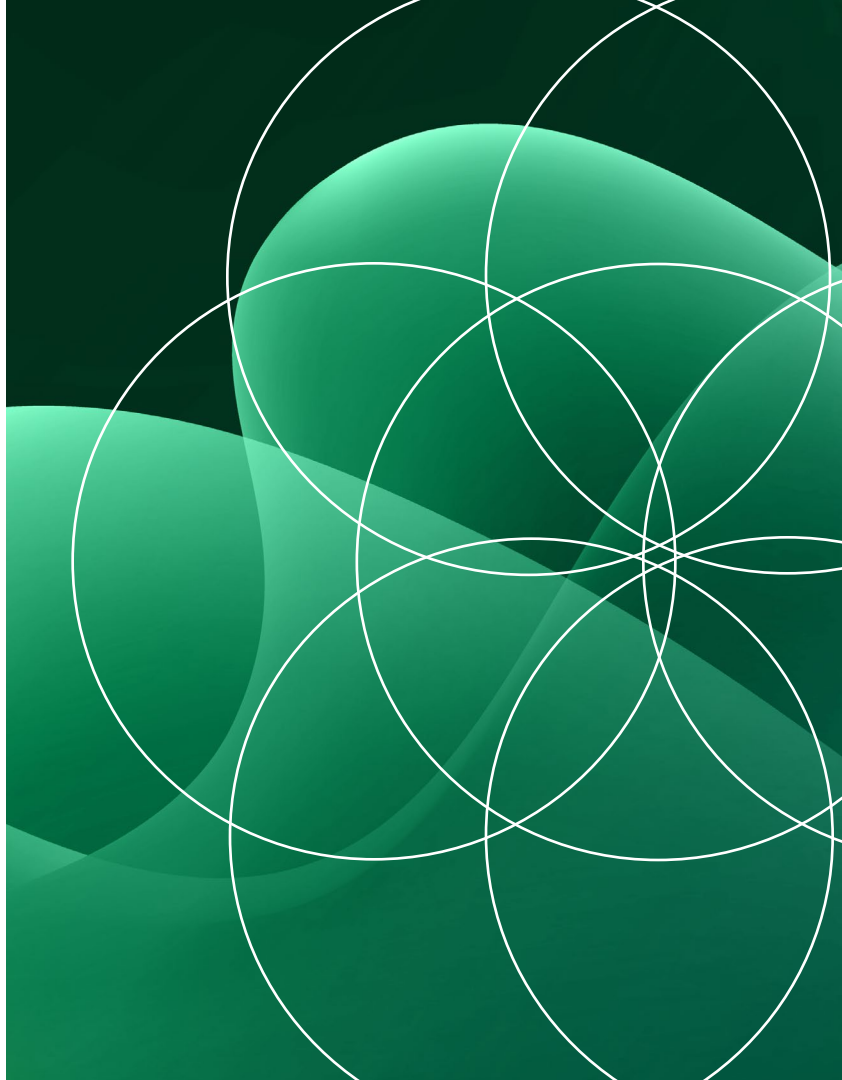


# How Retailers Can Drive Growth With Revenue Diversification

To Ensure Future Success, Retailers Are Looking For New Ways  
To Generate Revenue Outside Traditional Methods

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## Diversify Revenue Streams To Achieve Sustainable Growth

Retailers today are challenged like never before to grow revenue while managing rising costs, evolving regulations, and labor availability. Given this environment, retailers must diversify their revenue streams as traditional growth strategies are no longer enough.

Revenue diversification can include B2C revenue streams, such as offering new products outside the core business, as well as B2B revenue streams, such as data monetization. By strategically diversifying revenue streams, retailers can more successfully attract new customers, build stronger brand loyalty, and ultimately achieve sustainable growth.

In a study commissioned by Mastercard in March 2024, Forrester surveyed 326 decision-makers at retailers in the Americas, Europe, the Middle East, and Asia Pacific to assess their priorities, challenges, and opportunities driving growth with revenue diversification.

