

FUTURE OF RETAIL

- 03 SHIFTING FROM PASSIVE TO ACTIVE RETAILERS
- 12 FIGHTING FOR A WAY TO FIT NEW LIFESTYLES
- 17 WOMEN STILL HAVE TO SETTLE FOR SECOND BEST



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INNOVATION

Time to shift from passive to active retailers

The pace of change in retail has never been greater and retailers must go after their customers or end up on the scrap heap

MATTHEW CHAPMAN

The sad yet unsurprising collapse of Toys R Us and Maplin is proof retailers cannot rest on their laurels.

Retail is a notoriously tough industry and the pressure on margins has never been greater. But retailers that proactively figure out how to enhance customer experience and add value through services and product innovation will be the ones to thrive. What is certain is retailers need to be at the top of their game.

“There’s no room for complacency in retail today,” says Natalie Berg, founder of retail consultancy NBK Retail. “If you can’t be relevant to your customers or stand out from the competition then you don’t stand a chance. The underperformers will be rooted out and the undifferentiated will be exposed.”

Ms Berg adds that those either unwilling or unable to change will “sign their own death warrant” and believes Toys R Us is a case in point.

When Toys R Us arrived in the UK, it disrupted the market through its promise to offer customers everything under one roof. The emergence of Amazon and the “endless aisle” offered by e-commerce destroyed its unique selling point. Instead of offering customers an experience unavailable online, Toys R Us stood still.

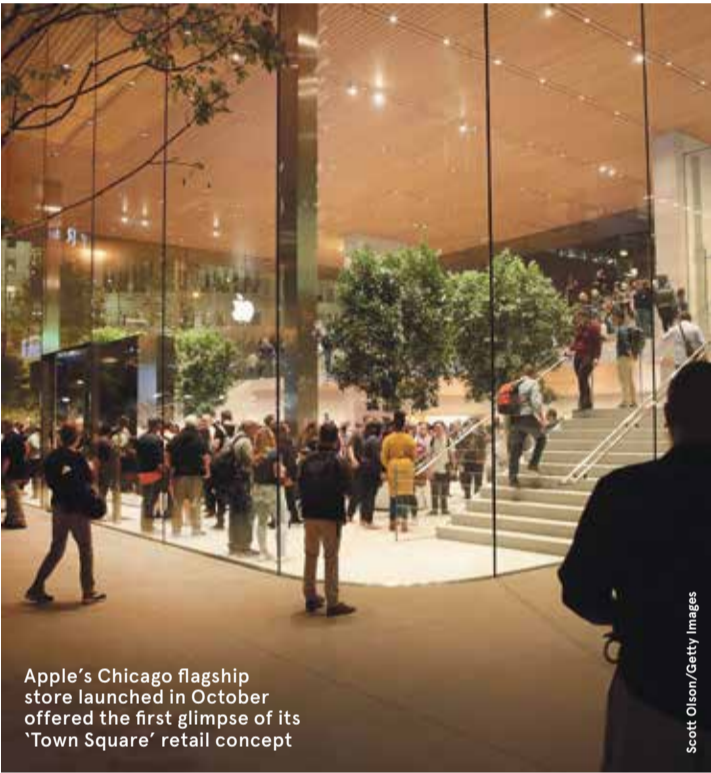
“People talk about the magic of toy shopping; anyone who had been to Toys R Us in the last year would laugh at the very idea that there was anything magical about it,” says Patrick O’Brien, UK retail research director at Global Data.

Maplin suffered a similar fate because it did not provide customers with a compelling enough reason to buy from it instead of Amazon, which has a constant focus on the customer.

“Amazon has this relentless dissatisfaction with the status quo and are always looking for a better way of serving their customers and making the shopping experience more convenient,” says Ms Berg.

Like Amazon, she believes the reason for Asos flourishing is because it truly understands its target customer and offers them relevance through innovations, including its “try before you buy” offer.

The ability to understand a customer has never been greater due to the abundant data at a retailer’s fingertips, alongside developments in



Apple’s Chicago flagship store launched in October offered the first glimpse of its ‘Town Square’ retail concept

Scott Olson/Getty Images

machine-learning that allow data to be acted upon.

Sainsbury’s move to buy the Nectar loyalty scheme from Aimia for £60 million underlines just how critical data is to a forward-thinking retailer. The power of data is undeniable in this new algorithm-dominated digital world. Facebook argues there has been a shift from people finding products to products finding people.

Legacy retailers can no longer simply rely on TV ad campaigns to drive footfall, but must now consider how to use data to track down their customers in the digital environment. However, care must be taken to seek out customers in a responsible manner.

“I get irritated that retailers’ ads suggest they think that my purchase of a dehumidifier is the start of a dehumidifier addiction,” says

Edward Story, senior counsel in the consumer and retail sector group at law firm Taylor Wessing. “As artificial intelligence gets increasingly intuitive and clever, personalisation and conversion of programmatic and similar forms of advertising will only improve for the benefit of both consumers and retailers.”

Mr O’Brien believes more could be done in assessing the annoyance factor of intrusive digital practices. “All retailers assess is how much money click-throughs are generating for them,” he says. “They don’t really care or monitor, or have any way of assessing, how much they annoy.”

Data law is currently being overhauled and introduction of the European Union’s General Data Protection Regulation in May should help increase consumer confidence. However, Mr Story believes

e-privacy regulation could impose friction on programmatic processes through the imposition of cookie opt-ins.

One of the toughest challenges facing retailers is how to replicate the personalisation that is possible online in the physical retail environment. Chanel has partnered with online fashion retail platform Farfetch in a bid to achieve this.

“Digital technologies can empower humans to be more human; they can elevate the story-telling and the experience and elements of personalisation,” says José Neves, chief executive and founder of Farfetch. “The [physical] retail experience is completely anonymised, but the rest of our lives are not.”

Farfetch is developing “store of the future” technology that has functionality including the ability to register and memorise on devices the products a customer has tried, touched or even looked at in-store.

“Companies like Apple have told us great technology is not gimmicky and is as invisible as possible,” says Mr Neves. Apple is also at the forefront of reinventing the idea of the physical store, along with other innovative retailers such as cycling brand Rapha.

“Some of the best retailers are very much recognising the purpose of the store has to change and become a genuine destination, a place to discover, to play, to work and to eat, and do all kind of things, and not just buy,” says Ms Berg.

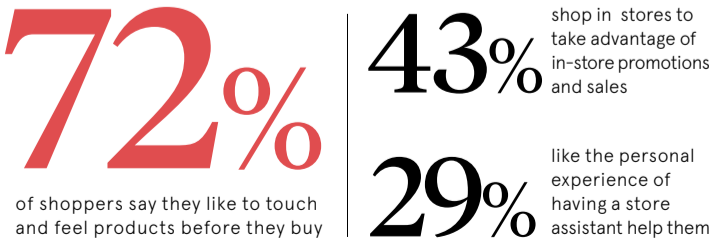
Apple is reimagining its stores as “town squares”, whereas Rapha’s “clubhouses” are meeting places for cycling fans that include a café and an extensive programme of events alongside the usual merchandise.

Legacy retailers will need to adopt a new mindset to avoid going the way of Toys R Us and Maplin. What is needed is a great deal of agility, which is undeniably difficult for those struggling under squeezed margins and debt mountains. But the pace of change is only set to increase rather than slow down.

“Technology keeps changing all the time so whatever we see today as our roadmap will be completely irrelevant in one year’s time,” says Mr Neves. Short termism is no longer viable and retailers need to take the long-term vision pioneered by Amazon.

The lives of consumers have changed irredeemably and it is time retailers followed suit. ♦

What buyers like most about in-store shopping



TimeTrade 2017



The world of the consumer is now gripped by exponential change of its own

swing by a store to check out the brand. I will still go to a store to try on a trench coat. Do I look good in classic tones or neon – that's part of the fun and part of the theatre. So physical locations won't go away. They will have to become more special for brands."

The design of stores will change. The layout of city centres will be critical, moving from fulfilment to a leisure experience.

Data-sharing will rise in importance. Consumers will realise the value of their data and be willing to open up their shopping experiences with others in exchange for rewards from the brands that matter to them. FutureConsumer.Now looked at a number of ways brands can make the most of this new dynamic in the data industry.

The speed of change may prove shocking to many brands. The IT world is governed by Moore's Law, the prediction by Silicon Valley pioneer Gordon Moore that computer chips would double in power every two years. The world of the consumer is now gripped by exponential change of its own. Look at the list of tech unicorns, companies with a billion-dollar-plus valuations, in the retail space. There are companies barely five years old with unicorn status. Seismic changes are happening faster and faster.

The headline conclusion of FutureConsumer.Now is that brands must do their own future-gazing and build a strategy to thrive in the new conditions.

"We want to talk to our clients about how they do this," urges Ms Merriott. "We are known for audit, but EY offers deep industry expertise. We love working with ambitious founders and leaders on growth and strategy. Our track record is strong. In the past we've helped global brands emerge through our EY Entrepreneur of the Year programme. Now we want to talk to retailers, from startups to big corporations, to help them envisage the world of tomorrow."

Research by EY reveals 75 per cent of executives say their traditional value-creation tactics are being disrupted. The retail industry is being reinvented as customers change habits faster than ever before. It is vital to prepare now for the changes to come.

The future consumer is here

Shopping habits are going through radical change

These days millions of households are using smart speakers to order their groceries. These clever artificial intelligence (AI) hubs can handle anything from playing songs to answering random questions. Shopping lists are also a speciality. Shout out "add flour and a dozen eggs" to the device, after the trigger word, and the list is updated.

This December was the tipping point, as home AI speaker units topped the Christmas gift charts. Purchases made through smart assistants soared, and could leap from \$2 billion to \$40 billion by 2022 in the UK and US. A new consumer retail channel has exploded into life.

Voice-assisted shopping is one ingredient in a deluge of new technologies and ideas hitting retail. Virtual reality, for example, is being used in the automotive industry to enable customers to browse different models of cars. A parallel technology is augmented reality (AR), which blends real world and computer-generated imagery. Homemakers can use an AR app on their smartphone to see how furniture would look in their house.

The cumulative effect is that consumer shopping habits are being reinvented. The impact is so profound; brands are asking what will the consumer of the future look like. Companies with the right answers will be able to ride a multi-billion-pound wave of demand.

To explore the new era of consumption, EY recently embarked on a future-gazing mission called FutureConsumer.Now. Two-day "hacks" are being held in five key global cities: London, Berlin, Los Angeles, Shanghai and Mumbai. So far EY is just past the halfway point, and this programme brings together clients, futurists, EY sector experts and industry leaders to examine the changes that will reshape retail over the next decade or more.

On the agenda are fundamental questions. How will people shop, play and work? How will they live, eat, stay healthy, move around and connect? And what are the implications of more than 100 change drivers, from the applications of AI and robotics to wider shifts in social structures and consumer aspirations?

