



Global State of the Retail Industry Report

Omnichannel is
“Do or Die”

2022



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State of the retail industry: 2022

After two years of change, disruption and acceleration, the retail industry is moving into a new era. Independent retailers are facing evolving health regulations, supply-chain woes, advances in technology, and a rapidly changing workforce. Are business owners ready to tackle what comes next?

Lightspeed surveyed over 7,200 global retail owners, managers, operators and customers to see how they're responding and reacting to a shifting retail landscape.

What we learned is that, as our CEO JP Chauvet likes to say: "Omnichannel is do or die."

Merchants offering retail both online and in-store celebrated the largest year-over-year revenue growth of all the global retailers we surveyed. While in-store shopping continues to rebound, eCommerce has also stepped further into the spotlight, accelerating the need for omnichannel solutions. Shoppers have doubled-down on the retailers they know and love, underscoring the value of loyalty programs to strengthen customer relationships. And technology has become more important than ever when it comes to creating amazing customer experiences and outpacing competitors.

But with all this change, one thing remains absolutely clear: wherever challenges exist, opportunities aren't far behind.



Retail sales growth is on the rise, with omnichannel leading the pack

In the United States and Canada **nearly half of the retailers reported revenue being higher in 2021 than in 2020**, with 12% in the US and 6% in Canada saying it was significantly higher.

- ✓ **Omnichannel merchants outperformed overall:** When it comes to year-over-year growth in omnichannel sales (merchants with an online and brick and mortar presence), 61% of omni retailers in the US, 58% in the UK, and 56% in Canada reported higher sales growth with a whopping 21% of omnichannel merchants in the US reporting “significantly higher” revenue –far more than the overall average. This is consistent with the strong performance digital sales channels have been bringing retailers over the last two years.
- ✓ **In the US, this growth is happening online and in-store:** 61% of omnichannel merchants, 47% of eCom merchants, and 41% of Brick & Mortar merchants saw higher year-over year sales growth.
- ✓ **eCommerce revenue surged** for nearly half of online-only retailers in the US (47%) and the Netherlands (45%)
- ✓ **Brick & Mortar thrived in North America:** Canadian (42%) and US (41%) stores saw the most growth.





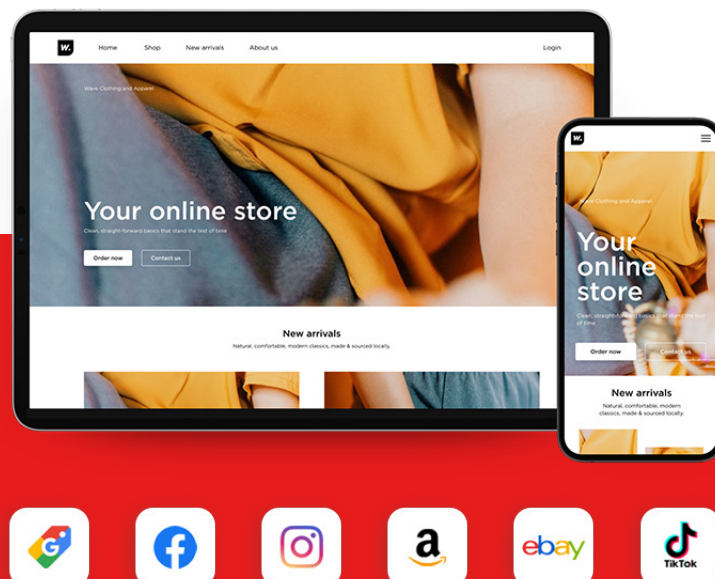
Sales channels like social media and online marketplaces also played a critical role in sales growth throughout 2021. Among the top sales channels where merchants are seeing growth, **Google and Facebook took the top two spots** with sales growth nearly equal across regions, while **Instagram came in a close third place**.

Despite retailers' heavy investment in eCommerce throughout 2021, it appears customers still prefer in-store shopping for retail purchases, and a combined approach valuing in-store and eCommerce sales pays off.

An average of **39% of consumer survey respondents reported they'll shop mostly in-store over the next 6 months** compared to just **23% for eCommerce**. This indicates growing recovery to, but not quite matching yet, pre-pandemic levels; as **50% of customers shopped in-store in 2019**.

