Retail 2030

Futures Report

Ready for tomorrow's retail model?

Why planet will win over profit

Building connections not just sales

Retail technology: let's get personal

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THE RETAIL EXCHANGE

In association with

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Retail 2030
Futures Report

In autumn 2019, The Retail Exchange partnered with World Retail Congress to hold a series of special roundtable podcast discussions. Guest hosted by Ian McGarrigle, Chair of World Retail Congress, it saw a mix of leading retailers, agencies and industry commentators come together to explore some of the key trends that will shape the future of retail in the decade to come. Key topics included changing customer behaviour, developments in retail technology, the changing role of stores, the rise of the ethical retailing agenda, and the implications for retailers and brands.

To support the launch of our special roundtable podcast episodes as 2020 begins, the following pages reflect on some of the key themes from those discussions. While extensive, what you'll read here isn't exhaustive.

Our report entitled Retail 2030 Futures Report, delves deeper into the trends that are set to further disrupt the retail sector in the years ahead – creating challenges but also opportunities for retailers to reach customers in new ways. Those who are able to find their purpose, engage customers with relevance and differentiate themselves will continue to survive and thrive in the years to come.

The full podcast episodes can be listened to by visiting: **theretailexchange.co.uk** and on all major podcast apps.

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thredUP
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> **“Even the boundaries of what constitutes “retail” will begin to blur. After all, retail is an industry description, not a customer need – and industries are not immortal.”**

Introduction

Predicting the future is easy. It’s trying to figure out what’s going on short-term that’s hard. As we look forward a decade, we can be certain that some things will not change. The customer will be even more empowered by information, choice and reach, and even less forgiving of options that fail to deliver consistently. Speed and efficiency will be even more extreme. And the churn of creative destruction of retail brands will be as violent and ruthless as it ever has been.

But some things will have changed beyond recognition. There will be only a few, global, platforms that dominate scale-efficient infrastructure, both digitally and physically. These giants will own the data, customer traffic and technology to be the unavoidable starting point of customers’ journeys. But feeding these platforms will be an explosion of brands and solutions, some tiny in scale but serving a global niche, some hyper-local. These players will live in a variable cost world, focusing entirely on integration with the customer while short-circuiting everything else.

It’s likely we’ll be in an ecosystem where tiny start-ups and dominant giants support each other for the benefit of an empowered super-consumer.

To survive in this future, retailers must choose to be the best at something that matters to their customers, and cut everything else from their business system. Customers must love you for something. Choosing where to follow will be as important as choosing where to lead.

The future retail business model will not be a value chain, but a set of application layers, from curation or digital merchandising to payments to data analytics. Choosing which of these to compete in, and which to partner or outsource, will be at the heart of strategy. Joining them up to complete a flawless customer journey is the key to execution.

Customers will yearn for simplicity and values, rather than acquiring more “stuff”. Retailers will no longer seek volume growth, but could help customers grow their contentedness or quality of life. They might find innovative ways to help customers with health, or connectedness, or freedom, or mental wellbeing.

Even the boundaries of what constitutes “retail” will begin to blur. After all, retail is an industry description, not a customer need – and industries are not immortal.

The winners will take the offensive, not the defensive. They will see their market as their customers’ total lifestyle, and their path to it as insight and trust.

All this will need new talent and capabilities: in digital skills, in extra-sectoral experience, and in the creativity needed to imagine new models.

Contents

Ian McGarrigle
Chair

World Retail Congress

> I believe we are starting to see the gradual emergence of a new retailing.

Foreword

As we move into a new decade it is first important to reflect on what has happened across retailing over the last ten years. It has without doubt been a decade of enormous challenge and transformation. How retailing is responding to a new digital world and digitally connected customers has been the defining story of the last decade.

And now as we – and this special report by The Retail Exchange – look ahead towards retailing in 2030, it is tempting to say that the next ten years will merely continue that transformation journey. However, based on the many expert opinions in this report, together with the many conversations and discussions with retailers attending the World Retail Congress, I believe we are starting to see the gradual emergence of a new retailing.

The rebalancing of demand across multiple channels of offline and online will continue and with it will come more pureplay retailers and also new concepts rooted in brick and mortar. But what we are starting to see, and I believe will only escalate in the years to come, is a new and exciting approach to retailing that puts the customer right at its heart. This is starting to create new formats and approaches that take the very best technologies to understand what delivers a great retail experience. Retailing is and must always be about great products in whatever sector that serve our needs but also our wants. Emotion is an important ingredient in defining the power of great retailing.

As this decade draws to a close, there is another great issue that will significantly shape the one ahead, namely the role retail can play in tackling our mounting environmental crisis. Customers are waking up to the crisis and asking difficult questions of many businesses and industries, with retail being one of the most visible. Retailing is increasingly aware of that and is recognising that it is an issue that transcends competition and requires industry-wide solutions. Again, I believe we are seeing retail's creativity being brought to the fore in becoming more sustainable.

This is the new retailing of Retail 2030 that is discussed in this report, and debated in the accompanying series of special podcast episodes from The Retail Exchange in association with World Retail Congress.

All these issues will be explored and discussed further at the 2020 World Retail Congress which takes place in Rome 28-30 April.

