

Industry Roadmap: Retail
March 2023

Waze's 2023 Retail Forecast:

Navigate headwinds
by reaching on-the-go
consumers



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The road ahead: **Why in-store shopping must be a cornerstone of omnichannel strategy**



The “death of brick-and-mortar stores” was greatly misforecast. According to eMarketer, **80%** of retail sales will take place in-store through 2026, making stores the most valuable — and profitable — channel for the majority of today’s retailers.¹ What’s more, in-store sales are not likely to slow down any time soon; in fact, quite the opposite. Industry data from Waze, the world’s largest crowdsourced navigation app, shows that visits to brick-and-mortar retail locations were up **7%** year-over-year in 2022², exceeding the number of store visits even three years prior in 2019.³

All of this data points to the fact that in-store shopping’s dominance is nothing new; yet, as retail executives and marketers navigate new headwinds and challenges – from the macroeconomic climate to a post-cookie world – it is more important than ever for them to put in-store shopping at the center of their omnichannel strategies.

Based on survey feedback from retail industry brand and agency leaders, Waze first-party data and complementary research, this report highlights how retailers can respond to new consumer behaviors to drive brick-and-mortar retail traffic and brand growth throughout the remainder of this year.

Part 1: Physical storefronts continue to play a leading role in the customer journey



In 2023, strategic investments in omnichannel marketing — with a particular focus on driving customers to stores — will continue to help retailers reach the highest-value shoppers. To see where the future of in-store shopping is headed, it's helpful to review the patterns and behaviors consumers exhibited during 2022's busiest shopping seasons.

In-store shopping saw record-breaking numbers this past holiday season. Even though activity on the 'Cyber Five' shopping days surrounding the holiday focused on digital channels in the past few years, physical store visits —

and spending — exceeded analysts' expectations in 2022. Heading into the holiday season, many sales forecasts were measured because of worries about inflation and the Federal Reserve's interest rate hikes. However, spurred on by deep discounts and incentives like a "buy now, pay later" option that helped them stretch their budgets, shoppers showed up in droves to brick-and-mortar stores. The National Retail Federation reported that a record-breaking 197 million consumers made purchases between Thanksgiving Day and Cyber Monday in 2022.⁴

Even in an increasingly connected and digital world, brick-and-mortar retail stores are where consumers continue to do most of their shopping. E-commerce accounted for only **15%** of total retail dollars spent as of Q3 2022.⁵ This is particularly true for high-ticket items, which are far more likely to be purchased in stores. In a recent survey of retail marketers and executives conducted by Retail Dive's studioID on behalf of Waze, **67%** of respondents agreed that more expensive items are more likely to be purchased in store than online, and **33%** of respondents strongly agreed. This represents a **7%** increase from our last survey conducted earlier in 2022 and demonstrates that brick-and-mortar's momentum remains strong.⁶

Adding to this, we've also seen the growth of the "buy online, pick up in-store" (BOPIS) purchasing model. Approximately **64%** of U.S. consumers who appreciate the convenience, time savings and avoidance of shipping charges that click-and-collect gives them use BOPIS. This model can lead to additional profits for retailers because it opens the door to add-on purchases. As many as **85%** of BOPIS shoppers will add extra items to their carts when they pick up their orders.⁷

The peak season and year-long behavior data underscores how an omnichannel approach with an emphasis on driving to the in-store channel is critical to retailers' revenue goals. "While e-commerce is a staple of modern shopping, consumers continue to show they value the in-store experience," says Liz Franz, Head of Industry for Retail at Waze. "Retail executives have a large, valuable and receptive audience in the on-the-go consumer."

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studioID survey, commissioned by Waze

Part 2: The high value in-store customer and how to reach them on-the-go



While the narrative around the macroeconomic climate is causing some concern, consumers are still spending. According to a new report, consumers spent at the highest monthly pace in two years in January.⁸ Sales were up **3.2%** month over month and up **7.7%** year over year.⁹ Research indicates that a savvy brick-and-mortar strategy plays a key role in capturing this spend.

