RETAIL REVOLUTION:

A BLUEPRINT FOR TRANSFORMATIONAL RETAILING

RETAIL TECHNOLOGY SHOW
25-26 April 2023
Olympia, London

RETAIL REVOLUTION: INTRODUCTION

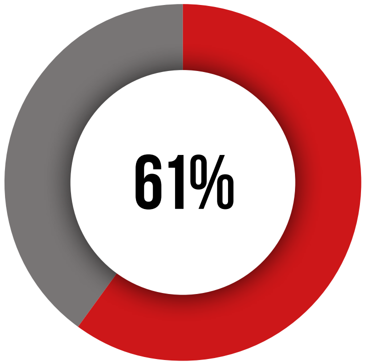
The future arrived long before Covid and the urgency to act is now pressing if retailers are going to be prepared for success in the long-term. After two years of upheaval, retailers are now looking at which technologies are going to enable them to optimise their operations while meeting the needs of customers.

Our report aims to help retailers decide where to place their bets when it comes to technology investment, based on a better understanding of how shoppers' demands have evolved – what will stick and what will twist? Which demands have accelerated and what is here to stay? And how does the store need to be reimagined in the context of digital channels, to bridge the gaps.

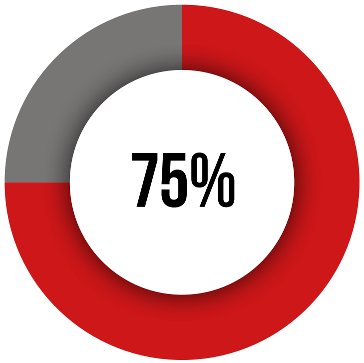
THE REPORT WILL THEN HELP RETAILERS TO BUILD THEIR ROADMAP FOR THE NEXT FIVE YEARS, AND BUILD A TECHNOLOGY INFRASTRUCTURE THAT MAY CURRENTLY BE HOLDING THE BUSINESS BACK.

A NEW MARKET

In the two years since the start of the Covid pandemic, the state of retail and its customers are being measured in completely new ways, based on behaviours that are in many cases being observed for the first time. And the statistics are in most cases dramatic.

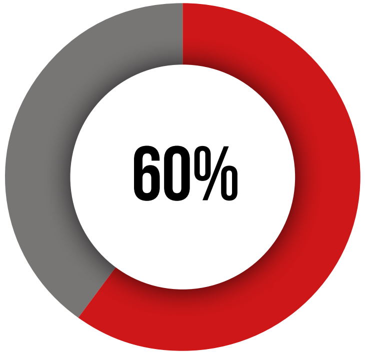


of US online adults under 25 years old say they've completed a purchase on a social network without leaving the website or app



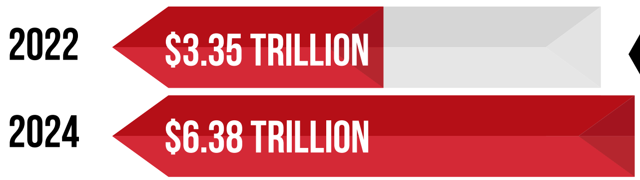
of retailers say Facebook is one of their top five priority marketing channels followed by Instagram and SEO

THERE WERE OVER 1 BILLION TIKTOK USERS IN 2021, AGAINST 65 MILLION IN 2017

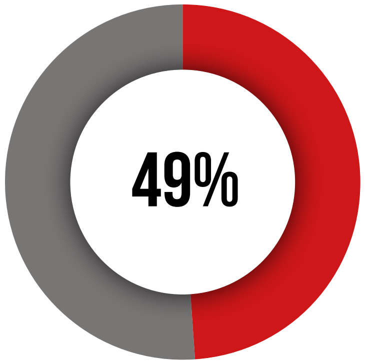


Over 60 percent of global consumers have changed shopping behaviour, many of them for convenience and value, and **73-80% INTEND TO CONTINUE THEIR ADOPTED BEHAVIOUR**

Retail e-commerce sales worldwide were $3.35 trillion and expected to rise to $6.38 trillion by 2024



MORE MINDFUL CONSUMPTION IS ON THE RISE EVERYWHERE



of online adults in the UK prefer to buy environmentally sustainable products

3 OUT OF 5

About three out of five UK online adults prefer retailers that offer free return shipping; about two out of five prefer retailers that provide refunds via the original form of payment