For two days these thinkers analyse the future of consumption, through interviews, structured discussions and debates. So far, the sessions have unearthed a treasure trove of insights into forthcoming changes. The food industry provided a strong example. App-driven deliveries and subscription meal services are soaring in popularity. This is merely the start.

"Smart fridges have been around for a while," says Helen Merriott, market leader for retail and consumer products at EY in the UK and Ireland. "Imagine a personal AI which knows what's in your fridge and, if you give it permission, knows your personal history and what your children like to eat on a Tuesday. The AI will track calories, protein and carbohydrate intake, and vitamin balance. Food orders can be made automatically taking all of these needs into account."

The implications are extensive for major retailers. Supermarkets depend on in-store promotions for significant revenue. The emergence of automated ordering will diminish the prestige of the gondola ends and checkout

proximity. The associated income streams will disappear.

As AI assistants absorb a greater share of the shopping duties, the structure of retail will change. "We'll see a bifurcation of the market," says Ms Merriott. "Basic goods will be ordered pre-emptively by digital assistants. You'll simply forget about things like washing-up liquid and paper towels. Consumer focus will be reserved for the things that they really care about such as luxury brands and those offering an experience which consumers love."

This bifurcation means brands need to position themselves carefully. Mid-market brands may be lost in the transition, undercut by low-cost, white-label rivals. Elevate a brand into the luxury category and there is the opportunity for an uplift in sales as the consumer gaze intensifies.

The role of shops will shift. "We know that 70 per cent or more of purchases involves a store at some point," says Ms Merriott. "That doesn't mean purchase. It means consumers often like to

Who will own your personal data in ten years?

35%
You

31%
The government

19%
A corporation

15%
A data broker

EY: 11,000 online responses



Helen Merriott
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EY UK and Ireland

For more information please visit
www.ey.com/uk

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#FutureConsumerNow

EY
Building a better
working world

WeChat sets the pace in social retail



Qilai Shen/Bloomberg via Getty Images

01

The social shopping trend in China, facilitated by giant messaging platforms, looks set to conquer the world

NICK EASEN

It's hard to imagine close to a billion people in unison; it's even harder to think of the same number using one app on a regular basis. Yet WeChat, the most popular Chinese messaging platform, claims this extraordinary number are busy clicking away, many shopping socially.

What has the global retail industry all in a frenzy is that this singular mobile application has transformed shopping in China. It's created a multi-faceted digital experience best understood through an example.

Yu Yan loves shopping online and as a young mother she's created a baby-and-toddler WeChat group where she can share purchase links of products with her friends. If she sees a bulk discount for nappies, Yu Yan instantly shares the link with friends who check reviews. They complete the purchase together and pay by WeChat Pay. She then receives discounts for the next purchase and a link to an interactive game for her child to play.

"Many people spend more than an hour a day on WeChat. You can browse the integrated WeChat stores of your favourite brands, payment is secure and is done with one click, and it's seamless," says Jack Porteous, assistant director of retail at the China-Britain Business Council.

Social shopping mixes it up, it offers recommendations and chat from trusted sources, which is big in China, as an extension of the idea of *guangxi*, where you only do business with people you know, combined with the convenience of mobile shopping. It's extremely popular among millennials and in a relatively short time it's managed to reach almost ubiquity.

"The platform is rich in features and it has created a whole new ecosystem by which people can easily order, pay, rate and share experiences," explains David Avgi, chief executive of SafeCharge.

It's so fine-tuned that its owner Tencent is now China's most valuable listed tech company and, with revenues of \$477 billion, it is also one of most highly valued globally. It is up there with Alibaba and Facebook. China's meteoric rise of social shopping is due to a multitude of reasons, part structural, part cultural and part entrepreneurial.

Even beggars accept WeChat donations via a QR code

A lack of fixed-line infrastructure has seen a saturation of mobile phones. At the same time these became transaction devices with the rise of WeChat Pay and Alipay. Culturally people like to buy goods based on trust and platforms enabled this with the boom in social media. Also labour is cheap enough to allow for the quick, efficient and affordable delivery of retail goods to people's doors.

"Chinese people have a different attitude to new tech. Changes in China are also not only accepted, but rather cheered for and rapidly adopted in everyday life. Even

beggars accept WeChat donations via a QR code. People are happy to have an easier way to pay," says Thomas Guillemaud, chief operating officer of IT Consultis.

"Compare this with how sceptical people are in Europe when it comes to new tech, especially in terms of payment, and you see why this happened in China and not in the EU."

Take Chinese New Year, close to 770 million people exchanged *hongbao*, or red packets, a tradition for the lunar celebrations. You used to get money in a paper envelope, now it comes via WeChat, such is China's capacity for tech adoption and change. Yet it's not just a Chinese thing.

"What's interesting is that other Asian markets are going down the same path, but on different platforms. For example, in Thailand, Line, owned by Korean Naver, can be considered a mini WeChat. In South Korea, Kaokao Talk, which dominates chat is also on the same

Attendees at Tencent's WeChat Open Class Pro conference in Guangzhou in January

path," says Maz Amirahmadi, chief executive of ABN Impact.

The success of WeChat and its peers is about ownership and dominance of the entire system. In the UK, Europe and North America, the digital ecosystem is too diverse and sophisticated to be steam-rollered by one player. Even with Google or Facebook, their reach does not stretch across the whole digital universe.

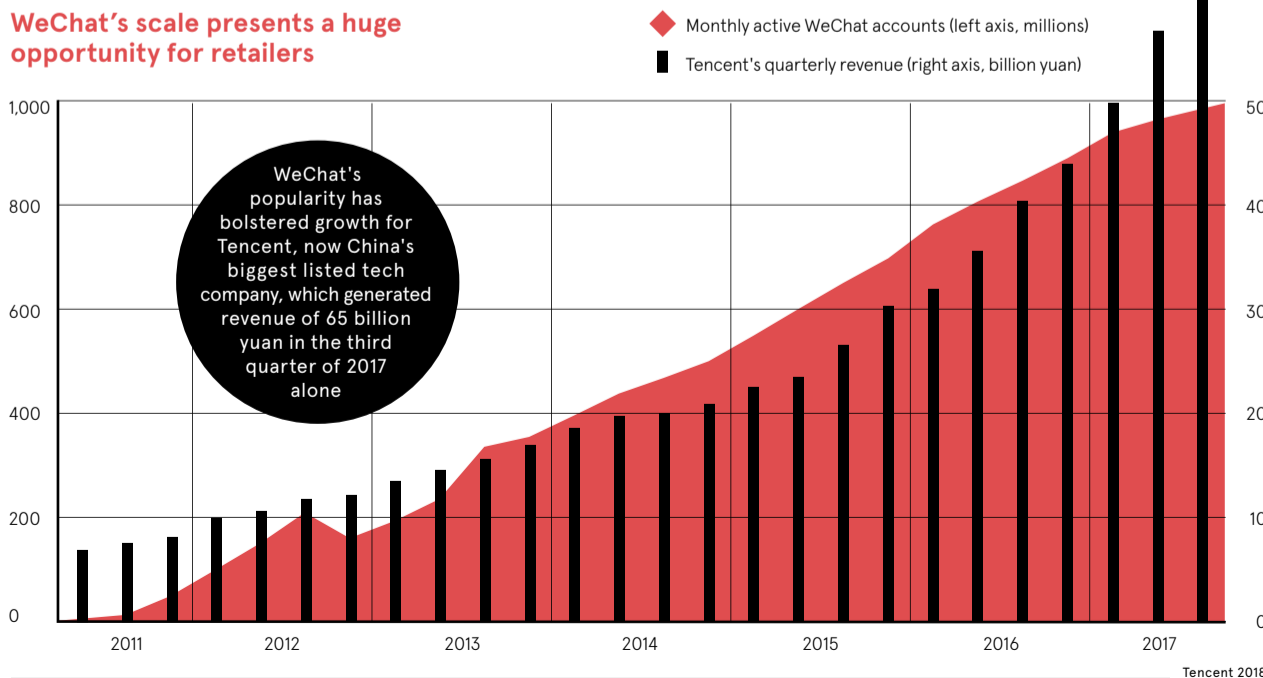
"It's possible in China because the banks are state owned. If the political power agrees the system is good, all the banks will adapt to support it. Therefore, such a fast spread can happen thanks to full integration with your bank account. In the West, the situation is much more complicated due to the absence of such a strong central power," says Mr Guillemaud.

However, many social networks in the West are adding payment functionalities and linking up other services such as delivery. For instance, Facebook is teaming up with PayPal to add to Messenger. Considering the strength of the fintech ecosystem in the UK, this could provide some solutions.

"Yet the most likely digital player to achieve a similar level of domination to WeChat is Amazon. But even here we have to acknowledge that multiple retailers have their own vibrant digital offerings," says Nick Cooper, executive director and head of insights at Landor. "It is difficult to imagine, say, Tesco, Asos or Next simply rolling over and allowing their digital commerce to be absorbed into WhatsApp."

The key learning from China is that social shopping is coming, so retailers better get ready for it, if only to draw in the Chinese tourists. SafeCharge, for instance, partnered with London's Camden Market to be one of the first in the UK to accept WeChat at the point of sale. A wise move. If you can't beat them, join them. ♦

WeChat's scale presents a huge opportunity for retailers



Don't let our shopping really cost the Earth

Consumers are becoming more mindful of the impact on the environment of their purchasing decisions



ReTuna
Återbruksgalleria,
the world's first
recycling mall

ANNA CODREA-RADO

In the Swedish city of Eskilstuna 70 miles west of Stockholm, the ReTuna Återbruksgalleria mall looks like any other shopping centre. For all intents and purposes it is, except for one notable difference – nothing on sale is new.

ReTuna is the world's first recycling mall, dedicated to repaired, recycled and upcycled goods. Opened in August 2015 and owned by the local municipality, it is managed by local non-profit organisations and businesses.

The idea originated from the local authority's plans for meeting its European Union waste management targets. Rather than open an additional recycling centre, Eskilstuna officials saw an opportunity to create a commercial entity that contributes to sustainable living.

"The idea for the shopping mall came out of the need to have a place where you can buy new things that

are upcycled or repaired," says Anna Bergström, ReTuna's co-founder. "We wanted to see how we could reuse things that were typically thought of as waste."

While ReTuna was opened for environmental reasons, it's now being looked to as a pioneering model for combating one of retail's biggest challenges – waste. A recent report by the Ellen MacArthur Foundation found that less than 1 per cent of material used to produce clothing is recycled into new clothing, and the estimated cost to the UK economy of landfilling clothing and household textiles each year is approximately £82 million.

At ReTuna, the founders want to demonstrate that combating waste can be commercially viable. "We run the mall like any other mall," says Ms Bergström. "Everything we do is the same as in other malls; the thing that is different is our products."