We and The Retail Exchange look forward to seeing you there.

Further Listening
Check out our special series of Retail 2030 podcast episodes now.

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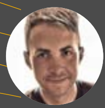
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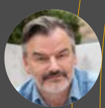
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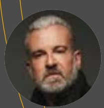
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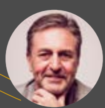
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Senior Editor
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How ready are you for **tomorrow's retail model?**

Those retailers that thrive will establish a lasting relationship with their customers – one that goes beyond the transactional into areas of service and support.

Thomas Harms
Global Retail Leader

The traditional retail model is changing. Serving the world's largest and most successful retailers so well for decades, it placed the customer and their car at its heart. Expecting them to drive to shopping destinations and load their car with purchases, it focused on high-traffic real estate locations and driving demand through mass media advertising.

With retailers facing disruption from all angles, there is a new retail model that requires retailers to reorganise themselves around the customer's life, time and technology. In many ways this new model is still in its infancy. Many retailer brands are still testing ideas or contemplating significant change. But the scenario-modelling work being done as part of the EY FutureConsumer.Now programme reveals there is more change to come. As part of this programme, EY teams are helping companies anticipate the very different types of customers that will likely emerge in the years ahead, what it will take to serve them and the implications. What is clear is that retailers will need to design a radically different approach.

Unchartered Territory

As consumers delegate tedious and transactional shopping to bots and virtual assistants, choice will be firmly in the domain of the algorithm, with minimal consumer intervention. When bots do the buying, the connection between retailers and their consumers, and the ability to influence them, will be broken. Appealing to a bot will be unchartered territory involving new skills, techniques and platforms.

“What is clear is that retailers will need to design a radically different approach.”

If experience sits at the heart of shopping, brands will vie for customer time and their active attention. We're already seeing this take shape – look at new store formats where trying is just as important as buying (and holding stock is no longer the priority) or conversations with knowledgeable, personable staff drive brand appeal as much as the product. For retailers curating

Top Image: Saks Fifth Avenue, NYC
Middle Image: CAMP: Family Experience Store
Bottom Image: Allbirds, San Francisco

brands this may prove to be an impossible challenge at worst, and at the very least demand bold decision-making to identify and pursue priorities.

New Mindset
Adapting to a new retail model is crucial and a change of mindset is fundamental. Hardcoded, trusted ways of operating will no longer have the traction they once did; they will need to be reviewed and reconsidered if retailers want to stay relevant.

Finding new ways of working to stay relevant is critical for retail, now that tried-and-tested methods have lost their edge. Rethinking collaboration, segmentation and a consumer-centric approach hold the key. The team's discussions with retailers at World Retail Congress' Hack in May 2019 corroborate this. They resulted in three retail "rules to break and make":

01

Don't just create new value for your business, create new value for your consumer. Retailers must focus first on identifying ways to create value that is right for their customers, then adopt those that are also right for their business. Those retailers that thrive will establish a lasting relationship with their customers – one that goes beyond the transactional into areas of service and support.

02

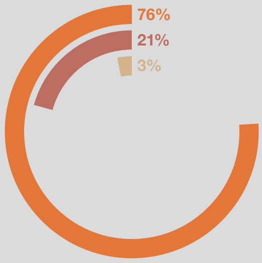
Don't please everyone, delight your chosen tribe. Choose the values you want to stand for and embody them to gain acceptance and respect from the tribes you want to engage with. Retailers that thrive will establish an offering — be it a product, service or experience — that delivers on the organisation's purpose and is underpinned by its values.

03

Don't just choose your partners, be the ideal partner. Demonstrating clear values and benefits means partners will seek you out. Those that thrive will bring value that mutually benefits both partners, especially those that share a collective purpose.

Retail 2030 in numbers

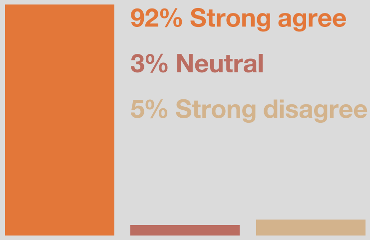
How relevant is your current retail proposition?



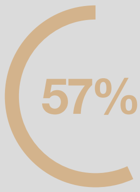
- Model requires fundamental change
- Model requires change
- Current model is sustainable

Source: OC&C and World Retail Congress

The composition of retail executive teams will change significantly over the next five years



Source: Green Park and World Retail Congress



of customers agree that retailers must streamline and focus on doing one or two things well

Source: Synchrony Financial

of UK consumers are concerned that their high street will disappear over the next ten years

Source: KIS Finance 2019

Karl McKeever
Founder and Managing Director
Visual Thinking

> **“It’s not a ‘crystal ball’ approach. But this alternative looking glass may provide new answers that the retail industry urgently needs worldwide.”**

Looking back to move the **future of the high street forward**

The last ten years have undoubtedly been characterised by ‘new and exciting’ developments that catch the retailers’ eye. But when looking forwards, we should not be afraid to look back: reflecting on our own, or the brand timeline is as important as embracing the new.

Necessary Reflection

I often encourage brands to hold up a mirror – not a metaphorical, theoretical or intellectual mirror but a real one. Through this simple ‘low tech’ device, issues that can be easily forgotten, or deliberately overlooked are laid bare. Holding it up, and what’s reflected, to account.