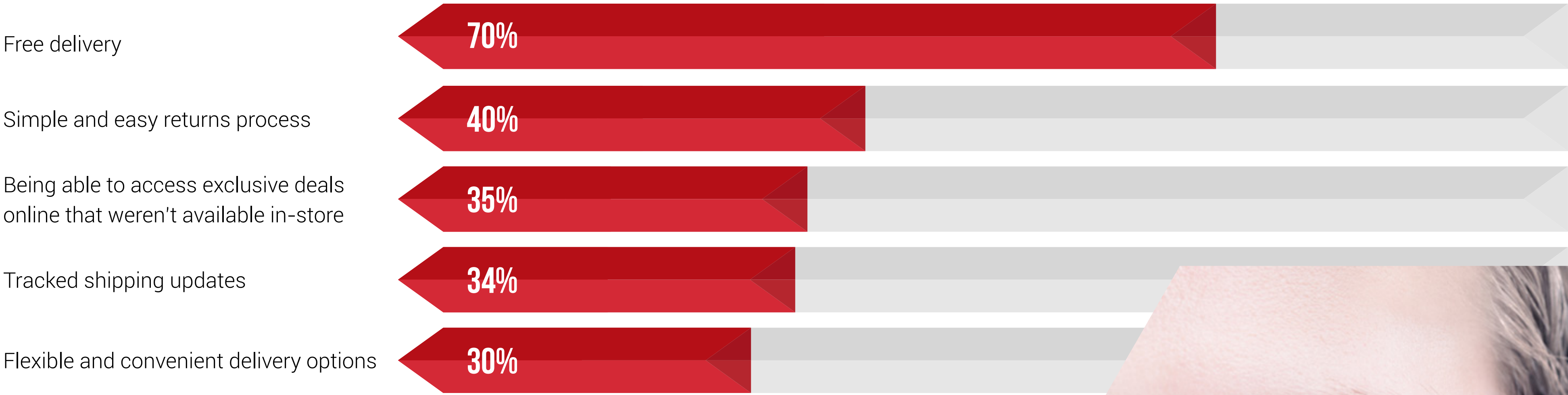
2021 the year that gaming dramatically overtook TV

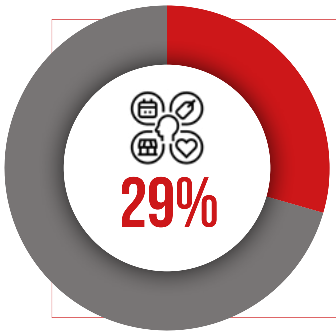
THE NEW CUSTOMER - WHAT DO THESE EVOLVED SHOPPERS NOW WANT?

Based on original research of over **2,000 UK adults**, conducted by Savanta on behalf of the Retail Technology Show in November 2021.

WHAT DO CONSUMERS WANT FROM DIGITAL BUYING JOURNEYS IN THE FUTURE?

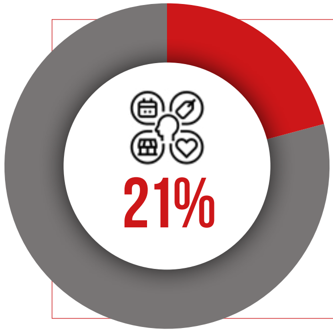
Main reasons for buying from a retailer online:



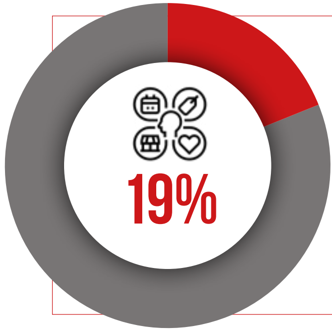


Personalised digital experiences were key factors in consumers' decisions to buy from an online retailer in the future:

29% want a more one-to-one ecommerce buying experience that made them feel like a valued individual customer, rather than just website traffic

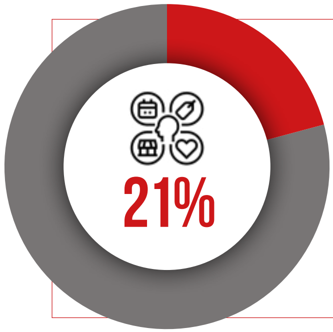


Sustainability ranked highly:
21% said they would be more likely to shop with a retailer online in the future if they felt the brand promoted sustainability as part of its brand offer

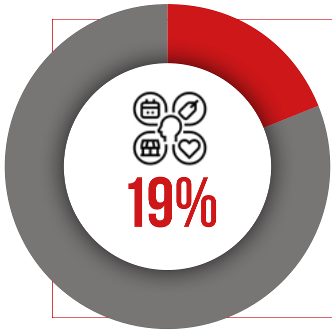


Stores are still important:
One fifth (19%) would be more likely to buy from an online retailer if their digital offer was backed up by a physical presence on the High Street

Consumers like the immersion they get in stores but they don't always want to visit in person:
17% wanted virtual shopping services or livestreaming, delivered online by in-store associates, rising to 29% of 18-24 year-olds



Credit is a major driver of purchase:
21% of 18-24 year-olds said that having credit or flexible payment options, like BNPL, would make them more likely to choose to shop with a retailer online



Social commerce lets consumers get more involved with their brands:
19% wanted to have greater access to social commerce via a retailer's digital offer to make them buy from them in the future

TAKEAWAY

It is clear that the decision to buy the products that consumers are seeking online is based on a much more complex set of decisions, not least fulfilment, both in terms of delivery and returns.

