QINDLE

Retail in 2019

- Leading trends of the retail industry -

February 2019

Retail in 2019

As a logical follow up of the CES in Las Vegas, the NRF (National Retail Federation) recently ran its new edition in New York City and it didn't disappoint our inspiration-hungry innovators' souls. The NRF, another exhilarating show with nearly 40.000 attendees and 700 exhibitors felt like the perfect starting point to dive into what the future of the retail industry holds.

While many spoke of a Retail Apocalypse a few years back, when a large number of North American retail stores went bankrupt, it is becoming clearer and clearer that we now rather are in a "Retail Renaissance". Some, amusingly, even call it a "Restaurant Renaissance" as we are witnessing a shift in consumers' spending habits from material to spiritual (going out for dinner, traveling, etc.).

Thus, we have reached a new point, where retail's purpose and function have changed. Simply put, it is what shops can do for the consumer that has shifted. Today, consumers expect convenience, availability and flexibility from retailers who should adapt to their hectic lives. They look for excitement and status, authenticity and social connection. The line between each notion is thin. In sum, today's consumer looks for a memorable experience. It is the relentless quest of meeting consumers' needs that drives the craze in the retail arena.

— make it real

RETAIL IN 2019

1. Technology-based experience.

2019 seems to be the year where every pole will start integrating better, not only with each together but also into consumers' lives. Deployment and adoption will be smoother, and we will start gathering strong case studies where technology proves to genuinely support and enhance consumers everyday life, in and out of home.

1. TECHNOLOGY-BASED EXPERIENCE

Artificial Intelligence

Artificial Intelligence (AI) has been once more a topic of much discussion this year at the NRF. But the real chatter was focused on the incorporation of the Big Data with the power of AI. For years retailers have been collecting precious insights through a myriad of sources (purchases, subscriptions, social media likes and shares, impressions, GPS locations, etc.), but the real value comes down to the use companies make of it in order to create higher in-store engagement.

We can expect such "deep retail" to be not only a new driving force, but also a solid connector with consumers. We could easily say that retail brands know consumers better than they know themselves! Even more so through the new forms of data collection retailers put to work, such as DNA testing (**Nestlé** Wellness Ambassador in Japan, for instance).