The mirror does not lie. It will project all that is good and imperfections, in equal measure. This simple act can be a difficult experience. Uneasy self-consciousness can get in the way but turning a mirror on your retail business can open up rich debate.

Trusted Formulas

Trends will come and go, and be reinvented again. The hardest part: separating the ‘trove items’ from needless, everyday clutter. Retaining only the things that are genuinely useful and beneficial, and leaving those that no longer work for you.

We can choose to overlook, to ignore, to turn a blind eye to issues, to spout meaningless and insincere platitudes when we know they are wrong – simply to hold up the brand mantra or to echo and repeat the company line. Hubris in a corporate form.

As we turn the page of a new decade, increasingly brands will be encouraged (and legislated) to reconsider every aspect of their retail operations. Make no mistake: Moving forwards will require courage - being prepared to ‘go first’, and possibly with short-term disadvantage. In this, brands should not be afraid to go back to previous formulas activities that served them well.

Refocus Resources

It was only in the 1990s where retailers saw the need to be open ‘every waking hour’ (in the name of serving shoppers better). If we genuinely believe in giving customers the best experience why should we expect stores to have to operate near perfect standards 24-7? Even if the store is open extended hours, there is no doubt the customer will get a lesser experience: fewer staff with mediocre, half-hearted or sloppy versions of the brand experience, services which are not fully operational, and general detritus cluttering aisles.

> **“Brands should not be afraid to go back to previous formulas and activities that served them well.”**

Restricting store shopping hours would give brands the opportunity to do all the jobs necessary to really put on the show when the customer is instore. It would also save and refocus resources. Fewer hours, better experiences, more time to get it right – for all involved. Service specialists when the customer is there, operational expertise when the customer is not.

New Answers

So my vision for retail 2030 is that it’s not on to evangelise an unbridled pace of change or march toward whatever the next decade’s fascination will be, but to ask for pause and time for reflection. If we genuinely want to give shoppers a great experience and at the same time preserve our planet’s precious resources and meaningful environmental change, we must urgently ask the question: does this mean a little less shopping or that shopping instore is meaningful, experiential and outstanding? It’s not a ‘crystal ball’ approach. But this alternative looking glass may provide new answers that the retail industry urgently needs worldwide.

Visual Thinking

Evolving customer behaviour **set to redefine retail**

> **There will be a mixture of behaviours, driven by macro mindset shifts – both financial and environmental.**

Petah Marian, WGSN

Prepare for how we buy to be different and dynamic, again in the decade ahead.

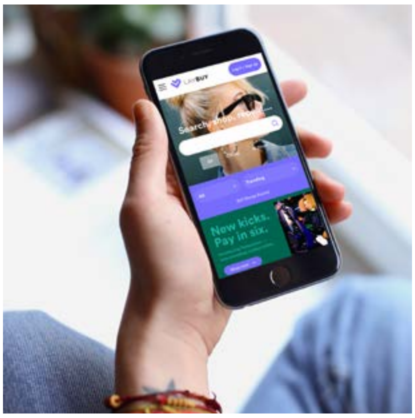
The ways customers engage with retailers and brands have changed forever. No longer do they simply shop for products and services. As the decade begins, customer experience is expected to overtake price and product as the key brand differentiator.

So what are likely to be some of the defining changes in customer behaviour in the years to come? "There will be a mixture of behaviours, driven by the macro mindset shifts. These will largely be led by concerns about the future – both financial and environmental," explains Petah Marian, senior editor at WGSN Insight. This, she believes, will lead to changes in a number of different behaviours such as a rise in the sharing economy that allows for cost savings, alongside things like buying less and better, as well as aftercare that will allow people to hold onto items for longer.

> **"The time when brands force customers to buy without regard for the… impact of consumerism has long gone."**
>
> **Kate Nightingale,** Style Psychology

Secondhand Shoppers

While established retailers have traditionally turned a blind eye towards secondhand retail, the next decade is set to see a growing number wading into the pre-owned and rental market, spurred by customer desire for variety, sustainability and affordability that will see a seismic shift away from the traditional models of consumerism. "Retailers will have to adapt as consumers no longer buy with intent to keep," says a spokesperson for US-based fashion resale brand thredUP. Customers will continue to shift away from traditional retail models and move their spend toward rental, resale, and subscription. According to thredUP's 2019 Resale Report, the secondhand apparel market is on track to grow to nearly 1.5 times the size of fast fashion by 2028. "40% of customers already consider the resale value of an item before buying it," says thredUP. The brand has upcycled 65 million items in the past five years and predicts that secondhand will be larger than fast fashion by 2030.



Top Image: Levi's Haus Miami
Middle Image: Laybuy, the 'buy now pay later' service
Bottom Image: thredUP, the world's largest resale brand

Future Generation
The next ten years will also see Millennials and Gen Z shoppers moving onto the next phase in their life stage. "Millennials are increasingly parents now with the oldest 39 years of age, so they're increasingly looking to strategies that allow them to access the kind of family life they want to create," says Marian. "This means increased convenience, an emotionally connected family life (so experiences that bring them together), alongside strategies that help them gain more time."