POOR DIGITAL MARKETING EXPERIENCES / UX

cookies that popped up every time they entered a retailer's website, disrupted their buying journey and was one of their biggest bugbears when shopping online

frustrated by poor online advertising following them around the internet after having viewed the product on an ecommerce website

37%

poor UX or online search which made the site tricky to navigate or items hard to find was their main issue when shopping digitally

TAKEAWAY

Consumers may want a more immersive, personalised experience online, but they also want that to be seamless, meaning easy to navigate, find things and not be overmarketed to. They want to set the pace. This desire points to the next big development in immersive commerce, the Metaverse, which will blend commerce, gaming and social into seamless, personalised experiences

FULFILMENT WOES

45%

of UK shoppers were frustrated by a **lack of free delivery options**

25%

were annoyed by a **poor choice of delivery options** when shopping online

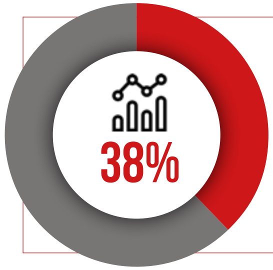
22%

were annoyed when some items were only available **for click-and-collect,** rather than home delivery, demonstrating the need for retailers to build flexibility and convenience into their digital retail offers

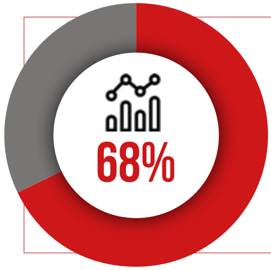
TAKEAWAY

Fulfilment is the next battleground as Q-commerce companies muscle in with the promise of 20 and 10 minute delivery times. The challenge for retailers will be to offer a broad range of options, but which they can manage and profit from.

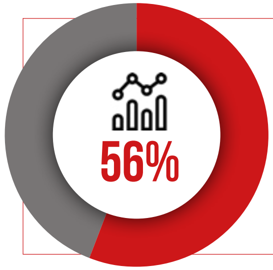
INVENTORY AND OUT-OF-STOCKS / SUPPLY CHAIN DISRUPTION



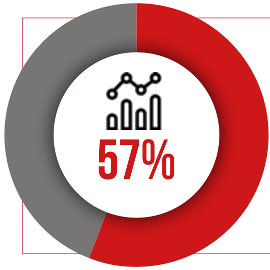
complained of poor stock availability and issues with out-of-stocks when shopping online



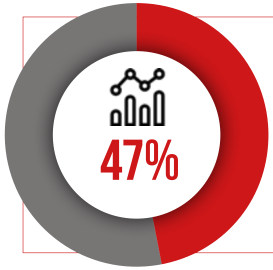
felt supply chain issues had increased since before the start of the pandemic, while a further 63% attributed issues with supply and inventory availability to the UK's decision to leave the EU



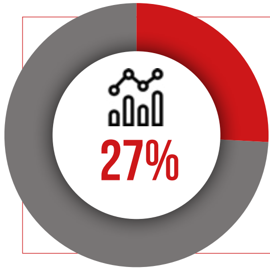
said a retailer's ability to keep their shelves filled, without any out-of-stocks, would be a key factor in their decision to continue to shop with that brand in the future



had resigned themselves to stock shortages becoming an understandable part of post-pandemic life as supply chains iron themselves back out



had changed their buying habits, factoring in additional time when buying to manage shortages of stock or slower deliveries

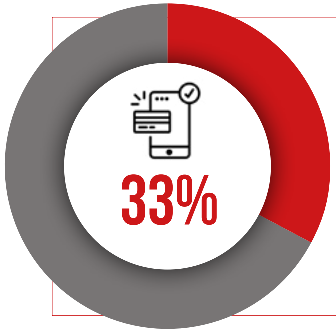


said that because of the shortages experienced during the pandemic, they were **more likely to panic buy** than before the covid-19 health crisis

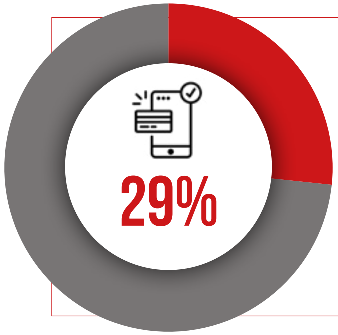
TAKEAWAY

While supply chain disruptions will dissipate, their effect will not, and retailers will have to think how to regain customers lost to competitors during the upheavals.