EATYOURFEED
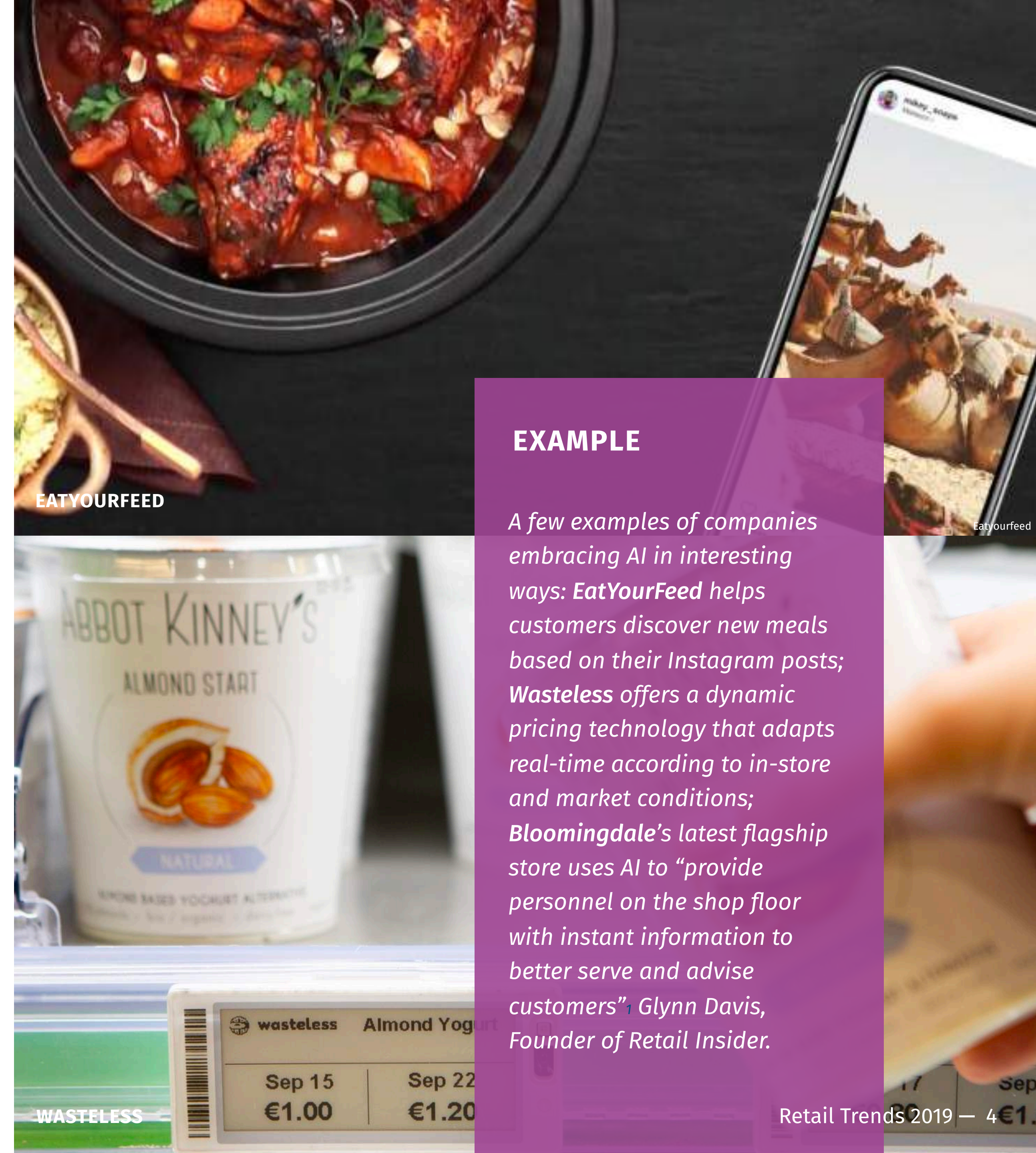
Eatyourfeed

EXAMPLE

A few examples of companies embracing AI in interesting ways: EatYourFeed helps customers discover new meals based on their Instagram posts; Wasteless offers a dynamic pricing technology that adapts real-time according to in-store and market conditions; Bloomingdale's latest flagship store uses AI to "provide personnel on the shop floor with instant information to better serve and advise customers"[1] Glynn Davis, Founder of Retail Insider.

WASTELESS

1. TECHNOLOGY-BASED EXPERIENCE

Internet of things

The IoT is moving beyond the hype. As the connector between data, AI and technological apparatuses, the Internet of Things is essential to improving both supply chain and customer experience. As we will see later on in this report, efforts are made towards the implementation of technologies with a genuine purpose of making the shopping process easy, smooth and enjoyable; even natural. The store is not meant as a destination per se anymore, rather it is part of a lifestyle and routine – it goes without saying that the shop itself, through a presence of its own, should create a full, unique, customer experience. A textbook example of this is **Amazon Go**, who back in 2017 gave us a glimpse of the retail of the future – read: retail of today – with its cashierless supermarkets that are both minimalistic and packed with tech. A sophisticated blend which Microsoft made sure to compete with, thanks to recent partnerships with **Walmart** as well as with Kroger.

As more and more people use connected technologies, the use (need?) of voice command increases as well. According to a survey by Adobe last year already 30% of voice activities are related with online purchases. This number alone is huge, because as we get more and more comfortable, this way of shopping is completely reshaping not only consumers' behavior, but also business revenue models[2].

With that in mind, retailers will consequently need to start rethinking the way they gauge success. The good old sales per square foot won't fit our modern retail world anymore.