"Ultimately, consumers are always on the lookout for greater choice."

Gary Rohloff, Laybuy

According to Kate Nightingale, head consumer psychologist and founder of Style Psychology, customer desire to check out from consumerism or even boycott it will gain traction in the years to come. "The time when brands only force customers to continue buying without regard for the psychological, social and environmental impact of consumerism has long gone. We will still need to own physical products but virtual consumption and those other alternative consumption models will fulfil part of our need for immediate gratification."

Disruptive Behaviours
The disruptive behaviours that we're seeing amongst older Gen Z around activism and expectations around service will only be amplified by the younger part of this cohort in the decade ahead. "They are very aware of what's happening in the world and will continue to look to be a force for positive change," says Marian. Nightingale points to the growing number of customers already choosing brands that really care about them and the planet. "There could be two ways it will go: more restraint and informed decisions – with people adopting a more conscious attitude to consumerism, or people choosing to cope by opting for 'moments of forgetfulness' about the bleakness of this planet's future," she explains.

The balance of priorities may change, and expectations for what retailers should deliver definitely will. In reality, this means that customers will be less tolerant about the chore element of shopping. Future retail therefore will be conquered by those who recognise and tailor their proposition to address the paradox of immediate gratification and ease of purchase with a willingness by customers to give over their time to retailers who provide relevant and engaging opportunities for them to explore, play and learn.

Flexible Payment
The new decade is also likely to see a true rebirth of the store/purchase credit model for the new digital age, with customer budgeting habits gravitating in the direction of flexible payment.

"In recent years there's been a real shift in consumer attitudes towards personal finance, which has increasingly resulted in a growing demand for more alternative, flexible and transparent payment methods at checkout. Ultimately, consumers are always on the lookout for greater choice," says Gary Rohloff, Co-Founder and MD of 'buy now. pay later' provider, Laybuy. "Over time there has been a real trend in the number choosing to ditch promotional sales, and instead adopt new payment options for their customers," explains Rohloff.

He believes that alternative payment models will continue to be favoured by customers over the next few years. "I think it's very difficult to foresee what products will be available in ten months, let alone ten years' time. Ultimately the customer will choose how they want to pay, when they want to pay and how much they want to pay," says Rohloff.

Further Listening
Check out our special series of Retail 2030 podcast episodes now.

Building connections will be **as important as sales**

> It takes time, investment and resources to create a genuine community with not a lot of return (to begin with) and I'm sure this is terrifying for most retailers.

Darren Read, Rapha

Tomorrow's high street will restore an old-fashioned sense of community.

As customers move beyond just buying "things", the retailer of tomorrow will have to place a greater focus on the societal and community links of their brands to ensure true, long-term success. "Brands will seek new and innovative ways to connect with their community that are less transactional and more experiential," says Diego Baronchelli, VP direct to consumers for Vans EMEA.

For many, that will start with the store. Retailers that realise they are also brands are taking the time to build communities with their audiences, according to Lara Marrero, principal and strategy director and global retail practice leader at Gensler. "These brands understand the importance of building a community and their physical space because they are designing for engagement - to bring people in and to keep them there. In doing so, they can help generate greater loyalty," she says.

> **Footfall and units per transaction alone won't show the impact the space is making on the brand.**

Lara Marrero, Gensler

Community Building

But successful community building requires authenticity. Darren Read, head of retail for UK and Europe at cycling brand Rapha, believes that community will become the holy grail of modern retailing. "We genuinely love cycling and it's this that builds a long lasting relationship with our community. Everything we do is built around this passion, from our products to our clubs," he says. In short, retailers will have to go beyond simply putting leisure into retail, instead making it more personal to the community.

Top Image: Rapha Clubhouse Tokyo
Middle Image: Samsung KX London
Bottom Image: Vans Covent Garden Exhibition Space

Patient Investment

The payback may not be immediate however, and retailers and brands must be aware of this and not be self-serving. "It takes time, investment and resources to create a genuine community with not a lot of return (to begin with) and I'm sure this is terrifying for most retailers," says Read.

It's also difficult to measure, according to Marrero. "If their intent is to build community, footfall and units per transaction alone won't show the impact the space is making on the brand," she says.

Collective Experiences

Another way of building out from the store is to provide a collective community experience, something shopping centre owners and developers, such as Hammerson, focus on.

For them the community building blocks once again come from delivering experiences. "The best destinations will combine this with a compelling range of immersive events to drive footfall," says Kathryn Malloch, head of customer experience at Hammerson. "That's a real focus for us."

Widening the offer to bring people together is key in the new era of social retailing. "We are constantly looking at the brand mix across our portfolio and we continue to invest in unique experiential events and entertainment that creates a real point of difference," she says.

Shopping Redefined

This greater mix of functions will be reflected in what the shopping centre of tomorrow looks like, according to Erik Mueller-Ali, director at CallisonRTKL. "It will feel more like a town centre, with shops and restaurants of course, but also a greater emphasis on entertainment, sports and wellbeing," he says.

