

Adaptive Spaces

Retail Tech: Three Ways Tech is Influencing Consumer Shopping Preferences

REPORT

CBRE RESEARCH
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Technology gives consumers more options for when to shop and how to pay for and receive their purchases. This report explains how retailers can leverage these technology-enabled consumer preferences to improve their on-line and in-store sales.



01 **M-Commerce Marketing**

The average American consumer spends more than four hours a day on mobile devices, which provide retailers with a much more efficient way to build brand awareness and loyalty among consumers.

02 **More Payment Options**

Consumers want mobile payment options, and 71% of mobile wallet users say that loyalty programs are important considerations for where they shop.

03 **Extended Reality**

By 2026, one-quarter of all consumers worldwide are expected to spend at least one hour per day in the metaverse, where retailers will want to establish an engaging presence.

M-Commerce Marketing

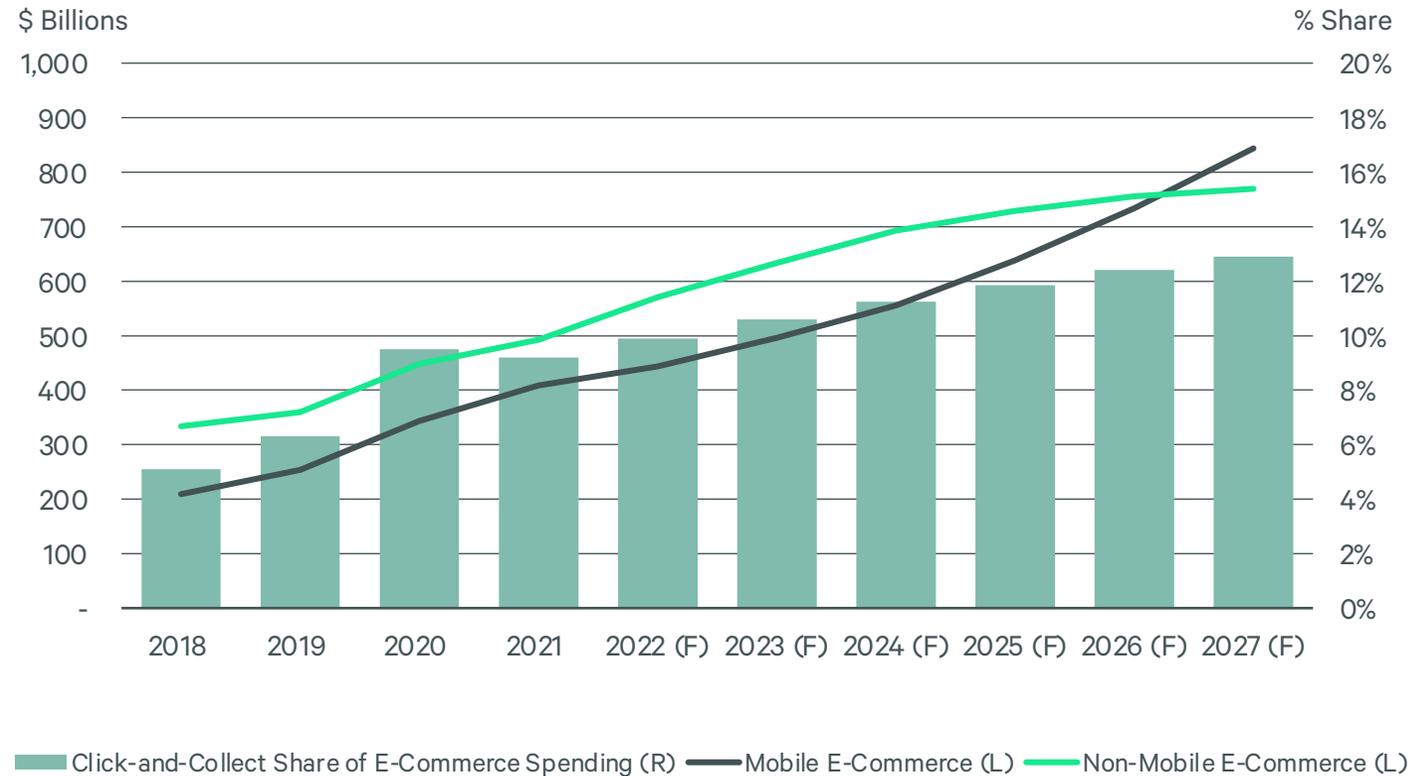
Mobile device technology provides retailers with much more efficient ways to build brand awareness and consumer loyalty, ranging from providing digital coupons to 24-hour shopping access. The average user in the U.S. spends more than four hours a day on their mobile devices, according to digital data provider data.ai.