For instance, while the holy grail of online retailing was ranking first on Google, there is now a whole new dimension to it through voice assistants, as the customer can simply summon **Alexa** with one word and ask it to "repurchase". There are of course many different valuable data that can be turned into success measurement depending on the retailer's goals. A few interesting ones could be: in-store display engagement, movement patterns or even the time spent looking at a product. One thing is for sure: there is big potential here!

AMAZON GO

EXAMPLE >

Retailers are consistently warned against introducing technology with no added value. We expect voice assistants to offer more individualized experiences through behavioral and contextual data.

WHAT SIZE T-SHIRT WERE YOU LOOKING FOR? WHAT COLOUR WOULD YOU LIKE?

1. TECHNOLOGY-BASED EXPERIENCE

Virtual Reality & Augmented Reality

#confusedreality. The terms are often mixed up. It is important to make the distinction between the two however, as their primary uses and therefore use-cases will be different: Virtual is mostly used recreationally, for its complete immersiveness (thus mostly for confirmed gamers) and Augmented currently mostly professionally (supporting industrial or medical trainings, which require heavy decision-making, for instance) until further mainstream adoption. Because of the more real-life/social nature of the AR experience, we would await to hear primarily about AR developments this year.

EXAMPLE

Hololens by Microsoft: More recently we also started talking about Mixed Reality (MR), which uses projected graphical visualizations that appear to interact with the real world. Although the latter is for now more of a concept really, we could expect it to gain momentum once the gap between virtual and real translates into a relevant solution for the consumer.

The Trendwatching team defines new-tech's new dimensional shopping space as a "Magic Point of Sale", where "the admittedly later than expected arrival of meaningful AR experiences are all reframing expectations when it comes to how, where and when customers can engage with your brand"[3]. One of the categories we are the most excited to see grow into this are grocery stores, where competition will obviously be fierce. We already referenced game-changer Amazon, but the competition is coming on all fronts. It is likely that we see more and more AR-powered apps popping into consumers' smartphones to advice and escort them in their shopping

stream: think display, promotional opportunities and product placement strategies (it would not be surprising to see a new type of shelf war to strike soon…!).

Finally, with the always stronger merge between the off- and online world, stores are likely to reduce in size – as a result of logistics and digital efficiency. VR and AR will then play a great role, as they offer the opportunity to "enhance customer experiences and create value without massive physical investments in spaces [which] is definitely something that retailers and their customers can get excited about"[4].

< EXAMPLE

The world's first invisible pop-up store by Airwalk: by simply using a smartphone, geolocation and VR, the brand virtually showcased an ephemeral store for its limited edition relaunch of one of their iconic Airwalk sneakers.