However, while consumers may be planning to shop more in-store, they're planning to shop less overall. About **30% of consumer survey respondents said they plan to shop less overall in 2022** versus only **10% who plan to shop more**.

Investing in additional hardware to reduce wait times, focusing on omnichannel inventory management to keep shelves stocked, and even incorporating scheduled appointments can all work to improve the in-store experience and improve sales during slow-downs.





The rising costs of doing business

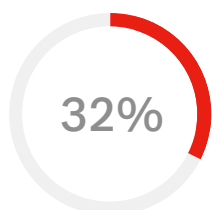
Supply chain struggles and labor shortages have plagued the retail industry for nearly two years. Now into 2022, labor shortages continue to rank as one of the greatest challenges facing the retail industry globally

✓ **20% of merchant survey respondents reported** hiring and staff retention as their biggest challenge.

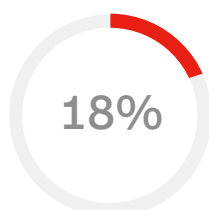
✓ **32% of survey respondents reported operating their business with less staff than they required** in response to their retention challenges.

How retailers are coping with labor shortages

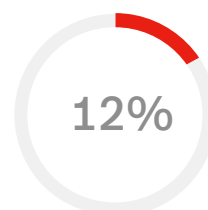
Global



We are operating with less staff than we need



We have increased wages/benefits to attract/retain staff



We are open fewer hours because of staffing challenges

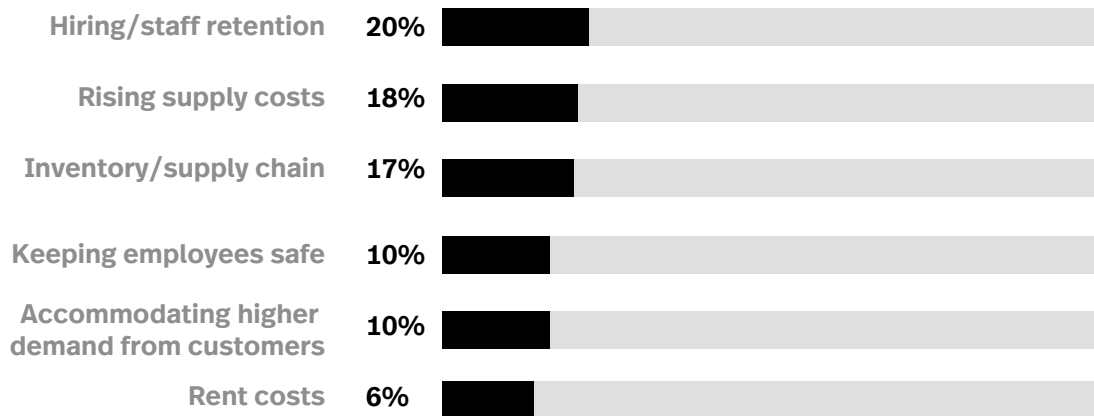
Other tools like additional **point-of-sale terminals** in-store, **scheduled pickup** and **improved inventory management systems** can also ease the load for employees and offer additional value to customers online and in-person.



But while hiring and staff issues rank highest globally among surveyed retailers, **there does appear to be significant disparity by region.**

For example, **supply chain challenges and rising supply costs ranked highest in North America** (44% for the US and 52% for Canada, compared to 35% globally). Omnichannel commerce solutions like Lightspeed and new technology like supplier marketplaces offer promise for these retailers with centralized inventory and purchasing to simplify managing stock levels.

