



# Towards seamless commerce

The challenge of customer-centric seamless commerce: a global review



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# Introduction

The world's retailers find that digital technology is revolutionizing their sector once again, requiring them to evolve (or perhaps fundamentally shift) their business.

For centuries, retailers have relied, albeit with minor variations, on one simple model: offering the right products, at the right prices, in the right locations. In the past 25 years, largely through the power of digital technology, retailers might argue that they have experienced more fundamental shifts than almost any other industry with the global pandemic triggering a step change in the retail landscape.

At KPMG, we believe retail is facing a third wave of digital disruption. In the multichannel age, different routes to market — typically online and bricks and mortar — operated largely independently, as silos, under the same umbrella. In the omnichannel age, enabled by data analytics and AI, retailers began building bridges across these silos to encourage them to work together. With seamless commerce, we are now entering a further evolutionary wave.

So, what is seamless commerce? It is a way of organizing commerce which recognizes that Inspiration, Exploration, Choice, Transaction, Receipt (and potentially Return) all happen across multiple channels; online and offline are interwoven; online is not just a website or app, and physical store includes digital interaction. To provide consumers with a truly seamless commerce experience, retailers need to take an end-to-end view of their operation, still making the same day-to-day decisions but through a fundamentally different lens.

To achieve this, in our view, successful retailers should rethink how they operate their business and:

- Align and empower their leaders and broader workforce towards the consumer
- Derive real-time insights from organization-wide data
- Deploy technology and measure their performance through a seamless commerce lens
- Create a single view of customer, stock and order (across all channels and geographies) to drive development of innovative products and services that deliver a profitable return.

That we are only now entering the age of seamless commerce implies that no retailer, sector or market has, as yet, fully perfected this model to deliver both a superior customer experience and sustainable profitable growth. To explore the opportunities and challenges in detail, this report includes a maturity index which assesses the present state of play in Australia, Brazil, Canada, China, Germany, India, the UK and the US. Although not definitive — such developments are intrinsically hard to quantify — these ratings are based on interviews with senior executives in bricks and mortar, omnichannel and pure play retailers across all these markets, supplemented by KPMG analysis.

What is clear, is that truly seamless commerce requires cultural, structural and technological change. It is no longer sufficient to rely on people, teams and departments communicating with each other — or, indeed, to just throw technology (even AI) at the problem. Tomorrow's successful retail businesses should embrace the relentless focus on the customer and the organizational and technological integration this requires. And, as retailers seek to grow and evolve whilst fulfilling their commitment to the planet and society, perhaps seamless commerce can contribute to reducing waste, reducing carbon emissions from transport and offering consumers more sustainable choices. This would be a win-win.



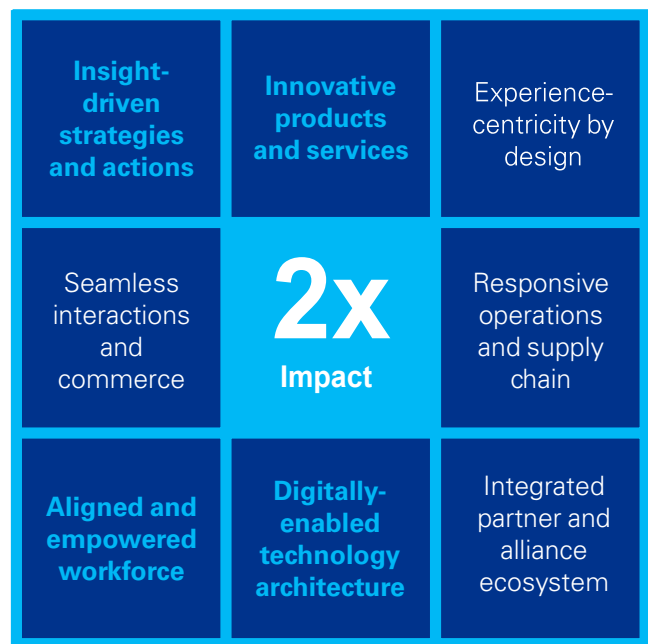
**Isabelle Allen**  
Global Head of  
Consumer & Retail  
KPMG International

# What maturity looks like: four drivers to achieving seamless commerce

Seamless commerce requires retailers to evolve their established business models to ensure they combine best practices from offline and online into a coherent, connected, customer-centric organization. In this paper, we focused on four of the eight capabilities in our Connected Enterprise model (on the right) and their role in how retailers evolve towards seamless commerce. They are:

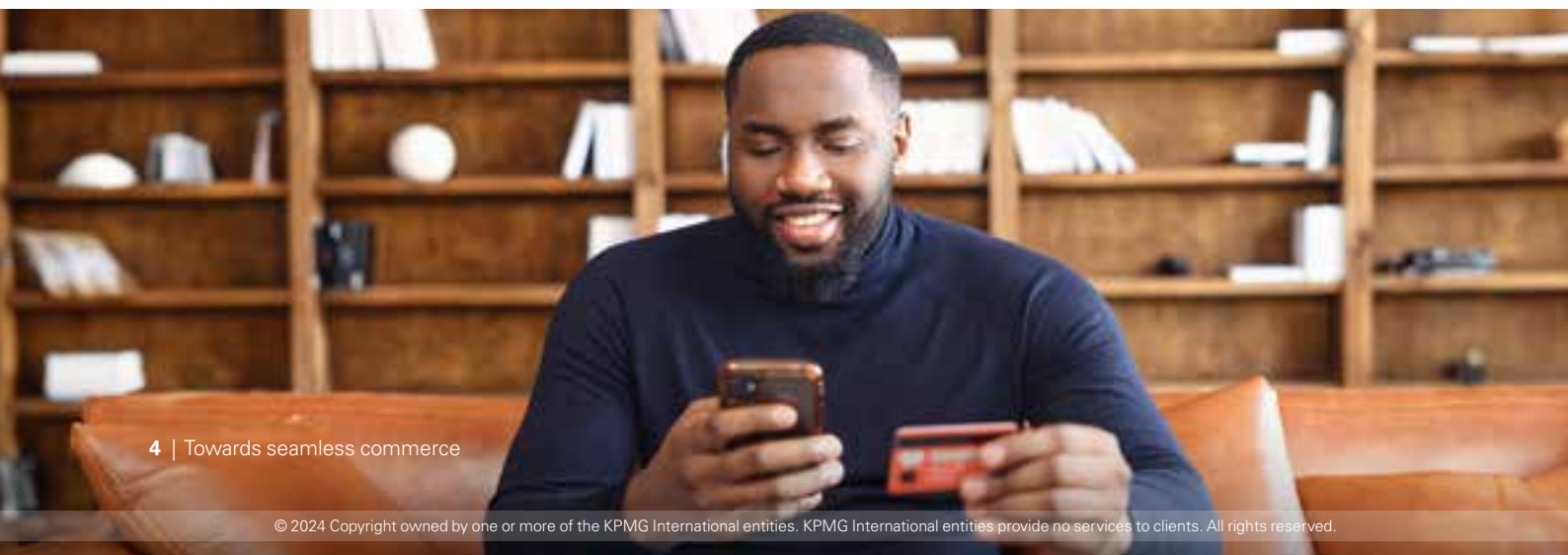
1. A customer-aligned leadership and workforce
2. A depth of insights driven from the organization-wide data asset
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4. An additional lens for innovative products and services

A KPMG commissioned study conducted by Forrester Consulting, 2018 highlighted that organizations who focus on eight capabilities spanning the functions of an organization are more likely to succeed in their customer-centric transformation goals. At KPMG, we leverage these capabilities, pre-configured enablers and technology solutions to help retail organizations go beyond multi-channel interactions and fast track transformation.<sup>1</sup>



\*Note: (a) Base: 1,299 professionals involved with customer-centric strategy decisions.

<sup>1</sup> A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2018



# 1 A customer-aligned leadership and workforce

Conventional industry metrics have traditionally oriented retailers around products and channels. In the world of seamless commerce, that model must be inverted, placing consumers at the forefront of the business. The traditional key performance indicators (KPIs) such as sales per square meter are fast becoming less relevant than benchmarks as cost-to-serve, share of wallet, customer acquisition costs and customer lifetime value. By measuring and incentivizing these KPIs, retailers can eliminate channel silos and align their leaders around the consumer.