1. TECHNOLOGY-BASED EXPERIENCE

Phygital

Ecommerce and brick-and-mortar are no longer battling against each other. In fact, according to a Deloitte retail industry audit, both are growing at similar rates, with stores contributing to almost half of retail's whole growth – similar ratios have been projected for the upcoming years (2017-2022)[5].
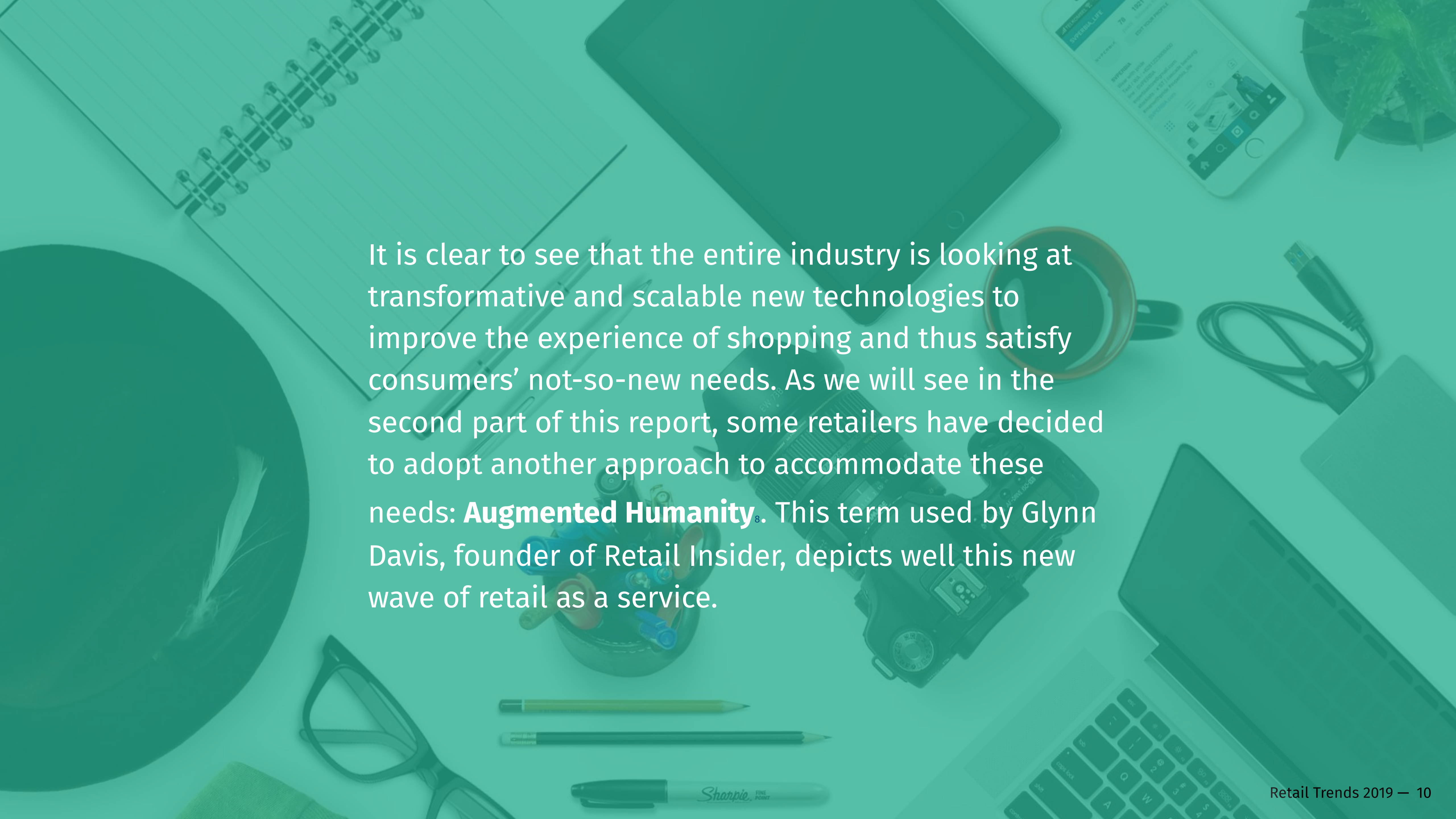
The rightfully demanding consumer of today expects a smooth blend between the convenience of digital and the tactility of physical. This omnichannel approach has got its own name, by retail doctor Bob Phibbs: Phygital.

Innovative perhaps, but this doesn't come without its challenges. Besides supply chain planning, retailers will face the challenge of figuring out how to properly infuse all afore mentioned technologies, so that the store "doesn't feel like a lagging piece of technology"[6] nor like a disturbing data hoover[7] (cf. privacy policies).