Retailers must prepare for a hybrid future in which consumers seek the best of both in-store and online shopping. Nearly half of retailers responding to a recent survey by accounting firm Ernst & Young said they were using mobile technology to deliver personalized products and services to consumers and to receive customer feedback. Retailers can also leverage social media to increase sales. Instagram reports that 44% of its members use the platform for shopping each week. Considering that Instagram has 1.3 billion daily active users globally, the impact is significant.

Market research company Forrester predicts that mobile devices will account for a majority of e-commerce sales by 2027. This widespread m-commerce adoption provides opportunities for brick-and-mortar retailers, particularly for click-and-collect sales that are projected to increase more than 150% by 2027 and account for approximately 13% of all online retail sales.

As m-commerce and click-and-collect grow, retailers will require strategically placed stores to fulfill these orders. Many are already reconfiguring their stores to quickly process these orders, with pick-up counters at the front of the store for easy access and dedicated parking for quick ingress and egress.

Figure 1: E-Commerce Retail Sales by Type & Click-&-Collect Share



Source: Forrester, CBRE Research, Q2 2022.

By the Numbers: Per Capita M-Commerce Spend

\$411

Per capita
m-commerce
spend in 2014.

\$2,345

Forecast per capita m-
commerce spend in 2024.



Source: Forrester, CBRE Research.

More Payment Options

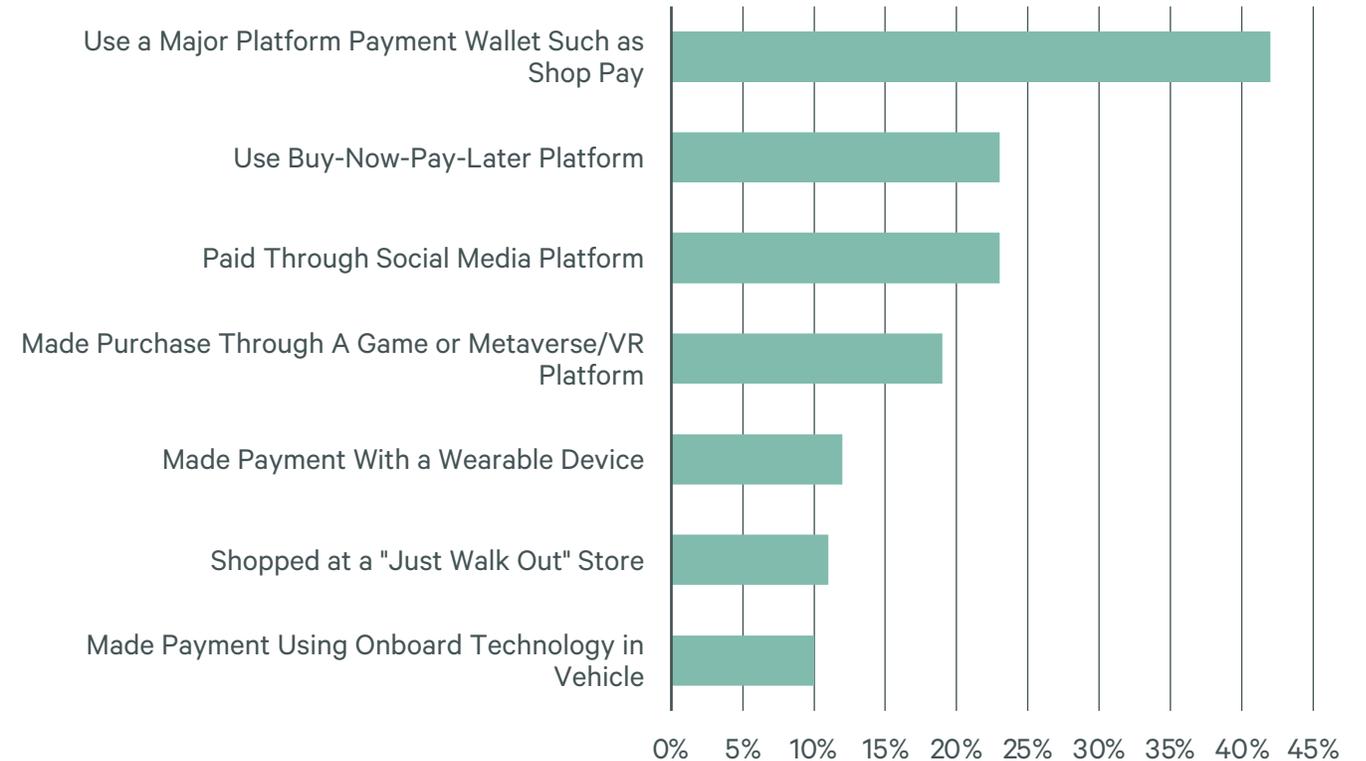
Consumers are demanding a wide range of payment options using mobile apps. Data.ai reports that three of the top five most downloaded shopping-focused apps this year are for payments. Mobile wallet apps generate income for retailers from fees paid by their banking partners on all purchases made using the app.