If channels no longer matter so much, who has ultimate responsibility for the consumer? Even at the C-suite level, positions like Chief Marketing Officer, Chief Customer Officer or Chief Digital Officer often cannot take a full 360-degree view of the consumer. A new type of role, covering front, middle and back office, is needed to integrate the value chain from order to delivery and beyond. This new position would be, in name or effect, a Chief Value Chain Officer. A number of British retailers have already taken a step in this direction by giving one of its C-suite additional customer-related responsibilities. We expect more retailers to create, or allocate, such a role, in some cases, extending the CFO's traditional remit.



## Leadership insight

“ In the past when we acquired a new customer, they were largely treated the same. Now, based on behavioral segmentation and the first-party data we’re capturing, we’ve built a model to predict the lifetime value of that customer, enabling us to build more targeted journeys.”

### Samir Desai

Executive Vice President, Chief Digital and Technology Officer, Abercrombie & Fitch Co.

## Key questions

1. Does your operating model put a seamless commerce experience for consumers before products and channels?
2. Do you need to create a new leadership role that ultimately can focus on bringing the front, middle and back-office together in service of seamless commerce?
3. What metrics do you set, report on and reward to enable an organization-wide focus from your leaders and managers?

## 2 A depth of insights driven from the organization-wide data asset

Today's consumers have increasingly complex expectations; keeping pace with demands is an ongoing challenge. Insight-driven organizations can put their data to work and proactively anticipate, strategize and adapt their value proposition, backed by a core understanding of their consumer needs.

Seamless commerce entails transitioning from the long established functional approach to a shared model where data is truly accessible to all. For some, the first big barrier to seamless commerce is that data sits in different, unconnected silos across the organization. To change that, those retailers should begin with:

- Phase 0, establishing a silo-agnostic data asset that brings together data across the entirety of the business, using systems into which all data (operational, financial, regulatory, customer etc) is entered via a single platform. This foundation is essential if companies are to progress to...
- Phase 1, in which they establish a single view of the consumer, product and order and, finally...
- Phase 2, in which, through data analytics and enabled by AI, retailers can track every transaction, predict consumer behavior, forecast demand, introduce location-based pricing and target them with highly relevant offers and promotions.

Unless Phase 0 is established thoroughly and successfully, retailers will never derive full value from Phases 1 and 2.

Because no retailer will be able to fully leverage data alone, this will likely inevitably entail giving third parties — for example suppliers, logistics firms or loyalty program agencies — access to your data ecosystem. The inherent risks this involves should not be underestimated and investment in data governance, privacy, security and regulatory compliance will be needed.

### Leadership insight

“If you're in the bricks and mortar business, you need to give people a reason to shop by making it more experiential. In markets where it makes sense, we're developing new concepts that allow communities to come together and have better experiences around kids or basketball. By doing so, we can build better connections and deepen our understanding of customers.”

**Mary Dillon,**  
Chief Executive Officer, Foot Locker

### Key questions

1. Where does your data reside, how good is it and how easy is it to access?
2. What does your organization need to change to enable you to develop a single view of the consumer?
3. Have you undertaken a thorough risk assessment of your data ecosystem, governance etc.?

### 3

## An understanding of and investment in a digitally enabled technology architecture

An organization that is truly connected has the ability to architect and engineer intelligent digital services, technologies, and platforms to deliver on the customer promise in an agile, cost-effective and scalable manner while maintaining security.

Technology, for example, enables retailers to develop a single view of stock, orders, and shoppers across various channels; and with analytics and AI, understand why, where, when and how their customers buy (including the channels, devices and apps they use). A truly seamless customer experience should, for example, allow shoppers to switch from 'store' to 'online' mode instantly to access products, prices and offers.

Knowing where stock is located can help retailers assure consumers that their items are available, when and where they want to receive the goods, irrespective of where they browse and transact. AI and machine learning can prove invaluable in improving forecasting accuracy, reducing poor availability, overstocks and markdowns, and managing replenishment, pricing and promotions more effectively. Using AI, Chinese retail SaaS platform DMALL, a joint venture between two bricks and mortar groups to create a platform and harness technology to improve its performance — and that of other retailers has helped clients identify 31 root causes of out-of-stock, spread across the supply chain and store operations.

Historically, retailers have typically spent around 1–3 percent of revenues on technology (much of that devoted to their 'core IT infrastructure', effectively to 'keep the lights on'), and this may need to more than double to between 4–8 percent of revenue if the retail sector is to flourish. Funding such a large uplift in technology spend will challenge the very core of traditional retail models, but in our view, is essential to drive long term prosperity and meet the aspirations of consumers who, having already embraced the power of AI, are demanding more than ever from their retail experience.

The spend on new and evolving technology, including use of software-as-a-service (SaaS), also requires careful consideration in terms of accounting treatment and what is an operating investment and what is capital expenditure (and in some countries certain spend may benefit from favorable tax). Given retail's historically low margins, retail leaders must include this when making difficult investment choices, particularly given the pressure to drive short term shareholder returns, from physical and digital assets.

### Leadership insight

“By using AI we can identify root causes much faster and immediately send out alerts to whoever is responsible so we can fix things faster and adjust our algorithm. If a customer walks into a store and the product they want is out of stock, they have to go somewhere else. That's the moment of truth in retail.”

**Marcus Spurrell,**  
CEO, DMALL International

### Key questions

1. What percentage of your revenue are you investing in technology? If it's below 3 percent how will you go about changing this?
2. Do you understand the relationship between your investment in real estate and customer value?
3. What specific AI user-cases have you or are planning to test?

# A word on AI

KPMG professionals believe retailers should embrace AI as a critical enabler but not regard it as a cure for all when it comes to optimizing their core operating model or driving business transformation for seamless commerce.

At the same time there is an opportunity for innovation to be supported by AI and Gen AI.

For example, customer experience in many markets is in decline, driven by radical cost reduction programs and failed last-generation technology implementations. The emerging CX leaders are fighting this trend, deploying new 'AI colleagues' to the front lines of business to serve consumers more effectively and efficiently than ever before.

It is also important to recognize there are some foundational requirements for advancing a seamless commerce strategy that takes advantage of data, analytics and AI more broadly.

- **Data:** How complete and clean is your underlying data? AI investments can yield better results and returns when a customer-centric orientated approach is applied to identifying the specific data needed to achieve business outcomes.
- **Valued:** Will the investment in AI generate insights and interventions that enhance and improve the customer experience? As the first priority driver of seamless commerce emphasizes, it is the customer experience that is the ultimate benchmark for any retail investment.
- **Revenue:** Will AI help to drive better top line growth? For instance, where can AI be applied to enable better targeting, messaging, merchandising, pricing to power growth? How can generative AI (Gen AI) create copy to support more personalized messaging?
- **Efficiency:** Will the investment in AI help reduce operating costs across the value chain? AI is already showing remarkable capability to reduce the cost of regulatory compliance for retail businesses across many middle and back-office functions. Additionally, AI is powering better forecasting that can be applied and acted upon across the supply to improve efficiency, responsiveness, and resiliency. Gen AI is also being used to help inform new product development on as yet unmet consumer needs and wants.

We understand responsible AI is a complex business, regulatory, and technical challenge, and we are committed to helping clients and KPMG firms put it into practice.





# 4

## An additional lens for innovative products and services

Compelling customer value propositions with the right mix of pricing, products and services can help you target some of the most attractive segments and drive profitable growth.

Adopting a customer-centric view gives retailers the welcome — and potentially transformational — opportunity to re-evaluate their product portfolio across all the various channels. Using data to calibrate the assortment and range of products (by, for example, understanding local demographics to appeal to particular ethnic groups) can boost sales and reduce inventory, putting less strain on working capital. The operational benefit in this instance is not just about making products fly off the shelves, it is also about avoiding the cost of moving products to other stores.

