

Retail Barometer • September 2024

How are Europe's largest retailers handling data collection and monetization?

SOLITA

Intro

The first half of 2024 has been challenging for large European retailers, with 85% of respondents characterizing the industry's state as either "weak" or "average." Not a single respondent rated it as "very good."

Why is this the case? The data provides clear insights into the causes of this widespread dissatisfaction. A significant 70% of decision-makers pointed to rising operational costs as one of the biggest challenges facing the retail sector. Additionally, over half of those surveyed cited geopolitical instability and economic uncertainty, highlighting these two issues as the most frequently mentioned concerns, far surpassing other factors.

In challenging times like these, exploring new revenue streams is more critical than ever. While there are various strategies for diversification and growth, most of them today are rooted in consumer data – the "oil" of the 21st century. This data enables businesses to better understand and meet customer needs, build more authentic brand connections, and boost profitability by optimizing existing processes. So, how are Europe's large retailers navigating these challenges?



Although not all retailers have mastered the art of monetizing consumer data, a growing number of decision-makers are recognizing its critical importance. In fact, 85% of respondents indicated that their company either has a consumer data strategy in place or plans to develop one. This focus is well-founded, as understanding customers is essential to delivering value and driving brand loyalty.

Large retailers have made significant strides in data collection. While none of the companies surveyed are fully capturing data across all available channels, most have established a solid foundation that positions them well for future growth and innovation.

Despite the vast potential for collecting diverse types of data, companies aren't lacking in gigabytes; their real challenges lie elsewhere. The primary obstacles to data monetization include a lack of proper processes, limited financial resources, and inadequate data quality. Additionally, some retailers face issues with outdated technological infrastructure, as well as regulatory and privacy constraints.

These challenges are significant but not insurmountable. The solutions are relatively clear, even if convincing all decision-makers can be difficult. Retailers need data management expertise, which can be achieved by hiring the right specialists or partnering with external experts. On a positive note, data management, analytics, and AI are the top technology areas where companies plan to increase investments.



So, how are retailers currently monetizing consumer data, and what are their plans for the coming year? Loyalty programs are the most popular method right now, with 90% of respondents utilizing them. Additionally, companies place a strong focus on personalizing communication and offerings, as well as on mobile apps. Looking ahead, emerging methods like retail media and cross-brand loyalty programs are gaining traction for future implementation.

Retailers are no doubt increasingly embracing the power of consumer data and turning challenges into opportunities as they invest in innovative strategies and technologies to drive growth, deepen customer connections, and lead the industry into the future.

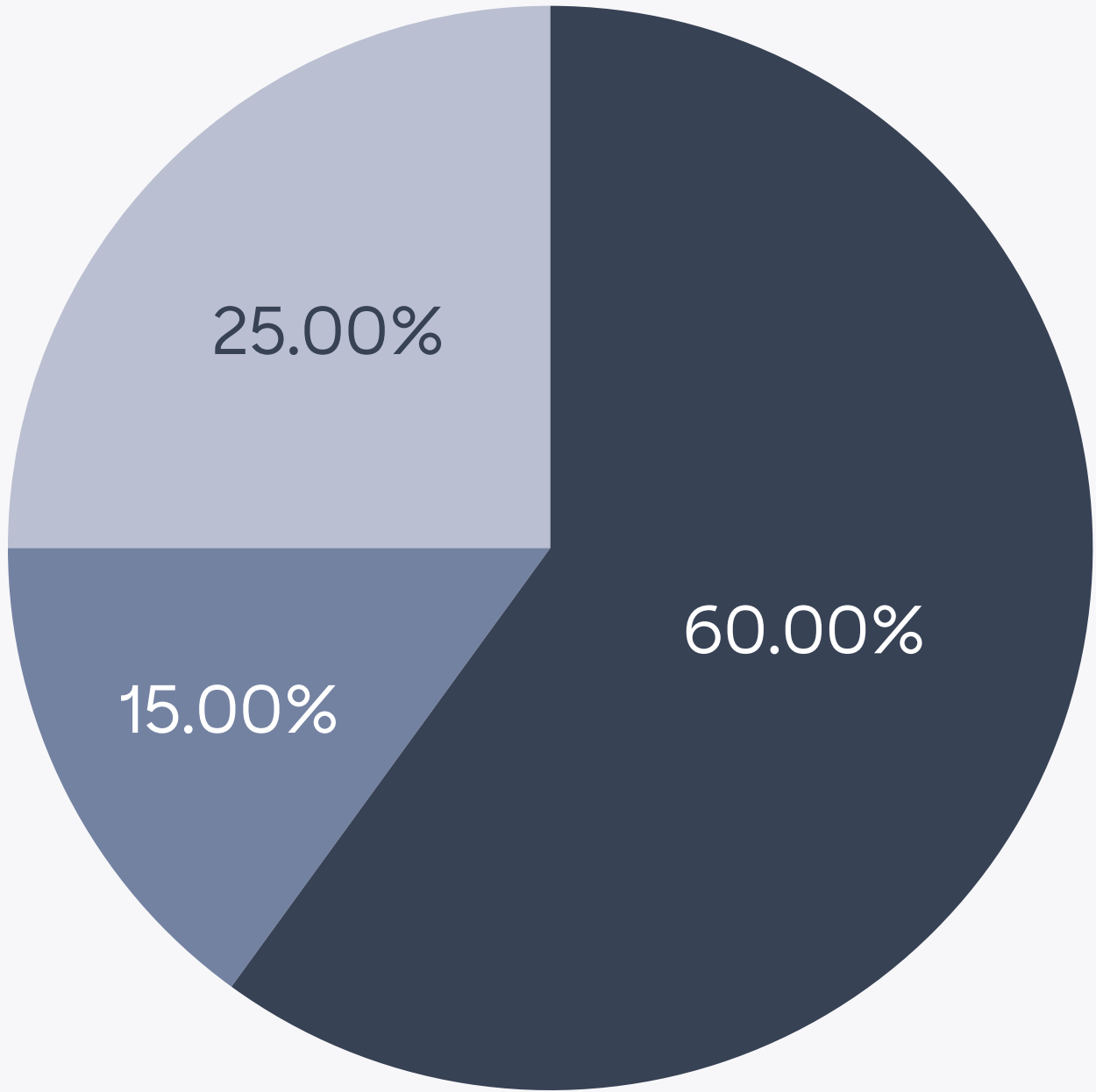
Tomasz Woźniak

CEO, Future Mind, a Solita company

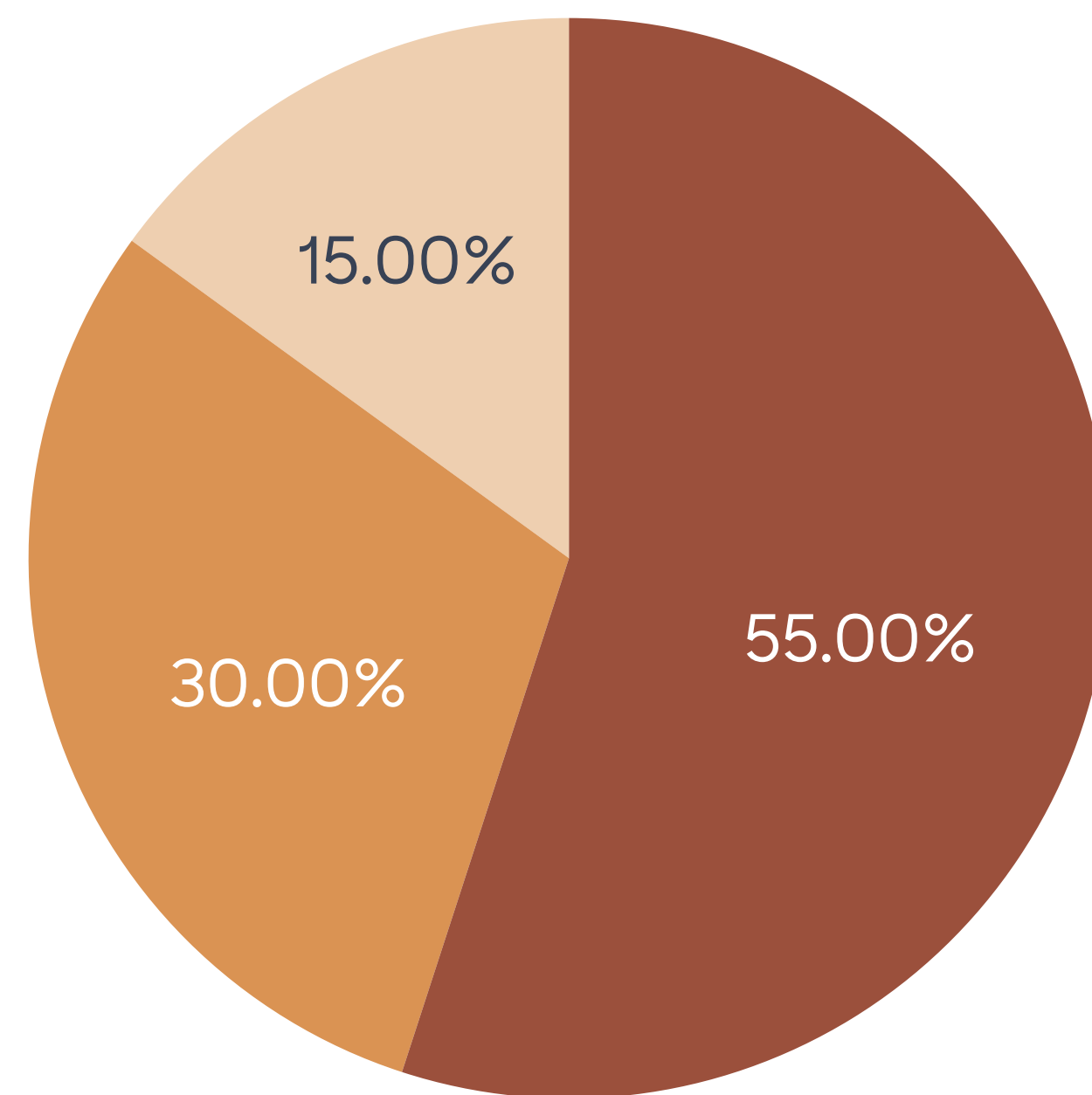


**How would you rate
the performance of the retail
industry in the first half of 2024?**

Overall, retailers are largely ambivalent about the current state of the industry, with "average" being the most common assessment, selected by over half of the respondents. Only a small minority view the situation as good, and notably, none of the participants rated it as very good.



| | | |
|-------------|-----------|------|
| <div></div> | Average | 60 % |
| <div></div> | Weak | 25 % |
| <div></div> | Good | 15 % |
| <div></div> | Very good | 0 % |



