THE FUTURE OF RETAIL
IN STORES NOW
THE FUTURE OF RETAIL IS ALREADY HERE.

EXECUTIVE SUMMARY
The future of retail isn’t coming. It’s already here.

The retail sector is in a period of renewal and reinvention. A major demographic swing is underway, with Millennials replacing Baby Boomers as the dominant generation. Millennials, and other digital native generations that will follow, bring with them a high-degree of technological savvy — as well as a host of new expectations for retailers. This new breed of shopper is more connected to devices and data, more comfortable moving seamlessly across multiple media channels, and generally more informed than ever before. For possibly the first time in history, shoppers are in the driver’s seat, not retailers.

Retailers must learn to respond to the demands and needs of these consumers to survive and thrive in the coming years. These new connected shoppers will be focused on experience — and expect shopping to be like other facets of their lives: personalized and tailored to them. More and more, shoppers will demand one-to-one connections and interactions with brands. Merchants need to learn to operate in this new seamless world, and create engaging shopper-centric experiences.

Despite these shifts the new generation of connected shoppers will continue to make most of their purchases in brick-and-mortar stores because online shopping has failed to deliver fully with them in one critical area: experience. If retailers can learn to engage these shoppers and create differentiated and exceptional in-store experiences, connected shoppers will want to shop at their stores.

To help retailers engage with the new breed of shoppers and meet their expectations, new retail technologies, including many highlighted in this book, are already available. Companies like RetailNext, Celect, Tulip Retail, CloudTags, Theatro and SweetIQ are creating opportunities for forward-thinking retailers to take advantage of new data, analytics, and in-store engagement technologies to help shape and create exceptional in-store experiences, capture new shoppers and grow their brands through this period of change. These companies are allowing retailers to bring the future into their stores today.

Change, while potentially daunting, brings opportunities for any retailer brave enough to move ahead of the wave. Retailers can implement solutions now to become more shopper-focused, and bring the future of retail to their stores today.

Mohannad El-Barachi
CEO, SweetIQ
KEY TAKEAWAYS
Big change is coming to the retail sector

Millennials and other digital native generations are in now charge

Omnichannel equals seamless

In-store experience is everything

Technology is already helping retailers build the store of the future
CHANGE IS COMING

Why do experts predict such massive upheaval in the world of retail over the next 10 years?
We will see more disruption in the next 10 years of retail than we did in the previous 1,000.

— Doug Stephens, founder of Retail Prophet
A major demographic shift is underway – and bringing with it major changes. Millennials, numbering over 83 million in the U.S., and making up more than 25% of the population, have already surpassed the Baby Boomers as the dominant demographic.² And in the next 10 years, Millennials will be coming into their major buying power years.³

Millennials bring with them a greater level of tech-savviness, and different expectations than the generations before them. This new breed of shopper is more connected to devices and data, more comfortable moving seamlessly across multiple media channels, and generally more informed than ever before. They want personalised and catered experiences, and to be able to transition seamlessly from the online to offline worlds.⁴ Not to mention the Post-Millennials, who will just be coming of age in 2025 and bringing with them an even greater degree of tech and media sophistication.⁵ Retailers who appeal to connected shoppers and meet these new expectations will thrive the most in the next 10 years.⁶

All this change, while disruptive to traditional retail patterns, brings a great deal of opportunity.
Retailers will see continued growth in e-commerce in the coming years, as connected shoppers are attached to their digital devices, but the brick-and-mortar store isn’t going anywhere. Popular brands with Millennials, like eyewear company Warby Parker and men’s retailer Frank & Oak, have begun to open brick-and-mortar stores after starting as online only, and even the online giant Amazon has dipped its toes into the world of physical stores. Connected shoppers who crave personalized experiences (and instant gratification), will continue to shop at the brick-and-mortar stores that cater to them.8

Meeting the needs of connected shoppers will cause the landscape of traditional brick-and-mortar retail to change though. Experts predict stores will become smaller and more tailored to the needs of their customers. And instead of being sales-focused as in the past, stores will become shopper-centric, focused on creating valuable in-store experiences and customized messaging for their customers.9 Omniclannel, or the seamless integration of online and offline media channels, will also become a reality.10

And what will enable stores to achieve all of this? Technology.

A major technological revolution is underway in the world of retail. Tech firms are partnering with retailers to provide stores with data, analytics, and technological solutions to create customized and creative in-store experiences. Technologies, like beacons and smart shelves, that can digitally interact with consumers are already being used in stores today. Further developments and partnerships between retailers and the world of tech will continue to develop to make the store of the future a reality.
Over the next 5 to 10 years brick-and-mortar stores and the complete retail experience will undergo a dramatic overhaul.