Some retailers are now offering predictive ordering leveraging consumer insights based on past buying patterns and external signals to predict an order and delivering it with just a confirmation click or using a subscription model.

Further, retailers need to think broadly about services, creating a number of seamless opportunities: for example broadening out to financial services, mobile, energy, or even acting as a personal dietitian. Or think of this as transformation from the ‘endless aisle’ to ‘marketplace models’; this allows retailers to expand their assortment of products and services without the operational expense required to support endless aisle.

Highly personalized offers should become the norm, with AI driving predictive analytics, to tailor appropriate pricing and promotion strategies, connected to loyalty programs. Expect to see partnerships emerging between pure-play retailers and companies operating a broader range of channels.

The invaluable customer insight generated by loyalty programs can help retailers hone their product mix but regulators’ attitudes — and different national policies on pricing — need to be taken into account. A potentially significant example of this, given the UK government’s traditional reluctance to intervene, is the review of supermarket loyalty schemes and the discounts they offer recently announced by the UK Competition and Markets Authority (CMA).<sup>2</sup>

Social commerce is rapidly becoming more influential. In China, for example, influencers and live streaming events attract massive audiences. In some markets, notably

the US, worries about data security on social media have deterred some consumers but, with Grand View Research predicting global revenues of \$6trn by 2030,<sup>3</sup> this channel needs to be serviced and, to maintain that single view, incorporated into the customer profile. We should also expect a wave of new innovations including AI-powered shopping assistants, 3D product catalogs and autonomous stores.

### Leadership insight

“ We use digital media for social commerce, including Instagram and Facebook for sellers, affiliates and influencers. And this is expected to constantly grow, especially due to our digital behavior. Brazilians are big users of social media and have not yet explored the potential of social commerce, compared to China, Korea and the US. ”

**Natan Anaf,**  
Director Camicado, Brazil

### Key questions

1. How connected is your product, price and promo elasticity across your different channels?
2. Have you explored range and assortment optimization as a potential efficiency un-locker?
3. Do you have a social commerce strategy, and if so, how integrated is it in your seamless commerce strategy?

<sup>2</sup> CMA autumn review of competition in groceries sector, Competition and Markets Authority, 2023.

<sup>3</sup> <https://ecommercedb.com/insights/social-commerce-market-to-exceed-us-6-trillion-by-2030/3995>

# Case studies

## 1 How Walmart is investing in technology

As retailers look to adopt seamless commerce, it is imperative that they invest in technology that drives innovation, rather than fighting existing fires. Walmart is leaning into innovation across its supply chain, with increased automation, data insights, and enhanced software improving in-stock, inventory accuracy, and flow wherever consumers shop — in stores, pickup, or home delivery.

“We listen when customers tell us how they want to shop, and we need to serve them. For example, pickup became a real advantage for us during and

after the pandemic, having 4,600 forward fulfillment centers called Walmarts located within 10 miles of 90 percent of the United States population,” said Greg Cathey, Walmart Senior Vice President, Transformation and Platform Support. “Customers told us that they like pickup, they want pickup, and they want more of it. And they also told us they like and want delivery, so could we just bring it to their house? The answer is yes.”

## 2 How Thailand's 7-Eleven keeps growing

CP All manages 7-Eleven in Thailand, Cambodia and Laos. Headquartered in Bangkok, the group has almost 15,000 stores in Thailand with about 40 percent of those located in and around the capital. In its quest to keep improving the customer experience — and operational performance — the retailer is connecting people, data, technology, products and services as it transitions into seamless commerce.

Adapting to suit shoppers' evolving lifestyles, 7-Eleven Thailand's key revenue growth drivers are opening new stores and growing same-store sales. Already serving about 13 million people a day — or almost 1,000 customers per shop — the retailer aims to attract customers to its stores more often, and encourage them to spend more when they do.

Expanding the ready-to-eat and ready-to-drink ranges has proved a successful strategy, expanding the overall market for convenience food and helping the food segment to account for more than 70 percent of turnover.

The company's loyalty program called All Member, with a built-in payment facility, has 18 million members, 70 percent of whom are active users. Using the program's 7 App, customers can order delivery online, with fresh food and drink typically arriving within 45 minutes. Delivery is free, above a minimum purchase value, and usually fulfilled by local store staff on foot or motorbike, which helps employees get to know their consumers better and make relevant product recommendations and offers.

Kriengchai Boonpoapichart, CP All's CFO says the corporate culture puts great emphasis on people because convenience retailing is a service industry: “Everything has to be driven by people, in terms of service quality and [being] human-oriented, so we never want to be the first mover in technology. We don't want to be outdated either; we want to keep modern, just not too fast. You're not going to see CP All ahead of the technology curve, but we use modern technology so our people can work smarter and we can serve customers better.”

# So what does this mean for sustainability?

Unprecedented times drive unprecedented change. Retailers who have embarked on transforming their organization to deliver seamless commerce can only ultimately succeed if they simultaneously evolve their business models to become more sustainable.

Sustainability is playing out very differently in different cultures, geographies and jurisdictions. Surveys do show that consumers say they are willing to pay more for products and services that are more ethical and are kinder to the environment. Even so, many studies have shown a gap between how deeply they care about the environment and how much this affects their purchasing choices.

Sustainability isn't the only thing consumers look for and all the traditional rules driving shopping intent still apply. Even the most environmentally conscious shopper cannot buy sustainably if the supermarket does not stock the item, or it cannot be accessed easily, through the right channel, at an affordable price. As the Consumer Goods Forum noted in its report on its 2023 summit:<sup>4</sup> "Consumers will only make healthy, sustainable choices in relevant numbers if those choices also give them the value and experience they are looking for."

There are ways that seamless commerce can be bad for sustainability — such as the quest for faster delivery and the ability to purchase with one click — but there are also significant opportunities. Siloed

organizations are at an inherent disadvantage when confronted by sustainability issues (even an objective as straightforward as reducing packaging will require different units, partners and suppliers to cooperate) while a seamless, connected enterprise is better placed to achieve coordinated, significant action.

The challenge for retailers who adopt a seamless commerce model is to embed sustainability into every part of their business. This isn't easy — particularly as many consumers act inconsistently — but it can help companies correct their course as the expectations of regulators, investors and consumers evolve.

## Key questions

1. Do you understand your consumers demands and expectations on sustainability?
2. How does your organization need to change to manage the many sustainability challenges?
3. Is your seamless commerce model aligned with your sustainability ambition?

<sup>4</sup> Executive Summary, Global Summer Report, Global Consumer Goods Forum, 2023



# The Connected Enterprise Retail Maturity Index

In late 2023 and early 2024, KPMG professionals interviewed 25 senior executives from leading retailers — omnichannel, physical and pure-play online — in eight major markets: Australia, Brazil, Canada, China, India, Germany, UK and US. These discussions analyzed the level of connectivity across the front, middle and back office to develop a qualitative, seamless commerce 'maturity' score. These views were then aggregated and supplemented with KPMG analysis by market to create a country-by-country ranking. KPMG Connected Enterprise capabilities were used as the basis of this assessment, analyzing the maturity of each market on a scale of 1–5 where 1 equals low maturity and 5 equals high maturity.

Our interview data shows clearly that different countries are at different stages on this journey and their progress has been influenced by different factors. China, which tops the ranking, has a large, vibrant tech sector and didn't develop a traditional 'legacy' retail until the economy opened up in the 1990s. In Australia and Canada, sheer physical geography has restricted the development of seamless commerce outside the

largest cities as it has, to a lesser extent, in rural India. The biggest barrier to online shopping in Germany is the ubiquity of physical stores whereas in the UK and US, retailers are wrestling with the problem of profitably serving consumers across all channels.

The capability of experience centricity by design, in which organizations tailor the purchasing experience to specific consumer groups (by, for example, developing consumer personas), scores relatively highly in our interviews — 3.28 — reflecting recent investment by physical, digital and hybrid retailers across sectors and countries. The goal is ultimately to know each consumer as an individual and then to be able to respond not just with marketing but across the organization. We are not there yet but the trend towards offering personalized, connected experience will continue, if not accelerate. China and India's strength in seamless commerce and interactions has been helped by massive public and private investment, the relative immaturity of bricks and mortar retail in their countries and growing consumer expectations. However, it is also obvious that other markets need to catch up fast.