This trend will also be evidenced by shopping centres extending their offers, rather than developers building new centres. "The goal of shopping centres will be to provide a unique collection of offerings, services, spaces and facilities that people seek out, with the desire for exceptional experiences being the draw card," he says. Centres will look to discover and share the "best of" communities that are not part of the current retail landscape," believes Mueller-Ali.

SAMSUNG KX

The Interview

Tanya Weller
Director of
Samsung Showcase

Tomorrow's customers will continue to look for more immersive paths to purchase. Tanya Weller, director of Samsung Showcase, KX, talks about the opportunities and challenges that lie ahead as we enter a new decade.

What's next for brand "experience" within the physical space?

Customers want newer ways to engage with their favourite brands that will encourage them to visit physical spaces, rather than just buying online. In practice, brands can offer this kind of experience to customers in a variety of ways. At Samsung KX, experience and self-improvement is at the heart of everything that we do. While we have physical experience points that give guests a unique way to learn about our technology, "brand experience" can be felt in a plethora of ways, from having a positive interaction with staff, to taking part in instore events.

Why was connecting to the local community such an integral part of the Samsung KX concept?

Our ambition for KX was to continue the journey of making Samsung into a "human first" brand. To do this, we must connect with the community that we seek to positively impact. London is a thrilling, fast-paced, cosmopolitan metropolis with a diverse cultural DNA. Our vision of experience spaces can't simply be replicated anywhere across the country or the world. Samsung KX has been built specifically with a purpose in mind and for a specific audience that understands the influences behind it.

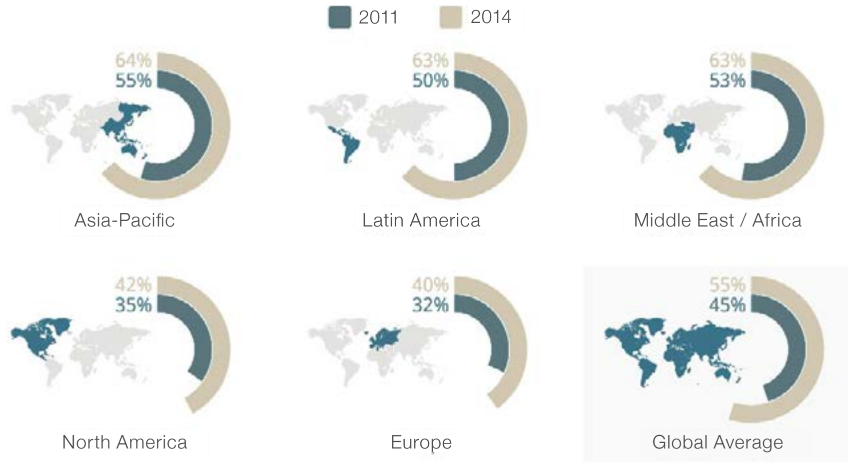
If you could offer one piece of advice for retailers seeking to reshape their approach, what would it be?

Innovation alone is not enough. It has to benefit people's lives in purposeful ways, and not just tick a box by being the biggest, fastest or best product on the market.

Further Listening
Check out our exclusive interview with Tanya Weller now.

Consumers are willing to pay a price for sustainability

% of consumers willing to pay more for goods and services from socially responsible companies*

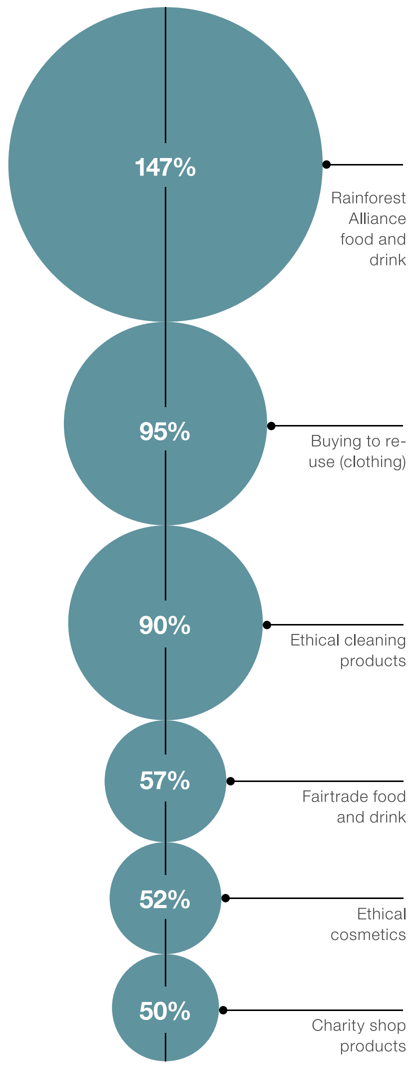


Source: Nielsen

* based on a survey among 30,000 online consumers from 60 countries

Ethical spending in the UK

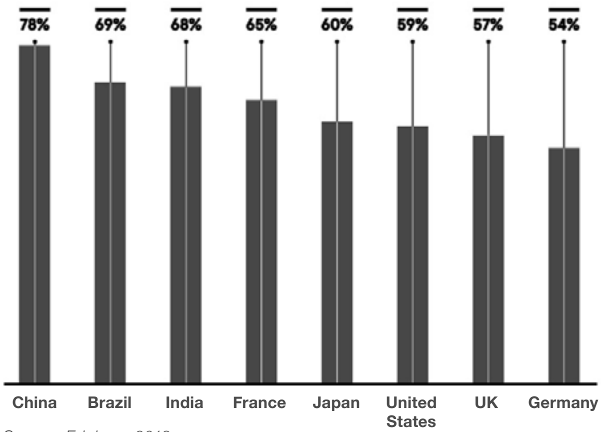
Sales growth in selected categories (2010-2017)



