

In conversation with: Chris Baker, Visa's head of retail and grocery for North America

Listen as Chris Baker, head of retail and grocery for North America, sits down with Caryn Kaiser, SVP, Financial Institutions, North America at Visa, to discuss current and emerging retail trends.

Caryn Kaiser

Welcome to [In Conversation With](#) from Visa Navigate, where we share payments insights and chat with Visa's top payment and commerce experts about the trends and topics that they're working on right now.

I'm your host, Caryn Kaiser. I manage client relationships and business development of Visa's financial institution clients. In today's episode, I'm happy to introduce my guest Chris Baker, Visa's senior vice president and head of retail and grocery for North America. He is here to share the latest on trends in U.S. retail. Welcome Chris! I'm glad to have you here. Why don't we start with you telling our listeners about the work you do at Visa?

Chris Baker

Hi Caryn, thanks for having me. Yeah, I lead the North America retail team at Visa. We are responsible for Visa's strategy and relationships in the retail space, working with retailers across segments from luxury to grocery and everything in between. I like to say that we're not just a team at Visa that covers the retail segment—we're really Visa's team of retail and payments experts.

Caryn Kaiser

Excellent! Well, when we think about retail, we certainly know the pandemic has changed that space drastically in the U.S. So, the last two years have changed consumer behavior and some of the trends we've been hoping to see in digital were accelerated. Can you tell us a little bit about some of the biggest changes you've seen in the retail space?

Chris Baker

Over the last two years, we've seen a really massive shift in what, where, and how consumers have been spending in the U.S. We've all been spending on goods versus

travel and other experiences with most retail categories showing significant growth over the last two years. And even as consumers have returned to restaurants and started shifting some of that spin back to travel and experiences, most retail segments are still seeing elevated spend compared to the 2019 year pre-pandemic.

Just to put a few numbers against that looking at some of our Visa Net payment data, over the second quarter of the year from April to June and comparing to the same period in 2019, grocery stores were 34 percent up, home improvement 45 percent up, wholesale clubs 60 percent. So, that elevated retail spend has really been continuing into 2022. That said, in recent months, we've been beginning to see overall retail spend growth slowing, especially in some more discretionary categories like apparel and electronics.

Caryn Kaiser

Right. And I, you know, I think, Chris, I've heard you talk about ecommerce too being a major contributor to overall sales growth in the retail sector, especially at the beginning of the pandemic. Do you expect that the ecommerce volume will continue to grow in the same way that you saw in the beginning of the pandemic? Or what does ecommerce look like?

Chris Baker

Yeah, you know, ecommerce really did explode in the early days of the pandemic, and it definitely remains elevated today. I like to say that we saw, you know, five to 10 years' worth of ecommerce penetration growth in the first five to 10 weeks of the pandemic. And looking at Visa's data, we track what's called Card-Not-Present or ecommerce volume and that's up 81 percent for the second quarter of 2022 compared to the same period in 2019. In those early days, most retailers were really scrambling to stand up or expand their ecommerce offerings to meet the spike in demand. More recently, retailers have been looking to improve the online shopping and fulfillment experience and options both on the front and on the back end.

That being said, it's worth mentioning that ecommerce is not the only driver of increased retail spend that we talked about. Face-to-face or what we call Card Present volume is also up 25 percent versus 2019. And so, while ecommerce continues to grow, the interesting fact is that the share of overall retail sales is actually relatively flat at

about 15 percent of total. Ecommerce as a share of retail sales actually declined slightly in holiday of 2021 versus holiday of 2020 and so will be interesting to see how that trend plays out in the upcoming holiday season.

Caryn Kaiser

Yeah, absolutely. I mean another thing that is gonna be interesting to see how it plays out is inflation, right? Because that's on the top of everybody's mind. I don't think you can turn on the television and watch the news without, you know, being drowned out about topics related to inflation. On that topic, do you see a change in consumers' habits now, since we have all this going on?