# The Connected Enterprise Retail Maturity Index



	Australia	Brazil	Canada	China	Germany	India	UK	US
<b>Total score</b>	3.19	2.88	3.31	3.91	2.44	3.82	3.17	3.68

\*Scores represent average seamless commerce maturity on a scale of 1-5, where 1 = low maturity and 5 = high maturity.

Survey conducted by KPMG via interviews with 25 senior executives across Australia, Brazil, Canada, China, India, Germany, UK and the US. November & December, 2023

# Obstacles on the road to seamless commerce

The rankings reflect the degree to which online commerce has taken off in the eight countries surveyed, with China in the lead, followed by India, and the US. Analyzing retailers' efforts to deliver seamless commerce more closely, several common challenges emerge:

## Lower profitability of direct deliveries

Seamless commerce comes with its own costs, for example online picking and logistics, or returns through different channels, leading to lower margins than on products sold in store. Some consumers, unwilling to pay a premium for faster deliveries and returns, have reverted to in-store shopping. One possible remedy would be to use the kind of cross-selling and upselling tactics deployed in bricks and mortar stores to drive up average order value.

## Maintaining the service promise

Consumers who don't receive the goods they ordered (especially relevant for groceries), or experience late deliveries, or feel a very different service level and customer experience, are likely to vote with their feet, buying elsewhere. A 2023 survey by cloud-based e-commerce supplier ShipStation found that 81 percent of Australian shoppers were unlikely to buy from a retailer after a bad delivery experience.<sup>5</sup> Such problems are often caused by a lack of scale at the retailer, inexperienced pickers at third-party hubs, and unreliable logistics partners.

## Utilizing retail space

As more purchases move online, retailers are left with the problem of managing expensive, often redundant real estate. How they rise to this challenge is likely to have a big impact on how successful they are in delivering seamless commerce. Many retailers are cutting back on space, some are repurposing stores, either wholly or partly, as delivery hubs and showrooms, while others are rethinking the in-store experience to drive up basket size and value. The sector is also facing external pressure to act, from local authorities, landlords, developers and town center managers.

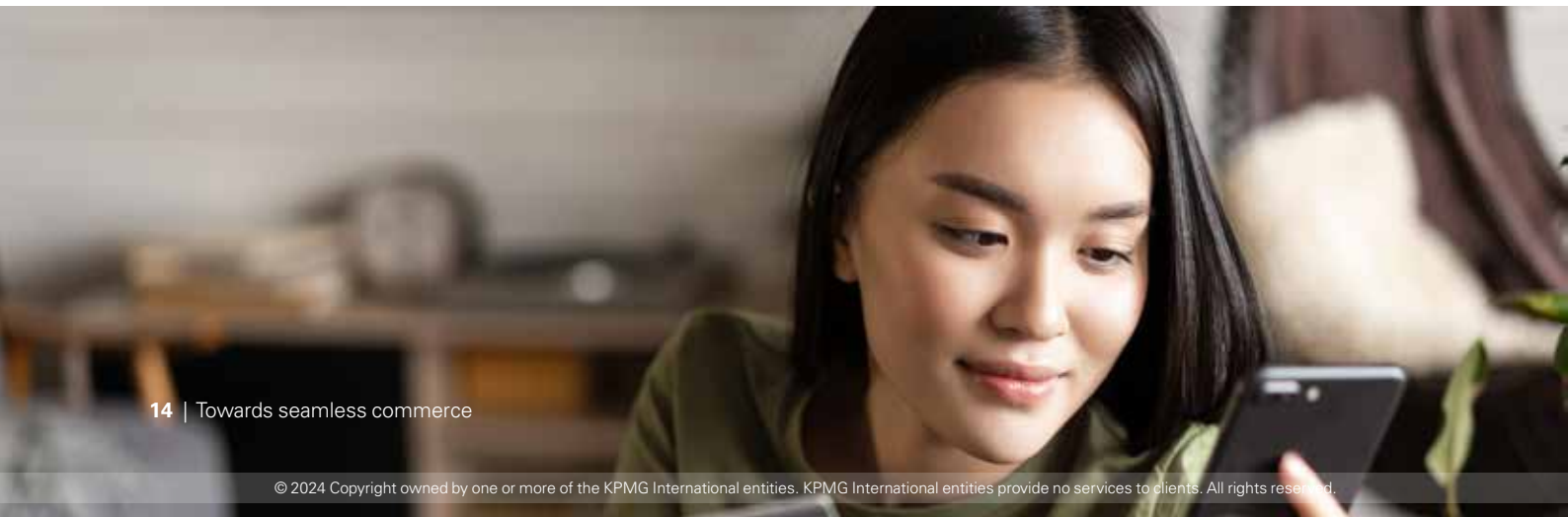
## Consistency of pricing

Maintaining the same price for products, regardless of the channel in which they were bought, may prove untenable. Variable cross-channel pricing could alienate consumers — and make them less loyal to the brand — and prompt regulators to push back on such practices. That said, if retailers get their pricing strategies right, it could significantly increase the lifetime value of their customers.

And let's not forget the initial challenge to build the business case for the investment — some retailers are budgeting their transformation based on an incremental customer lifetime value. And driving adoption and footfall towards seamless commerce is not a "field of dreams", many retailers still don't have high participation rates across channels, or at least the data to be sure, so efforts will be required to engage consumers into seamless commerce to realize full value.

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<sup>5</sup> Impact of Delivery Experiences on Consumer Attitudes, Aldo Jimenez Ramirez, ShipStation, 2023



# Seamless commerce maturity across the world



# Australia

## Key market drivers

Amid severe COVID-19 lockdown restrictions, Australian consumers spent more time at home, shifting en masse to e-commerce.<sup>6</sup> Discretionary spending on goods increased throughout the pandemic, but growth tapered off partly due to soaring interest rates and partly to changing preferences: three out of four consumers prefer to shop in-store.<sup>7</sup>

Despite rising permanent migration, retail is struggling to find labor,<sup>8</sup> although this should ease with the population predicted to grow by 4.5 million by 2030.<sup>9</sup> Trends suggest retail growth will be driven by next-generation consumer channels and behavior with over half of Gen Z initiating purchases through social media, emphasizing convenience, ESG and data protection.



## Evolving digitization

During the pandemic, online retail accounted for around 10 percent of total retail sales (6 percent for food and 16 percent for non-food) in Australia compared to 6.6 percent pre-COVID.<sup>10</sup> Digital payments and ‘buy now pay later’ have gone mainstream, transforming the way consumers transact. Partly due to its physical geography, Australia remains 5 percent below the US in terms of online penetration.<sup>11</sup> There is immense scope for growth but, outside the biggest cities, last-mile delivery remains challenging.

Consumers expect a seamless, connected experience across online and offline channels. Retailers are investing accordingly, turning to AI to improve the customer experience,<sup>12</sup> enabling greater personalization and more targeted offers. Augmented reality (AR) and virtual reality (VR) are gaining traction, allowing online shoppers to virtually try products before they buy.

“Seamless commerce requires a complete focus on CX and total integration across people, process and technology.”

**Anna Samkova**

Strategic Advisor in Digital & Loyalty,  
Former Group GM at Brand Collective

<sup>6</sup> Effects of Covid-19 Strains on Australian Economy, Australian Bureau of Statistics, 2022

<sup>7</sup> KPMG Australian Retail Outlook, 2023

<sup>8</sup> Job Vacancies Continue To Fall, Australian Bureau of Statistics, 2023

<sup>9</sup> Australia's Population to Reach 30m, Australian Bureau of Statistics, 2018

<sup>10</sup> Retail Trade, Australia, Australian Bureau of Statistics, 2023

<sup>11</sup> US Retail And E-Commerce Sales Trends, Jitender Miglani, Forrester 2023

<sup>12</sup> AI Will Be A Game Changer for Retailers, James Johnson, Australian Financial Review, 2023



## Role of physical stores

Australia's retail store environment is a hybrid of Europe's high street retail and America's malls. The many, smaller neighborhood malls, predominantly supporting food and lifestyle retailers, have proved resilient as economic conditions and consumer preferences change. Indeed, there was an 'emotional rush' to physical stores after the sustained lockdown — large malls bounced back particularly strongly. 'Dwell' time in stores has shrunk, as consumers do more online research beforehand, a trend which has also increased basket sizes.