Source: Ethical Consumer 2018

Belief-driven buying by country

Percentage of consumers who would choose, switch, avoid or boycott a brand based on its stand on societal issues



Source: Edelmen 2018

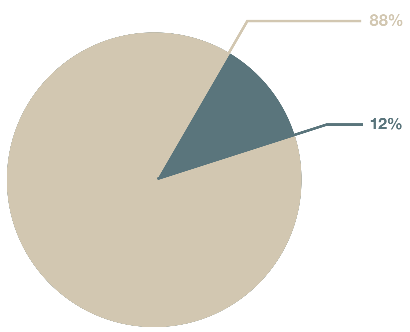
68% of consumers rate ethical behaviour as important when shopping but only...

53% say they are willing to pay more for an ethically sourced product

77% cite price as the biggest single factor affecting their shopping behaviour, ahead of quality and functionality

Source: EY 2018

Would you like brands to help you be more environmentally friendly and ethical in your daily life?



USA and UK combined percentages

Yes, I would like them to help

No, I don't want them to help

Source: Futerra/OnePulse

Survey of 1,004 respondents in the USA and UK. November 2018 for Futerra by OnePulse

33%

of consumers are choosing to buy from brands they believe are doing social or environmental good

21%

said they would actively choose brands if they made their sustainability credentials clearer on packaging and in marketing

€966bn

potential untapped opportunity exists for brands that make their sustainability credentials clear

Source: CIMdata/Accenture 2017

Mike Barry
Director

Mikebarryeco

> **‘Micro’ disruption is masking a much bigger, more profound disruption of capitalism, one that will see only the truly sustainable prospering in the next decade ahead.**

The next generation **of sustainable retail**

The climate remains tough for many incumbent retailers. Responding to a hugely disruptive channel shift from physical to omnichannel, played out against a backdrop of declining consumer confidence and Brexit uncertainty.

Yet as challenging as this is, a new disruption is emerging. Not just in retail but across the economy more generally, too. Our biggest ‘factory’, Nature, faces an unprecedented crisis as burgeoning demand for products (clothes, food, beauty, homeware, phones, cars, flights etc.) floods it with CO2 emissions, plastic pollution and biodiversity loss. As just one example, the world consumed 80 billion garments in 2000. Today, the number stands at 120 billion, heading for 200 billion by 2030. And with it comes a significant social and environmental footprint through raw material sourcing, manufacture, logistics, sale and disposal.

Sustainable Consumption

Boardrooms have to accept that, whatever the short-term economic headwinds, a profound shift to a much more sustainable approach to consumption is required, and urgently. It’s no longer optional to simply participate in the debate: it’s existential to future corporate success. The coal sector has been caught out by the shift to wind/solar and the car sector by diesel/petrol to electric. Food faces the same challenge with its plastic and meat-based model. Tourism by growing pressure on short-haul flights and over-touristed destinations. Making the right call about these shifts are multi-billion pound bets and are best approached proactively, positively and with great insight to shape the right decisions.

Profound Disruption

Change is never easy. Not least when you feel overwhelmed by conventional economic disruption. The type that comes around every decade and sees new technologies and entrants shake up, for the good, out-of-touch incumbents. This time though things are different. This ‘micro’ disruption is masking a much bigger, more profound disruption of capitalism, one that will see only the truly sustainable prospering in the next decade ahead.

01

Commit. Accept that the climate (and plastic, biodiversity, inequality etc.) crises lie at your door. Commit to embracing the need for change. Measure where you are today. Set clear targets to improve. Report on your progress. Mindset is crucial. Only by accepting the ‘unvarnished truth’ about the failings of where we are today will you be able to move on with the pace and positivity you need to prosper in the future.

02

Collaborate. Don’t try and change the world alone. Join partnerships such as the Consumer Goods Forum (on deforestation, food waste and human rights), WRAP’s UK Plastic Pact and the Ellen MacArthur Foundation’s work on the circular economy. Work with the Food and Land Use Coalition to develop a new global food system. Join Paul Polman’s IMAGINE collaboration with the G7 Fashion Pact to systemically create a new sustainable approach to fashion.

03

Disrupt. Gather deep insight on shifting consumer, employee, investor and regulatory expectation and business model innovation. Look at how RethinkX are predicting that 50% of US beef will be lost to lab grown meat by 2030. How Rent the Runway, Depop and thredUp are creating new circular business models for clothing. Decide whether you are going to innovate in-house, through partnership or by acquisition.

04

Engage. Openly with your customers, colleagues and stakeholders on where you are now and where you want to be in the future. Be transparent about what you source from where and how you perform. Inspire people through bold, relevant action. Above all put sustainability at the heart of your product and service offer.