WHAT DOES THE STORE OF THE FUTURE LOOK LIKE?
Between 1980 and 2010 retail space more than doubled in size, but this trend will quickly reverse itself in the coming years.¹¹ Gone is the era of the supercenter with endless aisles stacked to the ceiling with merchandise. As retailers focus on creating shopper- and experience-centric stores, they will need to downsize the physical footprint of their stores and create environments that blend more seamlessly into the communities they serve. Stores will be fewer, smaller, but more impactful.¹²
Major retailers will begin to shift away from traditional business models to non-traditional stores. Large retail chains will operate in a variety of formats, to better match shifts in consumer buying habits.¹³ For example, CityTarget, a smaller, stripped-down version of the big box retailer, aimed at serving the needs of urban dwellers, already produces double the sales per square foot than larger traditional Target stores.¹⁴

As e-commerce continues to fulfill a greater degree of planned shopping, brick-and-mortar stores will need to capitalise on the immediate and impulse buying needs of consumers. More and more non-traditional formats, such as pop-up stores or mobile retail trucks will also exist to make it easier for consumers to shop wherever, whenever.¹⁵
Consumers will need to be motivated to go to a brick-and-mortar store when there are going to be alternatives for shopping that are more convenient. Traditional retailers must create positive in-store experiences that deliver compelling value versus more immediate or convenient options. Consumers will determine value based on relevance and personalization. Retailers need to build stores and experiences that deliver this new definition of value to their customers.

Smaller, urban City Target stores generate twice the sales per square foot compared to traditional Target stores.
THINK OMNICHANNEL, THINK SEAMLESS

Shoppers put themselves at the heart of their thinking, always.
Shoppers put themselves at the heart of their thinking, always. They don’t think in retail industry terms like ‘omnichannel’ or ‘multichannel’ – they think about what they want, and when they want it. As today’s shoppers are empowered with information and choice like never before (and that’s only going to rise over the next five to ten years), and they are increasingly comfortable navigating across channels when they shop, retailers need to create a seamless shopping experiences across all channels – in-store, online, mobile, and other media channels – to give their customers what they want. For the first time ever shoppers – not merchants – have the bulk of the power in this relationship. And their collective behaviors are shaping the retail shopping experiences of the near future.

Although online sales currently make up a small portion of major retailers’ revenues (approximately 3% for chains like Wal-Mart and Target, 7% on average for all retail), creating a fully integrated brand experience both in-store and online, as well as across other channels like social media, will become important as customers demand more flexibility in their purchasing options. For retailers, it’s no longer a question of online or in-store. Seamless, blended experience across all channels – online, on-device and in-store – that create differentiated competitive advantages will be the norm. After all, Millennials don’t think in “clicks vs bricks” like previous generations.
Connected shoppers expect a fully integrated brand, and want to receive a consistent experience regardless of the channel.\textsuperscript{19} Merchants will need to create “wall-less” retail spaces that let customers seamlessly interact with their brand, whether in-store or on a mobile device. To gain a competitive advantage retailers will need to give their customers what they’re craving: instant and relevant information no matter where they are or what device they are using.\textsuperscript{20}

For the most part, customers no longer need to or have to shop within a brand, so retailers have to make them want to shop, with shopping experiences that surprise and delight.

One-stop shopping will be redefined to mean a seamless experience, where retailers use a convergence of physical formats, online formats, and digital tools to allow customers to interact with their brand, and to make purchases from almost anywhere.\textsuperscript{21} Customers in the future will also expect to engage with a brand across various channels simultaneously - think a customer reading reviews of a product on their smartphone while shopping in-store.

Connected shoppers, those engaged with omnichannel retail will be highly desired by retailers. Seamless shoppers spend more than regular shoppers, as they are more engaged and have access to a wider range of products as well as additional discounts and incentives.\textsuperscript{22} According to a 2015 study, omnichannel consumers have a 30% higher lifetime value than consumers who engage with only one channel.\textsuperscript{23} Investing in omnichannel retail, and creating seamless, integrated experiences, is therefore a must for the success of retailers in the future.
Technology is the driving force that allows retailers to deliver seamless retail and create engaging in-store experiences. Whereas in the past traditional brick-and-mortar retailers didn’t have access to the same level of data or analytics as online retailers, new in-store technologies are already beginning to enable brick-and-mortar stores to capture the same big data as their online counterparts.