Global Retail Merchant Challenges



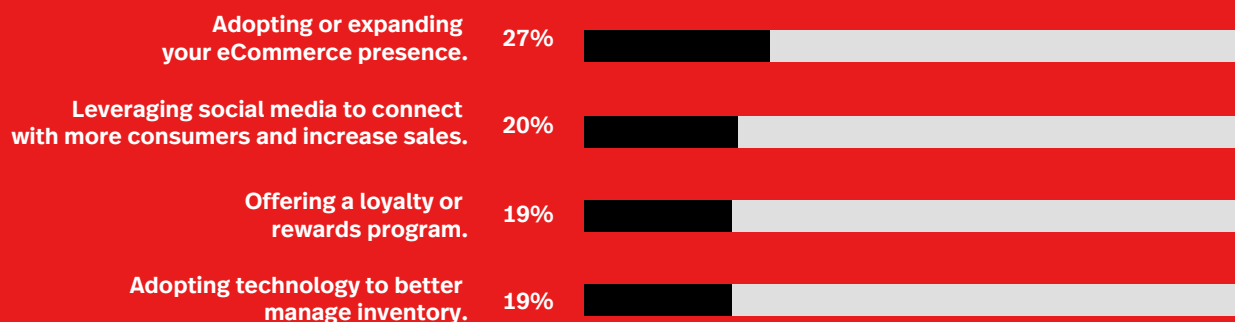


Retail technology powered sales performance throughout the pandemic

68% of global merchants in Lightspeed's survey said **technology adoption had a positive impact on their business over the last 2 years.**

When asked what tactics had the greatest impact, three stood out from the pack: **eCommerce, inventory management technology and loyalty programs had the greatest positive impact on retail businesses.** If you're considering up-leveling your technology stack in 2022, any of these upgrades are a great place to start.

What tactics improved your retail business most?



✓ More than half of merchant survey respondents plan on **investing in additional technology to help them sell online.**

✓ 66% of retailers planning to invest said they plan to **invest in additional inventory and supply processes for their eCommerce stores.**

✓ **Buy Now Pay Later technology** has had an overwhelmingly positive impact on merchants' businesses:

- 69% say it provides a competitive edge
- 64% say it helped them sell more

For continued investment in eCommerce to pay off, retailers need to be able to maintain optimal stock levels, even in the face of delays and rising supply costs (both product and shipping), which is why so many retailers are placing a priority on better inventory controls.



Kathy Howard at Brad's Toys grew her retail business 283% last year:

"We are truly hands-on in our business. We're out in the store every day, talking to customers, trying to find out what people want. You have to be present. You can't just open a store and sit in the back room and look at numbers, you have to physically be out there and see what's going on to build that repeat customer base.

Our technology is important too, I don't know that we would manage without it. Using Lightspeed Retail helps us get our inventory correct, so we know what we have and in what stores which is vitally important. Keeping inventory straight, making sure that it's received properly, and that all the information is there is a huge part of what makes us tick. We look at our Lightspeed Retail analytics constantly, pulling up the numbers to see what's selling or what isn't moving.

We're actually finding that people really still want to get out and experience shopping. So in this new store that we have, we've actually made it into an experience: we have an arcade in the store, we have a small restaurant in the store. People really wanted to go out, and I think that trend is going to continue. They know what it's like now to have to stay in their homes all the time, and I don't think they liked it."





Shoppers are more invested in shopping locally—but also more impatient

An impressive **62% of merchants surveyed** believe shoppers are more interested in shopping local than they had been pre-pandemic, with the majority saying that shoppers were even spending more.

Are shoppers more interested in shopping local/independent?





This aligned with the **63% of consumer survey respondents who felt supporting local, independent business was either important or very important**, with 37% planning to shop local more often in 2022.

But what does “shop local” really mean to consumers? Nearly half of consumers in the US (51%) and the UK (48%) considered shopping local to be **shopping mainly from independent businesses**, but not necessarily shopping with businesses in their geographic areas. Other countries define shopping local slightly differently, with more of an emphasis on physical proximity.

- ✓ Consumers in the **United States** primarily value shopping from independent businesses (51%), and value shopping with a business based in their city (39%) over their wider region (26%).
- ✓ In **Canada**, consumers rank shopping with independent businesses (38%), businesses in their region (37%) and businesses in their city (36%) roughly equal. Also, more Canadians value shopping with a business in their country (21%) than any other region.
- ✓ In the **United Kingdom**, shopping from independent businesses (48%) is nearly twice as important as shopping with a business located in their city (26%).
- ✓ Consumers in **France** see shopping with a business in their region as most important (40%), with businesses in their city a second priority (35%).
- ✓ For consumers from the **Netherlands**, businesses in their region come first (34%), then in their city (32%). The local business being independent ranks as a third priority at 27%.
- ✓ **German** consumers value businesses being in their region higher than anyone else (55%), finding it more than double the importance of a business being independent (24%)

This presents an interesting opportunity for independent businesses looking to expand their reach through eCommerce.

Expert tip: To capitalize on the local shopping momentum for your business, use your regions’ definition to your advantage by tailoring marketing and ad spend to your most valuable audiences.