Why planet will have to win **over profit for retailers**

> **Customers want to understand more and more the ecological and social footprint of the products they purchase and then for that to inform their purchase.**

Ruth Andrade, Lush

Doing the right thing by our planet will require retailers to live and breathe sustainability.

With climate change increasingly top of mind, it's little surprise that customers are rethinking what and how they buy. It is a shift in the very basics of consumerism that will only accelerate over the coming years, and which retailers must react to. This will lead to a greater need for transparency throughout the supply chain as customers begin to question all practices within retailers' businesses, rather than simply what they see on the shopfloor, according to Alex Stewart, co-founder of eco conscious wash bag brand OneNine5.

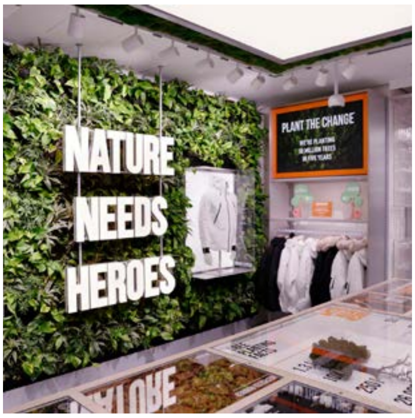
"Retailers are scrutinised right now based on the materials or packaging of the products we see on the shelves of our high street. What the customer lacks in 2019 is a transparency into the practices that get these products onto the shop floors. The manufacturing process and the global logistics of large retailers could be just as damaging to our environment," he says.

> **"The main elephant in the room is over production and consumption of consumer products which contributes to climate change."**

Dr. Dorothy Maxwell,
Sustainable Business Professional

Tough Choices

Retailers will have a tough choice to make – that of planet or profit. If they choose planet they must be convincing in what they do, something that they are often failing at currently, according to Andrew Busby, founder and CEO of Retail Reflections. "Retailers and their supply chain are asleep at the wheel when it comes to the environment. Increasingly,



the purpose of not just retail businesses but all, will be judged not by shareholder value but by their impact, positive or negative on the planet," says Busby.

IKEA is one retailer leading the way. 60 per cent of IKEA's collections are already made from renewable materials. It has also invested €2bn in renewable energy and committed to becoming "climate positive" by 2030.

Dr Dorothy Maxwell, former sustainability director at House of Fraser and now leading sustainability at Brown Thomas Arnotts in Ireland, says responsible retail is a key element of business success and opportunity. "Retail has a key role in driving sustainable market transformation down the supply chain. Those doing it credibly will be the businesses that are still here in 10-20 years," she says.

New Generation

Environmental concerns are particularly poignant for younger generations who have figureheads such as Greta Thunberg challenging existing norms.
Ruth Andrade, regenerative impact and giving at Lush, says retailers will need to be more open. "Customers want to understand more and more the ecological and social footprint of the products they purchase and then for that to inform their purchase. Retailers will have to adapt and develop tools and strategies for both stronger due diligence and point of sale communication of such complex information," she says.

Andrade believes this will require retailers to fundamentally rebuild their existing business models. "There is a huge process of ecological restoration that needs to happen," she says. "If we can do that through business, through regenerative supply chains, while upholding high standards of social justice, then we can meet ecological, social and commercial objectives." It is likely that the next decade will also see a growing shift from traditional to on-demand manufacturing.

Considered Consumption

But customers will also need to change, with a need to realise that their desire for cheap products often comes at an environmental cost and that they need to alter their habits too. Ultimately it will be the consumer choosing to purchase ethically sourced products that will empower retailers to reduce their impact on the environment. "The main elephant in the room is over production and consumption of consumer products which contributes to climate change," says Dr Maxwell.

She believes new models will take a stronger hold. "Customers are becoming more conscious of the footprint their expenditure has on people and planet. This is driving a fast growing market for sustainable products and new circular consumption models like rental and resale," she says.

Reusing, recycling and upcycling will become key, according to Retail Reflections' Busby. "Companies such as Elvis & Kresse show how previously discarded cuts of material such as leather can be upcycled and made into highly desirable new garments, belts, handbags, etc.," he says.

Meanwhile he believes that stores such as Depop and Thrift+ will be the template for the Primarks and Topshops of tomorrow. "The pace of rampant consumerism will begin to slow and be replaced by more considered consumption."

Indeed the circular consumption model is likely to extend to other sectors of retail too, with retailers increasingly promoting repair, rental and resale rather than just new products. So long as both retailers and customers adapt to the changes then sustainability stands a chance.

Top Image: Lush Liverpool Flagship Store
Middle Image: IKEA Learning Lab Greenwich London
Bottom Image: Timberland London Flagship Store

Further Listening
Check out our special series of Retail 2030 podcast episodes now.

Aaron Shields
Executive Strategy Director
FITCH

“The retail food chain will produce new apex predators to feed on the bones of the old – and there are two big pressures that will determine survival.”

The global retail battle **will be fought with experience**

Chain stores killed local shops by offering abundant range at low prices. Retail parks killed the high street by offering lower costs coupled with drive-in convenience. Online is killing physical retailers through low price and push-button convenience. Big fish eats small. Big fish is swallowed by bigger. And so on.

Over the next ten years, the retail food chain will produce new apex predators to feed on the bones of the old – and there are two big pressures that will determine survival.