PAYMENT PAIN POINTS



A third would be **put off shopping with a retailer who forced them to sign-up** to become a customer, rather than being able to check out as a guest



reported friction in the payments process at the check-out due to a lack of automation or having to manually insert their card details rather than being able to use e-wallet services / one-click payments

TAKEAWAY

The challenge for retailers will be to balance convenience with at least some level of registration that will enable them to gather all-important customer information.

HIGH STREETS OF THE FUTURE

84%

said confidence in or improved stock availability and ranging would make them more likely to go in-store

63%

would be more likely to continue to use / support the High Street if it had **more of a community feel** or included more local / independent retail business

41%

want a mixture of big brand retail and local business / independents – showing the importance of making business rates affordable across the board for all sizes of retailers

24%

want a mix of leisure businesses, so they could bolt on non-shopping activities to their trip to make them more likely to continue to use the High Street

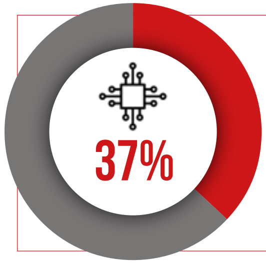
28%

would only continue to use the High Street if it could **match the speed and convenience of shopping online** – putting technology and digital transformation that builds blended shopping experience at the heart of bricks-and-mortar retail's future success

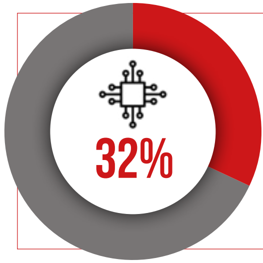
TAKEAWAY

Stock availability was the top consideration for shoppers that would make them more likely to shop in-store but is this can be solved, then retailers can concentrate on bridging the gap between stores and online, which remains significant in terms of being able to identify a single customer across multiple on-and off-line channels.

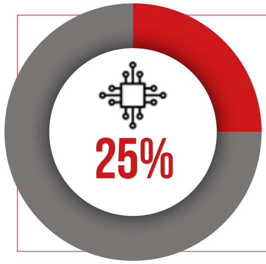
IN-STORE TECH



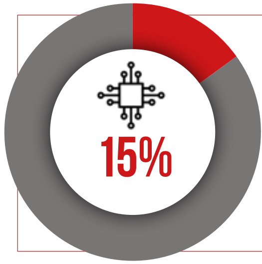
want technology built into their physical shopping journeys so they would experience a more blended, omnichannel buying experience with greater access to online services in the store or at the shelf-edge



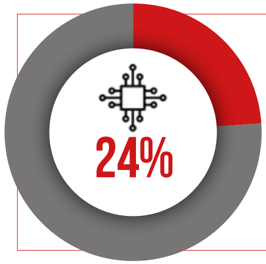
want improved, faster click and collect services or collection lockers available in-store to improve CX



want digital fitting rooms or magic mirrors to allow them to virtually try-on items or have other products recommended to them based on what items they had taken into the changing area



want robots to walk them into the shop or help them locate items, while 7% said AR/VR would improve their in-store buying experience

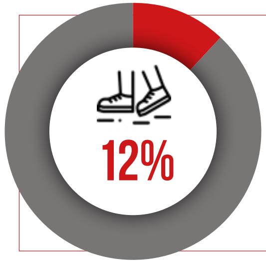


want in-store journeys to be more immersive brand experiences, so shopping becomes more of a leisure experience rather than just browsing products

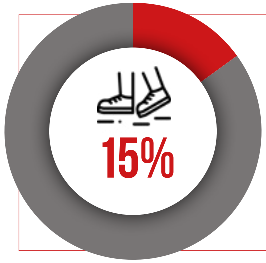
TAKEAWAY

What customers want in-store is a breath taking array of tech, which is unlikely to be affordable all at once. However, with 70% + of retail still going through stores, it is clear that further investment is required. Innovation in store tech recognises the need to bridge the on/off line gap, so important for the channel-hopping consumer.

