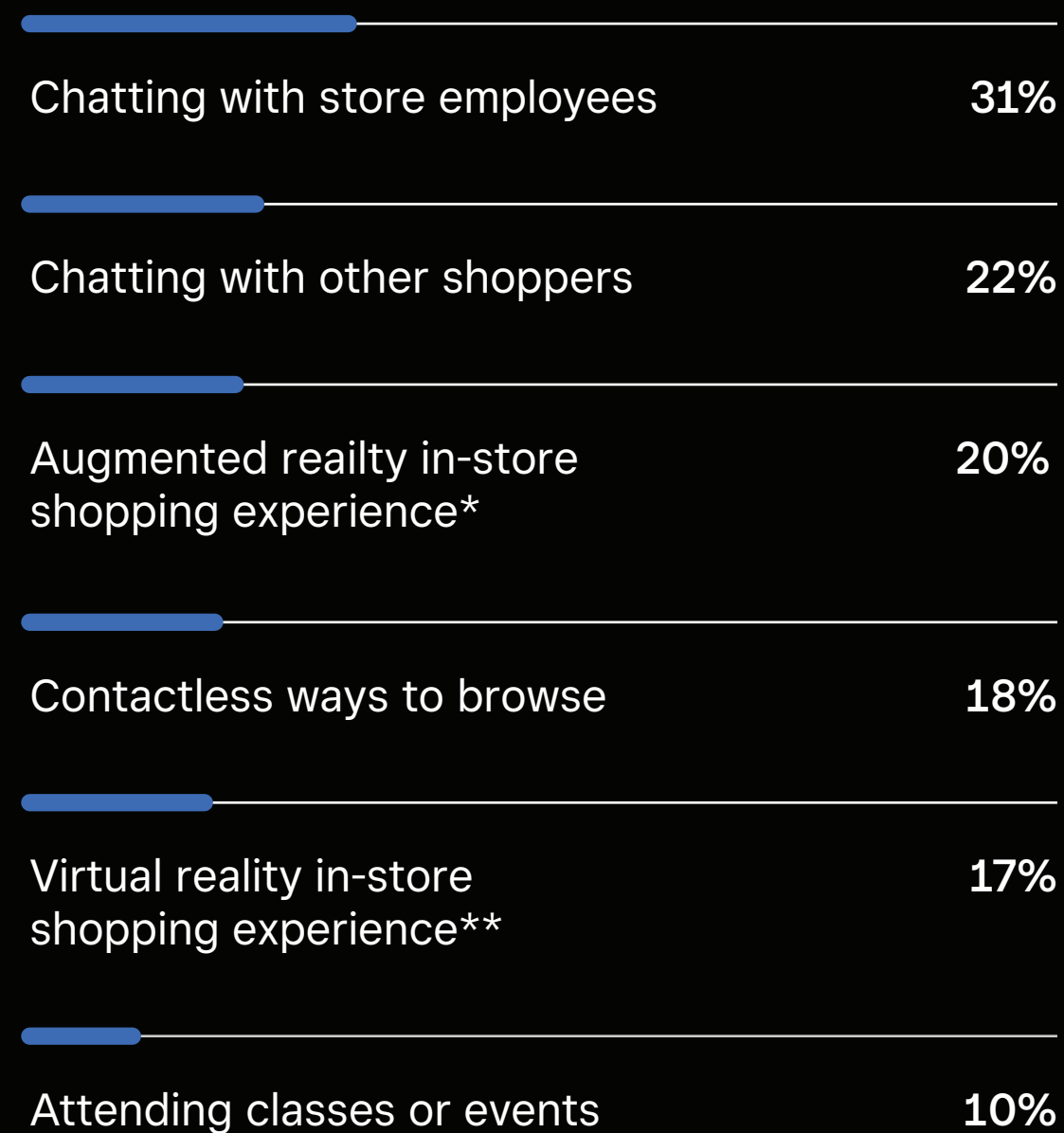
Among customers, **23%** are interested in virtual reality that allows people to experience products in a virtual shop; among Millennials, that number jumps to **33%**.

21% are interested in livestream shopping where a host demonstrates a product in a live online video; among Millennials, that number jumps to **35%**.



Making shopping a heightened experience can keep consumers browsing — and buying.