Discretionary retail is a blend of physical (mall and 'big box') retail and online offerings, supported by 'click and collect' capability for traditional retail models, and delivery for pure-play online operators. During the pandemic, most Australian retailers reduced their store footprint, placing digital at the core of their customer experience and routes to market.

The race to cut delivery times continues apace, with several high-profile delivery companies consolidating or collapsing due to excessive costs.<sup>13</sup> Retailers are making strategic choices on customer fulfillment centers and micro-fulfillment centers to optimize customer experience, product availability, delivery time, coverage and cost.

## Towards seamless commerce

Australian retailers are restructuring business and operating models to embrace channel agnostic strategies and deliver a seamless, integrated customer experience.<sup>14</sup> They are investing in technologies to enable real-time inventory management, order fulfillment, data analytics and integrate online and offline channels through services like 'click and collect'.

Although physical stores and online drive most sales, social commerce is emerging as a driver of consumer engagement. The shopper's experience is the ultimate benchmark for retailers looking to expand their total active customer base. Technologies like AI and automation are enhancing the customer experience (through such innovations as chat bots) and achieving operating efficiencies. Further investment is needed to realize transformational change — especially given many retailers' aging ERP systems.

As loyalty programs expand in Australia,<sup>15</sup> and retailers target consumers with real-time, personalized offers, data security is in the spotlight. The expansion of retail media has helped companies develop highly profitable revenue streams (often up to 10 times that of traditional retail) to balance their investment in digital and e-commerce, and grow overall earnings. However, retail media now requires new capabilities such as data science, whether they are standalone businesses (e.g. Woolworth's Cartology agency) or fully outsourced.

“The opportunity in Australian apparel retail is to improve customer service through delivery in hours rather than days.”

**David Briskin**  
Director and Chairman, M.J. Bale

<sup>13</sup> Milkrun to shut down, lays off all staff, The Australian, 2023

<sup>14</sup> Australia Named Global Leader In Omnichannel Consumer Experience, Inside Retail, 2023

<sup>15</sup> Australia Loyalty Programs Industry Report, Research and Market, 2023

# Brazil

## Key market drivers

The economic outlook is encouraging, with unemployment<sup>16</sup> and inflation falling<sup>17</sup> and a cycle of interest rate reduction is just beginning.<sup>18</sup> Consequently, consumer confidence is at its highest since 2019 with the Fundação Getulio Vargas (FGV) index exceeding 90 points for most of 2023.<sup>19</sup>

Across the world, digital commerce is heavily concentrated in five main platforms, which share 80 percent of the market,<sup>20</sup> while one-fifth of all digital retail sales originate in China. In Brazil, transactions under US\$50 are free of indirect tax. Therefore some e-commerce sellers are separating orders into smaller packages to keep them below the threshold — something traditional Brazilian retailers are lobbying to change. A recent survey found that one in four consumers are deterred by high inflation — a fear that should ease as the economy improves.<sup>21</sup>



## Evolving digitization

Brazilian consumers remain fond of physical stores, with a strong mall culture, although e-commerce is growing rapidly by 14.3 percent a year and is expected to be exceed \$200bn by 2026.<sup>22</sup> In certain market segments, like pet accessories, and electronics, the proportion of online sales is higher. That said, social networking is increasing national digital commerce: Brazil is one of the world's largest consumers of social networks and 67 percent of shoppers say they search for products on Instagram.<sup>23</sup>

Even DIY and home improvement retailers have embarked on digital transformation, investing in

front-office and back-office systems, customer data platforms, and AI. To complete this transition, better connectivity, digital inclusivity, cloud services and computational capacity are urgent issues that need to be addressed. Last-mile deliveries remain problematic. Many *favelas* lack zip codes so shoppers must collect their orders at local delivery points.

Digital-first becomes even more important on the final stage of the consumer journey. One key influence on their shopping decision is whether the merchant offers their preferred payment methods.

<sup>16</sup> Unemployment Rate Drops in 2023, IBGE (Brazilian Institute of Geography and Statistics), 2024

<sup>17</sup> Inflation Report, Banco Central do Brasil, 2023

<sup>18</sup> Inflation Report, Banco Central do Brasil, 2023

<sup>19</sup> FGV IBRE

<sup>20</sup> SBVC

<sup>21</sup> CNI

<sup>22</sup> US International Trade Administration, December 2023

<sup>23</sup> US International Trade Administration, December 2023

## Role of physical stores

The retail store is still the most important way of shopping in Brazil and has become a crucial asset in retail strategies by offering a superior purchasing experience compared to online, giving consumers the chance to test products and, as retailers train up staff, acting as brand ambassadors. Stores are increasingly being used as distribution hubs and 'click and collect' points. In bigger cities, there has been a rise in 'dark' stores and kitchens, primarily delivering food to online shoppers.

## Towards seamless commerce

With a strong physical store presence and heavy social media usage, Brazil's potential in seamless commerce is huge. Many retail transactions are already multi-channel, with consumers researching products online — often on their favorite platforms — before buying in store.

Retailers are investing heavily in logistics, particularly in the last-mile experience, using data and AI to reduce costs and improve convenience. Many supermarkets now deliver groceries within an hour in urban areas. Innovative technology start-ups like *Da Porta* are successfully reaching communities without zip codes, using sophisticated tracking

techniques and local employees to expand digital inclusivity to less-privileged members of society.

In a vast country with huge differences among its regions, serving rural regions remains difficult. The hub and spoke model is likely to become the most appropriate option for seamless commerce.

“ The consumer journey is increasingly less linear, so it is important to be present in all channels and touchpoints, in an integrated manner. The physical store changes the role from a transactional place to a place of experience, service and a logistics hub. ”

**Felipe Cohen**

Director of Marketplace, Magalu

# Canada

## Key market drivers

Canada has historically lagged on e-commerce but, over the past three years, rising consumer expectations have changed that.<sup>24</sup> The pandemic boosted online shopping, with 37 percent of Canadians buying as much as 20 percent more online from grocers and supermarkets.<sup>25</sup> Other product categories experienced similar increases.<sup>26</sup> High interest rates and housing costs have restricted discretionary spending and — accompanied by high occupancy and transportation costs, plus labor shortages — prompted retailers to embrace seamless commerce.

Many Baby Boomers, who represent 25 percent of the population and hold most wealth,<sup>27</sup> discovered e-commerce during the pandemic and are likely to continue shopping online. Retailers need to reach this demographic through targeted advertising and marketing. On average, 70 percent of Canadians aged 55+ anticipate their online spending will stay the same over the next three years, 10 percent expect it to grow and 20 percent say it will decline.<sup>28</sup>

In the age of seamless commerce, Canadian retailers should invest in predictive demand planning and digitize their supply chains to improve transportation efficiency and customer delivery. Three-quarters of Canadians identify free shipping as the main factor deciding where they buy online, especially for clothing, whereas same-day delivery was top of mind for grocery shoppers.<sup>29</sup>



## Evolving digitization

Consumers demand an experience that combines the service and trustworthiness of in-store shopping with the variety and convenience of buying online. To achieve this, retailers need to automate and integrate data to generate predictive insights about consumer behavior and make faster, better decisions.

Having experienced American stores, 67 percent of Canadians say retailers should 'think outside the box' to replicate the in-store experience online by, for example, offering virtual dressing rooms.<sup>30</sup> They also want to return goods more easily. Although mainstream in China, social commerce will take time to catch on in Canada. Most retailers use social media for engagement and acquisition rather than transactions, although some are experimenting with live events for new products. Over the next three-to-five years, only 4 percent of Canadians intend to shop more often on social platforms.