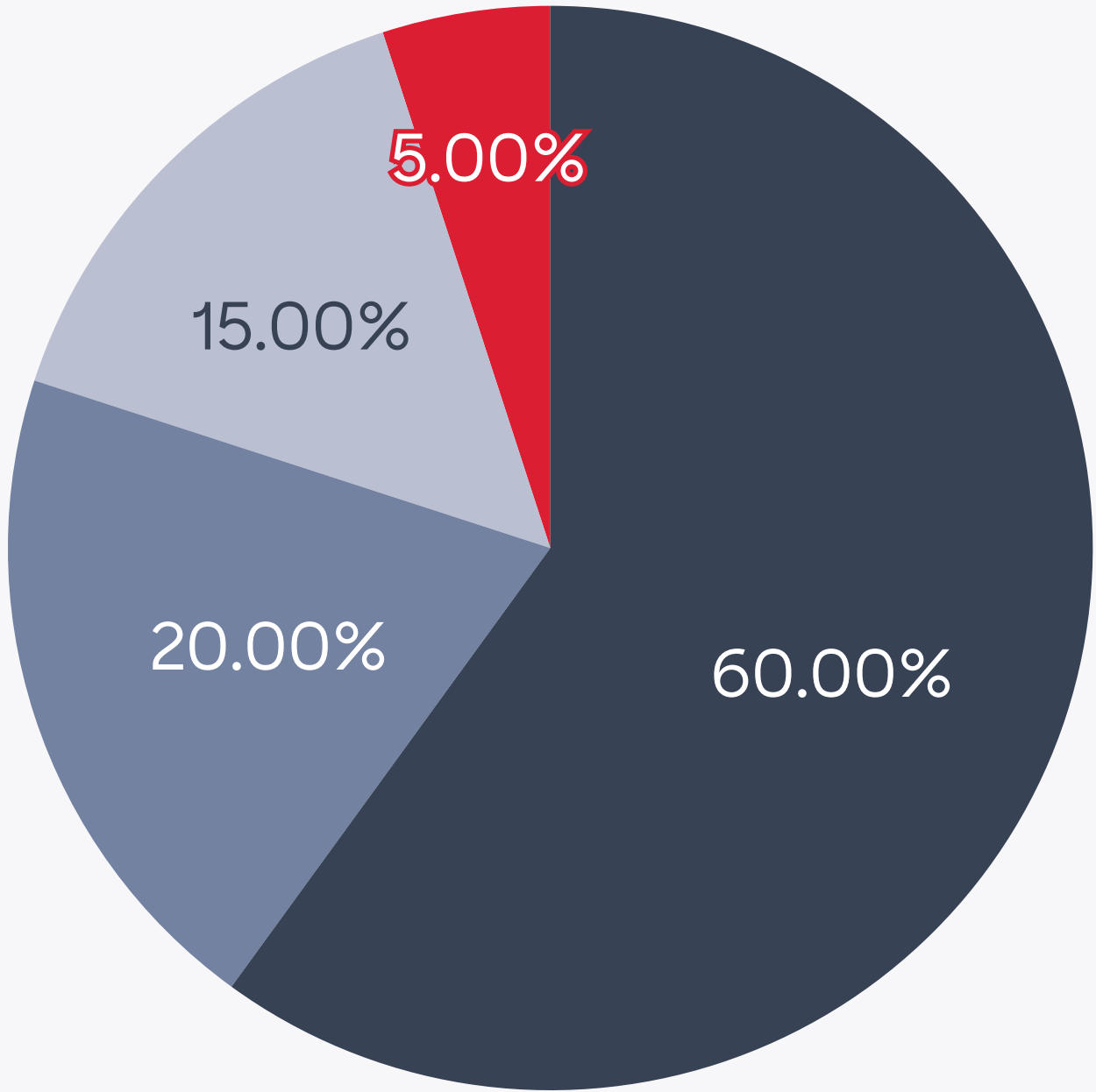
| | | |
|-------------|---|------|
| <div></div> | Better than the first half of 2024 | 55 % |
| <div></div> | The same as the first half of 2024 | 30 % |
| <div></div> | Worse than the first half of 2024 | 15 % |
| <div></div> | Much better than the first half of 2024 | 0 % |
| <div></div> | Much worse than the first half of 2024 | 0 % |

What are your expectations on the performance of the retail industry in the second half of 2024?

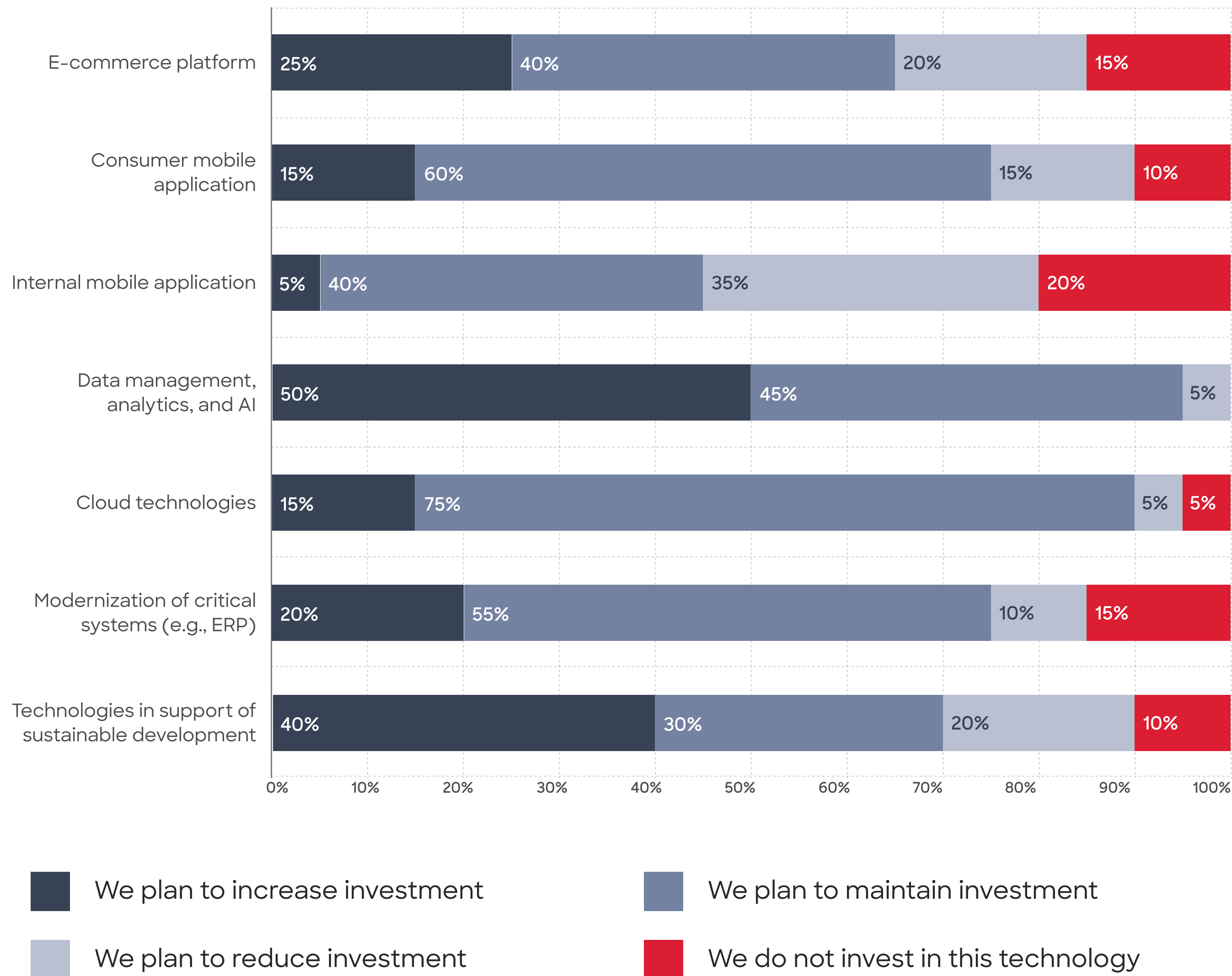
Opinions are divided on whether the retail industry will recover in 2024, but a positive sign is that over half of the respondents anticipate improvements in the last months of the year. Among those who are less optimistic, few expect conditions to worsen, while most predict that they will remain unchanged. This reflects a modest increase in optimism compared to the assessments of the first half of the year.

What are your company's plans regarding investment in IT infrastructure development for the second half of 2024?

Most retailers are adopting a cautious stance on technology investments given the industry's challenging environment. This hesitation could stem from budget constraints, shifting priorities, or the recent completion of significant investment initiatives. Just 5% of those surveyed intend to boost their spending on IT infrastructure development. Such companies may view the current conditions as an opportunity to gain a competitive advantage and secure favorable agreements with suppliers.



| | | |
|---|---|-------------|
|  | We plan to invest the same amount as in the previous half of 2024 | 60 % |
|  | We plan to invest less than in the previous half of 2024 | 20 % |
|  | I am not sure | 15 % |
|  | We plan to invest more than in the previous half of 2024 | 5 % |



What are your company's plans regarding these specific technologies for the second half of 2024?

Even though many retailers are hesitant to ramp up technology investments, a notable portion are planning to allocate more funds to data management, analytics, and artificial intelligence, as well as technologies that promote sustainable development. For most technologies, the prevailing choice is to keep investment levels steady at this point in time.

Expert comment



ANDERS HEDFALK

Business Consultant and Industry Expert, Solita

What do you think are the main obstacles standing in the way of successful consumer data monetization?

Amidst all the current talk and hype about Analytics, AI and GenAI – all very strong development trends, for sure – the harsh truth is that it can be very challenging for many traditional retailers to truly manage data, ensure data quality, and capture true value out of data. In fact, 40% of Solita Retail Barometer respondents acknowledge the biggest obstacle as “Lack of adequate processes for data collection and analysis”.

I am not surprised about this response. Retailers are usually quite good at their core business processes like merchandising, logistics, store operations, e-commerce, and marketing – if you fail at one of these, you will soon be out of business.

However, when it comes to ownership and processes for, say, definitions and data quality for customers and other key information objects, most classic retailers are at an early stage.

I think the challenge is more about processes, governance, culture, and data literacy, than it is about technology and infrastructure. Retailers should ask themselves: What does it mean and take for us to become truly data driven? Once ownership and data processes are in place, real data monetization can begin.

Expert comment



ANDERS HEDFALK

Business Consultant and Industry Expert, Solita



Seeking additional revenue streams or optimizing costs: both are crucial, but which should be a priority for retailers in the current economic climate and why?

The last few years have been very tough, with slowing customer demand driven by high inflation and high interest rates. Online sales growth has slowed and returned to the pre-pandemic trend line. The recovery is slow but 55% of the Barometer respondents expect the performance of the retail industry to improve by the end of 2024.