## Key Findings



**Retailers must respond to changing consumer expectations.** Despite being a major priority for 80% of respondents' brands, 74% believe their organization will struggle to adapt to consumer expectations over the next year.



**Revenue diversification is critical to growth.** Ninety-seven percent of respondents report that revenue diversification is important to their organization's future.



**Data solutions and partnerships can overcome challenges and grow revenue.** Retailers can expect to see significant return from investing in third-party data solutions, such as access to more holistic consumer insights.

## Retailers Prioritize Multiple Goals, But Face Headwinds

The top strategic priority of retail decision-makers involves attracting new customers (86%). At a tactical level, they plan to get there by personalizing the customer experience (79%) and improving customer insights (77%) over the next 12 months.

Success will not come easy; no less than half of retail leaders expect significant challenges achieving these same goals.

Looking at some regional differences, data shows APAC is more focused than the Americas on personalizing the customer experience (87% vs. 74%) and understanding changing market dynamics (82% vs. 66%). Although personalizing the customer experience is important in EMEA, 70% list it as a top challenge compared to 65% globally.

## The Importance Of Priorities Vs. Expected Challenge Achieving Them

● Critical/Important priorities    ● Challenging/Very challenging\*



Base: 326 B2C strategy decision-makers in the retail industry in the Americas, Europe, the Middle East, and APAC  
 \*Base: Variable B2C strategy decision-makers in the retail industry in the Americas, Europe, the Middle East, and APAC who selected "Moderately important," "Important," or "Critical" priorities for the coming 12 months  
 Note: Showing eight responses  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, March 2024

## Retailers Face Mounting Challenges

While retailers face similar challenges to years past, they are perceived to be growing in severity. Most notably, 65% of retail decision-makers are finding it harder to respond to rapidly changing consumer expectations than in previous years — more than any other obstacle measured. In fact, 75% report their organization is struggling to transform at the rate consumers' expectations are changing.

But that's not the only factor at play. Competitive pressure has increased for 62% of the respondents' companies. Regionally, increasing competitive pressure is particularly challenging in the Americas — 30% list it as much more challenging, compared to approximately 16% in other regions. In addition, other growing challenges include managing the supply chain (63%), using analytics to understand the impact of new strategies (59%), and rapidly evolving innovations in technology (58%).

## Obstacles That Are More Challenging Than In Prior Years

● Moderately more challenging    ● Much more challenging

**38%** **27%** **65%**  
Rapidly changing consumer expectations

**40%** **23%** **63%**  
Managing supply chain

**39%** **23%** **62%**  
Increasing competitive pressure

**41%** **18%** **59%**  
Analytics/understanding the impact of new strategies

**41%** **17%** **58%**  
Rapidly evolving innovations in technology

**40%** **17%** **57%**  
Rising costs

**37%** **15%** **52%**  
Decreasing labor availability

**31%** **12%** **43%**  
Stricter regulatory requirements (e.g., privacy and data)

## Leading Brands Compete By Proactively Anticipating Customer Needs

Emerging technologies and shifting cultural norms fuel consumers' escalating expectations for speed, simplicity, and quality. Each experience that uses context in a novel way to eliminate friction raises the bar for other brands.<sup>1</sup>

Brands must transform to meet consumer needs.<sup>2</sup> But to stand out, retailers must go one step further and proactively anticipate customer expectations. However, only 14% of respondents' organizations proactively anticipate change, and 28% claim to be behind.

Against this backdrop, 76% of retail leaders agree that finding new ways to generate revenue outside traditional methods is essential. This is where revenue diversification comes into play. This study defines revenue diversification as creating new revenue streams outside the core business (e.g., expanding into new products, forming partnerships, monetizing data, etc.).

## Retailers' Ability To Manage Changing Customer Expectations




**28%**

My organization is behind and not keeping up with consumer expectations.



**58%**

My organization is effectively managing its ability to transform at the rate of consumer expectations.