Locals donate goods to the mall ranging from clothes and books

to furniture and electronics. The shop owners then repair or upcycle the goods and sell them on for a profit. "We want to save the planet and make money out of it," adds Ms Bergström.

ReTuna is open seven days a week and receives around 700 visitors every day. In a city of 100,000 inhabitants, the numbers are enough for the store owners to keep their doors open and employ one staff member.

Like any other sustainable business, green goals are baked into the model so while the mall aims to be profit-making, it also has environmental targets to hit. The store owners are interested in profit, whereas the municipality is concerned with waste reduction, job creation and

the mall being an example of conscious living.

Ms Bergström believes these goals can exist harmoniously. "Instead of talking about how much waste we have reduced, we talk about the turn over," she says. One way to measure the success of the mall is to think about its turn-around as the number of products reused rather than thrown away. The 2016 turnover was (Swedish krona) SEK8.1 million (£710,000) and in 2017 it rose to SEK10.2 million (£894,000).

ReTuna's model is a textbook example of the circular economy in action, in which used goods are put back into the supply chain rather than binned. The concept is one promoted by the World Economic Forum which, in a 2014 report, estimated the economic gain from material savings alone to be more than \$1 trillion a year.

Larger retailers are also beginning to look at the circular

economy. "We're starting to see much more interest in upcycling, recycling and circularity across the industry," says Jason Kibbey, chief executive of the Sustainable Apparel Coalition. "Clothing and fashion giants are experimenting with new models to take back and resell their products."

Running a recycling mall, however, is not without its challenges. Ms Bergström says that one of ReTuna's biggest challenges is selling textile products. While repaired electronics and upcycled furniture are very popular, it's harder to shift secondhand clothes.

"We don't have any really good designers who could redesign clothes that you would want to have," she says. However, Ms Bergström remains hopeful and believes malls like ReTuna will be the future of retail, concluding: "If businesses can see that you can make money and also be sustainable, everybody will want to change." ♦

Insight 'Buy less, buy better'

Mindful shopping is a trend among consumers who strive to make more eco-driven purchases. A mantra popular among these consumers is that of "buy less, buy better", as shoppers want to know about the values of the company behind their products.

Global marketing research firm Nielsen found that 2.5 billion aspirational consumers are increasingly making spending decisions based on their social and environmental impact.

"Consumers are becoming more mindful, more conscious and more educated about the decisions they make and how they impact the wider

environment," says Stephen Cameron, business development director at SWRnewstar, one of the UK's largest waste management brokers.

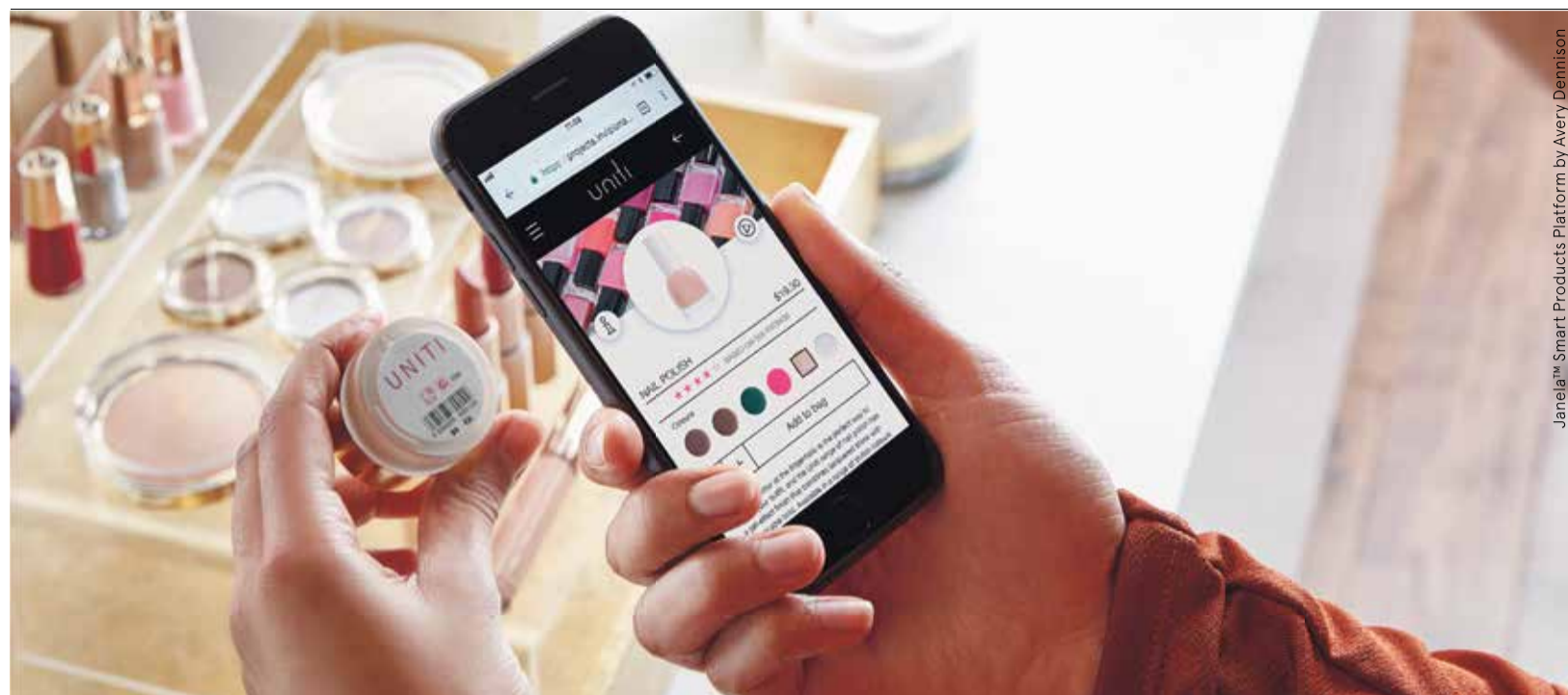
Fast fashion, with its low-cost, high-volume sales, from companies such as Zara, H&M and Primark, could be worst hit by this new mindset if steps are not taken now to prepare for a future with lower-volume purchases.

"If retailers can even take one step further and encourage sensible disposal or put in place initiatives for recycling their garments with the consumer in mind, they can be even more successful," says Mr Cameron. "Those retailers that take action now to address the sustainability of their entire supply chain will continue to thrive and really make an impact in this increasingly complex environment."



Rimage Group Limited/Getty Images

We want to save the planet and make money out of it



Janela™ Smart Products Platform by Avery Dennison

By embracing the internet of things, retailers and brands can deliver enhanced shopping experiences

which is disrupting out-of-home advertising by paying drivers to wrap their vehicles with micro-targeted ad campaigns and offering brands offline-to-online and retail foot-traffic attribution solutions.

How does frictionless commerce help build a more transparent relationship between retail brands and their customers?

Connected products and frictionless commerce allow customers and retailers to engage in ways that are meaningful to the shopping experience, such as speed or discovery. With transformational technologies, consumers don't have to find a store associate to receive basic information or wait in line to check out.

Experiences can be fast and efficient or personalised and accompanied, depending on what the consumer wants. Ultimately, time is spent in valuable engagement versus process friction. The business value is exponential: customers can choose where, how and when to shop and engage, and brands and retailers can maximise their workforce and capture new, informative datasets that continue to improve the personalisation offered to each customer.

How will the retail landscape continue to evolve in the coming years?

Avery Dennison believes in this world where every item will have a unique digital identity. It also believes in a world where identity will stay with the product beyond the point of purchase, and Avery Dennison is enabling retailers to optimise that consumer journey.

The next step is the window of data between the brand and the consumer in a way that benefits the consumer. The retail industry is being disrupted daily and omnichannel is not enough for increasing consumer demands. In the very near future, everything around us will be even more connected and able to provide information and logic that cater to our needs and wants.

Avery Dennison is focused on the internet of things by providing seamless and functional connections to products through innovative packaging solutions. "We will continue to pioneer innovative change in this space and invest in technologies that create seamless and personalised retail experiences," Mr Melo concludes.

For more information please visit averydennison.com/futureofretail



Embracing the internet of things to achieve frictionless commerce

Connected products, enabled by intelligent labelling technologies that give items their own digital identities, are allowing retailers to deliver frictionless commerce experiences, providing customers with the convenience and transparency they desire

The increasingly omnichannel nature of retail is shifting consumer behaviour and driving expectations for a convenient and transparent shopping experience, whether it be in-store, online or on a mobile device. If that experience isn't delivered, consumers will go elsewhere.

In a recent Forrester report, four in ten customers showed a high willingness to shift spend. Once they're gone, replacing them with a newly acquired customer can cost anywhere from five to twenty five times more, according to a study by Bain & Company, which also found that increasing customer retention by just 5 per cent can increase profits by up to 95 per cent.

In this ruthlessly competitive retail landscape, consumer engagement is more important than ever. Avery Dennison, a global materials science and manufacturing company specialising in the design and manufacture of a wide variety of labelling and functional materials, is enabling a link between the physical and the digital world by attributing unique digital identities to every product through its portfolio of intelligent labelling solutions, which include radio-frequency identification (RFID).

"By embracing the internet of things, retailers and brands can connect with communities on a one-to-one level, provide customers with complete transparency and deliver enhanced shopping experiences whenever and

wherever they decide to engage with them," says Francisco Melo, vice president and general manager, global RFID, at Avery Dennison.

What do shoppers expect from a retail experience?

Consumers expect a seamless and functional retail experience, with the ability to interact with brands and buy products and services easily through a variety of channels. It's all about ensuring the shopping experience is of a similar standard irrespective of where it's being delivered.

The fundamental reason that hinders consumer experiences is



Francisco Melo
Vice president and general manager for global RFID at Avery Dennison

retailers don't know what they have and where they have it. That started in-store – you go in and can't find the item you're looking for – but it's the same when you go online.

Simply put, consumers want to buy something when they want, where they want, how they want and they want to experience it in a unique way.

What technologies are allowing brands and retailers to meet those expectations?

RFID has largely been used for inventory accuracy, enabling retailers and brands to track individual items throughout the supply chain. However, it also enables a more seamless shopping experience across multiple channels, as retailers have visibility of their inventory at all times. This means a brand or retailer has security in selling items exactly where they are, all the way to the very last unit.

Avery Dennison is the world's largest ultra-high-frequency RFID supplier. We have years of experience across many segments, including apparel and footwear, and are now using that experience within new segments, such as beauty and food and drink, where the expectation for personalised and augmented consumer experience is as beneficial to the brand as the supply chain management.

The internet of things is also enhancing the value of traditional technology such as QR codes, which are being increasingly used to drive engagement and personalisation. Through

its Janela Smart Products Platform, Avery Dennison recently partnered with designer brand Rebecca Minkoff to create the #AlwaysOn handbags, which customers can interact and engage with through a QR code that allows them to access personalised content, special offers, recommendations and other loyalty rewards.