<sup>24</sup> Interview with Jennifer Maks, President of ALDO North America, ALDO Group

<sup>25</sup> KPMG in Canada 2023 Consumer & Retail Survey; KPMG surveyed 1,507 consumers on Sago's Asking Canadians online research panel between Oct. 20 to Nov. 2, 2023, including their views on how they shop across six retail categories: groceries and supermarkets, clothing and accessories, health, beauty and drug stores, home improvement, auto supply stores, and furniture and home décor.

<sup>26</sup> Ibid

<sup>27</sup> Canada's National Statistics Agency

<sup>28</sup> KPMG in Canada 2023 Consumer & Retail Survey

<sup>29</sup> Ibid

<sup>30</sup> Ibid

## Role of physical stores

Physical stores remain crucial but retailers need to acquire e-commerce capabilities like 'click and collect' or 'return in-store' to remain competitive. Advanced, customer-facing technologies can enrich the physical shopping experience, increase traffic and streamline operational costs.<sup>31</sup>

More than two-thirds of Canadians still prefer shopping in-store, even though they have fewer products to choose from.<sup>32</sup> While that percentage varies by market segment, bricks and mortar is highly unlikely to be overtaken by online shopping in the next 3-5 years. Pre-pandemic, consumers visited stores to buy specific items; today, in-store purchases tend to be more spontaneous, while a higher proportion of online transactions are planned.<sup>33</sup> Canada's physical geography drives up the cost of last-mile delivery in more remote regions, making it hard to scale up e-commerce outside the major cities.

Retailers are exploring ways to boost loyalty, including booking appointments to lavish more time and attention on consumers — a practice pioneered in health and beauty. The KPMG survey highlights the need for retailers to understand their customers on whatever platform(s) they use, be it in-store, online or via mobile phone.<sup>34</sup>

## Towards seamless commerce

Consumers still relish the in-store experience: 62 percent find online shopping frustrating, particularly when products don't match expectations and returns are costly and inconvenient.<sup>35</sup> Failure to deliver a seamless experience could well erode

brand loyalty. One option is reinventing stores as 'showrooms' with significantly less merchandise, reducing occupancy and labor costs, and giving consumers a more rewarding experience.

Retailers which adopt — and invest in — seamless commerce will maximize inventory and develop multiple ways of selling products they can ship from almost anywhere. To build brand loyalty — and encourage repeat business — the customer experience must be consistent across all channels.

“ We cannot build for stability, we need to build for agility. Stability is a fantasy. So how can we move more quickly? What do we need in our toolkit? That's what we've been trying to focus on as opposed to crossing our fingers and hoping for a return to our pre-pandemic state.”

### Jennifer Maks

President, North America and Omnichannel,  
ALDO Group

<sup>31</sup> Interview with Jennifer Maks, President of ALDO North America

<sup>32</sup> Consumer & Retail Survey, KPMG in Canada 2023

<sup>33</sup> Interview with Jennifer Maks, President of ALDO North America

<sup>34</sup> Ibid

<sup>35</sup> Consumer & Retail Survey, KPMG in Canada 2023

# China

## Key market drivers

China's digital economy has maintained an average annual growth rate of more than 15 percent in the past five years, driven by burgeoning consumer demand for online shopping and payment — and prolonged pandemic lockdowns. As income levels rise, consumers are demanding seamless commerce, with sales of high-end consumer goods and services rising steadily, reflecting a desire for higher quality, personalized shopping experiences.<sup>36</sup>

The widespread use of 5G and AI has spurred retail innovation, with intelligent self-service and 'last-mile' delivery solutions enhancing operational efficiency.<sup>37</sup> These advancements are improving the shopping experience and transforming retail models.

Government support for the retail industry has also boosted seamless commerce, with measures to facilitate digital transformation, lower barriers to entrepreneurship, and boost consumer purchasing power.<sup>38</sup> Hong Kong (SAR), China's luxury retail sector remains heavily dependent upon tourism from Mainland China, which is slowly recovering from pre-COVID-19 levels.

## Evolving digitization

China is probably the world's most advanced e-commerce market, worth more than US\$1.4 trillion — a 40 percent share.<sup>39</sup> As shoppers become increasingly sophisticated, online platforms are using recommendation algorithms, personalized marketing, and social media to deliver unique, customized products and experiences.<sup>40</sup> When it comes to digital commerce, consumers in Hong Kong (SAR), China are not as sophisticated as their peers in Mainland China.

<sup>36</sup> National Development and Reform Commission of China

<sup>37</sup> China E-Commerce Research Center

<sup>38</sup> Chinese Government Website

<sup>39</sup> Analysys

<sup>40</sup> China Internet Network Information Center



Chinese retailers are adjusting their business and operating models to establish seamless organizational structures, integrating online and offline resources to increase product range, and develop targeted, personalized marketing and pricing.

## Role of physical stores

Despite the multiplicity of digital channels, demand for offline shopping remains robust — especially in Hong Kong (SAR), China — with consumers valuing bricks and mortar, and in-store accounting for a large portion of total retail sales.<sup>41</sup> Physical store environments have changed significantly in recent years, evolving into centers for brand experiences, offering services such as ‘click and collect’.<sup>42</sup> Offline players are now collaborating more closely with online platforms to deliver an immersive, omnichannel experience.<sup>43</sup>

Hong Kong (SAR), China is likely to benefit from new retail developments, including the 11 SKIES ‘retailtainment’ project, expected to house more than 800 shops (and 120 dining outlets). Changing consumer demand is forcing established retailers to fundamentally rethink their strategies and systems. ESG-conscious consumers are also raising expectations about the sustainability of retailers’ source materials.

## Towards seamless commerce

Chinese retailers are adjusting their business and operating models to establish seamless organizational structures, integrating online and offline resources to increase product range, and develop targeted, personalized marketing and pricing. Retailers should carefully consider the margins of various channels — free delivery and returns can raise costs significantly — but getting it right can bring rewards: the China E-commerce Research Center’s data shows that omnichannel retailers achieve higher sales revenue, market share and customer satisfaction.<sup>44</sup> Consequently, more and more Chinese retailers are placing seamless commerce at the heart of their strategy.

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<sup>41</sup> National Bureau of Statistics

<sup>42</sup> China E-commerce Research Center

<sup>43</sup> China E-commerce Research Center

<sup>44</sup> China E-commerce Research Center

# Germany

## Key market drivers

Although rarely a front runner when it comes to technological innovation in retail, Germany has created new retail formats — like grocery discounters — that have changed the industry globally. In one of Europe's most densely populated countries, retailers have chosen to open more stores while reducing average space per unit. This means that most German shoppers can walk to the nearest store.

As a result, grocery e-commerce has been slow to take off. It's a different story for other market segments, with apparel, accessories and shoes recording high levels of online purchases. To date, few retailers have achieved a harmonious balance between physical and online, with true seamless commerce requiring several conditions: joint delivery hubs where orders are consolidated; customer acceptance of returns charges; and shoppers opting to buy more regular, routine products online.



## Evolving digitization

Germany has an aging population steeped in traditional retail habits with consumers aged 50 and over having a lot of purchasing power — so younger consumers, who spend much of their lives online on various devices, are the main drivers of e-commerce. Regulatory restrictions like GDPR have slowed adoption. However, German consumers place a premium on good service and could be tempted to shop digitally as labor shortfalls make it harder for traditional retailers to offer high service levels. Personalization can also accelerate demand for digital commerce, with retailers developing trusted propositions based on past baskets, tips on buying behavior and offering such innovations as avatars.

Most traditional food players, after experiencing a lack of stock, inexperienced pickers, and excessive payroll costs, have adopted specialized, highly automated fulfillment centers.



## Role of physical stores

The predicted demise of bricks and mortar has not happened, although the 'big boxes' do face increasing pressure in food and non-food categories. Smaller stores meeting local needs thrive, while city outlets satisfy demands from (increasingly single) citizens for spontaneous consumption and individual meal preparation.

Some smaller shops have been converted into micro fulfillment hubs, mainly for fast delivery of meals and groceries. This hasn't always worked. Most traditional food players, after experiencing a lack of stock, inexperienced pickers, and excessive payroll costs, have adopted specialized, highly automated fulfillment centers.