INTEL

PHIGITAL
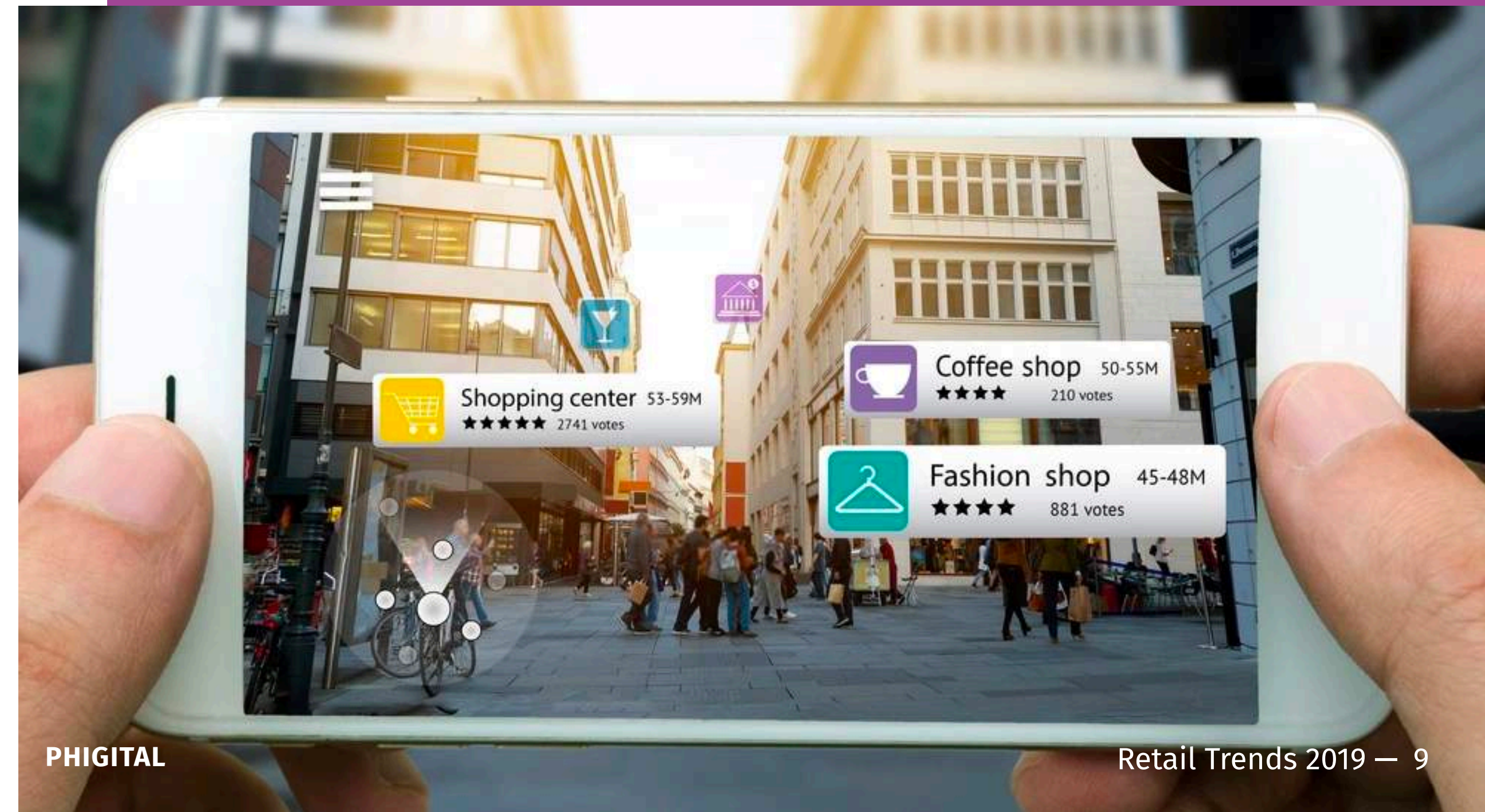
It is clear to see that the entire industry is looking at transformative and scalable new technologies to improve the experience of shopping and thus satisfy consumers' not-so-new needs. As we will see in the second part of this report, some retailers have decided to adopt another approach to accommodate these needs: **Augmented Humanity**[8]. This term used by Glynn Davis, founder of Retail Insider, depicts well this new wave of retail as a service.

RETAIL IN 2019

2. Human-based experience.

As retailers are reinventing themselves to stay relevant, it is noticeable too that consumers have themselves experienced some kind of shift. Millennials (born between 1981 and 1996) are the generation of consumers that currently has the highest purchasing power and for that reason, it is also a common retailers' focus-target population. It is to be noted, however, that Gen-Z is slowly coming on the radar as their first members are now over 18 years-old.