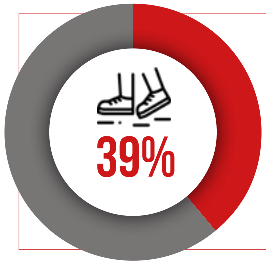
JUST WALK OUT



said just walk out (JWO) technology would make them **more likely to shop instore**



didn't mind what the tech was, **as long as it made their in-store journey quicker, more efficient or personal**



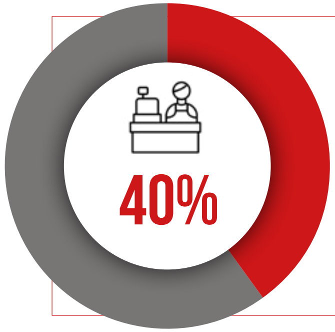
want JWO capabilities built into their shopping journeys to improve CX in-store.

Having only recently launched in the UK, 'Just Walk Out' checkoutless stores are already attracting interest from consumers for their convenience, evidenced by research which showed that 47% want to have to queue less when they go into store.

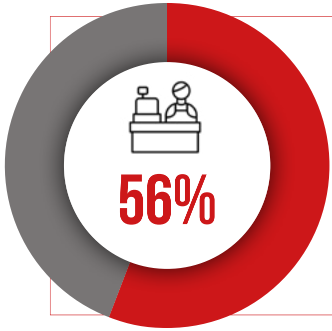
TAKEAWAY

Tech for tech's sake isn't going to cut it anymore with consumers, the novelty value of just walk out stores will wear out very quickly, so the value delivered is what will spur growth.

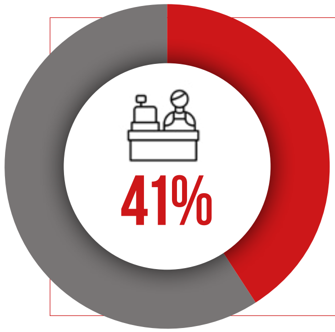
THE ROLE OF THE STORE ASSOCIATE



said the role of the store associate could make or break the in-store experience – but this meant store staff being connected, through technology, to deliver the experiences shoppers now demand



expect the store associate to be as genned up as them when they come into the store and able to give advice and information about the full catalogue of products, both those that are available in the store as well as online



felt retailers could do **more to support their store staff**

said store staff could be better connected to improve CX

TAKEAWAY

Frontline staff are delivering the future of retail and need to be equipped with the right apps, devices and data to serve.

SUSTAINABILITY

71%
said retailers could do more to be sustainable

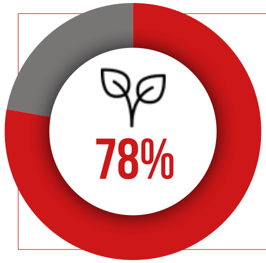
65%
of 18-24 year-olds say they shop more with brands who are sustainable, while 63% are more loyal to those retailers looking to be more environmentally friendly

50%
warn they would be **less likely to shop with a retailer who they perceive to be greenwashing** or whose sustainability initiatives aren't genuine

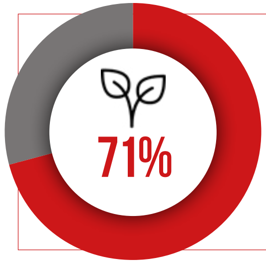
48%
wanted retailers to pay an online delivery or green tax so the environmental impact of their operations can be offset, rising to 61% of 18-24 year-olds

47%
say they are more loyal to those retailers who are sustainable, while 60% of shoppers said a brand's sustainability credentials would become more important in determining where they choose to shop in the next five years, rising to 67% of Millennials

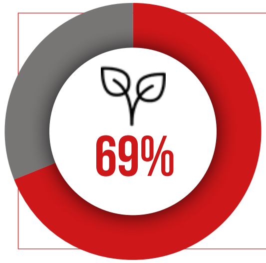
SUSTAINABILITY (CONTINUED)



want retailers to use less packaging
to make their operations greener



said the **supply chain** was one of the main areas to improve



said retailers making their stores more eco would be one of the main ways they could improve sustainability

TAKEAWAY

A long list of actions for retailers will add significantly to their costs in the short term, but the imperative to talk as well as demonstrate sustainability is now overwhelming, and will progressively be followed with regulation to comply. Retailers on the RTS Advisory Board report that tech can bridge the need to be green as well as operationally effective.

RETAILERS PERFORMANCE

Retailers were assessed for performance in key areas...