However, I wouldn't say that it is a question of prioritizing revenues or cost optimization. Productivity and cost efficiency are always a priority, but after a period of high growth and investments in revenue opportunities or new business, it is wise to refocus on core operations, quality, and customer satisfaction, and prepare for the next growth cycle that always comes sooner or later.

Also, even if the current economic climate is tough, there are many promising growth opportunities out there: e-commerce will continue to grow faster than in-store sales, retail media, which is being pioneered by Amazon and Walmart, has high potential for other retailers, too, especially with growing online sales and customers increasingly using smartphones and mobile apps in stores.

AI and GenAI will continue to develop as the amount of data keeps growing and machine algorithms become even more powerful. Younger customers who have grown up with mobile devices and TikTok are entering the market, driving mobile and social media commerce.

So, retailers need to focus on costs and core operations while simultaneously pursuing new revenue streams. Could also be a good time to prepare the IT system shift you have kept postponing up to now!

Expert comment



ANDERS HEDFALK

Business Consultant and Industry Expert, Solita



What differences can you see in the behavior and preferences of customers who use mobile apps compared to those who use other sales channels?

The number of customers who use mobile apps will grow as more and more customers are using their smartphones for shopping and other personal and social activities. Especially the younger customers (“Gen-Z”) will develop into mobile app customers, but so will more mature customers who are increasingly using their smartphones.

We are in a downturn in 2024, but in the long term, we expect online sales to grow faster than in-store sales. Mobile app users are valuable and loyal customers who choose to interact frequently with the retail brand. Mobile apps can certainly support sales of products and services – product purchases tend to be lower but more frequent – but are particularly suitable for

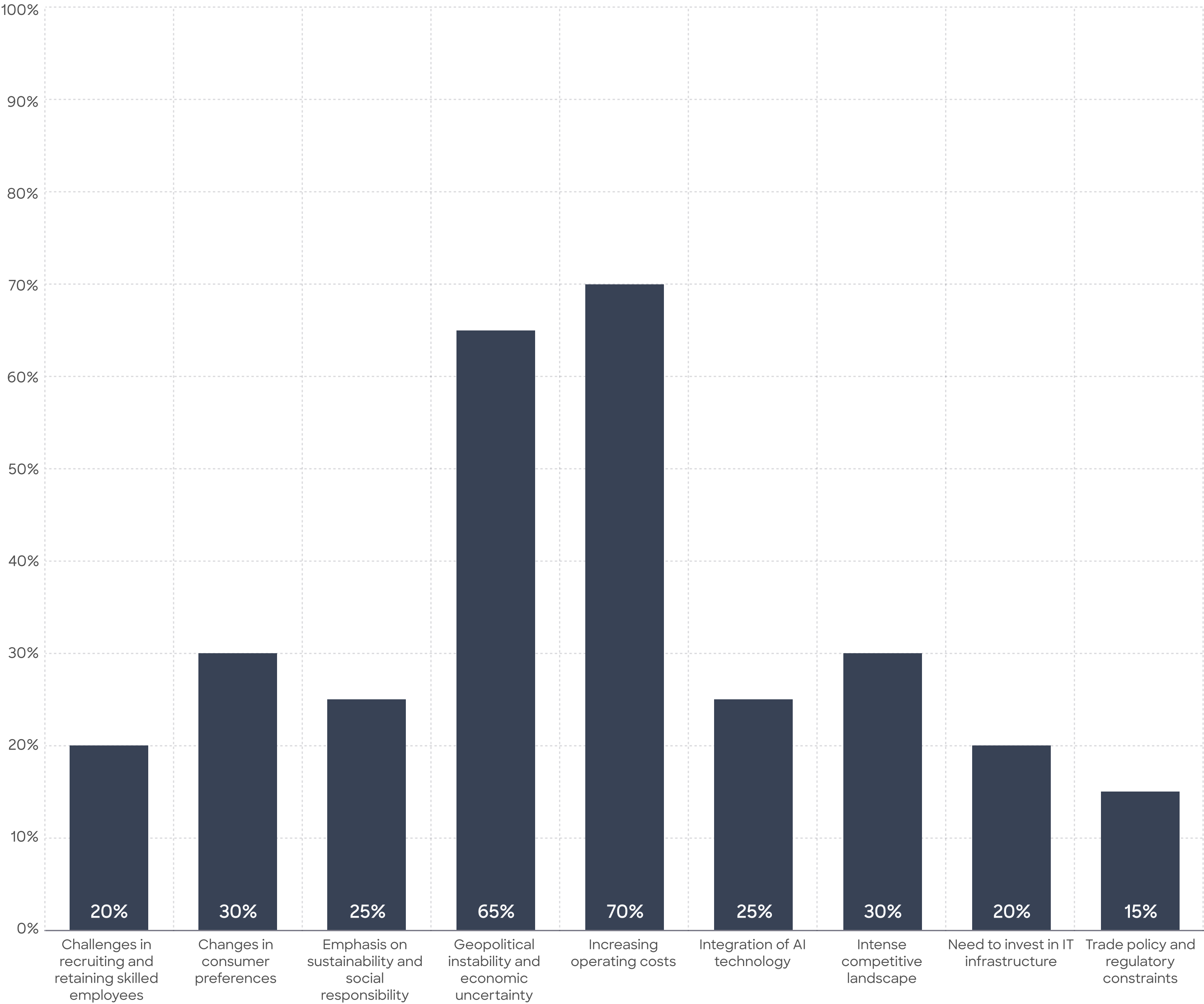
additional services such as loyalty programs, digital wallets, subscriptions, delivery services, and unmanned stores.

“Referral programs, rewarding users for referring new customers,” as well as “Paid subscriptions offering additional features or benefits, such as faster delivery or special discounts,” are growth areas for mobile apps. 31.25% of the Barometer respondents plan to employ these solutions in their mobile apps in the coming year.

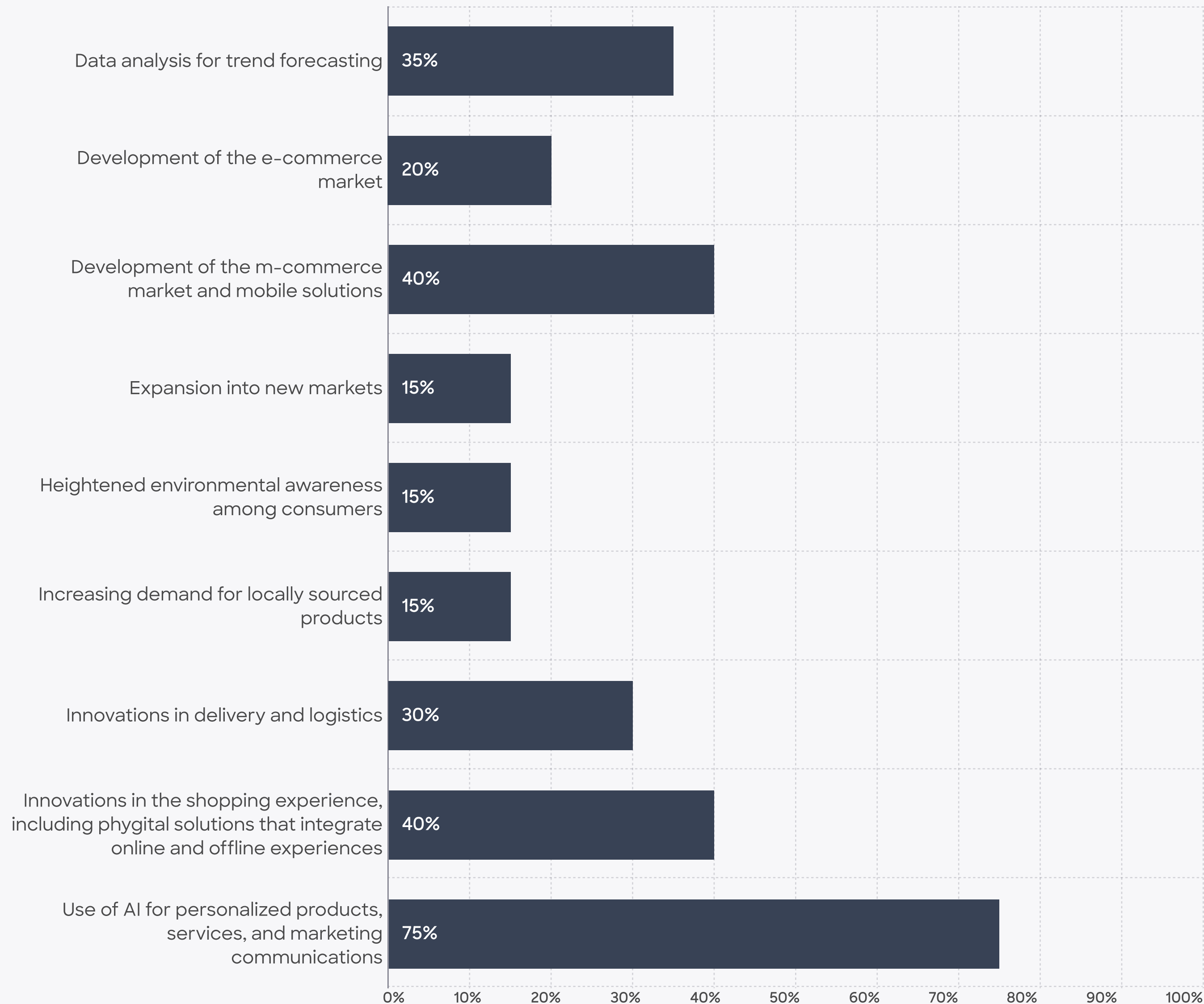
An important challenge with mobile apps is that they bring high expectations from customers, both when it comes to in-app services and personalized features and the technical solutions themselves. Customers will compare your mobile app with the ones provided by Amazon and IKEA. A well-crafted development road map and strong technical and data foundation is a good starting point here.

What do you think are the largest challenges for the retail industry at this time?

Respondents predominantly cite escalating operational costs, geopolitical tensions, and economic uncertainty as the biggest challenges facing European retail. A considerable number also highlight the fierce competitive landscape and shifting consumer preferences. However, only about a quarter consider sustainable development and social responsibility to be major concerns, which could suggest a disconnect between organizations and the values and priorities of modern consumers, particularly younger generations.



