



Space4Commerce

Customer Experience of Tomorrow in Central Europe

September 2024



Letter from Peter Bakenecker

(Division President, Central Europe)

As we navigate through dynamic shifts in the retail industry, it is important to stay informed and consequently be able to adapt.

In this journey Mastercard's newly established Space4Commerce initiative is focused on helping the transformation of the retail industry in Central Europe.

After the successful event about consumer behaviors, we moved forward to our next flagship event focusing on customer experience.

We were committed not only to show the current state, but delve into emerging trends and the future of customer experience to offer a comprehensive outlook. Our goal was to reveal insights transcending traditional expectations.

I believe together, we can shape the customer experience of tomorrow that not only meets but exceeds the evolving demands of the retail landscape.

– Peter



Consumers want unique and seamless shopping journeys filled with experiences through the channels they often use; all from genuinely sustainable brands

We used to think that the key to customers' heart are:

Data-driven personalization

- Consumers are more likely to select brands that offer personalization, but the line between delight and a feeling of surveillance is paper-thin
- Data was the main driver of customized recommendations and client interactions, sidelining the customers' perspective

Sustainable shopping

- There is a growing skepticism regarding vain eco pledges and greenwashing
- The distrust is reflected in consumers' shopping choices, as they seek reliable evidence

Virtual experience

- After the pandemic led digital boom consumers want real-life experiences
- Hence, enriching experience at physical channels becomes more important

Social media marketing

- Social media becomes a default channel for interaction – also with brands
- Consumers not only want to discover products on social media, but to complete the entire purchase process without leaving the platform

But these trends are now evolving to:



**PERSONALIZATION
FOR A (GOOD)
REASON**



**FIGHTING GREEN
FATIGUE**



GIVE ME REAL



**TIK TOK MADE ME
BUY IT**



S4C Customer Experience of Tomorrow event on 11th of September highlighted key customer experience trends within the retail industry



PERSONALIZATION FOR A (GOOD) REASON

We expect individually curated and personalized approach based on past behaviors, but also the „need of the moment“



FIGHTING GREEN FATIGUE

We look for authenticity, and we are more likely to run a due diligence on the values that brands stand for



GIVE ME REAL

Real-life experiences are becoming increasingly important, despite omnipresent digitalization



TIK TOK MADE ME BUY IT

At the same time, we spend more and more time on our phones, fueling Social Media as a new sales channel

Leveraging personalization for a (good) cause can help companies differentiate themselves, driving customer brand preference and loyalty



Personalization for a (good) cause in a nutshell

Optimal personalization approach **support retailer's objectives** while hinging on **individual preferences** of each customer. This can be achieved through:

- Introducing personalization across **many touchpoints** in the customer journey, from advertising to post-purchase
- Using **AI / analytics** to provide highly personalized content based on customer data - while taking into consideration the narrow line between customer's delight and the feeling of surveillance
- Incorporating **loyalty programs** to gather further insights and deepen customer relationships

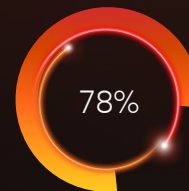
Importance of personalization for a (good) cause



of consumers are more willing to **refer friends and family** to brands that personalize¹



of consumers are willing to **spend more** at retailers who provide **customized approach**²



of consumers are more likely to **make repeat purchases** from companies that personalize¹

SEPHORA Use-case example: Highly individualized offers

Sephora **tailor onsite experiences** to reflect unique needs of customers with just in time messaging, quizzes and buying guides, in addition to offering a **personalized loyalty program**



Focusing on transparent and tangible sustainable practices can help retailers fight green fatigue and increase customers' trust in their actions



Fighting green fatigue in a nutshell

Sustainability remains one of consumers' top concerns, but they expect companies to be **consistent between sustainability claims and their actions**. Hence, it is worth remembering that:

- Consumers try to have a **positive impact on the environment** through everyday actions
- For companies it is not enough to pledge - **genuine climate solutions** and regenerative efforts are expected
- Because the distrust is reflected in consumers' shopping choices, so **clear communication** about sustainability actions and **engagement with consumers** is required