How is technology being deployed to acquire new customers?

Technology is creating new opportunities for reaching consumers and inspiring them to engage with a retailer. For example, Avery Dennison is launching a dynamic window-display advertising system called Vela, which is a turnkey platform for digital advertising based on technology developed by Gauzy, one of a number of innovative startups Avery Dennison has invested in over the last couple of years.

This system helps attract more customers by transforming store windows into eye-catching, switch-on-switch-off advertising media that projects campaigns, promotional offers and personal content, changing the message throughout the day with time and location-based videos and images.

Vela is completely transparent when not in use, retaining in-store visibility and sales opportunities. It offers retailers the flexibility to combine traditional merchandising with innovative digital advertising, creating truly engaging content for the consumer.

Avery Dennison has also recently made a venture investment in Wrapify,

New wave of digital-savvy retail chiefs

acilo/Getty Images



Retail bosses must be tech savvy, willing to delegate to digital experts and empower others in their organisation, while keeping a tight hold on strategy

FINBARR TOESLAND

Introduction of disruptive technologies has forever blurred the lines connecting the retail sector's physical and digital spaces. Effectively implementing artificial intelligence (AI) tools and big data solutions to create a seamless customer journey is a major consideration for any forward-thinking enterprise. For retailers it can mean the difference between leading the market and falling behind.

Retail chief executives are best placed to recognise not only the potential of these new innovations, but also the need to possess the digital skills required to keep up to date with a constantly changing technological ecosystem. The same talents

senior retail executives perfected in their journey to the C-suite around retail store operations will not be enough to drive forward the types of digital transformations needed to remain competitive in an increasingly complex global marketplace.

It's understandable that retail bosses might be hesitant to embrace technologies and data analytics tools that they have little knowledge of, but as the skills required to lead a retail business expand, delegation will become even more important. The ability of chief executives to empower staff, all the way from in-store assistants to senior executives, to embrace data-based skills will make a major difference to long-term prospects.

"While CEOs don't necessarily need to be digital gurus, they do need to be capable of grasping the overall transformational journey of their business and the role that digital plays in this," says Dr Jonathan Reynolds, academic director of the Oxford Institute of Retail Management at Oxford University's Saïd Business School. "Digital transformation is a team sport and retail CEOs need to build a trusted cadre of commercially savvy, as well as digitally experienced, senior talent to help them make the right judgments."

According to a study by executive search firm DHR International, just one in twenty executive directors at

UK-listed bricks-and-mortar retail firms come from an online background. Traditional retailers are now working overtime to meet the challenges brought by e-commerce giants such as ASOS and Very, with constantly evolving customer needs calling for executives to both learn new skills and employ more digitally focused staff.

"Data holds the key to understanding customer behaviour and the journey to purchases whether that's done on mobile, PC, tablet or in-store. With such a vast amount of data produced, it's no longer the sole responsibility for the

business intelligence or IT teams to make sense of this," explains Thibaut Ceyrolle, vice president, Europe, Middle East and Africa, at data warehouse-as-a-service provider Snowflake.

Customers expect to receive a highly personalised and frictionless shopping experience, with the emergence of internet of things solutions, big data, AI and in-store beacons making this a reality. From using data analytics to pull out actionable insights from customer purchasing history to using beacons to push relevant notifications to consumers in-store, the effective use of

innovative technologies underlies the future of retail.

However, the right balance needs to be struck between solely focusing on data and fostering creativity and calculated risk-taking. Dr Reynolds believes that retail executives need to be more forgiving of experimentation and failure. "Failure is not always bad, but superficial backing for fashionable ideas driven by anecdotal evidence and glitzy, siloed innovation labs alone won't cut it," he says.

As competition from e-commerce rivals intensifies, retail leadership will require softer skills, especially

Strengths in leveraging customer data

How UK retailers are using data from their customers to deliver insight

◆ Significantly
◆ Moderately
◆ Minimally
◆ Not at all
◆ Don't know

Planning/developing customer offers

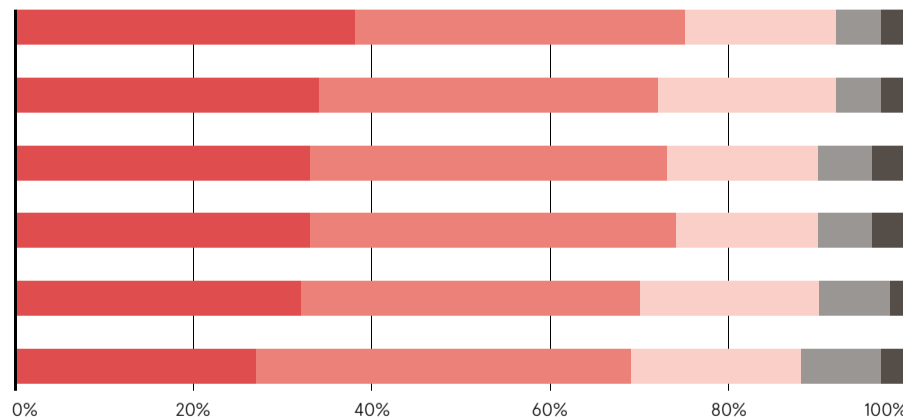
Insight into customer preferences/
shopping behaviours

Personalising customer
experience (digital)

Personalising customer
experience (physical)

Having a single customer view across
channels/touchpoints

Capturing unstructured data
(social, reviews)



JDA/PwC 2017

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While CEOs don't necessarily need to be digital gurus, they do need to be capable of grasping the overall transformational journey of their business

around openness to new technologies and being quick to adapt to change. It's no longer enough to simply hire a chief digital officer and assign responsibility of the entire digital strategy to them; digital plans must be fully integrated into the overall business strategy.

While it's important to lead from the top and ensure C-suite executives have relevant digital skills, in many cases the younger generation of employees will be digital natives and are best placed to put digital strategies into practice. Breaking down long-standing silos is difficult to achieve, but if chief executives are able to embrace change and invest in new technological solutions, all employees can utilise technology to meet customers' needs.

"Existing legacy big data platforms are used by retailers due to

familiarity, but are often cumbersome and require dedicated training to use them, resulting in more siloed data and specialist teams to manage it," says Mr Ceyrolle.

"However, for CEOs who tap into the power of cloud-based data platforms, they will benefit from real-time and easier access to data, without the significant investment in up-skilling talent. All members of the workforce will be able to access this cloud repository easily, driving the speed at which insights can be gleaned about customer trends and reacting faster to their demands."

Gaining access to the right talent who can help push forward the type of digital transformation needed to reach today's connected consumers is vitally important for retail bosses as the future skillset required by top-tier retail leaders is rapidly changing. The current lack of e-commerce skills at retailers will see the traditional career path for many retail chief executives change, with the likely outcome of talent being recruited externally.

"We're going to see more people joining retail from other sectors. Leaders will be collaborative, non-hierarchical, customer obsessed, with a desire to solve problems and constantly seek to add value, not necessarily seek to make profit. The dynamics are changing, so will the measures of success," Ruth Harrison, managing director of business and technology consultancy ThoughtWorks, concludes. ♦



John Lewis managing director Paula Nickolds

Case study John Lewis

Department store chain John Lewis has long been able to capture viewers' attention with their creative Christmas television adverts, but the 154-year-old retailer's digital strategy has proved equally successful.

Since joining John Lewis in January 2017, managing director Paula Nickolds has been tasked with keeping the business competitive in an increasingly intense retail environment.

By embracing a multi-channel approach, John Lewis ensures that no matter the platform customers purchase on, whether it be through mobile, app or computer, the experience is the same.

As part of a clear digital vision, the retailer has invested

£4 million to give in-store employees iPhones with a pre-installed "Partner" app, enabling staff to access product information and availability quickly, while at the same time underlining the importance of data for employees at all levels of the firm.

Digital transformation has begun to pay dividends as more than 50 per cent of all online traffic now comes from mobile devices, with the number of mobile sales growing rapidly.

In part due to strong online sales, which peaked at 705 items a minute, John Lewis broke its daily sales record on Black Friday last year. The run-up to last Christmas also saw a major sales jump in each of the retailer's key sales groups, including electrical goods up more than 11 per cent.

Commercial feature



Innovating for a better shopping experience

From virtual and augmented reality to artificial intelligence (AI) and voice-enabled personal assistants, retailers have trialled and tweaked to enhance and personalise the shopping experience

Futuristic technologies have emerged from the dark recesses of fantasy and sci-fi, and dipped a tentative toe into mainstream retail. From virtual and augmented reality to artificial intelligence (AI) and voice-enabled personal assistants, retailers have trialled and tweaked to enhance and personalise the shopping experience.

A one-size-fits-all approach to presenting products and shopping experiences online is no longer enough to gain and retain consumers. In 2018 we'll therefore see a rise in the number of retailers offering more immersive shopping experiences and personalised product pages that adapt to an individual consumer's preferences.

There's a fine line between immersive technology solutions that actually solve some of the challenges shoppers face and those which create new issues due to impracticability and cost.

IKEA shoppers can now visualise bookshelves and beds in their living rooms and bedrooms, thanks to the retailer's Apple ARKit-powered app, while Amazon took the augmented reality concept to the masses with AR View. On the other hand, the market for and adoption of smart glasses by retailers and marketers has failed to take off.

Digitalisation was once seen as the major disruptive force in retail, but is now commonplace and an obvious next step for companies evolving in the sector. Instead, virtualisation and immersive technologies are sending shockwaves through the industry, as businesses arm themselves with the tools to deliver retail's holy trinity of consumer demands: simple, convenient, engaging.

Empowering today's shoppers means delivering a holistic experience, which seamlessly incorporates both the physical and virtual, blurring the boundaries that can exist with traditional, more siloed strategies.

Amazon can be credited with pioneering such a change in one of the most rigid and stagnant sectors of retail: payments. The opening of the first Amazon Go store in Seattle nudged the cashless checkout concept from niche novelty to a potential blueprint for convenience stores of the future. The promise of no queues and real-time personalised product recommendations, on the consumer side, and rich data insights, on the retailer side, mean the Amazon Go model is likely to be replicated across the industry.

Payments and immersive technologies are just two examples of digital innovations aggressively entering the retail space and receiving a warm welcome from many industry players. The success or failure of such experiments will depend on whether brands and retailers can leverage the right technology to deliver what consumers want. The cashless checkout concept, for example, will have to guarantee payment security and not overstep the mark when it comes to in-store shopper surveillance.

On the topic of what consumers want, over the coming year we'll see the current incremental steps being made in AI and predictive analytics swiftly turn into significant strides. The future shopping environment will be

powered by AI and retailers' technology that will "know" what the consumer wants before they do.