BEST IN-STORE CUSTOMER SERVICE

OVERALL

currys	49%
Clarks	46%
JD	37%
Boots	37%
SPORTS DIRECT	36%
pets at home	35%
Argos	28%
JOHN LEWIS	26%
B&Q	24%
Apple	23%
TESCO	20%

GROCERS

TESCO	20%
M&S EST. 1884	15%
Sainsbury's	12%
ASDA	11%
Waitrose	10%
Iceland / co op	4%

DEPARTMENT STORES

Argos	28%
JOHN LEWIS	26%
next	14%

ELECTRICAL STORES

currys	24%
Apple	23%
halfords	19%

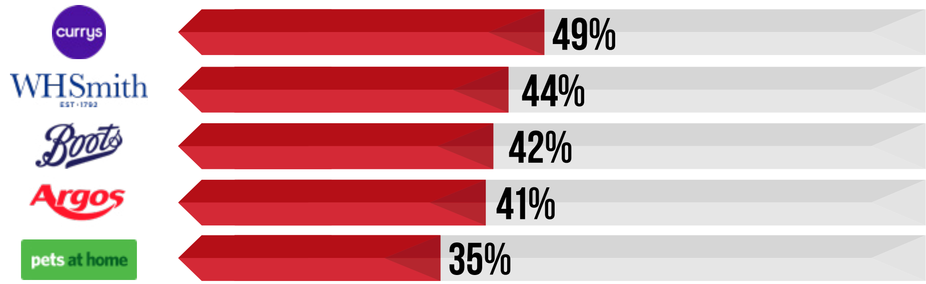
HOMEWARE

B&Q	24%
wilko	16%
b&m	14%

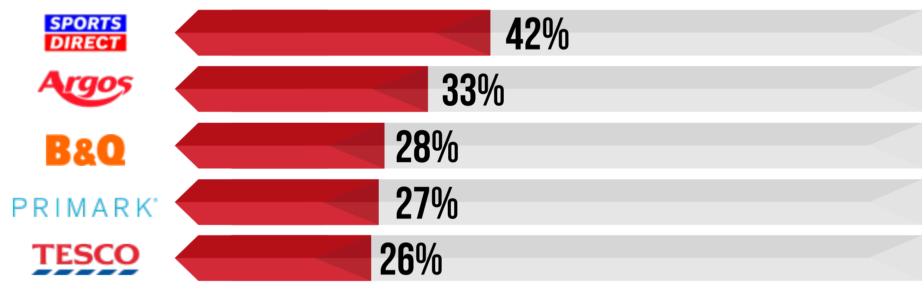
FASHION

PRIMARK	19%
MATALAN	13%
TK maxx	10%