QINDLE

2. HUMAN-BASED EXPERIENCE

A complex consumer target

Millennials are sentimental shoppers: they are the ones who are willing to pay more if it is for a cause, the ones who want to feel close to the brand and co-create products, the tech-savvy and tech early adopters – but only for tech with a purpose, the ones who feel responsible to share feedback and who rely more on peers than ads: "between 75-80% of people up to their 30's, will make a purchase based on recommendation"[9].

Millennials aren't as materialistic as previous generations, as they value me-time, and sharable (unique) memories that will last in time:

"wellness is the new luxury"[10]. The recent arrival of the sharing economy such as Blockchain and other Bitcoins, emphasizes this trend of experiential commerce, where consumers own more with less. The modern consumer, indeed, now shares home (**Airbnb**), office (**WeWork**), car (**Car2Go**), even parking space (**Parkatmyhouse**).

Millennials are a very unique generation for they have grown up in both the analogue and digital world. As Yihyun Lin greatly put into words: "They are [...] making efforts to detox but wanting the full efficiency and convenience of technology"[11]. In other words, as the generation

has moved towards well-being, technology will have to take a more adapted and supportive role. This shift has completely changed the rules of marketing. Retailers will have to pay always more attention to consumers for who they are, but this time, individually. The time of clustering shoppers by type, generation or even gender is over. In that sense, we have seen a lot of progress last year in the beauty industry, when

Chanel democratized makeup for men with its new line Boy de Chanel. This feeling of pride and need of presence and self-expression will become more pronounced this year and ahead.

AIRBNB

LOOP

RXBAR

The glass box effect

It doesn't end there... Retailers will also have to work on themselves – perhaps even first. From this pursuit of balance between the tech and non-tech world, lies a desire to simply address reality. Consumers will value companies that genuinely aspire to do good with or through their business.

As we become always more conscious of fast and mass consumption's secondary effects (intolerance towards wasteful practices will keep growing), it is necessary that retailers work on their structure as much as they would on their brands. Inside their stores, this means having humanly empowered employees whose interactions are "rooted in empathy, genuine engagement, and emotional intelligence"[12]. Training and professional self-development plans will allow companies to exceed consumers expectations.

As such, as mentalities evolve towards purer synergies, turning transparency and long-term vision into an advantage will ensure retailers long-lasting profits, commercially and more importantly, with their own audience. Whole food protein bars brand **RXBAR**, does this particularly well, employing a very straight to the point tone of voice.

Here are some examples of copies you would find on their official website: "This is our product." or "1 Egg White, 27 Peanuts, ½ Date, No B.S." or "Customer service – real customer service – is one of our core values". Although this might seem risky, this "no filter" approach really creates a special and trustworthy bond with the consumer. This is a clear turning point in retailer's responsibilities and consumers will rely on such companies that help them make better and more responsible choices.

It is critical that companies hold on to such inspirational role, because it is easier for retailers to propose new eco-conscious

alternative solutions than to create consumer change. Tom Szaki understood that well when launching **Loop**, a zero-waste platform partnering with A-brands to offer reusable containers for everyday products ranging from ice-cream to shampoo. Loop's packaging and service makes sustainability accessible to all by being as convenient AND as affordable as standard plastic packaging. Sustainability is becoming mainstream, however, long-term adoption and purposeful impact will come only if retailers operationally think with the consumer being at the core of operations.

FOR DAYS

EXAMPLE

For Days: battling for responsible consumerism and social change. This is the kind of level of commitment consumers will want to see from now on.

ADIDAS WOMEN'S SOUL SISTERS

SAMSUNG POP UP STORE

2. HUMAN-BASED EXPERIENCE

Experiential retail

We have now established that we are facing a somewhat sophisticated consumer. To accommodate these ever-evolving requirements retailers went from a sales mentality to a service mentality, pushing themselves to have a more layered offer. The experience the customer feels while shopping and while interacting with the brand and its representatives becomes priority, because the memory of it will be a long-lasting one and therefore more valuable. Shopping for now and with emotions rather than wallets is characteristic from Millennials.