**14%**

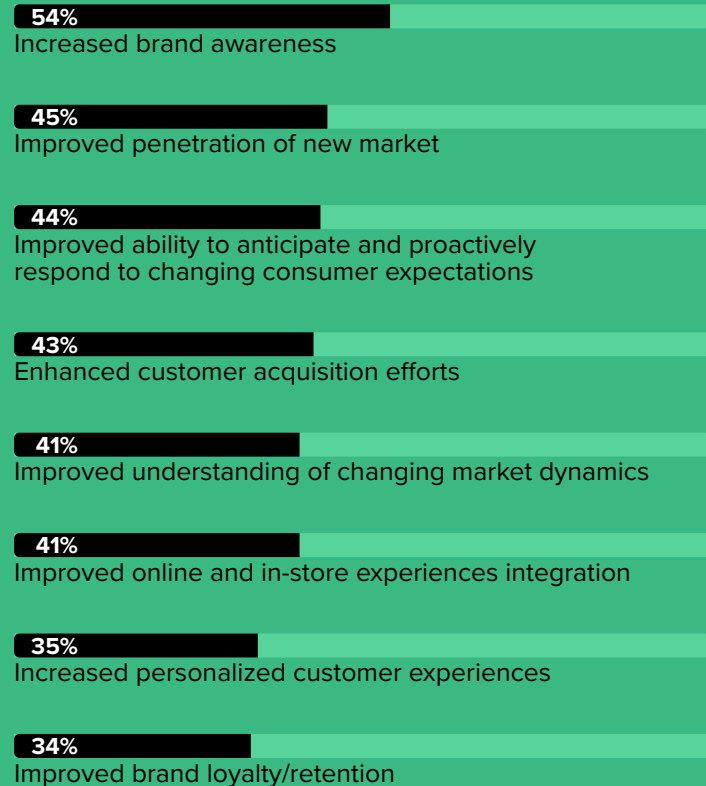
My organization proactively anticipates change and is ahead of customer expectations.

## Diversify Revenue To Achieve Retail Goals

Nearly all respondents (97%) report that revenue diversification is important to their organization's future. By expanding offerings and capturing net-new data, revenue diversification can help retailers achieve their most important goals, including:

- 1. Attracting new customers (86%).** Through revenue diversification, retailers can improve market penetration (45%) and enhance customer acquisition efforts (43%).
- 2. Responding to changing consumer expectations (80%).** New revenue streams can unlock data to improve retailers' ability to anticipate and proactively respond to consumer expectations (44%).
- 3. Personalizing the customer experience (79%).** Diversifying revenue can improve online and in-store experiences integration (41%) and ultimately deliver a more personalized customer experience (35%).

## Expected Or Achieved Benefits From Diversifying Revenue Streams



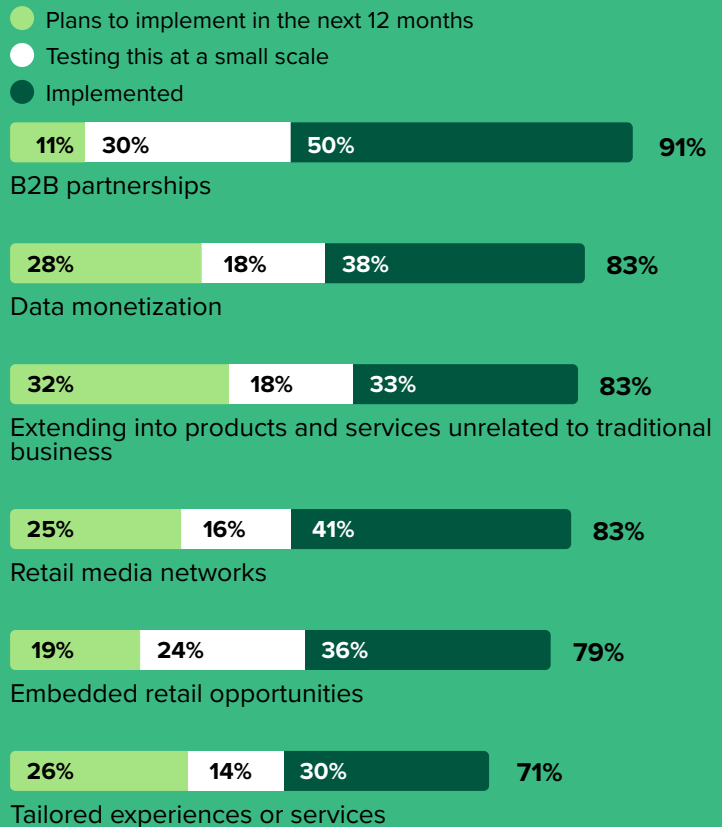
## Many Companies Are Just Beginning Their Revenue Diversification Journey