Use-case example: Repair shop

Jack Wolfskin emphasizes sustainability by offering a **comprehensive repair service** for their products, across their stores and guarantees 14 day return from the handover



Importance
of fighting
green fatigue



of green claims for EU products **have no supporting evidence**¹



Czech consumers think green activities led by companies are **„just for promotion”**²



of Czech consumers **became more skeptical** about companies' sustainable activities²

Developing real-life connections through experiential retail can strengthen the retailer-customer relationship and enhance engagement



„Give me real“ in a nutshell

„Give me real“ means the rise of experiential retail which aims to **go beyond transactions** and strengthen relationships with customers, through:

- Utilizing **unique and interesting spaces**, objects and activities to create an immersive environment
- Using **technology** to enhance the customer interactions (e.g., interactive displays, AR elements)

Fostering more engaging and memorable shopping experience can help increase the level of **customer engagement** and subsequent **loyalty**

NETFLIX Use-case example: Physical experience stores

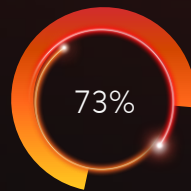
Netflix plans to open physical retail stores featuring rotating installations, eating places, and merch stores, all themed around their shows and films, which will serve as community hubs for fan events



Importance of experiential retail



of GenZ shoppers visit physical stores – mostly when they want to **see, touch and try** products – and to get them **immediately**¹



of consumers **trust brands more** after experiencing them live...^{1,2}



... but only 1 in 10 **are currently satisfied** with their in-store shopping experiences³



Social commerce creates opportunities to directly engage with customers digitally in a new sales channel



„Tik Tok made me buy it“ in a nutshell

The trend „Tik Tok made me buy it“ refers to the emergence of **Social Commerce**, the use of social platforms **as end-to-end shopping** channel. Capitalizing the momentum and triggering immediate purchase through:

- Streamlining the purchase journey by building on **social media shops and conversational commerce** features supported by top social platforms
- Diversifying content between channels like **livestream commerce** for higher customer engagement
- Strengthening brand awareness and credibility through working with **influencers or interest-led communities**



Use-case example: The Lego Chatbot 'Ralph'

Launched on Messenger, the chatbot function can be reached through different social media channels and helps shoppers purchase „a perfect“ LEGO gift through **conversational commerce**



Importance
of social
commerce



of digital buyers **discover** brands and/or products via social media¹



of shoppers want the ability to purchase **directly and easily** from influencers¹



of TikTok users reported they made **impulse purchases** on the platform²



Consumers' expectation evolution is getting faster, making it crucial for brands to prepare by taking strategic next steps

Identifying new trends in customer experience

based on current expectations of consumers and technological advancements

Data-driven personalization



Personalization for a (good) cause

to differentiate the brand



Sustainable shopping



Fighting green fatigue

to strengthen brand recognition



Virtual experiences



Give me real

to please consumers with real-life connections



Social Media Marketing



Social commerce

to reach consumers where they spend most of their time



Strategic next steps

for enhanced customer experience

- Ensure right **context, content and timing** before reaching out to consumers
- **Personalize** interactions **across the customer journey**
- Utilize **loyalty programs** to gather customer data and use AI & analytics to create highly personalized content

- **Don't settle** for sustainability pledges
- **Promote transparency** by providing evidence of sustainability efforts

- **Prioritize memorable experiences** throughout the customer journey for better engagement
- **Create an immersive environment** utilizing interesting spaces and activities in physical stores

- **Leverage social media** platforms as new end-to-end sales channels
- **Build on influencers** and interest-led communities to gain credibility among consumers



Follow what is coming next from Space4Commerce!

Space4Commerce roadmap

Conferences

Technology of Tomorrow
Budapest – 14th November



2024



AI in retail

Munich (Oktoberfest)
26th September

Workshops

2025

Stay tuned: 2025 brings even more exciting events and unforgettable experiences!!