We've already seen "buy" buttons incorporated into social media platforms, enabling instant, immediate purchases, so it's only a matter of time before this model is taken to the next level. Smart, voice-enabled personal assistants will link with smart appliances in a consumer's home, so running out of milk, for instance, will prompt your smart fridge to communicate with your smart assistant, which will automatically reorder the product.

The likes of Amazon benefit from the resources and talent to deploy new innovations rapidly. Yet the success of a future shopping experience that is both immersive and engaging is dependent on a wider scope of the retail industry being able to access and wield these tools. Ultimately, retailers will only be able to satisfy increasingly demanding and expectant consumers if solutions providers continue to invest and innovate.



Scott Lester
Chief executive and founder
Flixmedia



Retailers will only be able to satisfy increasingly demanding and expectant consumers if solutions providers continue to invest and innovate

SMART SHOPPING

Automation is now more than just a buzzword in retail. The industry usage of artificial intelligence (AI) hit headlines in early-2018 after Amazon officially opened its first checkout-less convenience store in Seattle. Amazon Go has set the benchmark for an automated, seamless shopping experience, with many predicting mass rollouts of the concept worldwide over the next decade. However, facial recognition and product-tracking are not the only technologies making their way into the stores and retail supply chains of the future...

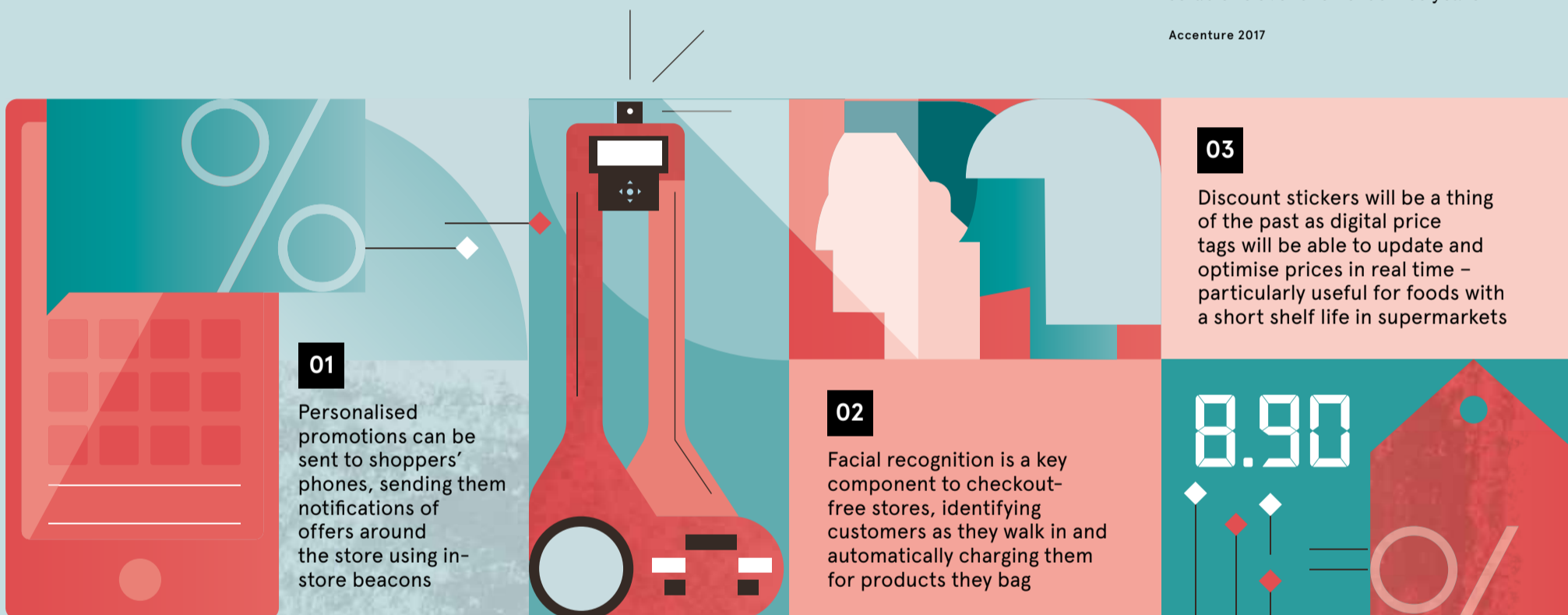
89%

of global retail executives say that their organisations must accelerate their pace of innovation simply to remain viable

75%

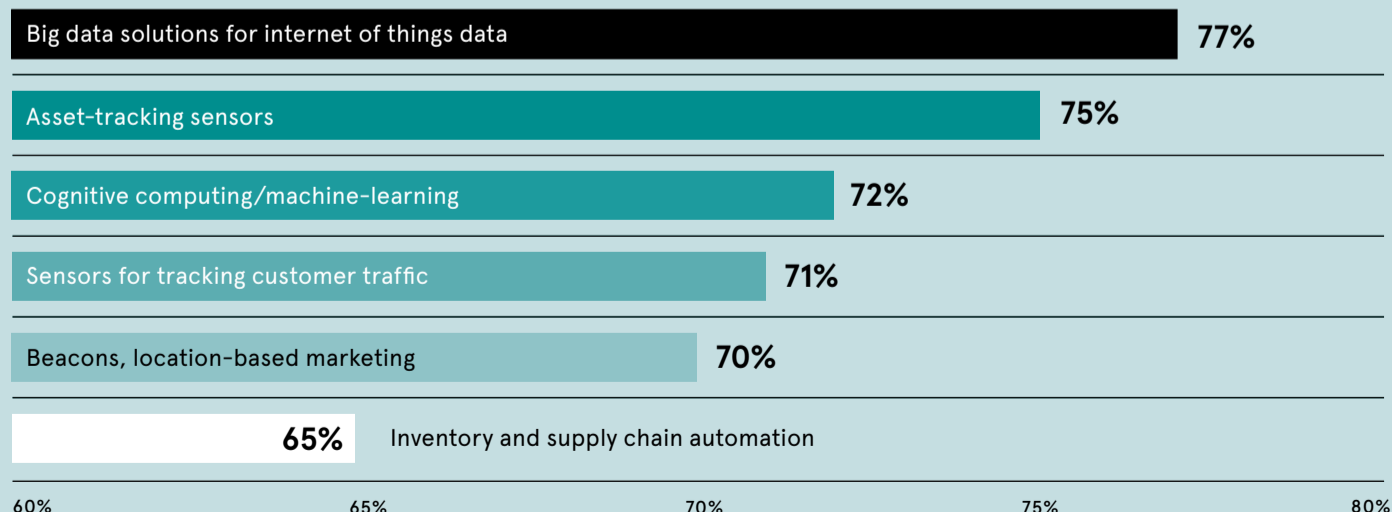
expect to make moderate to extensive investments in embedded AI solutions over the next three years

Accenture 2017



RETAILERS INVESTING IN AI AND CONNECTED DEVICES

Percentage of global retailers planning to invest in the following by 2021...



Zebra Technology 2017

07

Drones will be used for short-distance or last-mile deliveries – often the most expensive method of shipping for logistics and courier firms, particularly in rural areas

09

In-store humanoid robots can interact with customers and deal with simple questions, stock-checking or product queries

06

Cognitive computing technology enables retailers to recommend products based on customer preferences or previous purchases

08

Inventory-tracking sensors are able to recognise empty shelves, while autonomous robots will be able to replenish them, enabling in-store staff to deliver more value-added services to customers

05

Autonomous mobile shopping baskets follow customers around the store, automatically charge for products placed within and transport goods to cars or drones for home delivery

PERSONALISING THE IN-STORE EXPERIENCE WITH LOCATION TECHNOLOGY

Top future personalisation techniques rated by global retailers

01

Ability to customise store visits

02

Real-time alerts deploying employees to location to assist shoppers

03

Know when specific customers are in store

04

Alert when loyal customers walk through the door

05

Know where specific customers are in store

06

Alert when customers arrive in car park to pick up online order



Uniting brand and commerce online

Retail brands that fail to deliver a website that immerses visitors and integrates transactions in one unified experience are falling behind in the race for online growth

The disjointed nature of retail brands' websites and their online stores is causing many to miss out on significant revenue opportunities.

Typically, retail brands have approached their web presence with two separate teams: a marketing department in charge of creating an engaging online home that immerses visitors in the brand, and a commerce team tasked with building a digital store which can process orders and handle logistics like inventory management.

In this set-up, the two departments often fail to collaborate effectively because the e-commerce platforms that have dominated the market, from the likes of IBM, SAP and Salesforce, don't offer sufficient content and experience management capabilities.

"These technical shops were not designed to create great experiences;

they were just designed to enable transactions," says Sören Stamer, chief executive of CoreMedia, a content management software vendor. "Many retail brands still have this structure and they end up with a beautiful brand site that doesn't merge effectively with the shop."

"You have to excite the customer and create an experience that inspires them to buy, but you also have to make buying easy. By uniting brand sites with online stores, it's much easier for consumers to buy the goods."

Tech giant Apple has mastered this combination. While it long had an exemplary website that immersed visitors in its products with engaging videos and animations, when it came to buying something customers were taken to a separate online store that lacked the same user experience. By uniting those two sites into one customer journey, the transactional part of the site is now deeply integrated into the content experience.

Online retailer YOOX Net-a-Porter has also excelled in merging brand, content and transactions into a single experience. The luxury fashion group owns 40 online flagship stores that both create an immersive experience through content and allow users to buy anything in their local currency for global delivery.

However, most retail brands are still far from being able to deliver this kind of united experience. To achieve this, retail brands are turning to tools that facilitate what's called experience composition.

"With experience composition you can do things like embed videos that let users jump to the features of a product then purchase with a single

click," says Mr Stamer. CoreMedia provides not just content management, but a sophisticated experience composition toolset, allowing both marketers and merchandisers to create iconic brand experiences that unite site and store for any device or language.

"You can also embed geo-location features, so customers are sent special offers based on where they are. These experiences are more complicated than just adding a photo of a product. They have to work on your mobile, desktop, voice devices, in-store, digital signage and beyond."

"This is the missing piece for many retail brands. They have a shopping platform, some kind of content management and customer relationship management, but they lack the ability to deliver consistent experiences to multiple channels."

Mr Stamer sees the need for experience composition expanding beyond the luxury retail space to all organisations, whether consumer companies, business to business or even government.

"Luxury brands realise if you want to win you have to provide a better customer experience, but this statement is also true for basically all verticals," he concludes. "So we believe the technology we have seen the luxury business successfully use will be relevant for all organisations in the world."

For more information please visit www.coremedia.com

COREMEDIA 



Sören Stamer
Chief executive and co-founder
CoreMedia

Fighting for a way to fit new lifestyles

Under heavy competitive fire from online retailers, department stores must adapt to survive the battle and stand a chance of winning the retail war

LAURA OLIVER

For many traditional department stores, 2017 was not a good year. In the United States, J.C. Penney closed 138 branches and Sears shuttered a reported total of 300 stores. In the UK, Debenhams announced that ten of its 176 locations would close unless they improve.