Some retailers have already implemented elements of revenue diversification, either through a targeted approach or across their full network. The most common way is creating B2B partnerships (50%). Most retailers that have not yet implemented revenue diversification are either in the testing phase or plan to implement in the next 12 months.

Data shows some trend differentiation between discretionary retailers (e.g., apparel) and nondiscretionary retailers (e.g., grocery), with the former focused more on tailored experiences (36% vs. 19%) and the latter more focused on embedded retail opportunities (49% vs. 27%) and building retail media networks (49% vs. 33%).

Testing revenue diversification strategies is important to optimize results. At a regional level, EMEA and APAC engage in testing products and services unrelated to their traditional business more than the Americas (24% and 23% vs. 12%).

## Approaches To Revenue Diversification



Base: 326 B2C strategy decision-makers in the retail industry in the Americas, Europe, the Middle East, and APAC  
 Note: Showing seven responses; total percentages may not equal separate values due to rounding.  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, March 2024

## Brands Recognize That Revenue Diversification Comes With Challenges

Revenue diversification is an important part of retailers' plans for the coming year. Seventy-nine percent of respondents report that creating new B2C revenue streams is a priority for their organization and 76% are prioritizing B2B revenue streams. Examples of B2C revenue streams include specialty retailers introducing cooking classes or big-box retailers launching paid membership programs. B2B revenue streams include retail media networks, which refer to retailers' ability to sell ads on their e-commerce sites to brands, as well as data monetization and B2B partnerships.

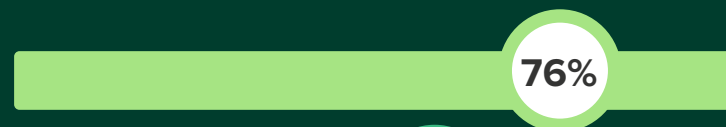
But they still have a long way to go. Over half of those respondents prioritizing the expansion of revenue streams say achieving these goals will be challenging or very challenging for their organization.

## The Importance And Expected Difficulty Of Creating New B2C And B2B Revenue Streams

- Moderately important/  
Very important/Critical
- Challenging/Very  
challenging\*



Creating new **B2C** revenue streams beyond just selling products



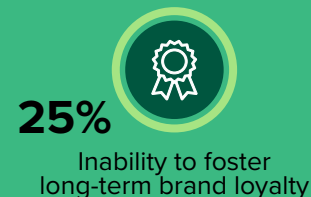
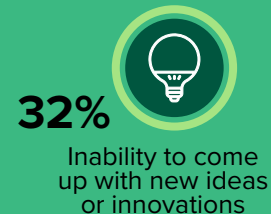
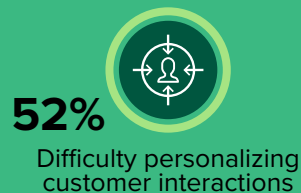
Creating new **B2B** revenue streams beyond just selling products

## Retailers Face Barriers To Revenue Growth

Every respondent reported that their retail organization faces barriers to revenue growth, with the most common being difficulty personalizing customer interactions (52%). Though creating individualized customer experiences and accessing the data needed to deliver those experiences continue to be primary goals of retail leaders, insufficient customer data is one of the most significant problems retailers face (45%).<sup>3</sup> This is particularly challenging for retailers in APAC (51%), compared to retailers in EMEA (47%) and the Americas (42%).