Chris Baker

Absolutely. I think inflation is really impacting spending behaviors and attitudes and even shifting spend across segments and categories. We run a quarterly survey with a group called Prosper Analytics, which most recently was run in July and some of the interesting highlights from that were on the inflation question. Thirty-one percent of consumers who responded said that they're going to take fewer shopping trips in the near future, 40 percent said that they'll shop for sales more often, 26 percent will do more comparative shopping online to look for deals, and 33 percent plan to buy more store branded or private label goods versus some of the national brands.

So, that's a pretty significant shift in terms of consumer attitudes and spending behaviors. And in response, we're seeing retailers in many categories seeing the impact of this change in behavior. And when you couple this inflation impact with the recovery of the travel sector and the shift back from spending on goods to spending on travel and experiences, those macro headwinds are pretty strong for many retailers.

Caryn Kaiser

Yeah, makes sense. You know your team talks with all the largest and smallest retailers across the country. So, do you see changes that retailers are making and responses that are happening to this change in terms of where they're focused and how they're determining their success for the future?

Chris Baker

We certainly do. I think in the near term we're seeing retailers laser focused on adjusting

strategies and optimizing operations, which includes things like managing inventory levels, looking at markdowns and promotional strategies. So, lots of work to really kind of work through the current macro situation. Maybe more interestingly and over the longer term, many retailers are expanding outside of their core retail business and they're trying to really build those ecosystems to drive growth into new business segments and drive loyalty of their existing customers. That includes things like monetizing existing services and data, establishing marketplaces, offering financial services, providing healthcare services. We're even starting to see retailers and other brands getting into all new shopping channels like the Metaverse. I think the number was 500 million of Metaverse real estate was purchased in 2021. And many of our retail clients are beginning to explore what that might mean for them.

Caryn Kaiser

That sounds crazy. The world is changing, right? Alright. I have two questions in the end here that I wanted to ask that are more around innovation and payment innovation. So as these behaviors are changing and the retailers, as you note are kind of changing where they're focusing, innovation plays a big role. So, can you talk about the adoption of some of the new ways people are paying and you know what's taking hold and what we should keep our eyes on?

Chris Baker

Absolutely. We've really seen the pandemic accelerate a number of innovations in payments, especially including, you know, the rise of digital payments and the decline of cash usage. In the U.S., we saw a 6 percent decrease in cash usage from 2021 versus 2019, which is really opened the door for increased spending across cards and other forms of digital payment. We also saw 52 percent of consumers have been using tap to pay regularly or occasionally in 2022 versus 26 percent just two years earlier. So, lots more interest in in that contactless payment experience.

And you know, going beyond in store checkout, which is getting more digital, we're also seeing the digital checkout is evolving, things like the "buy now, pay later" trend are playing a big role on this where the pandemic where they helped accelerate that trend. That was already in the making.

Looking at a study we did with morning consult, 32 percent of U.S. adults used "buy

now, pay later” in the last year and 62 percent of those users tried for the first time in 2020 or 2021 during the pandemic.

Caryn Kaiser

Yeah, but that's quite a bit of change that's happening pretty rapidly and the way people are paying, you know, another topic is biometrics, right? So, you know, I personally find that super interesting when you're paying with your face or your hand or whatever the case might be. You know, as a last question here, can you share a little bit about what's happening in the biometric space?

Chris Baker

Absolutely. I think as we just talked about with you know, payments becoming more and more digital, really the entire you know checkout experience, or I'd even go as far as to say the entire shopping journey is getting redefined. Traditionally that was a very linear journey with a check out at the end of the process. You know that that checkout process has evolved to offer things like self-checkout. Offerings like scan and go while you shop, and then even now, as you talked about, you know, checking in being pre verified via biometric data before you add items to your cart and then paying with something as simple as waving your hand. That's all absolutely on the rise. And according to another recent Visa study, 86 percent of consumers say that they're open to using biometrics to verify identity and make payments. So, I think it really interesting trend to watch.

Caryn Kaiser

Absolutely. Well, Chris, thank you for joining us today on Visa Navigate and the “In conversation with” podcast. You lead a very interesting area that is rapidly changing. So, we appreciate your time and if folks have, you know, questions or want to learn more or look into some of the studies that we've done, you certainly can go to Visa Navigate and contact us there or see what other articles and information is out there to learn from. Thanks again Chris, and we appreciate all your time.

Chris Baker

Thanks for having me.