Unfortunately, not every change in shopper behavior has been for the better. **An alarming majority of merchant survey respondents (60%) also affirmed that shoppers have become less patient since the pandemic.**

Shoppers are less patient



With business owners and operators facing down a labor shortage, and rude customers being **a key component** of service worker burnout, retailers will need to be sure they're prioritizing employee satisfaction and supporting their employees if they want to take advantage of increased spending.

See how Lightspeed's all-in-one platform
helps you keep up with guest expectations

Schedule a call



Retail consumers are brand-loyal (and focused on free delivery)

When asked how they discovered new products, the majority of global customer survey respondents (42%) said they shop the brands they know and love.

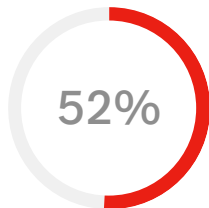
- ✓ In the US, that number was nearly double the next closest response (Google/search engines at 27.6%).
- ✓ Google and search engines came in second across most regions at 33% globally, suggesting that SEM (search engine marketing) is a very strong choice for discovering and developing new customers, if not the best way to keep existing customers engaged.
- ✓ Customers in France are motivated by brand loyalty at a higher rate than any other region.



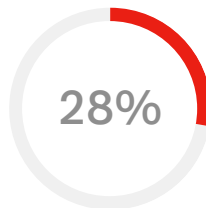


Top three ways global shoppers discover retail products

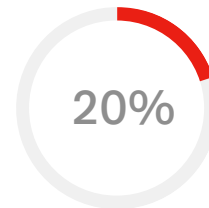
United States



I shop the brands
I know and love

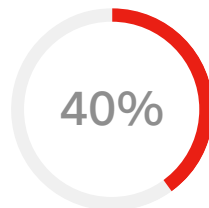


Google and search
engines

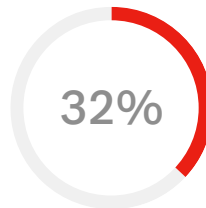


Word of mouth

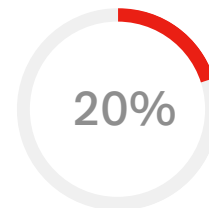
Canada



I shop the brands
I know and love

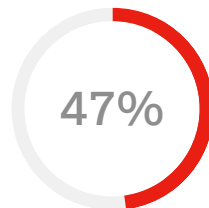


Google and search
engines

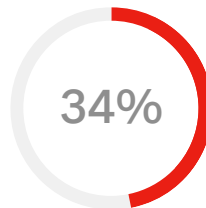


Word of mouth

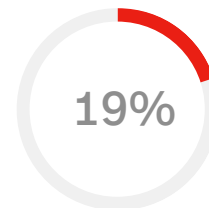
United Kingdom



I shop the brands
I know and love



Google and search
engines



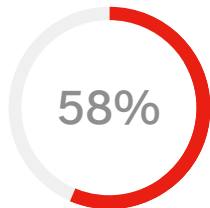
Word of mouth

*Data collected from two studies, data varies for EMEA and NoAm/UK

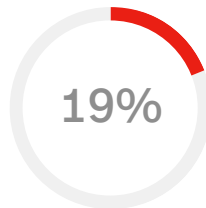


Top three ways global shoppers discover retail products

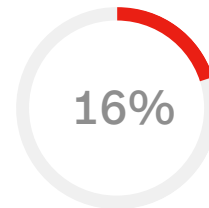
France



I shop the brands
I know and love

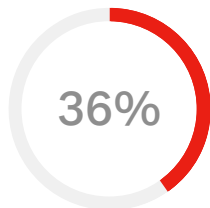


Google and search
engines

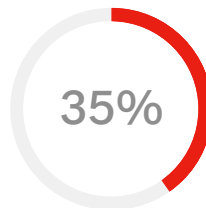


Word of mouth

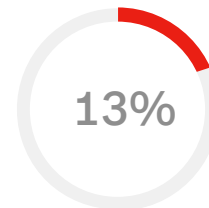
Netherlands



I shop the brands
I know and love

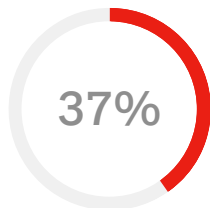


Google and search
engines

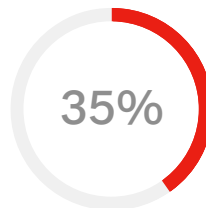


Word of mouth

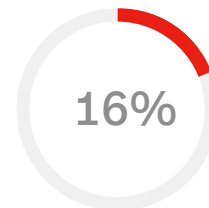
Germany



I shop the brands
I know and love



Google and search
engines



Word of mouth



Word of mouth was **the third most popular response at 18% globally**, garnering **twice as many votes as popular social media platforms** and a staggering **3x more votes than influencers**.