* Respondents could select up to 3 answers



* Respondents could select up to 3 answers

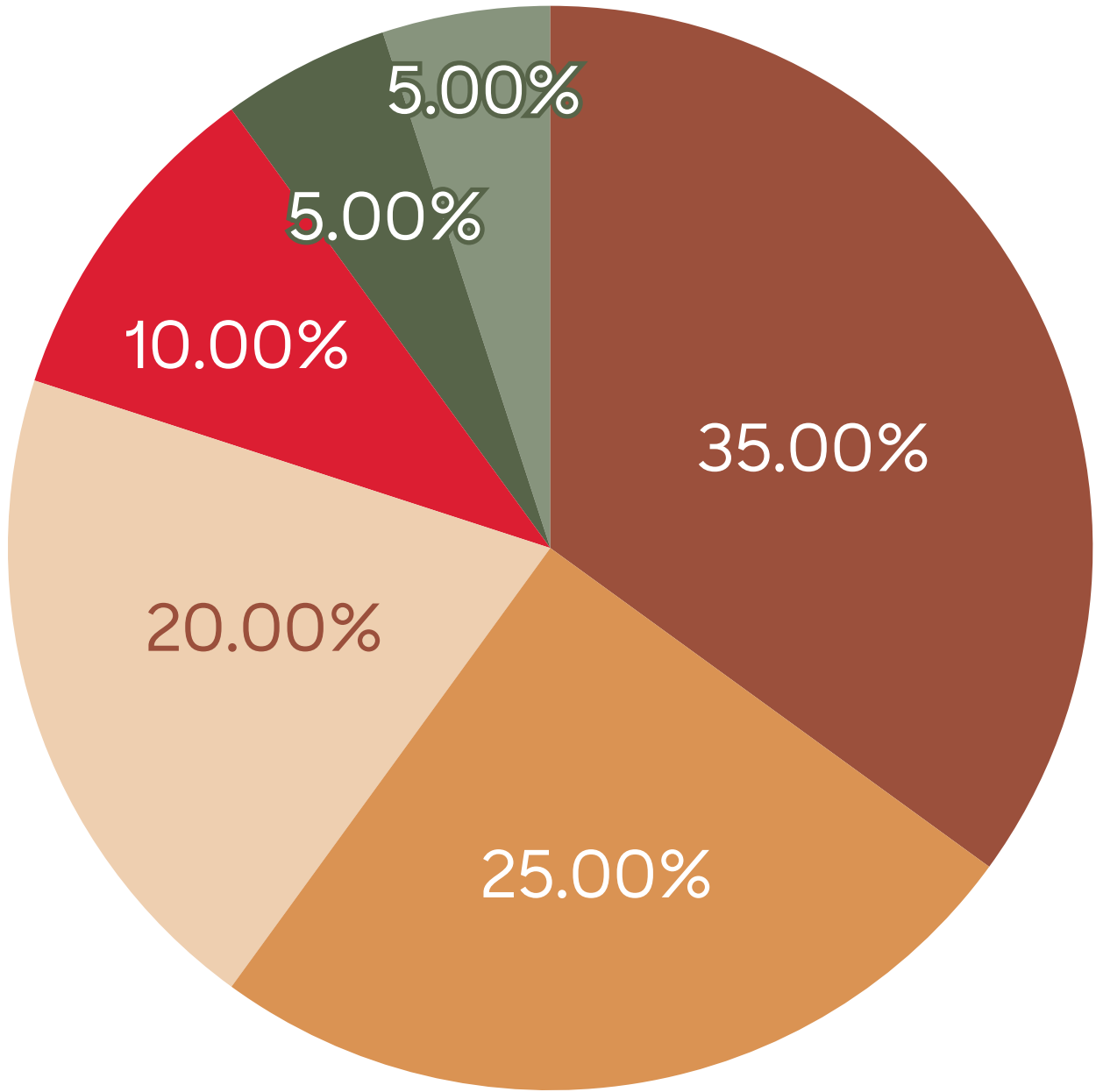
What do you think are the largest opportunities for the retail industry at this time?

Experts view AI-driven personalization of products, services, and marketing communications as the most significant opportunity in European retail today. This perspective explains why companies are largely boosting investments in data management, analytics, and AI. Additionally, the expansion of the m-commerce market and mobile solutions is seen as a promising avenue, offering powerful tools for collecting and leveraging consumer data. Innovations that blend physical and digital shopping experiences, known as "phygital," are also recognized as a key area for retailers to explore.



Which performance indicator is the most significant for your business this year?

European retailers employ a variety of metrics to gauge their organizations' success. Although profit margins and year-over-year sales growth are among the most frequently cited key performance indicators, they only slightly surpass other important measures prioritized by respondents, such as market share and customer lifetime value.



| | | |
|-------------|--------------------------------|------|
| <div></div> | Profit margin | 35 % |
| <div></div> | Market share | 25 % |
| <div></div> | Year-on-year sales growth | 20 % |
| <div></div> | CLTV (Customer Lifetime Value) | 10 % |
| <div></div> | Conversion rate | 5 % |
| <div></div> | Share of online sales | 5 % |

Expert comment



PHILIPP VON DEM KNESEBECK

Senior Data & AI Strategist, Solita



What do you think are the main obstacles standing in the way of successful consumer data monetization?

In the old days, monetizing your customer data was easy – you'd make a deal with an online marketing data broker, upload your customer's info to their DMP, and get a few cents each time your data is used to deliver advertising.

Those days are over: Not only did GDPR make this kind of data brokering borderline illegal, but customers started to react very negatively to their data being brokered for marketing. And in highly competitive retail environments, customer satisfaction has to come first.

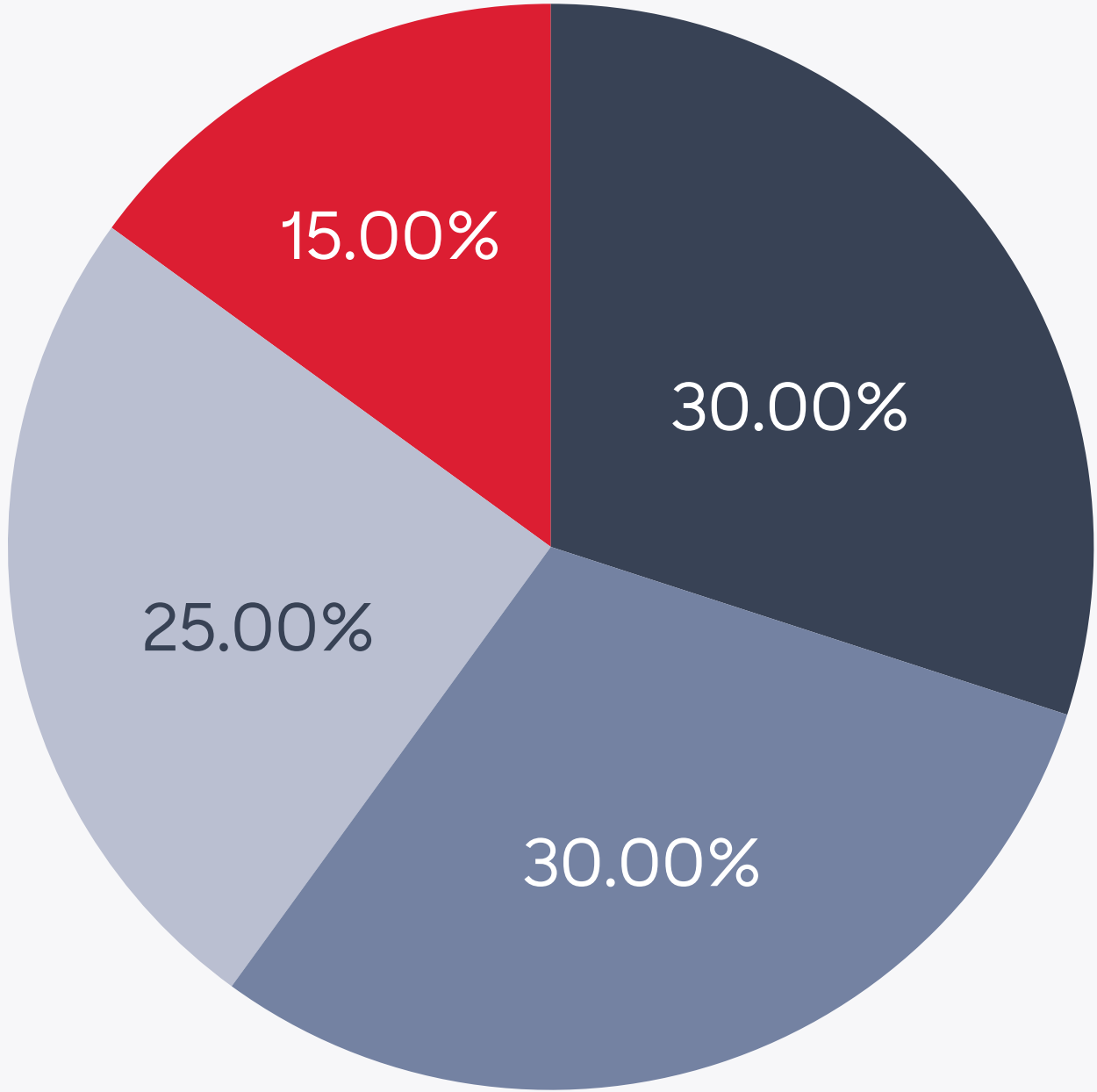
Luckily, there are smarter ways to monetize your data: By optimizing every aspect of your core business through deep customer understanding. From low-hanging fruits like increasing






basket size and shopping frequency through personalized recommendations in your e-commerce and in email marketing across using customer insights for assortment optimization all the way to improving your supply chain, there are gains to be had everywhere.