Forty-two percent of all consumers have used mobile wallet payments; of these, more than half say they are more likely to shop at stores that use this popular payment option, according to data analytics provider Morning Consult. In addition, 71% of mobile wallet users say that loyalty programs are important considerations for where they shop. Loyalty programs provide a compelling reason for customers to download retailers' apps, which often support embedded payments for digital and in-store purchases. Fintech software provider FIS predicts that mobile wallets will surpass credit cards as the preferred online payment source by 2025, accounting for 33% of total online transactions. FIS forecasts that the share of in-store sales using mobile wallet payments will grow to 15% by 2025 from 10% last year and that cash payments will fall to just 6% from 11% over the same period.

"Buy now, pay later" (BNPL) platforms such as Afterpay, Klarna and Affirm are rising stars within the alternative payment sector. These allow consumers a gradual payment schedule without negatively affecting their credit rating. FIS forecasts that BNPL will account for 8% of North American e-commerce transactions by 2025.

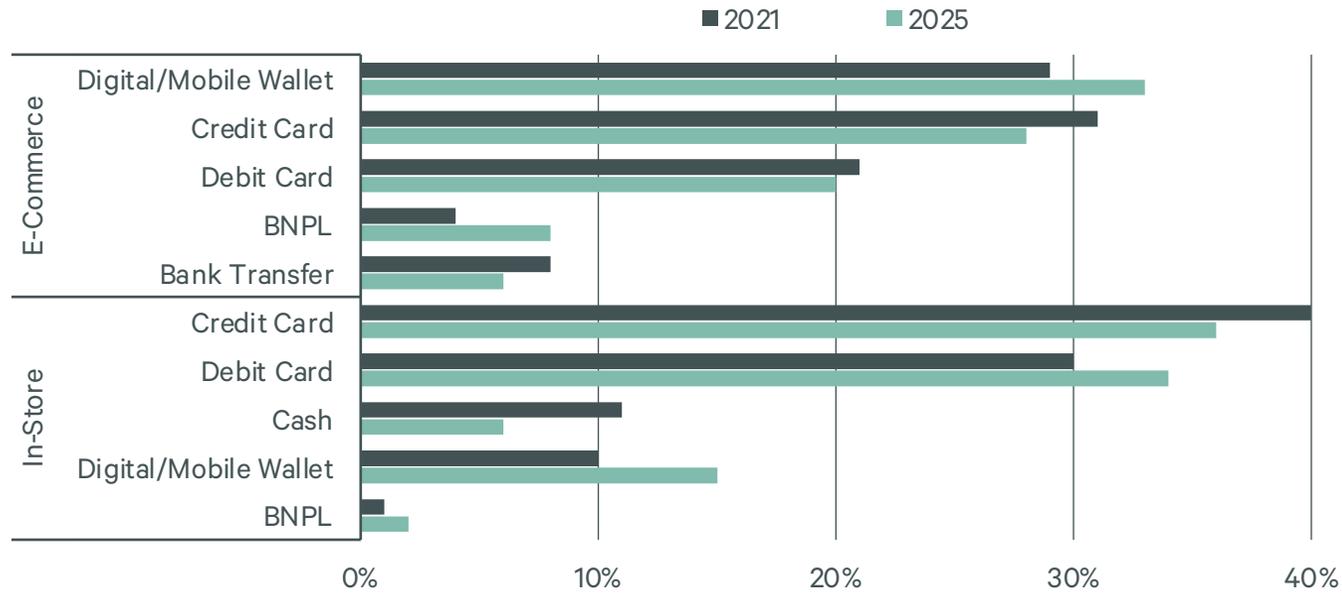
Frictionless payments—those that allow for quicker transactions without swiping a credit card or filling out a form—are also becoming more popular among consumers. This leads to higher-value sales for retailers by overcoming consumer reluctance to complete online cart checkouts. Retailers must decide which technologies provide the easiest path for consumers to purchase their goods.

Figure 2: Share of Payment Options Used by Surveyed Adults in Past Six Months



Source: Morning Consult, February 2022.

Figure 3: Share of North American Retail Sales by Payment Method + Forecast



Source: FIS, 2022.



By the Numbers: Worry-Free Consumers*

40%

Worry-free consumers who say credit cards encourage them to overspend.

62%

Worry-free consumers who think BNPL programs help them buy things without overspending.



*Consumers with good credit or access to credit and who do not live paycheck to paycheck.