"A department store is a legacy format. It used to be the new kid in town 100 years ago, but now it's finding it difficult," says Tony Shiret, UK general retail analyst at Whitman Howard.

The problems faced by department stores are myriad. Less efficient than specialist shops and losing market share to discount stores, their previously defining feature – an extensive product range – has been usurped by the likes of Amazon.

As of January 2018, 16.5 per cent of all retail sales in the UK were made online, an increase of 9.1 per cent year on year, yet many department stores have been slow to move online, with lacklustre websites and poor online browsing experiences.

But all is not lost for while experts agree there will be fewer department stores in the future, those willing to

find new ways to fit into the lives of their customers can succeed.

"Long term, the format and what they sell will have to be adapted. It's too much nondescript, overlapping type of product and not enough destination product in these shops," says Mr Shiret.

Stores such as John Lewis and Harrods will be successful over the next ten years because they have a clear strategy, identity and the consumer knows what they stand for, says Dr Jeff Bray, principal academic in marketing and consumer behaviour at Bournemouth University.

"If you asked consumers to name department stores they'd say Debenhams and House of Fraser, but they'd class John Lewis as a family friend. It's seen or felt to be different and more ethical, partly because of its ownership structure," he says.

John Lewis has previously found its online sales increase in areas where it opens a new store, and is one of the UK's leading online retailers when ranked by online sales and traffic to its website. The store embraced mobile shopping quicker than competitors and its site design is focused on making it as easy as possible to find and purchase products.

"The future success of department stores lies in them offering great service in an omnichannel way. John Lewis's service proposition is not diluted by shopping online or offline," says Hugh Fletcher, global head of consultancy and innovation at digital commerce consultancy Salmon.

The department store of the future will need to be more specialised and offer an alternative to online marketplaces. He adds: "What Amazon really can't do is the human element. A big differentiator is the ability to have products installed, set up and disposed of by trained personnel."



Department stores can carve out a niche if they position themselves as a solution to a problem rather than the provider of a product

Housing a carefully curated range of products under one roof, as John Lewis does, coupled with more specialist in-store services, such as wardrobe makeovers or an interior design consultancy, would offer consumers something they cannot get online and turn a physical presence into a competitive advantage.

“Department stores can carve out a niche if they position themselves as a solution to a problem rather than the provider of a product,” says Dr Bray. Such assisted shopping could evolve into a department store as concierge service with loyal shoppers assigned a regular member of staff, he adds.

Building on their human element is crucial to department stores’ success, says Mr Fletcher. “Take John Lewis’s baby section. The consumer is faced with going online to buy a product, versus going in-store to see an expert who has been trained in the products,” he says. “While live chat and video services have been set up to do this, human face to face still dominates.”

The future department store should offer customers tactility through a physical store and a great way to browse products online before they come in, such as a limitless stock option allowing them

to view a product in any size or colour, says Craig Phillipson, managing director of retail design consultancy Shopworks.

“If everyone can find out about everything on the internet and order it to their home, department stores need to deliver something more interesting, whether that’s customer service, instant gratification or personalisation,” he says.

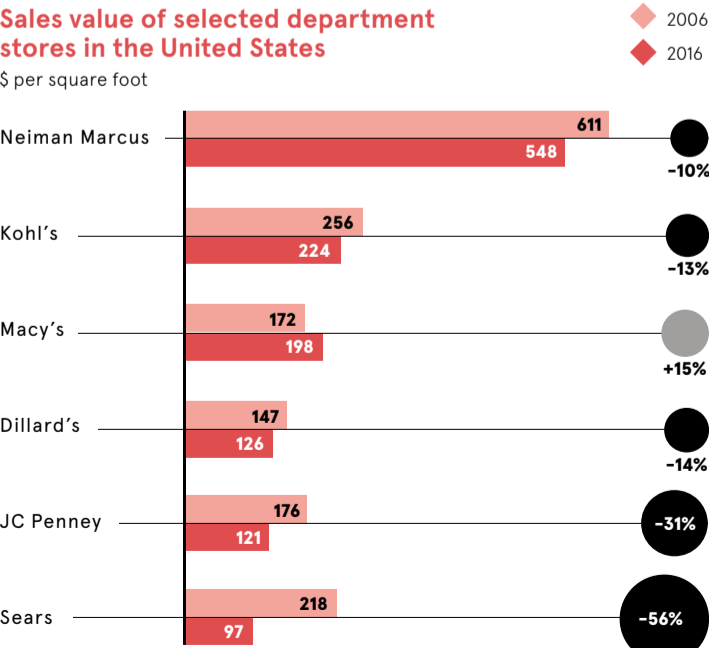
The cost of maintaining such large spaces is high and it’s difficult to offload massive, multi-floor properties, but the “local” experiments of brands such as Nordstrom could offer a solution, Mr Phillipson adds. At a fraction of the size of their other stores, these local outlets are centrally located with no inventory and offer customers a more convenient way to browse products and collect ordered items.

Whether through smaller, local versions or by placing counters in

other conveniently located partner stores, a much greater investment in click-and-collect services would make department stores more efficient options for consumers. In the future, facial recognition or geo-location technology could alert stores to a customer’s approach so their goods are ready for collection on arrival.

The cost of such technology or reinvention may be seen as prohibitive by some brands, but those that use it to fit their customers’ lives will find success. For too long department stores have been on the back foot as online marketplaces changed consumer habits and their market share.

While they would like to replicate Amazon’s success, to do so they must differentiate themselves through a relentless focus on the consumer and by turning their physical presence from albatross to advantage. ♦



Coresight Research/company reports 2017

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Creating new spaces to experience brands

From retailers creating community-based hubs, focused on social currency and connectivity, to pure-play giants launching physical spaces for an immersive brand experience, retail stores are being reimagined

EMILY SEARES



Forty Five Ten

Dallas-based boutique Forty Five Ten is the “new hot iteration of the department store, offering curated luxury products in an artful setting”, says Lucie Greene, worldwide director of innovation at JWT. Kristen Cole, president and chief creative officer of Forty Five Ten and sister-store Tenoversix, says retail is no longer just about the function of offering clothes. “It’s about providing an immersive, sensory engagement: cool, friendly, smart staff; good music; nice smells; compelling

merchandising; significant art; a spot for coffee, drinks, café and, of course, a strong presentation of great design,” she explains. The company operates a number of stores across the United States, with each location tailored to its specific market. It plans to open Forty Five Ten in New York’s Hudson Yards in 2019, which will be “very directional, very forward, from Snarkitecture’s design of the space, to the edit of brands and pieces”, says Ms Cole. “We want to offer boutique experience and concepts, slightly different in each city, not monotony,” she adds.



STORY

Described as “New York’s coolest concept store”, STORY is ripping up the rule book. It entirely reinvents itself every three to eight weeks, offering community-focused retail experiences. Combining retail and media into one concept space, it tells stories through merchandise and events then sells spaces to sponsors or advertisers, much in the same way as a magazine. In September, the store ran Beauty STORY in partnership with Coty, which featured mass-market brands, such as Covergirl, Clairol, Rimmel and Sally Hansen, alongside prestige brands, including ByRedo and Diptyque, all under one roof. Disrupting the way beauty retail is traditionally experienced, it organised

product by “how people live”, rather than price point, demographic or category, explains STORY’s founder Rachel Shechtman. Coty products were not for sale, but they could be acquired for social currency. Customers were able to use the Array 3D photo experience if they wanted to acquire a Covergirl product or tweet at the Vengo social vending machine for a Rimmel matte lip gloss. However, all other products from Diptyque and Dr Colbert to Heyday facials were for sale. The activity generated more than 100 million social impressions, with 84 per cent of all customers engaging with at least one of the five Coty interactive in-store experiences.



Nike Unlaced

Nike’s new “shop-in-shop” retail concept Unlaced is set to overhaul the male-orientated sneakers market, with a focus on serving women through choice, innovation and new, localised product curation. The retail concept, unveiled at an event in Paris last month, will feature “unprecedented access to styling and customisation services, like she’s never had before”, says a spokeswoman for the brand. This will include exclusive limited editions, customisation bars and unisex sizing on models, which previously were aimed at men. The new retail concept will feature local product curations by influential creatives and stylists

from New York, Paris, London and Shanghai. This follows successful curator-led retail partnerships, such as the Kim and Nordstrom boutique collaboration. The brand is aiming to create bespoke identities with each new shop-in-shop concept, which will be reflected both on and offline. “Nike Unlaced is a big opportunity to serve our female consumer better,” adds the spokeswoman. Launching on Nike.com at the end of this month, the new concept will be rolled out to physical retail destinations globally this summer.

Missguided

Originally a pure-play e-tailer, fashion brand Missguided opened a big new store in the Kent Bluewater shopping centre last June after making a physical retail debut the previous year with its London flagship Westfield outlet.

Its impactful “on air” retail store concept offers a high-energy, fashion-forward experience intended to immerse its young customer base fully into the brand.

Social interactions are at the heart of this concept. Girls are encouraged to be in constant conversation with one another and the brand, bringing social media into a live, physical experience.

04

Window and barrier-free, the completely open store-front is designed to have “stop you in your tracks appeal”. Floor-to-ceiling digital screens play customer-generated content, curated under the hashtag #babesofmissguided.

Designed by Dalziel & Pow, the concept is inspired by a TV studio. Disrupting the layout of a conventional retail store, it features flexible, studio lifestyle sets which encourage exploration and social-media sharing.



Glossier

Cult beauty brand Glossier launched a week-long pop-up Studio in central London during November, which saw thousands of people coming through its doors daily.

Taking over an 18th-century home in Marylebone, it created a “totally instagrammable shop” selling its full range of skincare, make-up and body products.

With the aim of engaging the local community and creating a buzz, having recently started selling

to the UK, it inspired hundreds of user-generated content items across social media and Glossier’s own Instagram account, which saw one of the most liked images in its history.

Despite being an online player, Glossier sees offline brand activities as a key part of engaging its customer base in the form of pop-up retail stores and community dinners. ♦

05



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Why customer experience is central to a successful digital strategy

Digital transformation must put the customer first, says **Paul Lynch**, area vice president and managing director of LiveArea Europe

Thanks to the gallop of technology, disruption is coursing through every industry, just not at the same pace and level. It feels like it is only a matter of time before the cascade lands on you and certainly in the retail sector fleet of foot is now required to keep pace. Simply put, those who have either not gone through a digital transformation or are poised to evolve this year risk being washed away. Are you ready?

In 2018, most digital-first businesses are overachieving on their revenue goals. More specifically, it is those who focus on customer experience (CX) who are triumphing. It is becoming clear that to build a successful digital strategy it is crucial to position the customer at its centre.