Meet us at other events:

- Innovation Forum** Frankfurt – 9th October
- Fintech Forum** Berlin – 15th-16th October
- Innovation Forum** Athens – 17th October

Key contact

FOR THE LATEST UPDATES
FOLLOW US ON LINKEDIN!



David Klemm

Vice President Retail & Commerce, Central Europe
david.klemm@mastercard.com



Scan the QR code!



Terms of use for this report

These Terms govern your use of the “Report” on behalf of such company (referred to as “You” or “Your”, as the case may be). These Terms do not modify or supersede any other agreement you have with Mastercard.

1. Subject to these Terms, You are permitted to (i) access, review, download, use, report, summarize, and print copies of the Report, and (ii) use the text, data, graphics and other content contained in the Report, in each case, solely for Your own internal and in compliance with all applicable laws and reputable business practices. You shall comply and cause all other users of the Report to comply, with these Terms. Unless with Mastercard’s prior written consent, the Report may not be reproduced, distributed or provided to any other person or published in whole or in part, or summarized or excerpted, in any format, for any purpose.

2. You shall not combine any Report with any content (i) in any manner that states or suggests that Mastercard or any Report is endorsing, sponsoring or affiliated with such content or related products or services, (ii) making any recommendations or providing advice as to any securities or securities markets or (iii) to create a commercially available product, index or similar item, if the Report or Mastercard is mentioned publicly as a source for any data included therein. You shall at all times list Mastercard as the source of the Report and information contained therein and shall not change, obscure or remove any copyright or other notice or legend on this Report.

3. You agree that Mastercard exclusively owns all rights and intellectual property rights in the Report, and all related trademarks, service marks, logos, names, trade names, data, websites, methodologies, models and concepts (“Mastercard Intellectual Property”). You are not granted any rights, permission, or license to use any Mastercard Intellectual Property. You will not directly or indirectly, or publicly or otherwise question or contest the validity and/or value of, or disparage the Report, Mastercard Intellectual Property or Mastercard’s rights therein.

4. You acknowledge and agree that (i) the Report is solely for informational purposes and contains information available as of the publication date, (ii) use of the Report is at Your sole determination and risk, (iii) Mastercard does not provide investment or financial advice or recommendations regarding securities, (iv) THE REPORT IS NOT INVESTMENT ADVICE, (v) no person (including You and Your users) should rely upon the Report in making investment or other financial decisions, and (vi) MASTERCARD IS NOT RESPONSIBLE FOR YOUR USE OF THE REPORT.

5. The information in the Report is derived from various sources, including sales transactions made with payment cards, checks and other means of payment, which sources are believed generally reliable, but such information has not been independently verified by Mastercard. While Mastercard has used best efforts to validate certain assumptions and estimates with respect to the underlying data in the Report, Mastercard makes no representation or warranty of any kind as to the accuracy, reliability or completeness of the Report. Various assumptions and estimates may have been made in connection with the Report, which may or may not be realized. Any changes in facts, conditions, or such assumptions or estimates may also have a material effect on the statements and conclusions made in the Report. MASTERCARD MAKES NO REPRESENTATIONS AS TO MERCHANTABILITY, FITNESS FOR ANY PURPOSE OR OTHERWISE, EXPRESS OR IMPLIED, AS TO THE REPORT, WHICH ARE PROVIDED “AS IS”.

6. None of Mastercard or its affiliates, or their respective directors, officers or employees shall have any liability for any direct, indirect, consequential, punitive or other damages or any losses arising from any use of the Report. These Terms shall be enforceable by Mastercard directly against You. You shall indemnify, defend and hold harmless, Mastercard and its affiliates, and their respective officers, directors, employees, agents, licensors, from and against all claims, actions, expenses, damages and costs, including reasonable attorneys’ fees and charges, resulting from or related to Your use of the Report, or any portions thereof, and/or any violation of these Terms.

7. All data contained in the Report will comply with Mastercard’s internal antitrust, benchmarking and population size guidelines. Mastercard reserves the right, in its sole discretion, to apply adjustments in order to achieve conformance with Mastercard’s internal antitrust, benchmarking and population size guidelines.