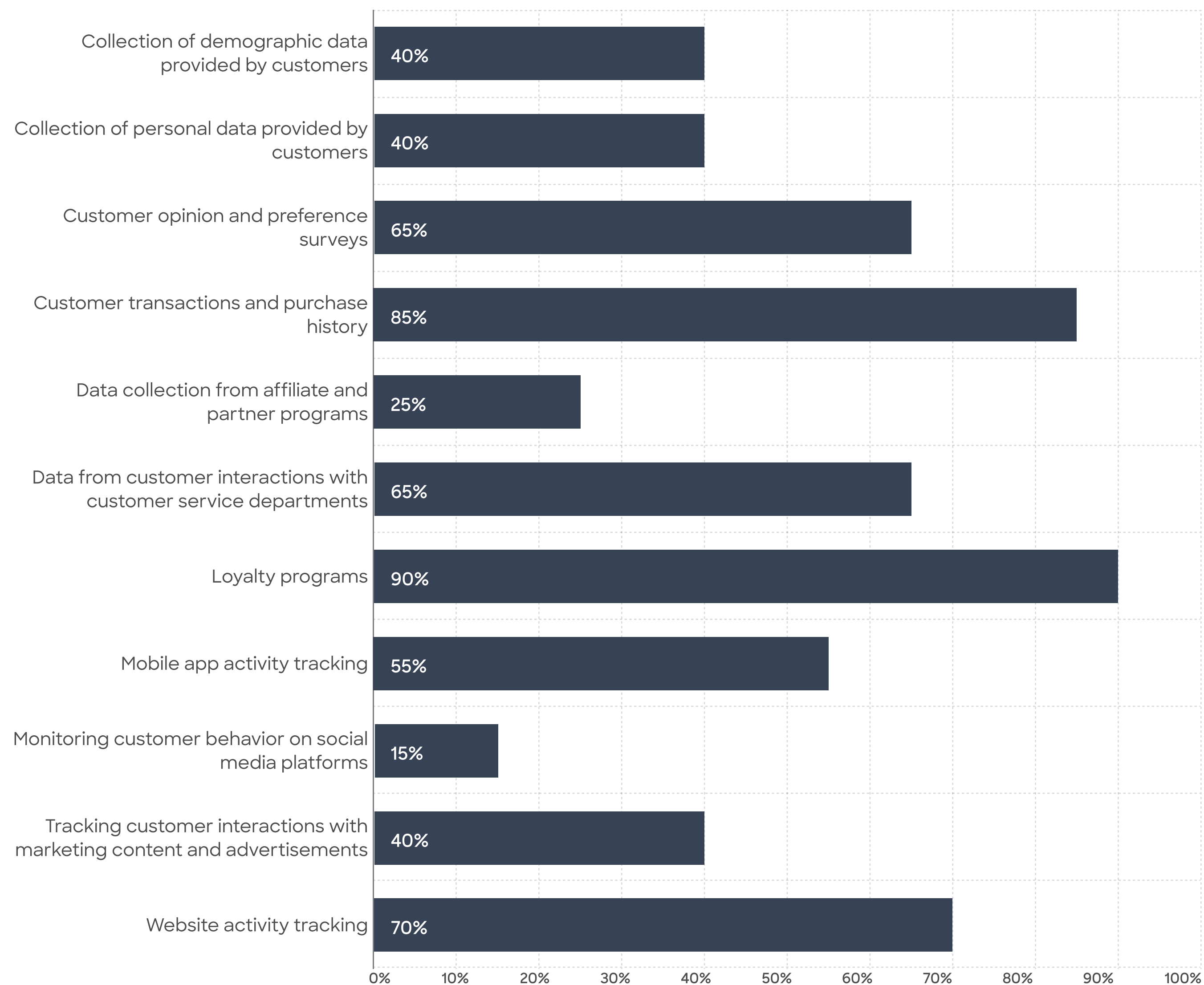
Additionally, while you can't sell your data to advertisers anymore, if your multibrand e-commerce has enough reach, you can turn into an advertiser yourself by offering advertising space to the brands available – companies like Amazon and Zalando create five to seven percent incremental revenue just by selling ad space.

Does your company currently have a consumer data strategy aimed at efficient data collection, management, and monetization?

Nearly all major European retail companies either have a consumer data strategy in place or are planning to develop one shortly. No expert indicated their company would not be planning to create a data strategy, indicating a high awareness of the importance of data for business.



-  We intend to develop a data strategy as its absence makes our data operations impossible or difficult **30 %**
-  We have a clearly defined consumer data strategy **30 %**
-  We have a consumer data strategy in place, but it requires further refinement **25 %**
-  I am not sure **15 %**
-  We do not currently have a data strategy and have no plans to create one **0 %**



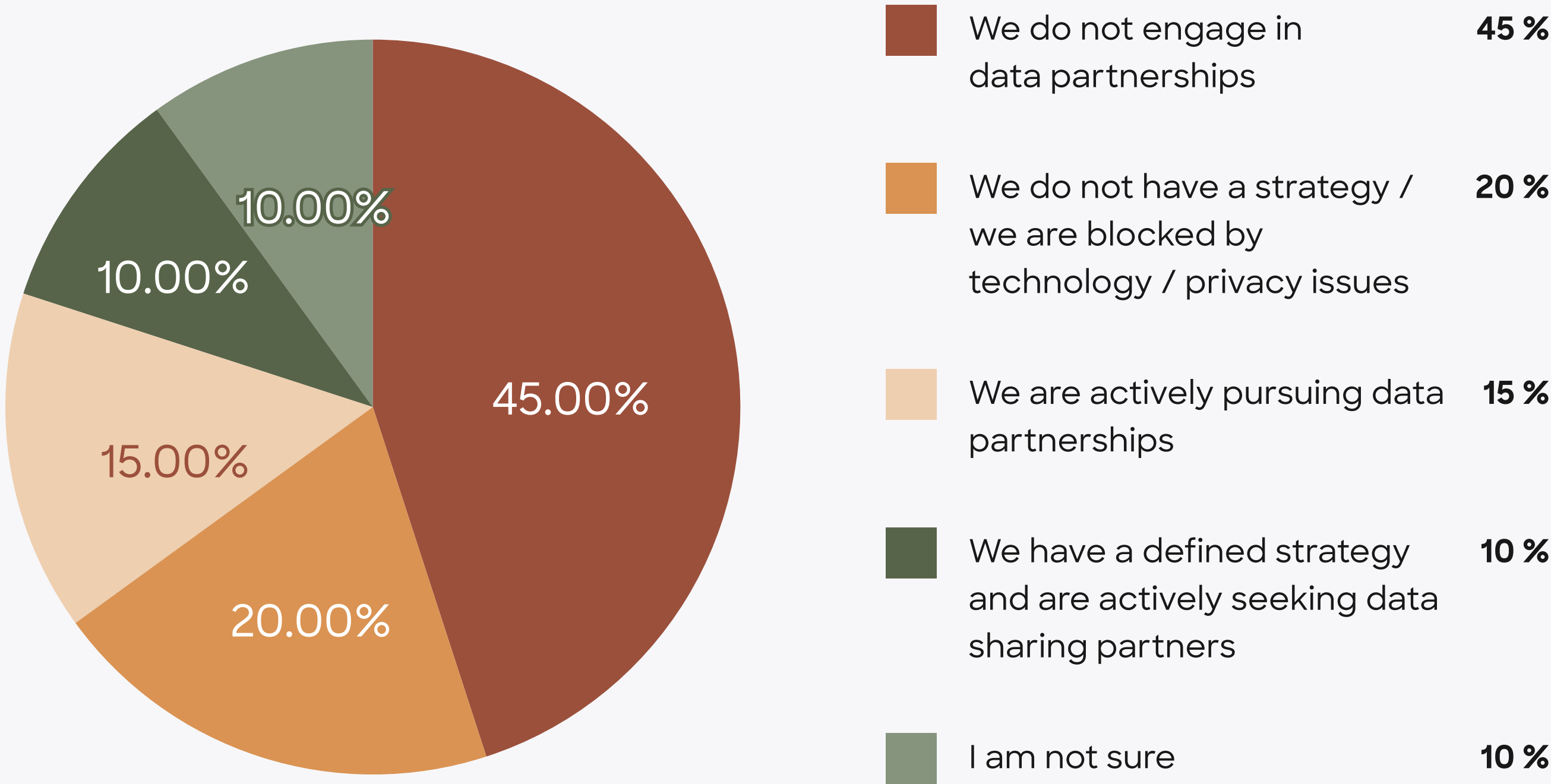
* Respondents could select multiple answers

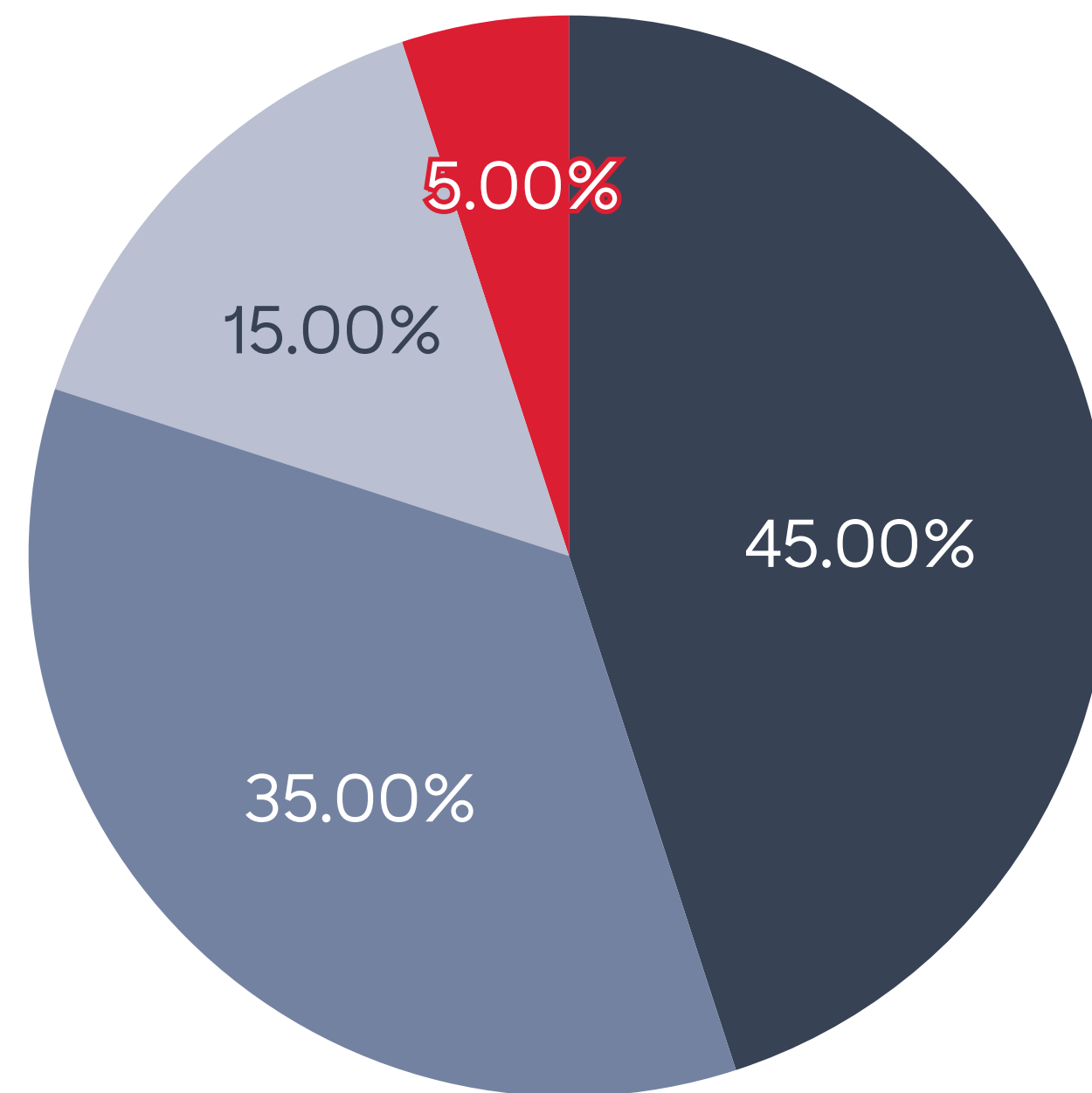
How does your company currently acquire first-party consumer data?