By 2020 offline stores will have access to all of the same key data and analytics as e-commerce retailers.24

Data and technology will revolutionize the retail landscape and change how traditional merchants meet their customers’ needs. Big data mining will give brick-and-mortar retailers a great deal of knowledge about their shoppers, with insights that go well beyond their transactional behavior.25
Online retailers in the past have had an advantage over traditional brick-and-mortar stores in their ability to selectively target customers based on their preferences and habits. Through the use of analytics, online retailers have been able to continually refine their tactics to reach key shoppers and demographics. New technologies, such as mobile engagement platforms that cross multiple channels, now let physical stores operate like their online counterparts. In-store technologies like video analytics, beacons, mesh networks and Wi-Fi are able to track the path customers take through stores, and what items shoppers stop to browse and pick up. Other technologies being developed and tested such as “smart shelves” identify key demographic information about a customer.

For retailers to deliver exceptional shopping experiences, they first have to better know their shoppers. Big data and analytics now allow retailers to create more targeted shopping experiences and tailor stores to the specific needs of their customers, as such technologies let brick-and-mortar stores understand their customers on a deeper,
more granular level than ever before. Brick-and-mortar stores can now offer targeted promotions, and personalized messaging to consumers as they pass through their store. Through in-store engagement technologies retailers can provide shoppers with personal recommendations, up-to-date product information, and coupons or discounts, all based on where a shopper is currently standing in a store. In this way, technology allows brick-and-mortar retailers to personalize and customize shopping experiences in ways similar to online retailers. These new technologies, and the data they provide to retailers, also enable retailers to better manage sales productivity on the merchandise floor, and optimize in-store product assortments.

To help retailers make sense of all the data that they will have access to, retailers will need to partner with tech companies to help them interpret and analyze data, and implement solutions. Cutting edge in-store retail analytics platforms integrate full suites of engagement solutions, and they produce real-time, actionable insights into shoppers and their shopping behavior. Companies like RetailNext and Celect are meeting this need and providing comprehensive in-store data and predictive analytics to their retail customers. RetailNext helps stores better collect and analyze in-store data, which gives retailers an improved understanding of shoppers’ behaviours, and ultimately increases sales and profitability. Through predictive analytics and choice modeling, Celect helps retailers optimize assortments both in-store and online, while predicting future customer intent.

Data and analytics help retailers make changes, both big and small, to enhance in-store experience and ultimately make retailers more competitive. Alexei Agratchev, CEO and co-founder of RetailNext tells the tale of a large chain store that was under-performing in their shoe department. By using the firm’s data collection and analysis, RetailNext discovered that a slight change was needed – benches in the shoe department needed to be moved further from the wall to make it easier for customers to try on shoes. The small change “was a slight modification that resulted in a significant sales increase for the department, and the store,” Agratchev said. Using new in-store technologies to collect data and analytics, which can lead to similar simple and easy to implement changes, can increase sales between 5 and 20 percent. Small change, big impact - all because the retailer had the data, understood the analytics and took action.
“When consumers walk into a physical store and they have a positive experience — that’s a huge win. Today, retailers cannot compete on product selection and price alone. They must compete on the in-store experience.”

— Alexei Agratchev, RetailNext co-founder and CEO.
“The ability to make better decisions in terms of what to stock and what to put where is a huge challenge for retailers right now. Yet, for those that get it right, it can also be a huge opportunity. Celect’s choice modeling technology represents a sea change in how retailers have historically tackled this problem and we believe - and our customers have shown - that we’re on the right track.”

— John Andrews, CEO at Celect
Predictive analytics will also help retailers better meet the needs of shoppers. By mining data collected both online and in-store to understand shopping patterns and predict future needs, retailers can improve pricing strategies, inventory control, customer service, and ultimately, their bottom line. Firms like Celect, a predictive analytics and choice modeling platform, helps retailers to better understand how a customer shopping in their store chooses from a variety of products. By using existing omnichannel data, Celect helps retailers decide “what to put where” across various retail outlets, based on consumer preferences.

Data and analytics will allow retailers to create more tailored and customized stores that are better able understand and anticipate the needs of shoppers.
Experience is everything to connected shoppers. Most retailers today are currently under-delivering on experience; missing key opportunities to connect with this important demographic. Experts predict that by 2020 only stores offering unique in-store experiences will see increased foot traffic. In-store experiences, therefore, are the best way to engage shoppers and build a strong brand.