Last year, **Samsung** revealed a pop-up store in Manhattan that just cannot explain this better: a 56,000 square-foot store worth $43 million where "the only thing you can buy […] is coffee"[13]. The sole point of the pop-up store was to [impressively] display the brand's latest soft- and hardware. The takeover of experience in retail is depicting quite a futuristic image of what shops might look like in the not-so-far-ahead years: we could easily see physical stores transformed into cured showrooms, with the simple function of product introduction & testing and market presence. This example clearly shows how brick and mortar and ecommerce complete each other rather than compete with one another.

2. HUMAN-BASED EXPERIENCE

Hyper-Accommodating retailers

As retailers roll out seamless business models that embrace on- and offline technologies, radical consumer expectations emerge. According to PSFK, 54% of consumers expect brands to implement change within 6 months and 29% expect the change to happen within one month![14]

In that sense, two services that have had a strong development and that have become a given today are: payment and delivery. It is all about choice, flexibility and speed – without that, the consumer will simply shop elsewhere. Thus, new forms of payment will gain traction this year, such as the forementioned cashierless check-out of Amazon Go's stores, but also mobile payment (and other wearable accessories: bracelets, rings, etc.), Buy Online Pick In-Store (BOPIS) or "Buy now, pay later". Adopting these services can have a boosting effect on sales and basket values as well.

oh my goodness!

hello Goodness™

snackbot by helloGoodness

HELLO GOODNESS

Billy Harry from Afterpay says "Giving your customers the option to pay for their purchase over time means they can buy more of what they want while being able to budget"[15]. On the delivery topic, the craze is real: we are now talking about super-express 30-minute delivery with **Alibaba**'s Hema supermarkets, or automated delivery vehicles like **PepsiCo**'s Hello Goodness snackbot, an automated outdoor and self-driving robot (tracked via app) bringing you a selection of food and beverages.

Strengthening the relationship on all channels is vital to keep consumers captivated and engaged with the brand, no matter how, when or where, as long as processes are homogeneous.

XBOX ADAPTIVE CONTROLLER

< EXAMPLE

*These brands recently brought this to the next level: **Stella McCartney** and its London flagship store which has the "cleanest air of London" thanks to its air purifiers removing airborne pollutants and traffic fumes; **Morrisons**' "Quieter Hour" put in place for autistic shoppers in many stores across UK where music is turned off, sounds are reduced and lights are dimmed for an easier shopping experience; **Microsoft**'s Xbox Adaptive Controller where both product AND packaging are especially designed for people with disabilities.*

EXAMPLE >

Alibaba's silicone smart screen overlay helping visually impaired people to shop. With the world's population aging, caring and adapting the brand's offer to dependent people and elderly is going to be a necessary qualitative step to take.*

ALIBABA SILICONE SCREEN OVERLAY

【盲键 / Braille Button】

Smart Touch——通过触觉按键
可以很快的找到功能，完成购物。

帮助用户更快更准确的使用界面上的功能

Retail in 2019

Understanding what drives consumers and how to target them efficiently is primordial before going into any digital tech-development. Technology is meant to be used as an optimizer of internal processes and with the goal of adding a real benefit to the consumer.

2019 will be an exciting year, where we will see all these different and yet compatible forces come together to form an organic and empowering offer to the consumer. As president and CEO of the NRF Matthew Shay says: "We've seen many investments that retailers made over the past several years really start to pay off this year with traction and engagement with the consumers. [...] We were maybe a little ahead in the curve in starting to talk about that, we've really seen it this year"[16]. Thus, 2019 will mark a turning point, where we won't be only talking about *testing* anymore, but *doing*.

Here at Qindle, we will definitely be on the hunt for those case-studies showing off proper tech immersion launches and meaningful hyper-personalization – both of them with a strongly infused eco-conscious mindset.

— make it real

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Make it Real.

— make it real

Thank you!

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