Most retailers rely on basic methods for collecting consumer data, primarily drawing from transactions, purchase history, loyalty programs, and website interactions. While companies do gather data from various sources, the majority have yet to tap into the full range of available data collection opportunities.

What is your company's approach to Data Partnerships as a business strategy?

Many European retailers have yet to fully explore the potential of data partnerships. About one in four respondents is either currently involved in data partnerships or actively seeking them, while one in five expresses interest but cites barriers such as the absence of a clear strategy, concerns about technology, or data privacy issues.





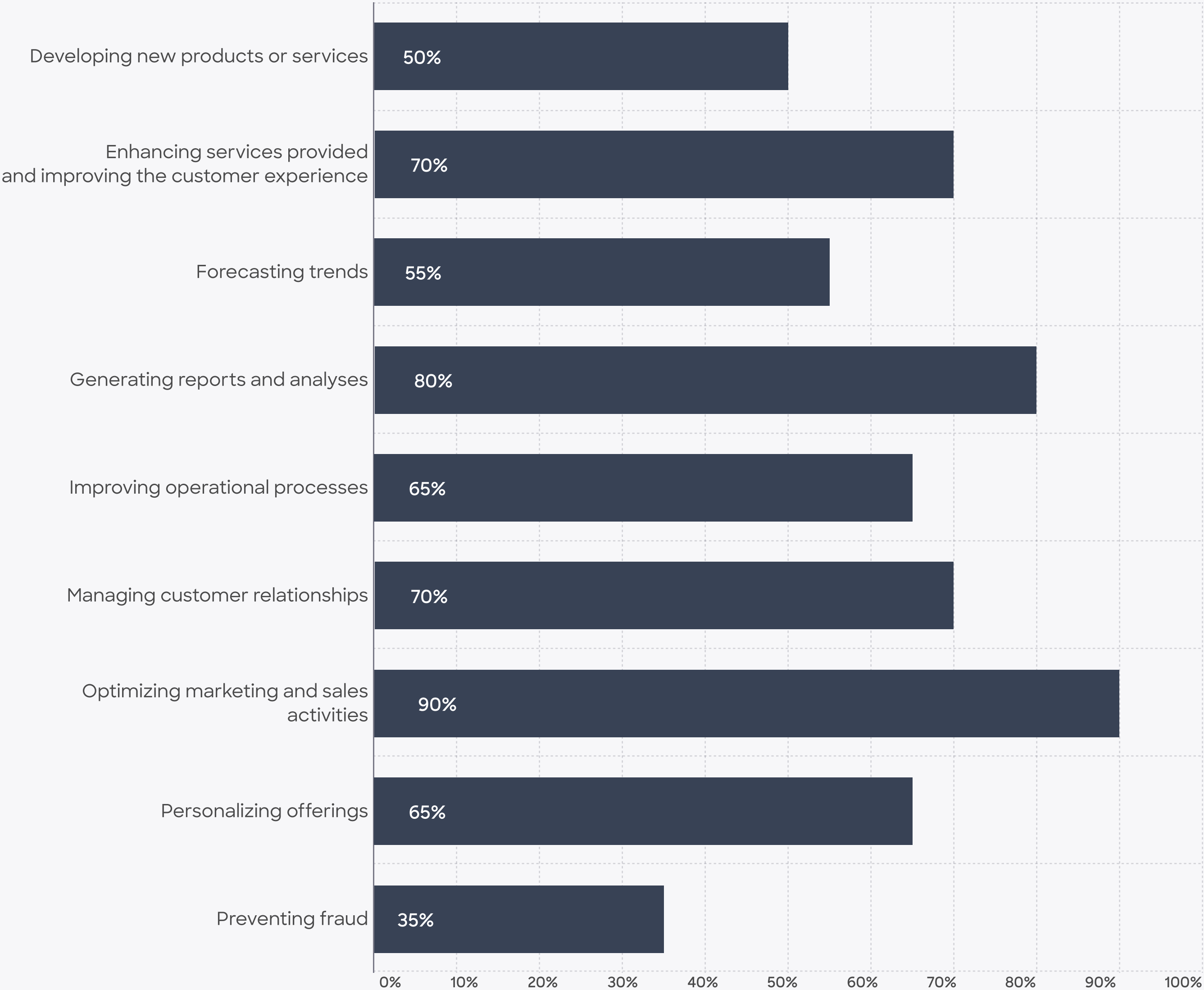
- Our offerings are personalized to some extent; we make efforts to tailor them to specific customer segments **45 %**
- Our offerings are largely personalized, though there is room for further development **35 %**
- Our offerings are fully personalized, tailored to individual preferences and purchasing behavior **15 %**
- Our offerings are not personalized **5 %**
- I am not sure **0 %**

What is your company's approach to the personalization of customer-facing offerings?

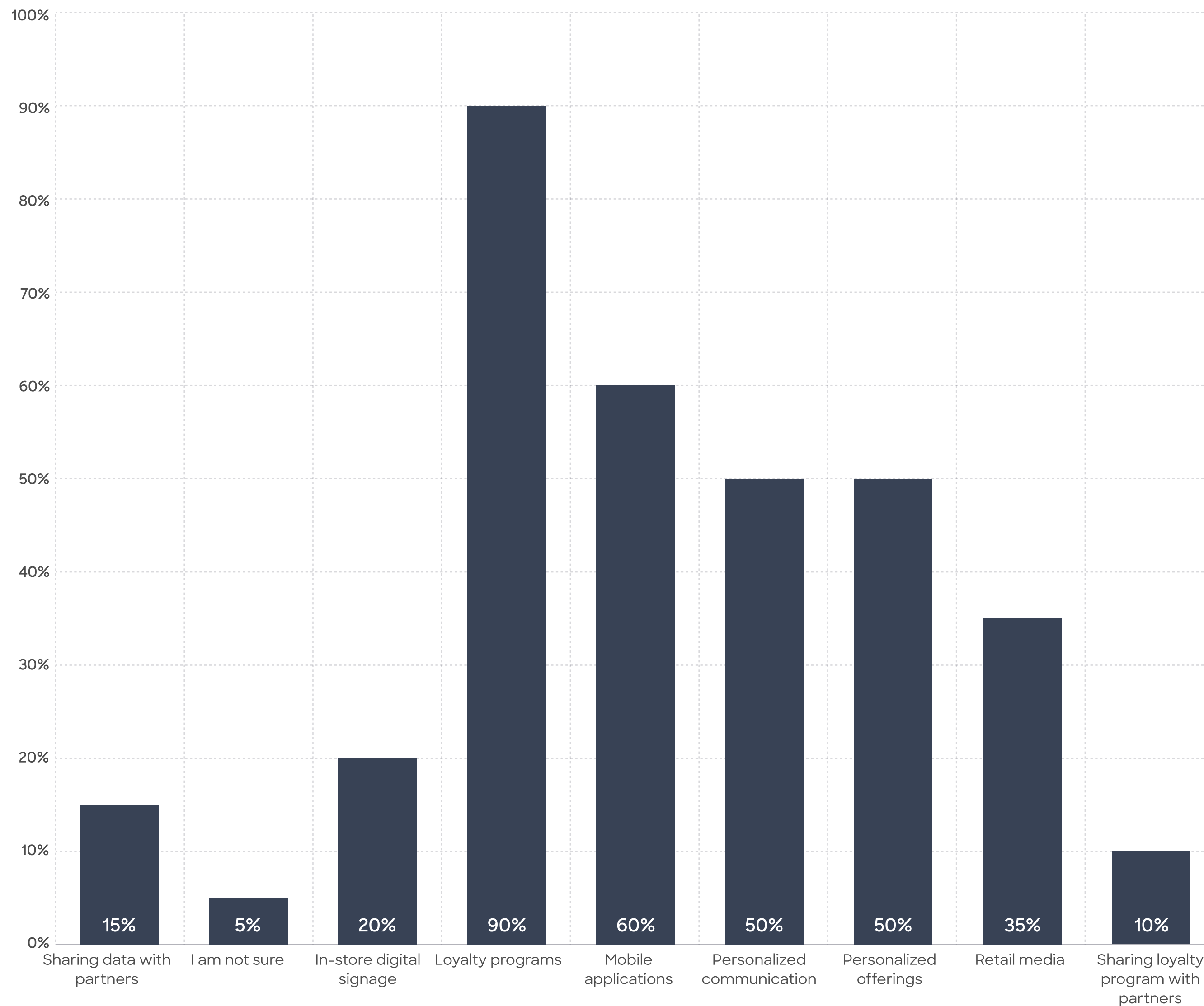
Only 15% of respondents state that their company's offerings are fully personalized and tailored to individual consumer preferences and purchasing behaviors. While over three-quarters of retailers report that they personalize their offerings to some degree, making bold investments in personalization remains a key opportunity to set the brand apart from the competition.

For what ends does your company utilize customer data?

Companies leverage consumer data for a variety of objectives. The primary goals include optimizing marketing and sales efforts, generating reports and analyses, and improving customer experience. Although the least prevalent, fraud prevention is still a focus for approximately one in three retailers.