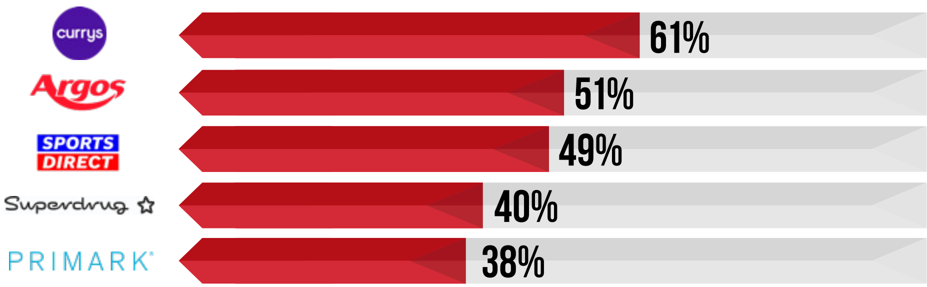
BEST IN-STORE TECH



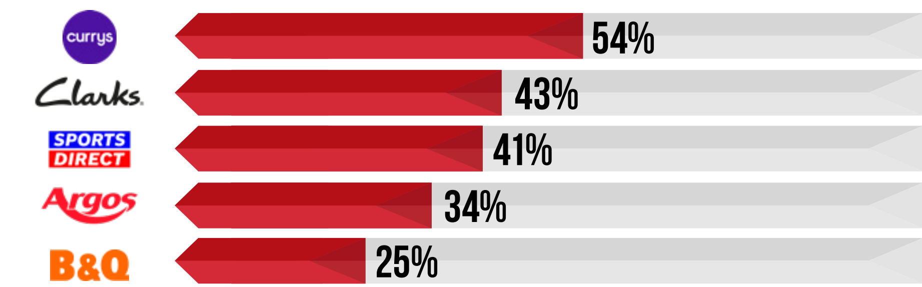
BEST PRODUCT RANGE – BRICKS AND MORTAR



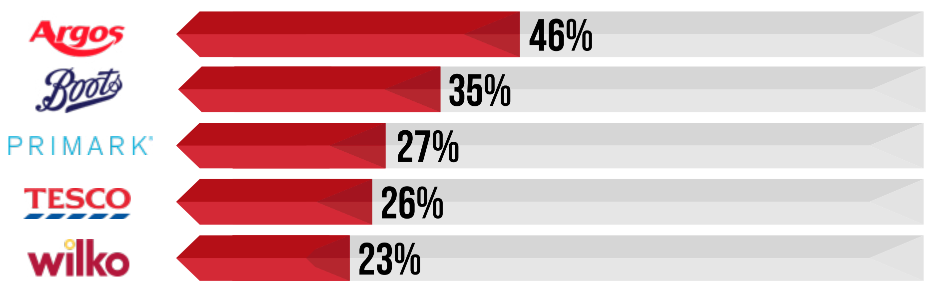
BEST FOR PRICES – BRICKS-AND-MORTAR



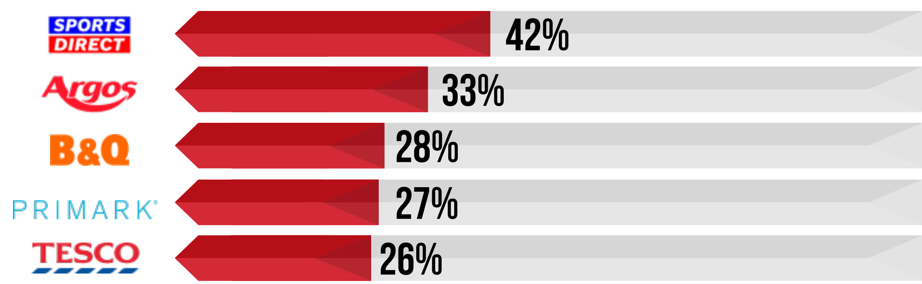
BEST STOCK AVAILABILITY – BRICKS AND MORTAR



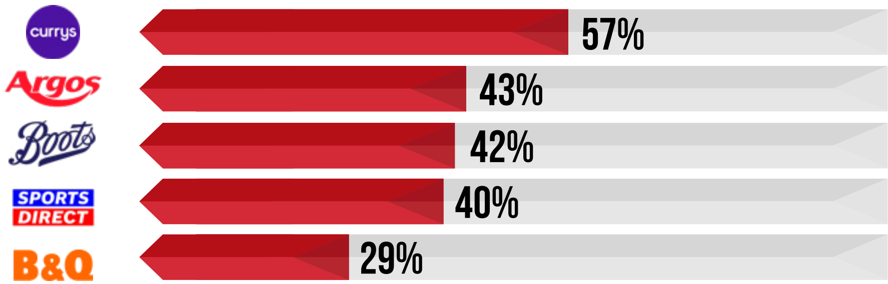
BEST PROMOTIONS AND DEALS – IN-STORE



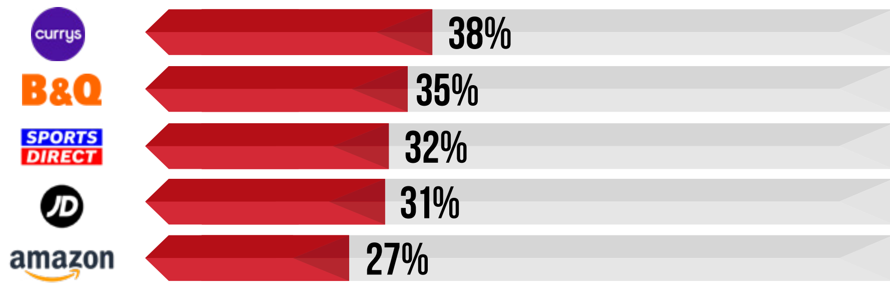
BEST STOCK AVAILABILITY – BRICKS AND MORTAR



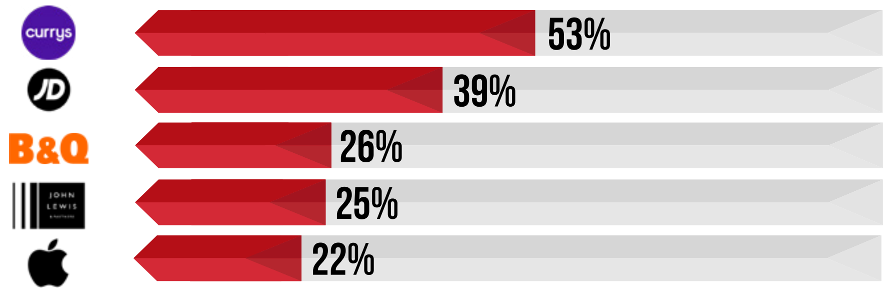
BEST DELIVERY OPTIONS – BRICKS AND MORTAR