Positive in-store experiences are strongly associated with revenue growth for retailers. When surveyed, **82%** of shoppers reported that they'd return to a store if their initial in-store experience was a positive one. Nearly two-thirds of shoppers said they'd spend more and more on each subsequent visit to the store, as they continued to enjoy their experiences.¹⁰ Furthermore, almost two-thirds of consumers said they were more likely to buy from a retail brand online after having a positive in-store experience.¹¹

Findings from surveyed retailers echo that they understand the value that in-store experiences provide; an overwhelming **91%** of survey participants agreed that in-store experiences grow customer loyalty and increase lifetime value. This represents a **13%** increase from our last survey. Plus, **84%** of respondents agreed that being able to deliver personalized service to their customers gave their brand a significant advantage, a **9%** increase from our previous survey.¹²

Resilient retail marketers who continue to invest in and around the in-store experience know that ongoing investments made during a downturn will yield outsized returns during boom times. Brands that stay the course and continue investing in driving customers to brick-and-mortar locations stand to retain the most market share in the short term while maintaining high-value customer loyalty in the long term, leaving these retailers far better positioned than competitors that wavered.

“As the economy remains uncertain, retailers can use the data to guide them to invest where they will see the highest returns [in-store],” says Franz. “Brands that invest there will realize both short-term revenues gains and long-term customer loyalty.”

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Liz Franz, Head of Industry
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Part 3: Responsibly reach in-store shoppers in the post-cookie world



With more than 150 million current monthly users, Waze knows where consumers are headed and can deliver content and messages that complement their journeys and offer real value.

Supporting users as they move about their day, including running errands, Waze delivers turn-by-turn directions to optimize shoppers' days. In a post-cookie world, Waze also offers contextually relevant, privacy-compliant real estate to

retail marketers to reach these on-the-go shoppers at the right times.

According to MRI-Simmons, a leading consumer research firm in the United States, drivers who use in-car services that are connected to the internet, such as Waze, are valuable consumers with an average household income that exceeds \$114,000 per year.¹³

Retailers can reach these valuable consumers in a place where they can effectively sway purchasing behavior and in-the-moment decisions: in cars. Investing in advertising within a navigation app like Waze means they can show up in ways that are contextually relevant, so they can remind drivers of their brand at moments when the audience is both nearby and receptive.

Waze's proprietary performance data underscores the importance of a retail location being on the Waze map. There is a **4%** decrease in store visits when a North American advertiser goes off the map. This compares to a **5%** boost in store visits, which takes place within seven days after an advertiser comes onto the map.¹⁴

“Meeting today’s shoppers where they are, with relevant messages delivered at the right time and place, has been proven to drive meaningful, measurable results,” says Franz. “Marketers delivering meaningful content targeted to on-the-go consumers’ immediate needs and interests will have the advantage in 2023.”

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Taking Action: **Get in front of consumers behind the wheel**



While the rapid growth of e-commerce has dominated media discussions about retail's future over the past few years, the reality is that brick-and-mortar stores are where the vast majority of sales are still made. Top-notch, in-store experiences remain the key to revenue growth and profitability for retailers — a fact that's unlikely to change anytime soon. With economic uncertainties continuing to play out, it's even more important for retailers to focus their efforts on their most profitable channels — and the high-value, on-the-go shoppers who visit them.

Wise retail marketers should continue to invest in the in-store channel despite headwinds, recognizing it as the main driver of high-value retail spend, which is projected to remain the case throughout 2023, for both short- and long-term gains.

“In-car advertising offers a unique opportunity to reach drivers in moments of proximity and receptivity,” said Franz. “Retail marketers looking to maximize sales should invest in driving these valuable on-the-go consumers to their brick and mortar locations as a key part of their omnichannel strategies.”

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