* Respondents could select multiple answers



* Respondents could select multiple answers

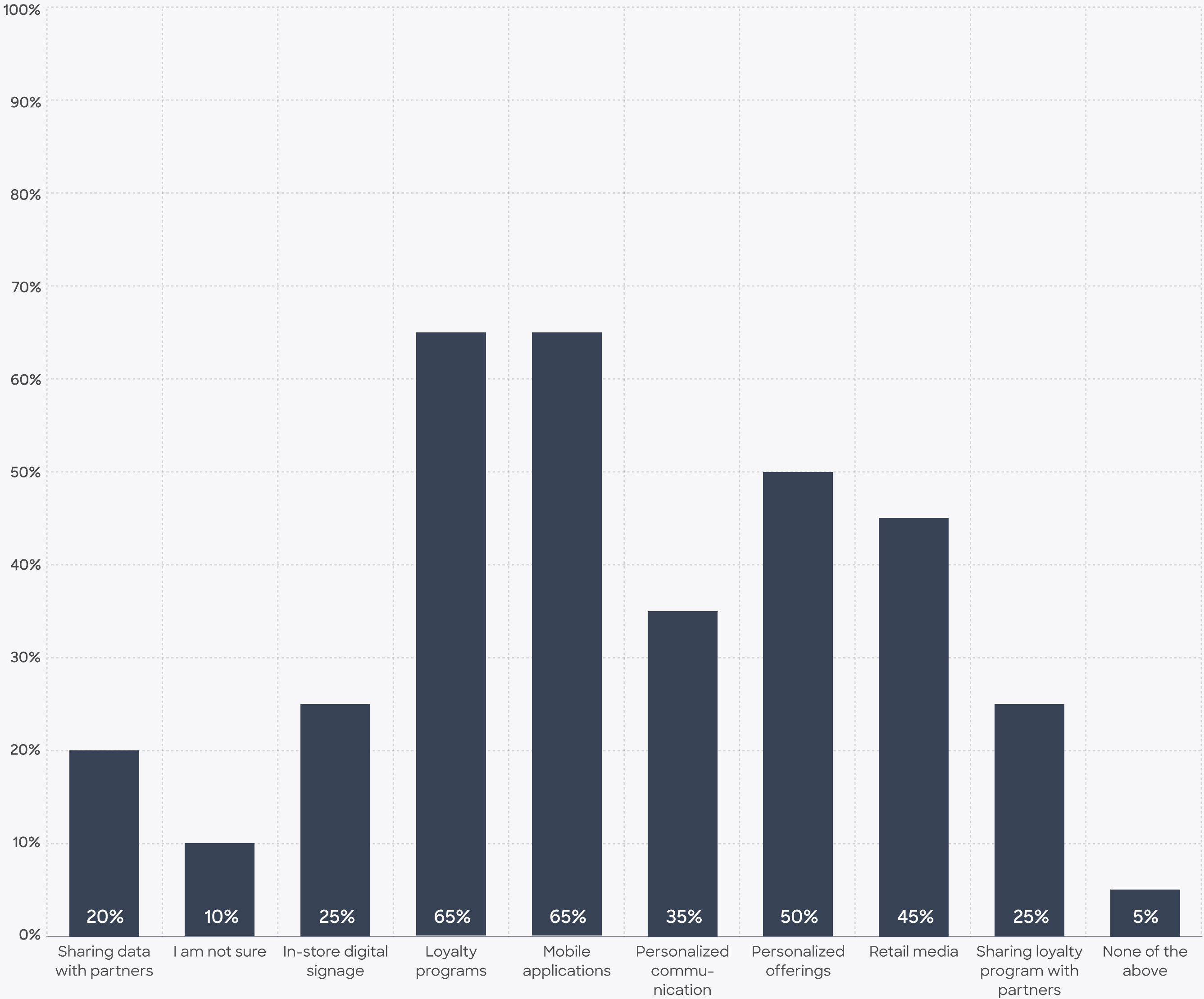
What tools and methods does your company currently utilize to monetize consumer data?

For major European retailers, loyalty programs are the primary method for monetizing consumer data. Many companies also utilize mobile apps, personalized communications, offers, and retail media for this purpose. However, strategies like sharing data with partners, including the exchange of loyalty program information, are still employed by only a small number of companies.



What tools and methods does your company plan to use in the coming year?

Compared to the tools and methods currently in use, a significant number of retailers are planning to place greater emphasis on retail media and the sharing of loyalty programs with partners. There has also been a rise in the number of companies looking to adopt in-store digital signage and establish data-sharing partnerships.



* Respondents could select multiple answers

Expert comment



EMIL WASZKOWSKI

Head of Strategy, Future Mind, a Solita company

What do you think are the main obstacles standing in the way of successful consumer data monetization?

Certainly not the lack of data or a shortage of ideas for its monetization. The main obstacles should be sought in the company culture and the lack of competence to create a data strategy along with a business case for decision-makers. If decision-makers aren't convinced to invest in data, it's difficult to find the right specialists or establish processes for data collection, processing, and analysis.

The latest results from Solita's Retail Barometer confirm this – only 5% of respondents pointed to a lack of ideas for data monetization, while inadequate processes accounted for a total of 40% of survey responses. Therefore, investing in a data strategy that will convince the organization to invest in data utilization can yield excellent returns.

Seeking additional revenue streams or optimizing costs: both are crucial, but which should be a priority for retailers in the current economic climate and why?

Both are crucial. Maintaining cost discipline and agile operations should always be a priority. However, cost optimization cannot be endless, and there is always a limit beyond which the impact on growth becomes negative. Therefore, it's worth focusing on finding profitable sources of revenue.

Utilizing consumer data and digital touchpoints with customers in the form of Retail Media provides such opportunities. A great example of this is Walmart, which in 2023 generated \$3.4 billion in revenue from advertising and expects to double this figure by 2025, translating to about 10% of the giant's total revenue.



Expert comment



EMIL WASZKOWSKI

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What differences can you see in the behavior and preferences of customers who use mobile apps compared to those who use other sales channels?

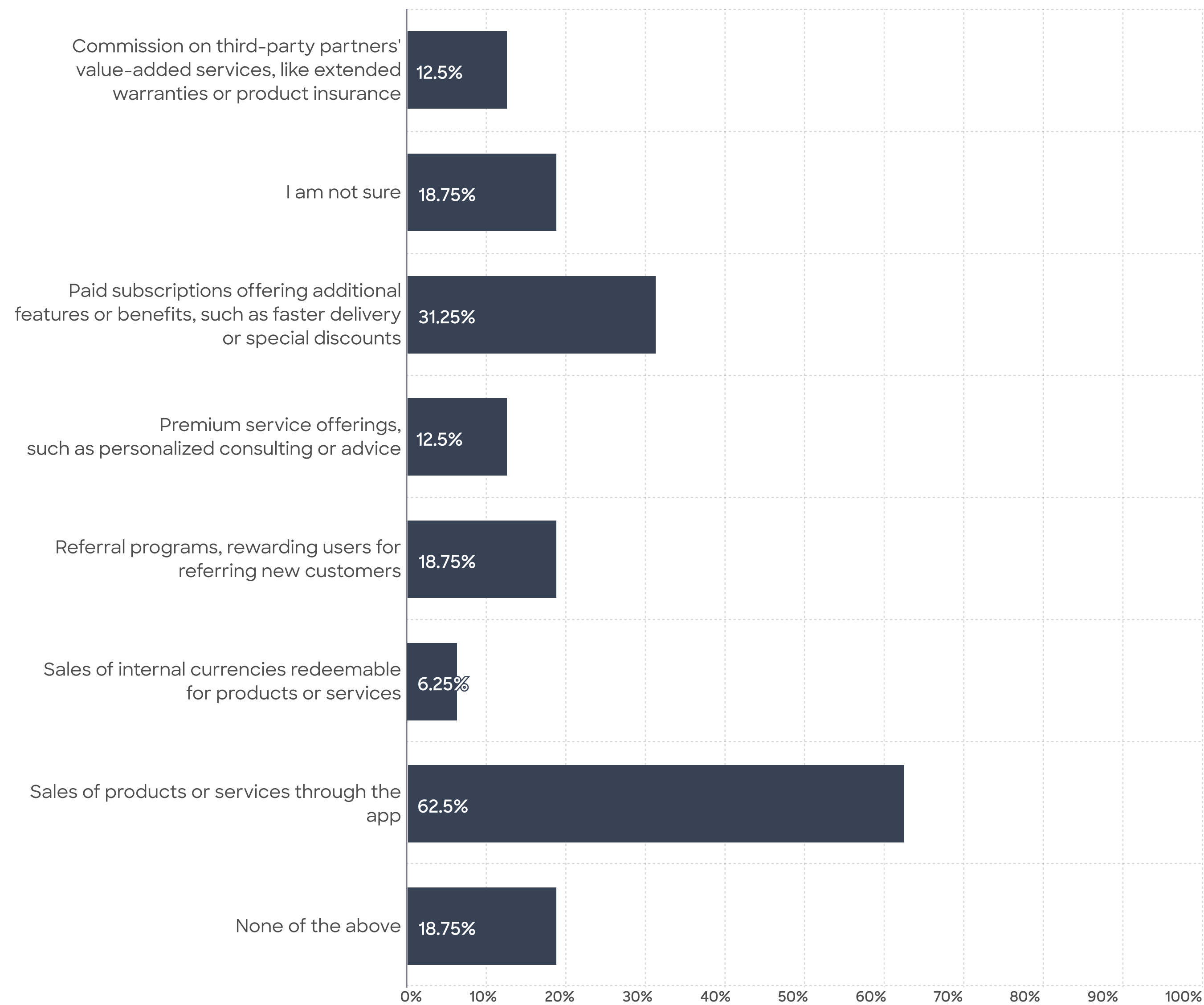
Customers using mobile apps tend to be the most valuable, as they collectively spend the most across all channels. They're also more loyal, but with loyalty comes expectations. They expect the brand to know them better, deliver personalized offers, and often even surprise and entertain them.

Furthermore, they also have higher standards for user experience, as the installed app competes side by side with top apps from giants, rather than (often) slower-loading mobile websites.