The biggest change to retail in the next 5 years will be the creation of stores reengineered around unique branded experiences. Stores will need to use technology as a competitive advantage to create unique and personal experiences.

Stores that are prepared to enter a new phase of mass personalization will be the retailers that gain the greatest foothold in the future.

“89% of Millennials want personalization when they visit stores, but only 18% see it from retailers today.”

In the future the definition of value and convenience will no longer mean time and ease like it does now, instead retailers will provide value and convenience to customers through personalization and relevance. Stores will become shopper-centric, instead of sales-centric like in the past.
Retailers are already beginning to clue into this new understanding of value and convenience. Montreal-based men’s retailer Frank & Oak see themselves not just as a traditional store, but as a “trusted adviser.” Already trying to up the in-store experience by offering an in-house barbershop, Frank & Oak saw an opportunity to blend technology and customer service to create a more customized shopping experience. They noticed that customers would come into their store with their partners to help them pick out an outfit and realized that they could facilitate this process themselves. By having new customers fill out a profile about their sizes and preferred styles and colors, and using algorithms along with better trained and informed sales associates, Frank & Oak can suggest purchases targeted to their customers, playing the role of “trusted adviser.”

Frank & Oak, along with retailers like Saks Fifth Avenue, Coach, Bonobos, Toys”R”Us and GameStop, have partnered with Tulip Retail to enhance the in-store experience by enabling store associates through mobile technology. Tulip Retail brings technology into the store, arming sales associates with iPads. Armed with powerful modules, sales associates are able to customize interactions with their customers. Customer management modules keep track of past shopping data and preferences, providing sales associates a way to pick out styles and sizes that best match their customer’s preferences, while helping to build long-term personalized relationships between customers and brands.
“Retailers are discovering that retail transformation hinges on the support and enablement of truly connected store associates. We must give associates the tools to tell the brand story, answer questions, and facilitate smooth transactions across channels. This change in mentality demands more than just great technology. Rather, it requires a fundamental shift in how we value and empower front-line retail staff.”

- Ali Asaria, CEO, Tulip Retail

Successful retailers in 2020 will rethink how they are using sales associates, and will turn sales associates into part of the reason consumers choose to shop in their stores.

Along with Tulip Retail, other companies are offering solutions to better equip sales associates, making them knowledgeable and informed assets. For example, Theatro is pioneering an innovative retail communications and management solution through Internet of Things, voice-controlled wearables, delivered over in-store Wi-Fi to store associates. These wearables, coupled with indoor location and productivity apps, provide real-time assistance for employees to provide a better customer experience by giving them in-the-moment-information such as inventory counts, sales updates, price checks, access to store management, and the ability to communicate with everyone across the store and across the enterprise. Employees can have one-to-one conversations, share expertise and product information, support one another, and guide new teammates all while remaining heads-up and hands-free, delivering better customer service and increased store productivity.

“Customers’ expectations are rapidly evolving and being influenced by brand experiences. Ultimately, employees shape this customer experience, from their ability to quickly provide product
knowledge to the efficiency of checkout to a customer’s satisfaction as he or she exits the store. Better enabling those employees in the store can be a huge differentiator for retailers as they look to meet the needs of the mobile-enabled customer of the future.”

- Chris Todd, CEO of Theatro.

Informed and responsive sales associates are essential as repeatedly consumers say that there is no online substitute for knowledgeable in-store assistance and a positive shopping experience.⁴⁷
Technology can also enhance in-store experience by creating digitally connected stores. Consumers are already using mobile devices in-store, so retailers need to leverage this and create exciting experiences that will make consumers want to engage directly with their brand both digitally and in-person. Beacon technology, by interacting with a consumer’s mobile device and sending targeted promotions and communications, is one way to encourage shoppers to engage with a brand digitally while in-store.

