Driving growth and loyalty amidst rapidly changing customer demand cycles

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The economic climate of today is unpredictable and challenging for merchants — but there's room for optimism. While prices remain elevated due to record levels of inflation, U.S. consumers and retail sales are showing some resilience. While March retail sales were down 1% month-over-month, online spending was up about 2%, spending at restaurants and bars remained relatively flat, and travel continues to see strong demand approaching pre-pandemic levels. Merchants have an opportunity to focus their resources and accelerate growth. Here are four strategies to capitalize on these changes:

Manage inventory efficiently. Supply chain challenges and rising costs are forcing merchants to re-examine their business and bottom line. Negative customer experiences related to shipping delays and lack of item availability can lead to churn, which costs U.S. companies nearly $170 billion annually. This is particularly detrimental given the cost to acquire a customer and the cost to convert a sale are higher than ever. Improving operational efficiency to better manage inventory drives growth in two ways. It helps cut costs while maintaining a consistent, high-quality experience for customers so they continue to spend within a brand's ecosystem.

Avoid constant discounting. In times of uncertainty, business owners are often tempted to seek quick fixes without recognizing the potential for long term harm. Promotional gimmicks that rely on constant discounting are an example of this. While they might lead to a sales increase up front, constantly slashing prices is detrimental. Not only are the benefits short term, but over time doing so will dilute a brand's value by training customers to constantly hunt for deals while also impacting margins. Instead, merchants should look for other ways to provide value to customers and help their dollars go further, such as promotions that offer limited-time items.

Meet consumer demand for payment flexibility. Credit card debt and the use of buy now, pay later (BNPL) are at an all-time high. This is the result of consumers' increased reliance on credit due to inflation, and the shift in consumer preference toward more flexible, transparent ways to pay. But the two payment options are not created equal: credit cards essentially write consumers a blank check, too often burying them in revolving, compound interest. BNPL, on the other hand, often treats every purchase as a distinct borrowing event and presents consumers with a way to spread out payments that doesn't revolve or come with junk fees. By delivering consumers payment flexibility, offering BNPL at checkout increases cart size, conversion, and loyalty while helping merchants reach new customers.

Take an omnichannel approach. Economic changes and consumer demand swings have made it untenable to solely prioritize an online or in-store shopping experience. Even as e-commerce has grown, in-store shopping is still the largest retail channel by both share and volume and will account for $4 of every $5 spent in retail by the end of 2026. This means merchants need to do both well – consistency drives loyalty and retention. Making every possible sale across brick and mortar and e-commerce will help offset the challenge of acquiring, converting, and retaining customers. Merchants that underinvest in either risk slowing their growth.

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