It is becoming clear that to build a successful digital strategy it is crucial to position the customer at its centre

Moreover, that customer-centric approach drives change across the entire organisation, not simply for commerce-focused team members. It encourages collaboration and problem-solving needs to become a habit; having people that can move and think quickly, and accept change, is essential.

A mindset alteration is drastically required for laggards, especially when one considers the rise of nascent technologies and behaviours. Business leaders have to recognise that it is imperative to pivot and move well away from traditional ways of working.

The success of digital-first players, compared with some bricks-and-mortar retailers, is generated in part because of their agility and innovative approach. And companies employing CX to elevate their brands are most likely to achieve, and surpass, their business goals.

That is because customers' demands have been dialled up by technology.

Purchasing habits have changed dramatically in the last decade; indeed, it's amazing to think that the first iPhone was only released in June 2007 and now voice-recognition devices are increasingly ubiquitous. The business adage that "the customer is always right" still applies, but the modern customer has come to expect a super-smooth retail experience and ultra-convenience across many devices. Any barriers or glitches can have a negative and lasting effect.

Customers want you to engage with them digitally as though you were dealing with them face to face. And clever, personalised add-ons, such as offering free post-sales videos to show how, say, a new bike is adjusted, can make your company stand out. Moreover, they expect commerce to be part of their always-on, connected lifestyles where influencer marketing, social commerce and truly immersive retail experiences are quickly becoming the norm.

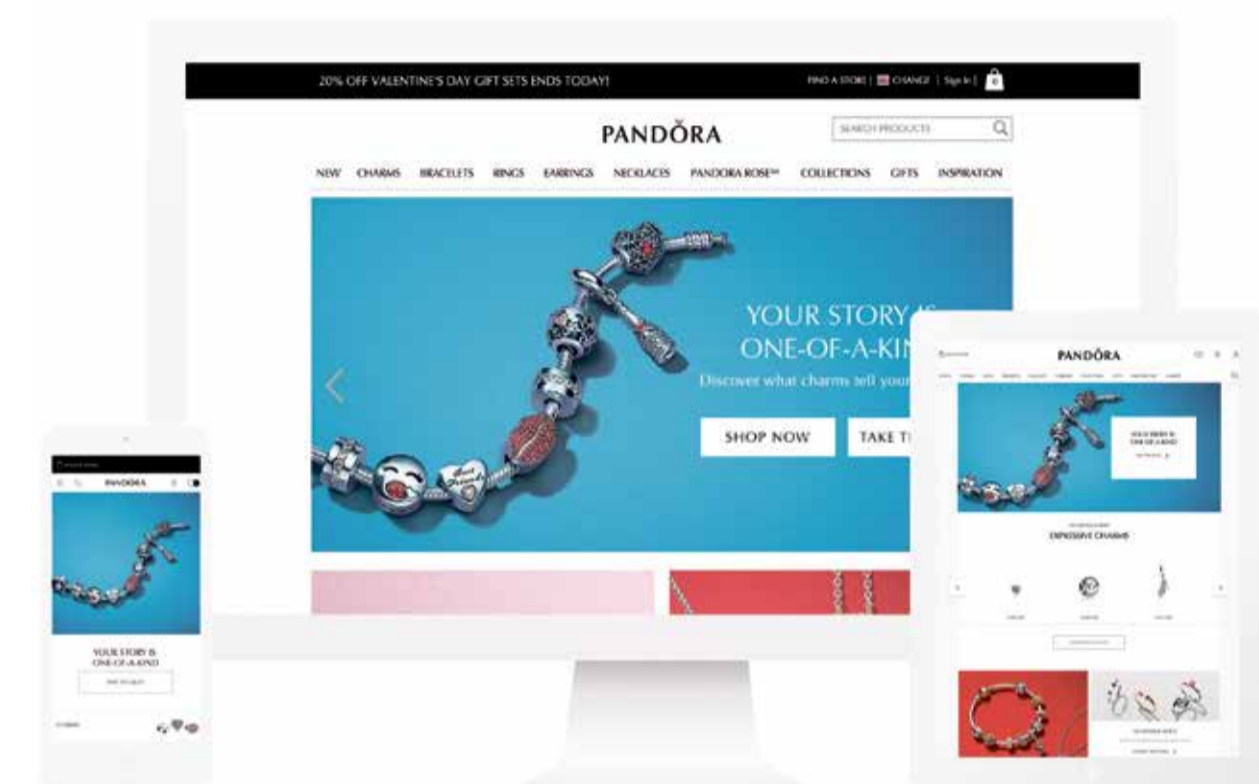
At LiveArea we believe CX is so important and that is why we have it in our url, www.LiveAreaCX.com. As a global commerce services provider we can see the retail industry's painpoints and strive to address them. We help our customers achieve their digital business objectives, by blending strategy, design and technology to deliver frictionless commerce experiences.

We have a robust set of offerings to help our clients successfully implement a digital strategy that places their own customers at the centre of everything they do. To do this, we focus on understanding the needs and expectations of our customers' customers. At LiveArea we work with brands people love and we fuel that passion by crafting signature customer experiences. We empower brands and retailers to sell more and connect with customers on a deeper level.

We understand, firstly, how to attract customers to a client and then convert that interaction into a long-term relationship. Plus we know how to deliver great customer service. That makes for great CX and that is what will drive the future of retail.

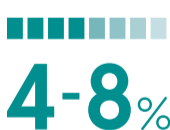
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Deloitte



extra revenue growth for companies that excel at customer experience

Bain & Company

Place customers at the heart of your digital strategy and other top tips

LiveArea's **Paul Lynch** offers sage advice for organisations of all sizes to improve their digital strategies

Create a digital strategy with your customer at the centre
This will have a ripple effect on the entire organisation, not just on e-commerce. Be prepared for that.

Listen to your customer
Ask them directly how they would like to engage with you, capture and consider their response, and devise an appropriate digital strategy. Deal with difficult situations quickly and embrace online collaboration for real-time communications as brand loyalty is driven through high-quality customer service experiences.

Embrace change and innovation
Change occurs on a daily basis, so having a board and management team that embraces an agile approach to change will ensure your digital strategy is successful. Similarly,

change in consumer behaviours and in the retail sector is already happening. Don't be afraid; embrace it. Flexibility, as well as constant attention to consumer trends and the pulse of the market, creates agile organisations able to adapt and innovate in the most mutable landscapes.

Collaborate to drive change and better culture
It is critical to collaborate and pull down the silos that exist in many businesses. Bring together teams to drive change and adopt customer-centric approaches. The culture needs to embrace and deliver innovation through personalised customer journeys. This cohesiveness, and having the customer at the centre of everything you do, is vital to becoming a winning digital-first company. Such businesses are driving brand loyalty, increasing margins and have built a robust plan to attract new customers.

Build for the long term
Building digital strategies

based on short-term targets of immediate returns or individual departmental goals could be fatal in the long term. Be thorough, be wise.

Plan omnichannel strategies from the outset
This includes bricks-and-mortar, e-commerce, social commerce and any other touchpoint or channel where the purchase intent, and desire, is born.

Content remains king
Compelling content is required to enhance digital experiences, and your business teams need to create that content as they understand your products and offerings better than anyone.

Investment will assure success
Integrated technology solutions will seamlessly drive your digital initiatives. Skilled people are key to any successful digital strategy.

But whoever buys cheap buys twice
Essentially, don't be driven by cost decisions only. Being cost savvy and going after good value is fair, but focusing on cost only could jeopardise the long-term success and often creates more problems than opportunities.

WOMEN IN RETAIL

Top shoppers settle for seconds at work

Women shop more than men, but they haven't yet smashed the glass ceiling when it comes to getting more top retail jobs

EMILY SEARES

According to Korn Ferry's *Retail CEO Tracker 2018*, the percentage of female retail chief executives appointed during 2017 slumped year on year, with the six-year trend from 2012 to 2018 showing little improvement in the number of women appointed to the role. In an industry where 85 per cent of purchases are made or influenced by women, what is going wrong at the top?

N Brown Group chief executive Angela Spindler says: "It has been a very challenging time in the retail sector, from the economic backdrop through to the weather, and this all affects consumers and their desire to shop. When times are tough, the appetite for risk from boards is just not there; they want to see a proven track record."

If there's to be any improvement, change needs to come from the most senior level, Ms Spindler says. "The responsibility is for chairmen, chief executives and recruiters to do more," she explains. "My rule is I never accept a candidate list that doesn't have a good balance of men and women. There is a process issue around retail and talent in the industry, and business as a whole."

Sarah Lim, managing director of retail at executive search firm Korn Ferry, agrees. "There are only a handful of female chairmen in the retail sector and I think there is a ripple effect from the top," she says. "We need more role models; this means more female chairmen and not just women as non-executives on boards."

Andy Gooday, managing director of executive search agency Round Peg Search, says one of the main barriers for women is unconscious bias during the hiring process. "Evidence shows that people tend to recruit in their own image – white, middle-class males tend to recruit white, middle-class males," he says.

Brenda Trenowden, global chair of the 30% Club, launched in 2010 with

the goal of achieving a minimum of 30 per cent women on FTSE 100 boards, says change will only happen with enlightened bosses. "It's shocking, but if a CEO doesn't really feel it's important for a business, nothing will happen. They need to make it a top-five business priority," she adds.

Ms Trenowden says there needs to be a seismic shift in culture within the retail sector to see real change. "We need more role models, agile working, flexibility and a blend of leadership styles," she says. "It needs to be about making business better and not just a human resources issue."

IKEA's UK and Ireland country manager Gillian Drakeford says a top-down and bottom-up approach is needed. "Encouraging and inspiring female co-workers from the very beginning of their careers is key," she explains. "This is something I experienced first-hand, and it enabled me to recognise my own strengths and abilities in a leadership role."

Globally, the IKEA Group has committed to a 50/50 gender split in all functions and management teams. Across IKEA UK, this works out as 50.2 per cent male and 49.8 per cent

female at management level. Ms Drakeford says to see transformation, retailers need to realise this shift both culturally and practically.

"HR policies should support driving greater equality, from interviewing at the recruitment stage to offering flexible work arrangements. But, most importantly, instilling a value system that cultivates a supportive, nurturing culture in the workplace is imperative to creating change," she adds.

Ms Lim agrees: "We don't have a shortage of women going into the retail workforce or a shortage of female graduates. The starting point is good, but they will often drop off for personal and family reasons. There is a point often where choices have to be made and this comes at the middle-management rank."

Lizzie Penny, co-founder of global flexible working community The Hoxby Collective, says lack of flexible working options is a huge barrier to success for many women moving up the ranks. "Too many organisations still don't challenge the preconception that senior-level roles require a 9am



IKEA's UK and Ireland country manager Gillian Drakeford says a top-down and bottom-up approach to changing attitudes is needed

to 5pm, five-days-a-week physical presence. This is not necessary in today's digital world. Companies need to take this into account if they want to attract and retain the best talent, and sustain competitive advantage," she says.