A roadblock, though, to this type of engagement is that some technology, like beacons, requires consumers to turn on their Bluetooth, opt-in to receive promotions, or download a store’s app. To overcome this barrier, companies like CloudTags are putting digital devices, like iPads, directly into stores. CloudTags aims to create connected stores that blend the digital and in-store shopping experiences. Using in-store digital devices, customers can engage with merchandise both physically and digitally while in-store. Customers can save everything they have browsed while in-store, and re-visit products at a later time on a digital device. Retailers can also save and use this data to engage with the customers in meaningful ways, both online, such as through email, or when a customer returns to the store.48

By providing tablets directly to customers, the entry barriers to using such technology are eliminated as customers don’t need to download an app or create an account. The technology is, literally, already at their fingertips.49 Integrated and personalized shopping experiences are needed to engage today’s connected shopper, where the online and offline worlds are blended together unlike in generations past.
Retailers looking to cash in on the benefits of connected shoppers and omnichannel retail, need to know how to engage and attract these tuned-in consumers. Retailers need to be able to reach shoppers wherever they are to make the shopping experience seamless — including providing shoppers with relevant, local information to get shoppers to come in-store. According to Google, 75% of shoppers are more likely to visit brick-and-mortar stores if they find helpful local retail information in online search results.  

Although Millennials are forcing brands to engage with them differently — over social and digital channels versus in more traditional ways — connected shoppers are still making their way into, and making purchases in stores. They will often start the shopping process online, but choose to fulfill purchases offline. This is because online shopping, despite the hype, has failed to deliver in one critical area: experience. The bottom line is that no matter the “cool factor”
of the online technology, consumers say that there is no substitute for a positive in-store shopping experience. Getting found online then, and converting online searches to offline purchases, will continue to be a fundamental challenge for retailers in the future.

Online to Offline, or O2O, is already a huge player in the modern retail world as O2O marketing and conversions influence over $3 trillion dollars a year in retail spending, 10 times greater than e-commerce spending. Driving foot-traffic to brick-and-mortar stores will only become more important for retailers in the future as competition increases in the retail sector. Local search marketing and local listings management companies, like SweetIQ, help retailers decode O2O and manage their O2O sales funnel. Tracking O2O conversions and knowing if online efforts are having an impact on offline traffic, is fundamental to driving shoppers to brick-and-mortar stores. SweetIQ, through managing online local listings, and using data and analytics, like measuring online and offline conversions and engagement, help retailers turn online activity into offline sales.
Retailers understand their success lies in their ability to better connect with the online consumer. Providing our fortune 500 brand clients with insights into their online-to-offline funnels allows them to not only understand how to generate more in-store foot traffic through local channels, but more importantly they can understand the ROI of their local marketing campaigns. We’re seeing a major uptick in the number of retailers embracing the future of retail right now - they’re not waiting. It’s exciting to see the change in attitude that has taken place over the last couple of years.”

- Mohannad El-Barachi, Co-Founder and CEO, SweetIQ
The desire for seamless interactions by customers will also drive retailers to offer more personalized and tailored services in terms of fulfillment and payment.
Same-day delivery will become more prevalent, and is already a reality in some major cities with retailers like Everlane offering 1-hour delivery in San Francisco and New York City. One-stop shopping will be about a retail brand offering a number of options for order and fulfillment: home delivery, store pick-up, or in-store payment, like “click-to-collect.” Click-to-collect, where a customer can order product online and pay and pick-up in-store, is another way retailers will bridge the gap between online and offline retailing. Planet Retail research shows that half of global shoppers are now influenced by a retailer’s ability to offer convenient collection points for online purchases. Through focusing on customer-centric and seamless shopping experiences, Planet Retail predicts collaborations between non-competing brands, where retailers from two different sectors, like fashion and beauty, will team up to offer best-in-class click-to-collect services.

Mobile payment will also become second-nature. The launch of mobile payment options like Apple Pay have already introduced the concept into the marketplace, and more and more customers are expected to adopt this type of payment over the next 5 years. Experts predict that payment options will continue to become even more seamless. One example of how businesses are starting to adopt seamless payment and fulfillment experiences is Starbucks.

In 2015 Starbucks launched an app to allow customers to pre-order and pre-pay for beverages using their iPhone before arriving at a Starbucks’s location. Some experts even envision a future where customers can walk out of a major retailer like Costco, their carts piled high with goods, and their purchases automatically tallied and charged to their account, with no checkout in sight.
No one can predict the future, but it’s clear that retail is once again reinventing itself. Over the next 10 years retailers can expect to undergo dramatic changes. With the rise of connected shoppers retailers will see a new level of expectations placed upon their brands and their stores. Retailers will need to use technology to create seamless shopping experiences and positive in-store encounters to meet the needs of connected shoppers. Retailers who create value through customization and personalization will connect with these up and coming generations. Developing a strategy now is imperative if retailers want to differentiate themselves and thrive in the future.

There is no excuse for retailers to wait for the future to come to them though. Future-focused technologies that allow retailers to build the store of the future are already available. The time to embrace change is now.
ENDNOTES


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