Other cited barriers include the inability to measure the cause and effect of introducing new strategies or initiatives (41%), which is even more prevalent in the Americas (44%), and challenges coming up with new ideas or innovations (32%), which presents additional barriers for APAC retailers (41%).

## Barriers To Revenue Growth



## Data Solutions Can Help Overcome Challenges Growing Revenue

Robust data solutions offer the ability to solve the most common barriers to revenue growth and diversification.

The most beneficial solutions will offer insights into consumer spending patterns (a capability needed by 67% of respondents). But insights alone are not enough. Data solutions should also provide actionable recommendations based on those insights, including those needed to personalize customer experiences more effectively (59%).

Guided by data insights, retailers can more confidently identify the right revenue diversification efforts, testing new initiatives in market (52%) and evaluating the performance of new products (44%). Through these in-market tests of new programs, they can pinpoint the right ways to tailor and target rollouts to reach the right customers and maximize impact.

## Capabilities Or Qualities Expected From A Third-Party Designed Solution To Help Create New Revenue Streams



67%

Insights into consumer spending patterns



59%

Recommendations on how to deliver personalized customer experiences



52%

In-market testing capabilities to assess and optimize new business initiatives



44%

Accurate performance evaluations for new product lines



33%

Support with developing new business ideas

## Conclusion

Diversifying revenue is a top priority for retailers. But iterating ideas, using the right tech, and following best practices are critical to success. This study found that:

- **Finding net-new revenue is key to growth.** Most retailers (76%) agreed that digital transformation and changing consumer expectations make finding new ways to generate revenue beyond traditional methods essential to success.
- **Testing small is imperative.** With so many options, 84% say their organization needs to test initiatives on a small scale before implementing them broadly.
- **Revenue diversification requires modern data solutions and partnerships.** All retailers reported at least one challenge to growing revenue. Data solutions can overcome these challenges by providing consumer insights, personalization capabilities, and advanced analytics.

## Endnotes

<sup>1</sup>Source: [Crush Customer Expectations With Anticipatory Experiences](#), Forrester Research, Inc., August 9, 2022.

<sup>2</sup>Ibid.

<sup>3</sup>Source: [The Top Retail Commerce Initiatives For 2024](#), Forrester Research, Inc., February 20, 2024.

## Resources

### Related Forrester Research:

[Crush Customer Expectations With Anticipatory Experiences](#),  
Forrester Research, Inc., August 9, 2022.

[2022 Online Marketplace Tracker, Global](#), Forrester Research, Inc.,  
October 3, 2022.

[The State Of Digital Intelligence Technology Adoption](#), 2023,  
Forrester Research, Inc., April 4, 2023.

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Forrester's [Consumer & Digital](#)  
research group

## Methodology

This Opportunity Snapshot was commissioned by Mastercard. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of B2C strategy decision-makers in the retail industry in the Americas, EMEA, and APAC. The custom survey began and was completed in March 2024.

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## Demographics

REGION	
Americas	<b>45%</b>
EMEA	<b>33%</b>
APAC	<b>22%</b>

INDUSTRY	
Retail	<b>100%</b>

RETAIL TYPE	
Discretionary	<b>50%</b>
Nondiscretionary	<b>38%</b>
Other	<b>12%</b>

ANNUAL REVENUE (USD)	
More than \$5B	<b>15%</b>
\$1B to \$5B	<b>24%</b>
\$800M to \$999M	<b>18%</b>
\$600M to \$799M	<b>22%</b>
\$400M to \$599M	<b>12%</b>
\$200M to \$399M	<b>9%</b>

LEVEL	
C-level	<b>19%</b>
Vice president	<b>37%</b>
Director	<b>44%</b>

Note: Percentages may not total 100 due to rounding.

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