Retailers have embraced such technologies as different ordering modes like 'click and collect', and user-friendly digital, self-scanning checkout options. This trend, along with e-commerce's inevitable growth, should encourage further, cost saving reductions in store space, but is unlikely to provide an existential threat to the physical store.

## Towards seamless commerce

Seamless commerce demands a new mindset and a new culture, with the consumer and the process at the center, rather than the product and channel. This has persuaded many retailers to change their governance, reassigning responsibilities and introducing new roles such as Chief Customer Officer, Chief Digital/Data Officer and Chief Technology Officer.

Until now, only a few non-food retailers have built a successful seamless business generating similar shares of revenue from different channels. The keys to success are: early technology adoption; strong, visible support for new operating models from management; a commitment to serious investment; and a clear customer segmentation and targeting strategy.

However, smaller basket sizes are hitting omnichannel margins — a challenge that can only be resolved by widespread customer acceptance. The growth of new channels like social commerce proves that retailers must remain agile to meet changing consumer demands. Post-COVID, they also need to consider a shift in the consumer's mindset, with mindful consumption (only buying what you need) finding favor with environmentally-aware shoppers over conspicuous consumption.<sup>45</sup>

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<sup>45</sup> Consumer Markets and Retail Landscape in Germany, Germany Trade & Invest, 2023

# India

## Key market drivers

Retail growth has been restrained by rising input costs, weaker rural demand and high inflation (due to geopolitical tensions). Spending in urban areas is still growing more rapidly as e-commerce platforms appeal to affluent consumers buying new, premium products, and less-affluent shoppers seeking bargains. Although the pandemic slowed discretionary spending, luxury brands showed remarkable resilience, their strengthened online presence attracting aspirational Millennials and Gen Z.

The Indian government is trying to encourage e-commerce for the estimated 14 million 'Kirana' (local neighborhood, or 'mom and pop' stores), as well as online start-ups, launching an open network for digital commerce (ONDC), intending to offer transparent, real-time pricing.<sup>46</sup> Many purely digital brands are flourishing, reaching consumers through social media and storing products in large warehouses. Point-of-sale business models such as 'buy now pay later' are giving consumers new lending options and driving spending. But e-commerce players find last-mile deliveries costly for small-ticket items.



## Evolving digitization

Having had a relatively underdeveloped physical retail infrastructure, India has leapfrogged towards e-commerce to become one of the world's leading digital markets. As local 'Kirana' have always delivered orders, the country already has a seamless commerce model. The challenge is to encourage these stores to reduce cash and embrace digital payments and e-invoicing; hence the government's digital commerce network. The number of online shoppers is predicted to more than double to 350m by the 2026 financial year.<sup>47</sup>

Retailers of all types are collecting huge amounts of customer data via multiple touch points, enabling targeted, personalized offerings — and informing new product development — but there remains much scope for improvement. Seamlessly combining digital and physical touchpoints is the target for bricks and mortar stores as they shift from selling products to creating fulfilling customer experiences.

<sup>46</sup> Government to Launch Indigenously-Developed E-Commerce Network in 100 Indian Cities, All India Radio, 2022

<sup>47</sup> E-Commerce Industry Report, India Brand Equity Foundation, 2023

## Role of physical stores

Despite the e-commerce boom, physical stores remain popular, with India's burgeoning middle class spurring the building of new malls and other projects. However, a lack of new real estate and rising rental rates have impacted the profitability of large supermarkets and gourmet food stores.

Retailers are working with distributors and delivery partners to manage the growing volume of online orders, stocking stores with products in demand locally, and offering click and collect services. While enhancing e-commerce platforms, retailers are also making low-to-moderate investments in backend systems and physical stores. To offer a wider variety of stock and reduce waiting times, some retailers are introducing technologies like virtual reality so consumers can order items not available in store. Some use 3D gaming platforms to access virtual multi-destination stores.

To accelerate digitization, 'Kiranans' are partnering with large retailers to leverage their superior digital infrastructure and payment facilities, offer more products, and widen their reach. In return, online and offline retailers are aggregating orders in specific locations and using 'Kiranans' for local deliveries. 'Dark' stores based in low-price real estate units are helping to make last-mile delivery faster and less costly.

## Towards seamless commerce

As they enter the age of seamless commerce, Indian retailers are focusing on local tastes, helping to ensure that consumers in smaller towns can buy the products they want. This may involve partnering with more regional supply chain players who have a relationship with local consumers. Retailers are also trying to shift consumers from low-price to value and convenience, offering a superior experience at a premium price, including sustainable, eco-friendly products and packaging, while training staff to boost footfall. Multi-channel communication strategies — meeting consumers where they are — are now the norm.

Given the importance of the last-mile, more bricks and mortar stores are likely to act as e-commerce warehouses. Building a separate infrastructure for online sales may not be financially viable, especially in groceries. Having promised fast, free delivery, regardless of order value, online and offline retailers are struggling to profit on orders and may need to adopt delivery fees and minimum basket sizes.

# UK

## Key market drivers

The UK market has been at the forefront of seamless commerce over the past 20-30 years due to its high population density and early entry into online grocery shopping. By the end of 2026 the UK e-commerce market was projected to reach \$285.6bn, surpassed only by China and the USA.<sup>48</sup> As COVID-19 further accelerated the shift to online, most retailers now run multiple channels.

However, the operating cost of this model has risen, fueled by high wages, rising inflation and supply chain disruption. Retailers are trying to pass costs onto consumers and/or reduce convenience and service in their most expensive channels; for example, by withdrawing carrier bags for online grocery deliveries, or charging for returns. This increased friction has slowed e-commerce growth with shoppers returning to physical stores.

Stores offer an opportunity for inspiration, to find deals and try-before-you-buy in a way that e-commerce players have not yet mastered. The future growth in retail points of entry will be driven by the cost of labor, and the speed at which technology improves service to create a frictionless customer experience.

## Evolving digitization

The British consumer's expectations have never been higher. Certain capabilities are considered table stakes to win and retain consumers. The basic need to accurately track products from point of purchase to receipt is encouraging mass digitization across the value chain. Data and loyalty are helping retailers target consumer spend and drive customer 'stickiness', with clothing, beauty and other brands making customer interactions more personalized and relevant through AI.



However, few British retailers are so seamless that they know each consumer, the channels they use and products they buy. A growing number have gained a single view of the consumer from the back-office, but a front office view remains elusive, frustrating consumers who expect retailers to know all their preferences. A rare example is Inditex's Zara which has an app that enables consumers to switch channels seamlessly.

## Role of physical stores

Over the past 3–5 years, the role of stores has evolved, and their predicted demise has not materialized. Growing even before the pandemic, online's share of grocery spend jumped to 16 percent during lockdown, slowing significantly later, especially in home deliveries. Initially, retailers sought centralized fulfillment centers, believing that stores could not cope with large volumes of online orders. This myth was busted during COVID-19 as some stores managed 40 percent online grocery penetration, by combining human packers and technology. Many

<sup>48</sup> US International Trade Administration, November 2023

retailers are now using stores as micro fulfillment hubs, serving immediate needs and weekly shops.

More recently, many retailers have refocused on in-store shoppers (who are more profitable, and cost less to acquire), while pondering how to reach online consumers efficiently, minimize the cost of deliveries and returns, yet build loyalty. Those players that prioritize technology to enhance customer experience and reduce operating costs should be well positioned to successfully achieve the value, convenience and scale across channels.

## **Towards seamless commerce**

British retailers have been on a long journey to make online commerce profitable. Having engineered processes and costs to the limit, they now look to technology to make their operating models and cost-to-operate more efficient. The aim is to gain full product transparency along the value chain, change prices through electronic shelf-edge labels, and use little or no warehouse staff to reduce their cost to serve. AI and data analysis will likely be critical in the quest to improve customer experience and reduce the cost to operate.