Ms Spindler says it's both a cultural and confidence issue: lower expectations of women in business coupled with women not putting themselves forward. Some headway is being made, however, with high-profile female chief executive appointments at Card Factory and Karren Millen over the last few years, but it will take time for a pipeline of new talent to come through.

Sarah Walters, chief creative officer at retail startup Metail, says the UK needs to begin early by encouraging more women into STEM (science, technology, engineering and maths) subjects, but also ensuring there is ongoing business training for women working on the creative side of retail, to help them transition into leadership roles.

N Brown Group has launched a number of new initiatives in the last six months, says Ms Spindler, aimed at helping to provide potential future leaders with role models. This includes internal monthly leadership programmes and networking groups, with inspiring female guest speakers from Google, among others. She is also a champion of the Be Inspired initiative by trade magazine *Retail Week*, which aims to help promote

Evidence shows that people tend to recruit in their own image – white, middle-class males tend to recruit white, middle-class males

the careers of successful female retail leaders.

Ella d'Amato, chief commercial and partner officer at Not On The High Street, agrees that female role models in the industry are key, but fears we are in a "Catch-22" situation. "Until there are more women who can act as role models, it is hard to inspire women to pursue top jobs or become retail entrepreneurs," she points out.

Lucy Ward, creative brand director at retail startup Trouva, says role models and mentorship have been crucial stepping stones in her career. "I've found so much value in it at the start of my career, but even more so now as I take on more leadership responsibility," she says.

Ms Lim concludes: "Business needs to be reflective of society; we're in a situation where almost half the global population are women, but less than 5 per cent are retail chairmen and CEOs." ♦

Six-year trend of female chief executive appointments in UK retail

Analysis of all major UK retailers with annual revenues of at least £50 million



Korn Ferry 2018

Same-day delive

With rising consumer expectations, fast delivery of internet goods is so far proving difficult for some firms to make money

NICOLA SMITH

In 2016, Deliveroo's parent company reported losses of £129 million, while Uber's losses amounted to £2.2 billion. Operating in the nascent and uncertain gig economy, they are the darlings of delivery, yet their super speedy models are still to prove profitable. So is our ultra-convenience society impossible to profit from or are delivery companies simply missing a trick?

"The prime effect has completely skewed customers' views on price and time of delivery," says Hugh Fletcher, global head of consultancy and innovation at digital commerce consultancy Salmon. Not only is Amazon fuelling customer demand, it is, unsurprisingly, ahead of the pack in meeting it too.

Amazon's secret weapon is data. It uses this to reduce the cost of delivery by predicting what is likely to be needed, when and where. "Amazon is, of course, leading the space in this regard, with significant spend and research already invested into its [patented] anticipatory package shipping, which finds economies of scale by moving items to distribution centres closer to customers who are likely to buy them," says Mr Fletcher.

It isn't a lesson that has been lost on disruptors such as Deliveroo, which competes directly with Amazon Restaurants and Uber Eats. Its spokesperson says the company is currently investing heavily in technology to improve its real-time logistics algorithm and artificial intelligence systems.

The company says its Frank algorithm, which evaluates the most efficient way of distributing orders based on the location of restaurants, riders and customers, has helped to reduce average delivery time for meals by almost 20 per cent since going live in January 2017.

But while Deliveroo and Uber obsess about speed, Stuart Higgins, director of retail at BearingPoint, believes there are other growing considerations for delivery companies. "DPD has managed to create a profitable model by not seeking to play in the low-cost home delivery space, but instead focusing on value-added services," he says, citing improved track and trace, a



Aiming to be the most customer focused carrier

With £16m invested in our digital transformation programme, an ever improving NPS score of 68 and a high CSAT score of 89, we have the people and the technology to deliver on our aims.

 **Hermes**

15-minute delivery window and named driver as examples. "They invested ahead of the curve and now some customers are typically paying £1 to £2 more to select a DPD delivery because they know it will give certainty."

Mr Higgins believes customers are less concerned about speed of delivery and more motivated by a guaranteed time slot. "They care about knowing it will definitely arrive and when," he says.

It is a view backed up by Will Lovatt, vice president, Europe, Middle East and Adrica, at supply chain specialists LLamasoft. "We're starting to see a growing trend in consumers demanding precision over speed to accommodate their busy lifestyles, making it a priority for retailers to offer the option of delivery in precise time and date slots selected by the customer, rather than placing their entire focus on next or same-day delivery," he says.

As demand evolves and retailers are forced to expand their choice of delivery options, Mr Lovett says delivery companies need to look

We're starting to see a growing trend in consumers demanding precision over speed to accommodate their busy lifestyles

ry: profit sometime soon?



01

ahead, starting with a clear picture of how the supply chain will look as it scales, and not rely on trial and error. He says: “This can be accomplished through supply chain modelling, running various scenarios and running the metrics on aspects such as cost to serve, production capacity and inventory optimisation, as the supply chain evolves through different iterations of design and strategy.”

Infrastructure is also key, an area in which the incumbents have an advantage over the disruptors, tapping into existing flexibility and breadth. For example, CitySprint Group, owner of retail delivery brand, On the dot, has access to its parent company’s experience and network of more than 5,000 fully GPS-enabled couriers, reaching 99 per cent of the UK population.

Chief executive Patrick Gallagher says: “The key to our profitability is the ability to leverage an existing client base, built over three decades operating in the same-day delivery space. With the integration of smart technology systems, we have the added economic advantage of continually introducing new clients, ensuring competitive pricing.”

Another answer to the infrastructure challenge is being championed by startup Stowga, which combines distributed warehousing with on-demand warehousing, using technology to match organisations in need of warehouse space with those that have spare capacity. Its instant search capability enables companies to create a new supply chain within hours.

“If unforeseeable circumstances happen, there are still several other warehouses that will be able to keep the supply chain afloat,” says Charlie Pool, chief executive at Stowga. “Larger numbers of warehouses located closer to the customer will enable fast fulfilment to meet customer expectations. In addition, the model offers the chance to cut fuel costs and emissions, and reduce driver hours.”

Mr Pool says the model tends to be more popular with tech-savvy retailers that have a deep understanding of their customers and of patterns of demand. “That requires gathering and analysing data from across the supply chain and designing a network based on that data,” he says.

There is certainly something to be said for collaboration in all its forms and Bobby Shome, global business director at delivery management specialist Centiro, says working together is key to competing with Amazon’s delivery might.

He says: “To make this happen in practice, retailers and delivery companies must look to the technology driving their logistics and operations. This can make collaboration possible by sharing accurate, timely information across a wider network, making it possible for retailers to pool their resources when it comes to delivering goods.”

Both Deliveroo and Uber might be experiencing losses, but as their revenues grow, the whole sector would be wise to keep a close eye on the books. ♦



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Deliveroo’s parent company reported losses of £129 million in 2016

02
Amazon’s vast size and logistics capabilities have skewed customer perceptions about the speed and price of delivery

‘We have the greatest opportunity to replace conventional, unsustainable systems with innovative and sustainable ones’

Across fashion’s complex and global supply chains there is a depletion of resources, from the raw materials we use, to our manufacturing processes that are dependent on vast amounts of water and energy.

It should come as no surprise then that fashion can be considered the second-largest polluting sector and contributes to climate change. In fact, a new study illustrated that the global apparel and footwear industries account for 8 per cent of the world’s greenhouse gas emissions, almost as much as the total carbon impact of the European Union.

What is perhaps surprising is that our industry has only recently become more aware of the significance of the breadth of its environmental impacts. Conversely, there has been recognition for decades of the need to improve radically the often deplorable working conditions in fashion’s supply chains.

In the business of fashion, like all commercial endeavours, there has been a historical disconnect between perceived business needs and a more regenerative, humane approach. More than ever it is critical to change this paradigm. In a world where we are passing our environmental planetary boundaries, business and sustainability cannot remain decoupled.

In my view we have the greatest opportunity in our lifetimes to replace the conventional, unsustainable systems that have been entrenched for centuries with innovative and sustainable ones.

While it is true that many sectors are wrestling with how to integrate sustainable practices, fashion also has a moral obligation to be a leader in becoming accountable, ethical and responsible to our environment, and to contribute to the greater good.

We can help build climate-smart and resilient agriculture to support our raw material needs, efficient, low-impact production systems, and fair working conditions that provide a foundation for thriving communities. This will not only result in the improved sustainability of our products, it will support sustainable development globally through operational initiatives, from the furthest supply chain tiers to design.

In short, we need to refashion fashion for the future; to move away from a “take, make and waste” economy towards a circular one where resources are conserved.

This is how Kering’s chief executive François-Henri Pinault views the future of fashion in our group.

And truth be told, what other major industry can shine the light of excitement and glamour on this daunting mission like the luxury sector?

Luxury is in a unique position where we influence and set the trends and aspirations in fashion and lifestyle. And so, just as luxury sets these trends, we have a critical role in setting the standard for sustainability across the fashion industry.

At Kering we are finding and implementing solutions-based approaches that will establish a new, sustainable luxury ecosystem and accelerate the uptake of a “fashionable” status quo that aligns with beauty, creativity, quality and sustainability.

Indeed, this is no easy task. And we can’t do it alone. As an industry, we need to accept a shared responsibility and shift towards more collaborative and entrepreneurial thinking. We need also to understand that transparency of information sets the stage to look at opportunities, and should not just be seen through the limited lens of risk and competitive disadvantage.

Open-sourcing new ideas will fuel sustainable innovation and create business value. It is also essential to educate the next generation entering our industry. They will be tomorrow’s leaders who will drive change and embed these new frontiers of sustainability that we are only just discovering today.

We have choices like never before and it is clear to me that we, as an industry and as individuals, need to move forward and contribute with creativity, ingenuity and innovation for a truly sustainable future.



Marie-Claire Daveu
Chief sustainability officer and head of international institutional affairs at Kering

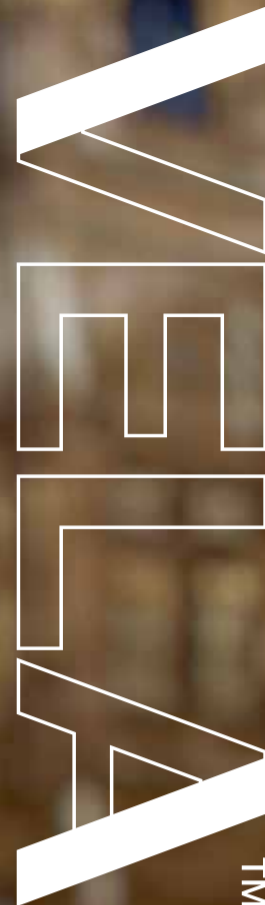
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