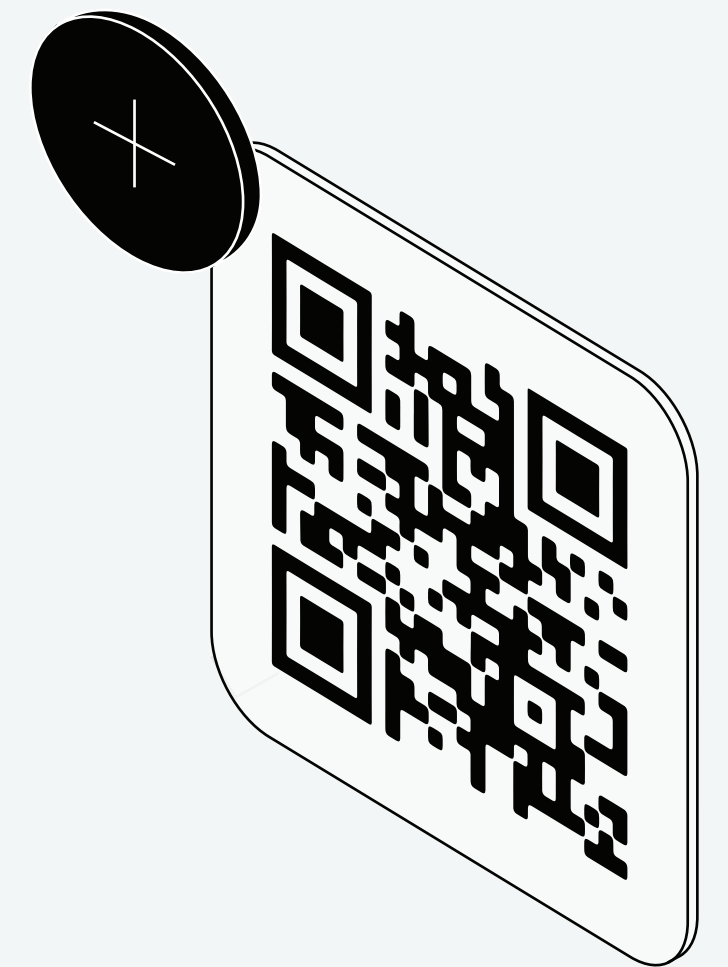
Q: Which of these, if any, would make you more likely to browse in a store rather than selecting the items you need and leaving?



* Such as seeing how an item would look without physically trying it on

** Such as the ability to experience where the item is sourced or where it is made

Among customers, **20%** are interested in window shopping with QR codes for purchases; among Millennials, that number jumps to **27%**.



//

We've seen retailers use livestream sales to interact with customers in real time. Viewers start interacting with each other, and can even get to know each other over recurring livestreams. The shared love of a niche product, or the personality of the streaming hosts, pulls people together."

Katie Miller
Product Marketing Manager, Square



Tips

- Consistency is key. Whether you are launching [livestream shopping](#), virtual classes, or experimenting with [AR or VR](#), have a schedule for your events so customers know what to expect.
- When you market your new offerings, consider using email, SMS, social media and in-store signage to reach your existing customers.
- Capture new customers' information when they attend your events, and allow them to opt-in to [newsletters](#) and other ongoing communications from your business.

DID YOU KNOW?

Square partner apps can help you launch experiences for your store. For example, [CommentSold](#) turns comments on your livestream shopping video into sales.

FOR MORE INSIGHTS

BY INDUSTRY

Read the full reports for 2022

[The Future of Commerce](#)

[The Future of Restaurants](#)

[The Future of Beauty](#)



METHODOLOGICAL NOTES

The Square Consumer Survey was conducted by [Wakefield Research](#) among 1,000 nationally representative U.S. adults ages 18+, between October 6th and October 17th, 2021, using an email invitation and an online survey. The data was weighted to ensure reliable and accurate representation of the U.S. adult population, ages 18+.

The Square Retail Survey was conducted by Wakefield Research among 500 U.S. retail owners and managers, between October 6th and October 17th, 2021, using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of

the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 3.1 percentage points for the consumer audience, and 4.4 percentage points for the spa and salon owners/managers audiences, from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

About Square

Where others see challenges, business owners see possibilities. Square builds tools that let businesses bring those possibilities to life by enabling them to reach customers online and in-person, manage their front- and back-of-house operations, and access financing. Square can help your business succeed — on your own terms.

[Learn more at Square.com.](#)