“ I don't think you can make forward looking decisions without a greater degree of granularity and insight on what your customer wants from you as a brand. It's not just merely what they think today but more about what they want in the future. The most effective way of doing that is both assessing their current spending data and asking the right questions, through the right channels about what is likely to happen next in the life of those customers. ”

**Austin Cooke**

Managing Director, Poundland

# USA

## Key market drivers

Throughout 2023, resilient American consumers navigated rising prices, high-interest rates, and economic and geopolitical uncertainty. Gains in consumer spending alone accounted for more than half of GDP growth over the summer, which expanded at an annualized pace of 4.9 percent. Real growth will slow in the first half of 2024, as rate hikes and credit tightening bite, but the economy should rebound later as the Federal Reserve normalizes policy and cuts rates.<sup>49</sup>

E-commerce is driving the future of US retail and, after two relatively flat years, is growing steadily again. Even as consumers returned to bricks and mortar, digital sales have grown more than twice as fast as in-store sales over the past 3 years. In certain retail sectors, notably grocery and home improvement, the shift in consumer behavior towards online shopping has persisted.

Younger generations are powering e-commerce. Every generation shopped more on the internet during the pandemic but online spending per card has since increased at twice the rate for Millennials as for Baby Boomers and Gen X. Similarly, Millennials and Gen Z are twice as likely as Baby Boomers to spend more online over the next three years.<sup>50</sup>



## Evolving digitization

The recent rapid acceleration of digital has modernized retail customer journeys and elevated expectations of speed, convenience, and personalization. For instance, 49 percent of the 2,000 consumers we surveyed cite convenience as the primary factor for shopping online, followed by product availability (37 percent) and delivery speed (30 percent). Meanwhile, 76 percent of consumers say that, when choosing an online retailer, their primary concern is free shipping, followed by free returns (46 percent) and speed of delivery (42 percent).<sup>51</sup>

<sup>49</sup> The Outlook for the U.S. Consumer, KPMG Economics, 2023.

<sup>50</sup> KPMG Research 2023, Survey of 2,000 consumers

<sup>51</sup> KPMG Research 2023, Survey of 2,000 consumers

<sup>52</sup> Seizing The Seamless Opportunity Report, KPMG, 2024

## Role of physical stores

Bricks and mortar stores remain a mainstay of retail: according to industry data, they account for approximately 70 percent of total retail sales. More than a third (37 percent) of consumers say the ability to touch, feel, and try on a product is the main reason they shop in stores, followed by the immediacy of receiving the product (27 percent) and the social and emotional experience (24 percent).<sup>52</sup>

The physical store is evolving in form and function as it becomes an anchor for e-commerce. Several retailers are testing smaller footprint stores or greater experiential concepts as they reduce their presence in malls. Many leverage these outlets as fulfillment centers, working with last-mile fulfillment partners, activating vendor drop-shipments and harnessing automation to optimize efficiencies and save costs. Physical stores can reduce customer acquisition costs by acting as showrooms and distribution centers, enhancing customer service and, by facilitating low cost, convenient returns, bringing shoppers back onto the premises.

Equipped with advanced data and analytics, consumer insights, and new technology (particularly AI) retailers are linking online and in-store activity to boost profitability to meet new — and anticipate future — consumer demands. This includes greater personalization across interactions, including 360-degree service — be it in-store assistance, call centers, social media support, live agents on websites or text on mobile apps. The key is offering seamless continuity, consistent quality, and always-on availability across retail channels.

## **Towards seamless commerce**

Many leading retailers have transformed their organizational structure and financial reporting as they make customer lifetime value (CLV) a key performance indicator (KPI), building teams and capabilities around customer experiences. They are also shifting financial management from store and channel-level profit and loss statements, to channel-agnostic customer lifetime value, customer acquisition cost, and costs to serve.

Retailers are modernizing IT systems, prioritizing data, behavioral analysis, automation and AI as they seek to enhance personalization, implement new roles and responsibilities, optimize inventory and pricing and, through operating efficiency, cost reduction and improved speed and scale, offer a seamless, yet differentiated customer experience.

# A connected enterprise to accelerate seamless commerce

Tomorrow's consumers expect retailers to meet them where they are — online (via their laptop or smartphone) in-store, on social media — and deliver the same experience regardless. To meet that demand, companies should develop seamless, connected capabilities across the entire organization. It's especially important to minimize friction by delivering on the customer promise.

Innovative retailers are making innovative use of physical stores, turning them into delivery hubs, transforming them into multi-media experiential centers (which require less stock) where shoppers can explore virtual product lines and order in-store for swift delivery.

In this new marketplace, single channel players face considerable risks. Pure-play online retailers lack the personal touch and may struggle to locate reliable delivery facilities. Pure bricks-and-mortar stores are cut off from many potential shoppers and offer fewer opportunities to existing consumers. They are also missing out on the opportunity to use their store footprint for 'click and collect' and as a delivery hub.

Arguably the biggest challenge is to build profitable scale across multiple channels, to reverse the downward pressure on margins caused by expensive promises of free, fast delivery and returns at customers' doors. For those unable to achieve such economies of scale, partnerships may be a viable alternative, especially for last-mile logistics.

## Leadership insight

“ New age channels continue to grow exponentially in Indian retail. In the current landscape, price architecture coupled with demographic studies and ability to predict fashion trends is key. It is imperative for retailers to therefore enhance the purchase journey, reduce/minimize friction points and ensure a seamless order execution. Going forward, unlocking customer data will be a key lever to tap the omnichannel way of retail. ”

**Shailina Parti,**  
Chief Operating Officer,  
Trent Limited (Westside)



# Appendix

## Eight capabilities of a Connected Enterprise

The most successful organizations invest in eight capabilities which span all areas of the customer led transformation. Organizations that invest in all eight capabilities are twice as likely<sup>53</sup> to meet customer expectations, achieve objectives and deliver return on investment. To find out more about this proprietary approach go [here](#).

### 1. Insight-driven strategies and actions

Fostering an insight-driven culture that leverages an integrated customer and product portfolio to deliver optimal experiences across touchpoints while addressing customer data concerns should be essential. Indian retailers are collecting huge amounts of customer data via multiple touch points, enabling targeted, personalized offerings — and informing new product development.

### 2. Innovative products and services

Retailers should expect to deliver relevant, valuable and differentiated products targeted at the most profitable customer segments, while meeting demand and balancing cost to serve. In Canada, retailers are exploring ways to drive loyalty, including booking appointments to give customers extra time and attention. AI can help facilitate the development of many other innovative products and services.

### 3. Experience-centricity by design

Designing and delivering seamless customer and employee experiences that adapt to evolving expectations across physical and digital touchpoints, driving engagement, satisfaction and loyalty is absolutely crucial. Chinese retailers' online platforms use recommendation algorithms, personalized marketing and social media to deliver unique, customized products and experiences.

### 4. Seamless interactions and commerce

Executing transactions seamlessly across distribution, engagement, and servicing touchpoints, while delivering the intended customer experience and performance ambitions. Brazilian bricks and mortar retailers are digitally transforming, investing in back-office systems, customer data platforms, front office transformation and AI.

### 5. Responsive operations and supply chain

Giving customers the freedom to select products in the way that suits them, enabled through analytics-driven demand planning, inventory management and distribution. Retailers in Australia (and other markets) are investing in technologies that enable real-time inventory management, order fulfillment, and data analytics.

### 6. Aligned and empowered workforce

Retailers need to align management processes, capabilities and knowledge (including top-down executive vision), agile organizational structures and integrated performance management. Leading US retailers are organizing teams and capabilities around customer experience and shifting metrics towards channel-agnostic customer lifetime value, customer acquisition cost, and costs to serve.

### 7. Digitally enabled technology architecture

Leveraging technology to efficiently deliver cross-channel experiences, provide employees with enabling tools and maintain information privacy and security should be top of mind for retailers. After focusing relentlessly on engineered processes and costs, British retailers are now investing to make their operating models and cost-to-operate more efficient.

### 8. Integrated partner and alliance ecosystem

Retailers should effectively leverage third parties to reach new markets and customers, increase speed to market, reduce costs and supplement capability gaps. For example, in many markets (notably Germany), smaller shops now serve as micro-fulfillment hubs, facilitating the fast delivery of meals and groceries.

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<sup>53</sup> A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2018

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