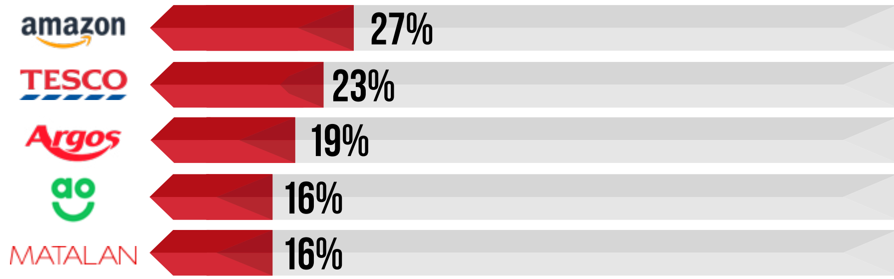
BEST CX – ONLINE



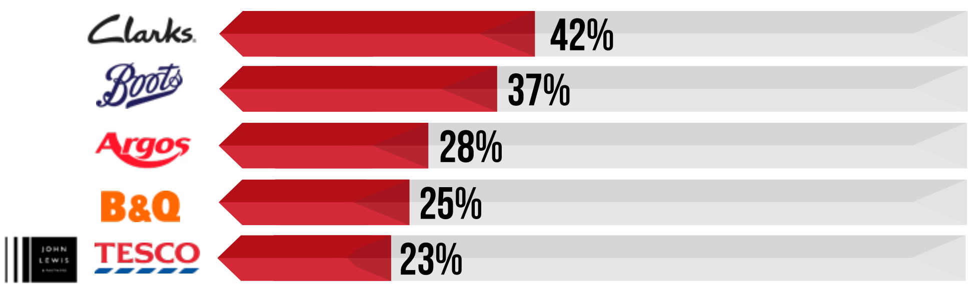
BEST STORE LAYOUT



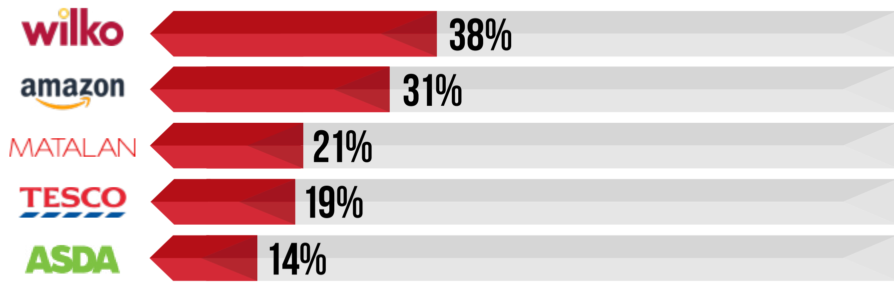
BEST TECH EXPERIENCE – ONLINE



IN-STORE SERVICES – BRICKS AND MORTAR



BEST PRICES – ONLINE



BEST PRODUCT RANGE – ONLINE

B&Q	40%
Sports Direct	36%
amazon	32%
wilko	27%
hobbycraft	20%

BEST STOCK AVAILABILITY – ONLINE

B&Q	39%
Sports Direct	35%
amazon	32%
TESCO	22%
Argos	16%

TECHNOLOGY

It has always been an established truth of retail that the technology wish list will always have more demands on it than the business has either the time or the money to fulfil.

And Covid will have set many projects back in favour of expenditure that related necessarily to customer and store associate health and safety.

And yet, the retail industry in fact met its challenges with courage, fortitude and innovative thinking. As a result, while the IT roadmap will look a little different post Covid, it is clear that there is a strong will to find solutions that will enable retailers to meet the changed needs of both their customers and their staff. At the Retail Technology Show we have therefore curated an exhibition and conference agenda to meet these needs.

Retailer tech investment priorities based on research in January 2022 among retailers, consultants, analysts and retail media.

- Implement monitoring technologies and processing to ensure the enterprise and stores are safe and legal
- Bridge the on / off line divide with technologies that help to identity and, as well as create a more community feel
    - > **Electronic shelf edge labels**
    - > **Computer vision**
    - > **Self checkout**
    - > **In store apps**
    - > **In store WIFi (gigabit broadband and 5G)**
    - > **Augmented reality**
    - > **Digital changing rooms**
    - > **Interactive digital signage**
    - > **Social media**
    - > **Livestreaming**
    - > **Integrated apps for payment, loyalty and shopping**
    - > **Distributed order management**
- Take full control of the customer relationship. Work with partners but own the data, particularly zero party data post the Google/Apple 'cookiepocalypse'
- Improve product lifecycle management – sourcing, availability, waste
- Optimise store operations for cost management as well as customer service
- Create a 360 degree cross channel order, pickup and return infrastructure
- Trial artificial intelligence for quick wins
- Broaden the payment offer
- Provide store associates with the tools, apps and data for operational efficiency and customer service, with a view to automating more everyday processes
- Review in-store tech and equipment as part of Carbon Zero initiatives

personalise for customers in every channel.

Take full control of the **customer relationship.**