Source: Pymnts.com.

Use of Extended Reality

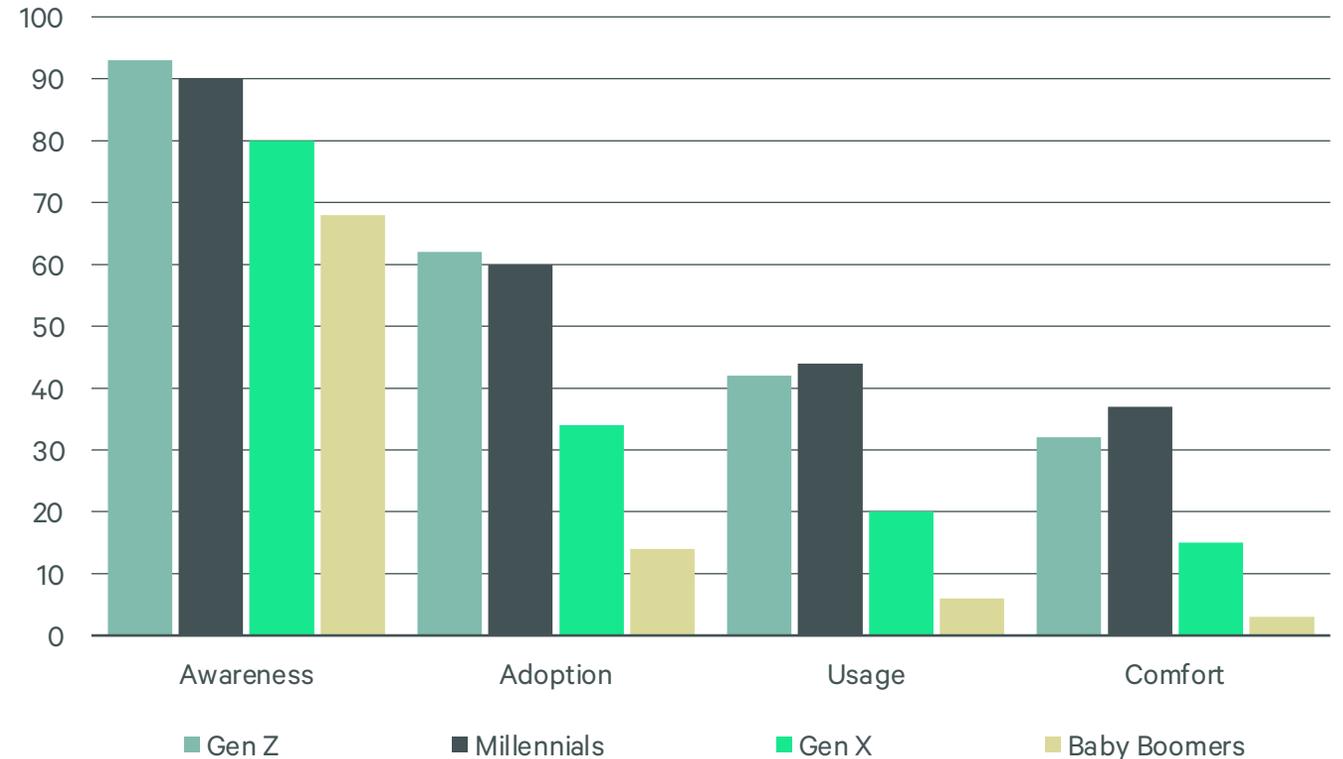
A recent survey by market research firm Forrester found that 39% of adults have utilized extended reality (XR) technology, which merges the physical and virtual worlds. This technology, originally utilized by online gamers, is now being applied to the retail marketplace for product research and personalization, apparel and accessory “virtual try-ons” and communicating with retail sales associates.

XR also is a gateway to the metaverse, which will offer retailers new opportunities to engage customers in a virtual world. XR technology has been used to host events within the metaverse, such as a 2020 virtual concert by hip-hop artist Travis Scott that drew 27.7 million virtual attendees on the Fortnite platform. A “fashion week” event by metaverse company Decentraland drew 108,000 unique visitors this spring.

Technology consulting firm Gartner Inc. predicts that by 2026, one-quarter of all consumers worldwide will spend at least one hour per day within the metaverse and that 30% of the world’s companies will use it to offer their products and services.

Figure 4: Familiarity with Extended Reality by Generation

% Share of Online Adults



Source: Forrester, June 2022.

By the Numbers: The Future of Extended Reality

\$192B

Forecast sales of
VR technologies
in 2025.

+\$50B

Projected metaverse-driven
sales increase for the
fashion and luxury goods
industry by 2030.



Source: PwC, Morgan Stanley.

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