

When experience defines how consumers buy, what will retailers sell?

(PART 1)



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The metaverse is emerging as a new space for retailers, bridging the physical and virtual worlds to deliver new shopping experiences.

In brief

- ▶ Consumers expect a retail environment that delivers consistency across their physical and digital experiences.
- ▶ Retailers need to embrace a new channel model, that uses data to blend experiences around the consumer, in any context.

Findings from the EY Future Consumer Index have shown how the pandemic has accelerated some fundamental changes in consumer buying behaviour:

- ▶ Forty-four percent plan to consolidate shopping trips and shop less frequently.
- ▶ Thirty-six percent will do more of their shopping online and only visit stores that provide great experiences.
- ▶ Forty-three percent will shop more at local, small businesses.

What will the pandemic's legacy be for retailers? Essentially, it's the creation of an environment where consumers want consistency across their physical and digital shopping experiences, without differentiating between them.

We can see this mindset playing out every day. If a consumer feels comfortable walking into a store and browsing, they still want to be able to do so. Or if they want to order online and have their items delivered at home, to work, or to click-and-collect them. Or to do social shopping on Instagram. Or any combination of these options.

It's a world of endless choices that span channels and buying experiences – a world where bricks and mortar has a role, the online store has a role, and neither will fully replace the other. Consumers don't see these channels as separate or distinct, just as different aspects of their everyday life.

However, for retailers and brands, a new frontier is opening up – the metaverse is starting to emerge as a new space capable of bridging the physical and virtual worlds to deliver completely different experiences.

Welcome to the “metachannel”

Retailers looking to win with the consumer must create new value for their customers, beyond just selling them something. Future retail spaces will become a genuine blend of physical and digital, and consumers will want a compelling, experience-driven reason to go there.

Retailers can achieve this by going beyond an “omnichannel” strategy– being present everywhere, to embrace a new “metachannel” strategy – being integrated everywhere. It's a model where retailers stop thinking in a polarized way about distinct digital and physical channels or experiences– using data to reimagine, integrate, coordinate and blend experiences around the consumer, in whatever context the interaction takes place. The result is that physical and digital spaces work together to create experiences that deliver far more value than a single channel can by itself, to the point where the distinction becomes meaningless.

But some things won't change. In all spaces, retailers will continue to curate brand experiences to generate demand for goods and services. Whether the interactions are physical or digital, retailers must create spaces that people will visit. Market share and share of wallet are increasingly giving way to share of attention. If people or algorithms aren't going there and engaging, the business will fail. The metaverse is only adding to the need to compete for consumers' attention by creating a space they will choose to visit – and purchase in – depending on their mindset, moment in life and the experience on offer.

How physical spaces could be reimaged

With the pandemic having boosted online buying and home delivery, physical retail spaces' traditional role is declining in importance and will never return to where it was. So, bricks-and-mortar outlets need to be able to fulfil another purpose that's every bit as relevant in attracting shoppers.

The solution is for retailers to create flexible, multifunctional physical spaces that showcase products that can be bought through any channel and also host a range of different services and events – any or all of which may make consumers want to visit, stay and purchase. Be it community events, leisure, workspaces, lifestyle, sports, learning – there are a host of possibilities. The common thread connecting them is that they fulfil a need, add purpose and deliver unique experiences to keep the retail space relevant, vibrant and an attractive place to be.

This is an important transition in how physical space can create value. Retailers must take a holistic view on the role that their space can play in the communities that they serve and the experience they can deliver. Get the purpose and experience right for the individual consumer, and the shopping transaction becomes a by-product of being in the space. There are already

many instances of retailers successfully creating this effect, for example, the House of VANS skateparks, Nike Unite community stores or the grocery retailers around the world that are hosting cookery classes in-store.

“Consumers don't see channels as separate or distinct, just as different aspects of their everyday life.” - **Thomas Harms** (EY Global Retail Leader)

How digital spaces will be reimaged

If that's the future for physical spaces, what about their digital counterparts? The reimagination of digital retail spaces follows the same principle: giving people a reason to visit and spend time there.

This is already happening, as consumers' online shopping behaviors evolve hand-in-hand with the proliferation of digital choices and experiences open to them. Witness the rising take-up of social shopping, squad shopping, shoppable streaming, Instagram buying, in-game purchases and more.

All of these behaviors demonstrate the act of buying online transforming into an experience that is embedded in other activities. Put simply, the right experience will mean that people are so immersed and engaged that they don't really feel like they're shopping at all. It's a set of dynamics and experiences completely unrecognizable from the early days of online retail.

How retailers will realize the full potential of the metaverse

An experience that's a little further away is a three-dimensional virtual realm where people interact through digital avatars. The metaverse presents both exciting opportunities and profound questions. We are still at the early, experimental stage of seeing retailing in the metaverse. In many ways, despite the excitement it has caused in the media, the metaverse remains a largely alien concept to most consumers. To those few who have engaged, it represents playful, brand experiences rather than a fundamentally different approach to shopping. The metaverse feels like an exclusive club for people to trade non-fungible tokens, or branded 3D spaces that replicate physical stores in a digital environment.

Retailers grappling with refitting dated store layouts for a post-COVID-19 consumer, or addressing bounce rates, payment bugs and last mile costs for their ecommerce

platforms may see a niche conceptual digital space as little more than a distraction. However, the need to invest and experiment now could prove crucial as the metaverse develops in the coming months, years and decades.

Just as the internet evolved from a pixelated novelty to be an integral part of everyday life, the metaverse has the potential to completely transform the way we shop.

The development of the metaverse will raise and potentially resolve some very important questions for retailers, such as:

- ▶ What will a retail experience look like in a distributed 3D immersive digital space?
- ▶ How will assortments balance between physical and digital products?
- ▶ How will value propositions evolve as digital and physical worlds become more blended?

Currently, many virtual stores are reflections of physical stores, offering the chance to explore and fill a basket up just as you would in the real world. This approach will change as innovative new use cases begin to emerge and reshape engagement. ■

(CONTINUED IN NEXT EDITION)

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