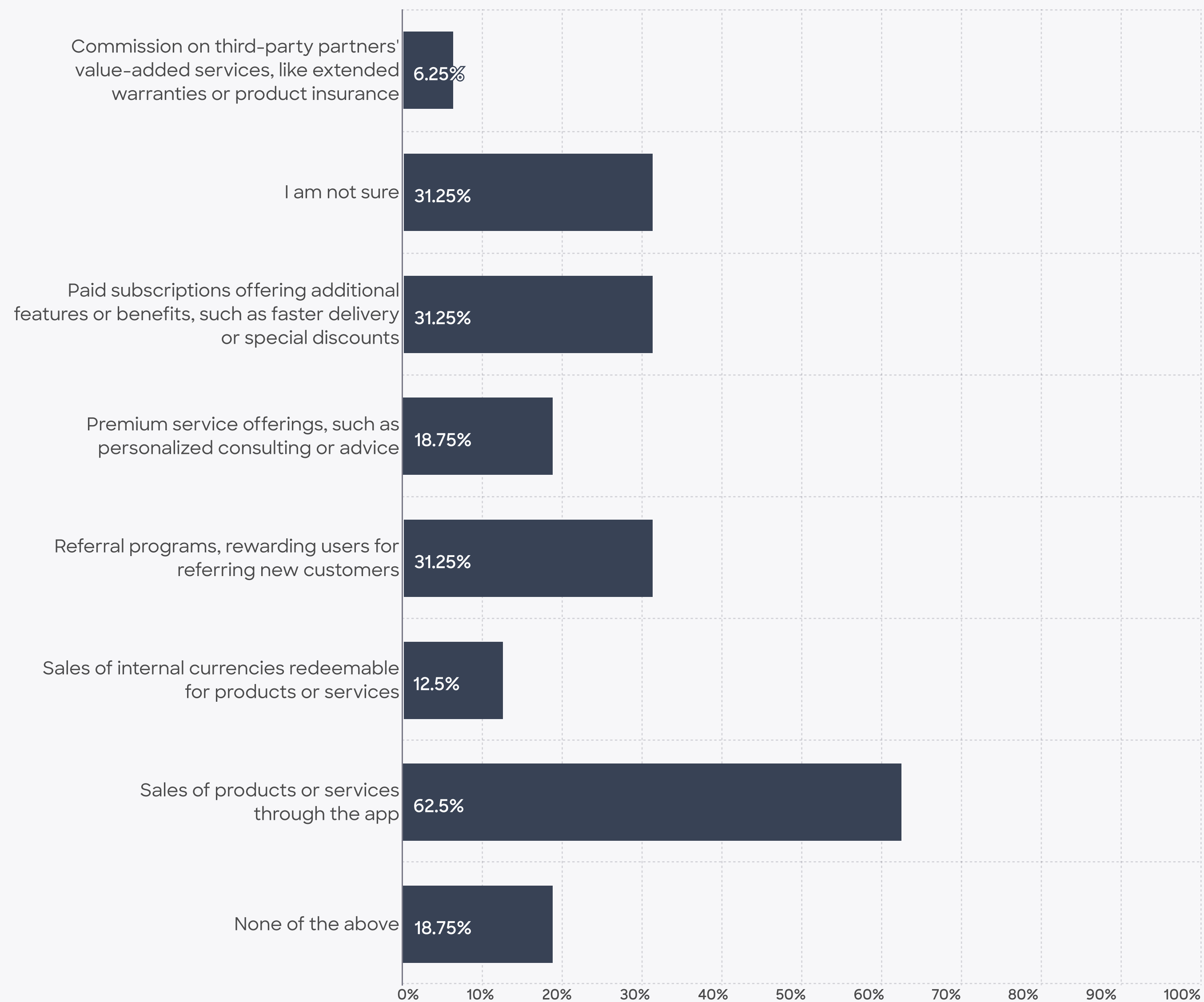


What revenue generation strategies does your company employ in its mobile app?

Businesses with mobile apps primarily generate revenue by selling products or services directly through them. Another popular approach is to offer paid subscriptions, which provide users with added perks like faster delivery, extra discounts, or exclusive offers. Interestingly, nearly one in five respondents don't utilize any of these revenue-generating strategies.



* Responses from retailers whose company doesn't have a mobile app have been excluded



* Responses from retailers whose company doesn't have a mobile app have been excluded

What revenue generation strategies does your company plan to employ in its mobile app in the coming year?

Looking ahead to next year, retailers plan to shift more focus toward referral programs, which encourage app users to bring in new customers in exchange for rewards. There's also a growing interest in revenue generation strategies like offering premium services and selling internal currencies.

Expert comment



IZABELA FRANKE

Head of Advisory, Future Mind, a Solita company

What do you think are the main obstacles standing in the way of successful consumer data monetization?

Certainly, the ability to monetize data requires investment in technology and infrastructure, and a lack of budgetary allocation in this area can undermine effectiveness and efficiency from the outset. It's tempting to say that the biggest problem lies in the lack of strategy in this area. However, cultural issues pose a much greater obstacle. Building a data-driven culture takes time and equipping people with the necessary competencies. I would rather not say that culture eats strategy for breakfast, but undoubtedly, they have breakfast together at a table full of technological solutions.

Seeking additional revenue streams or optimizing costs: both are crucial, but which should be a priority for retailers in the current economic climate and why?

There is no one-size-fits-all solution. For companies experiencing declining sales or facing financial difficulties, cost optimization is crucial, as it can determine whether they survive in the market or not. Negotiating with suppliers or optimizing inventory management is always a good idea, but it's also worth considering investing in technologies that enable process automation and improve operational efficiency. On the other hand, for companies in a stable situation, the current economic situation is a great time to invest in new revenue streams, which can ensure long-term growth and competitive advantage. It's truly a great moment to break away from the pack and increase the gap ahead of the rest of the players in the market.

Expert comment



IZABELA FRANKE

Head of Advisory, Future Mind, a Solita company

What differences can you see in the behavior and preferences of customers who use mobile apps compared to those who use other sales channels?

First and foremost, customers demand more from mobile applications than from desktop websites, especially when it comes to speed and convenience.

They exhibit a heightened sensitivity to personalized features, which underscores the importance of tailoring user experiences to individual preferences and behaviors. Additionally, app users often anticipate the integration of cutting-edge technological advancements into apps – the mobile app sector is evolving rapidly, and users readily embrace new features.

In return, retailers can expect that customers using this channel will be more inclined towards impulse purchases,

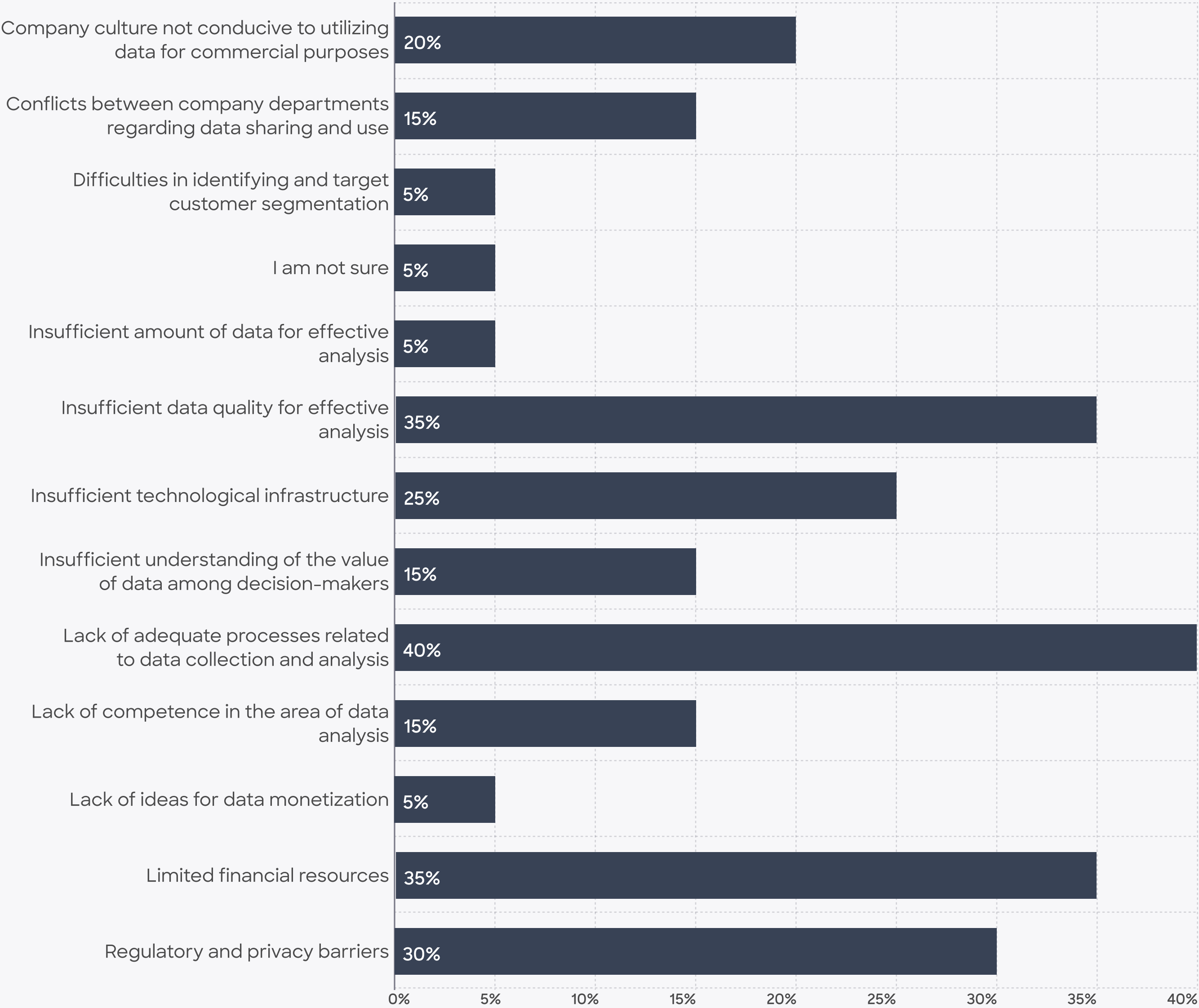
even though the average order value may be lower compared to other channels.

Moreover, such buyers exhibit higher loyalty to brands, products, or services due to frequent exposure and interactions through the mobile app, which is always at their fingertips.



What are the primary obstacles preventing your company from utilizing data effectively?

Retailers identify inadequate data collection and analysis processes, poor data quality, and limited financial resources as the biggest obstacles to effectively leveraging data. These challenges are often compounded by insufficient technological infrastructure and regulatory and privacy constraints. To overcome these barriers, organizations must prioritize increasing awareness about the importance of data, especially among decision-makers.



Respondents could select up to 3 answers

Afterword

What does the future hold for the retail industry? Opinions are split, with respondents offering differing forecasts and strategies for navigating the challenges ahead. While some companies are adopting a cautious stance, a significant number – likely those with experience in weathering past economic downturns – are seizing the opportunity to outpace their more conservative rivals.

Geopolitical instability and rising competition from China are concerning, but they could also spur bold investments. Regardless of the investment scale, it's essential to carefully select IT infrastructure and service providers during periods of substantial technological spending. This approach helps mitigate the risks associated with the tech industry's economic fluctuations.

Tomasz Woźniak

CEO, Future Mind, a Solita company



Methodology

This report was prepared using the Computer-Assisted Web Interviewing (CAWI) method. Data was collected from 20 participants across Denmark, Finland, Germany, Poland, and Sweden. The respondents were key retail decision-makers from companies with annual revenues exceeding 100 million EUR. The insights provided reflect the perspectives and experiences of these industry leaders, offering a comprehensive view of the current trends and challenges in the retail sector.



About Future Mind and Solita

Established in 1996, Solita is a technology, data, and design company dedicated to empowering businesses and societies to reinvent themselves. The company focuses on advanced technology, data innovation, and human insight by offering strategic consulting, service design, software development, AI & analytics, and managed cloud services. Solita operates currently in Finland, Sweden, Denmark, Norway, Estonia, Belgium, Poland, Switzerland, and Germany.

www.solita.fi

Future Mind is an award-winning digital advisory & delivery company specialising in mobile, digital, and e-commerce solutions in domains such as Retail, Fintech, Telecom, and Health. Future Mind has received many acknowledgements for its cutting-edge work for leading brands, such as Žabka Group, Jeronimo Martins, and Super-Pharm. Future Mind joined forces with Solita in 2023 to form a leading European digital transformation agency and a vibrant community of over 2,000 forward-thinkers.

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