And this is yet another sign that deepening consumer relationships through loyalty programs could offer significant upside for most retailers.





What drives higher consumer spending?

Global



30%

Free shipping/delivery



20%

Loyalty programs
and rewards



18%

Personalized attention
and recommendations

US



30%

Free shipping/delivery



20%

Loyalty programs
and rewards



12%

Personalized attention
and recommendations

Canada



33%

Free shipping/delivery



26%

Loyalty programs
and rewards



17%

Personalized attention
and recommendations

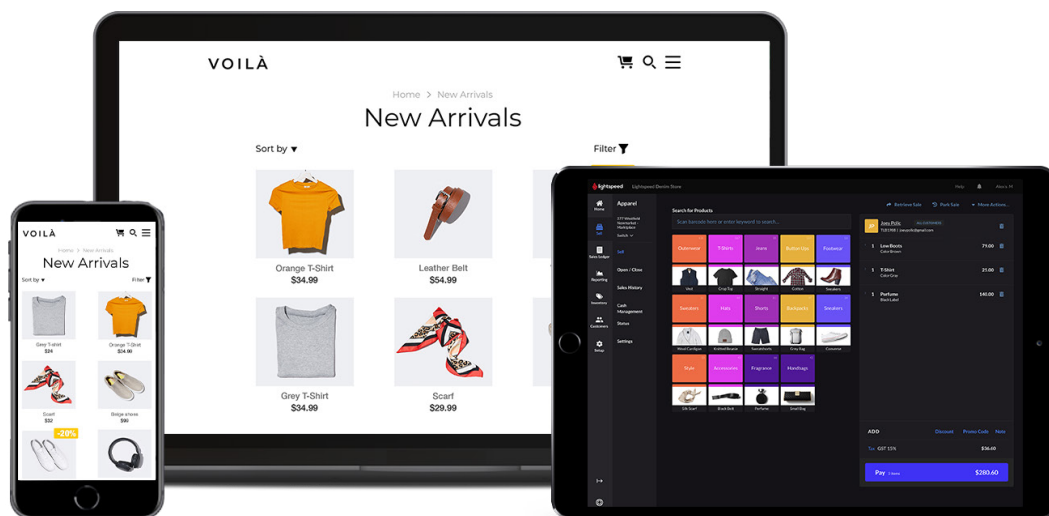


Even as retailers struggle with supply chain delays and higher shipping costs, it's no surprise that free shipping is still the best way to get customers spending. **About 30% of global customer survey respondents said free shipping motivated them to spend more with a brand.**

With the majority of shoppers showing preference toward brands they know, it's no surprise that loyalty programs would be on the rise as well. Which means it's this tactic in particular that we should be paying close attention to.

Expert tip: Considering free shipping, but struggling to absorb the cost? Try free shipping above a certain order value instead. This allows you to market free shipping across your marketing while still protecting your margins and encouraging more spend from motivated customers. Canada (39%) and the UK (44%) who are dining out more often now expect a contactless payment option to be available, even if it is not their preferred method of payment.





We're here to help

Powering the businesses that are the **backbone of the global economy**, Lightspeed's **one-stop commerce platform** helps merchants innovate to **simplify, scale** and **provide exceptional customer experiences**. The cloud solution **transforms and unifies online and physical operations**, multichannel sales, expansion to new locations, global payments, financing and connection to supplier networks.

Founded in Montréal, Canada in 2005, Lightspeed is dual-listed on the New York Stock Exchange and Toronto Stock Exchange (NYSE: LSPD) (TSX: LSPD). With teams across North America, Europe and Asia Pacific, the company serves retail, hospitality and golf businesses in over 100 countries.

For more information, please visit: lightspeedhq.com

On social media: [LinkedIn](#), [Facebook](#), [Instagram](#), [YouTube](#), and [Twitter](#)

See Lightspeed in action

Schedule a call