Asian Globalisation

The first is something we are not used to talking about anymore. In the West, we thought ‘globalisation’ was finished and the victors hailed from America and Europe. But over the next ten years, we will see a new round of ‘Asian globalisation’.

From a retail perspective, brands like Alibaba Hema, Gentle Monster and WeChat are currently skyrocketing above their Western counterparts. Why? Because these big Asian brands offer exciting new experiences and seamless convenience at superior value compared to the West; and they are set to advance and disrupt every sector from cars, to finance, to marketplaces.

Then we have ever-increasing consumer expectations for a richer retail experience. This will steadily change the very nature of how companies compete at channel. While price and convenience will always be a factor, experience is emerging as the most significant competitive advantage for many brands. As Rodney Fitch said: “There can be only one ‘cheapest’. The rest need design.”

“Nothing is certain, except that we will all need to become masters of experience.”

Data-driven Experiences

Shopping is transforming from the pleasure of acquiring new products, to enjoying a genuinely meaningful experience that fulfills one or more of the four fundamental human needs for comfort, belonging, independence and progress.

Defining and codifying experience was simply not required ten years ago, but over the next decade experience models will become a major strategic consideration and tool for brands’ retail focus.

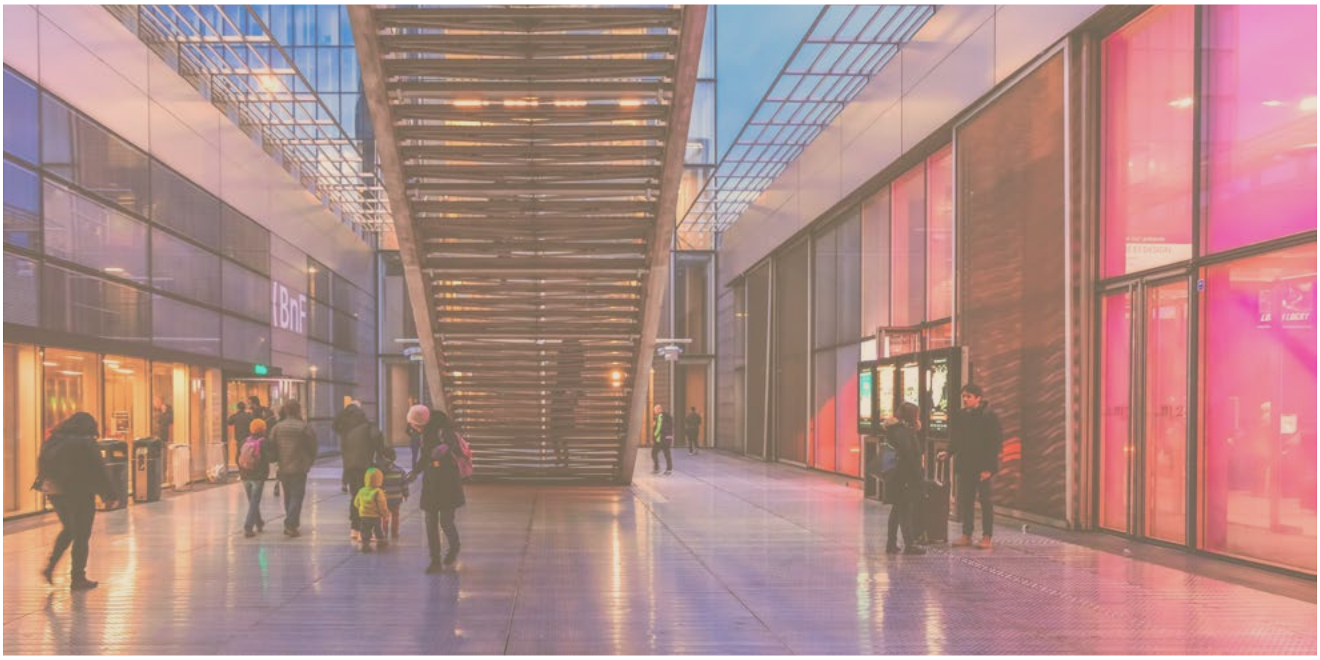
By applying this psychological framework to Brand-Z data, FITCH has developed ‘Experience Themes’ – 12 distinct themes, each with its own unique set of emotions and characteristics. This data-driven model can guide a brand to create its own distinctive and meaningful experience, and unlock its full potential.

As practitioners, we must completely re-educate ourselves. As online channels strip away at the convenience advantage once held by physical retail, we must be ready to adapt physical channels into experience ‘destinations’ which attract and retain our most valuable customers.

Ultimately, retail will continue to transform at an unprecedented pace across the new decade. Nothing is certain, except that we will all need to become masters of experience.

FITCH

The future of physical retail: **back to the drawing board?**



> **Why change the store and redesign at this moment? Put simply, the purpose many stores were originally designed for does not exist anymore.**
>
> **James White,** Allen International

When it comes to meeting ever-evolving needs, putting a new spin on an old idea might just fit the bill.

Despite the headlines, the future physical retail space remains bright. But with the size of store estates shrinking, the need to rethink the role of the retail space is paramount. "We're reaching the point where closing stores can no longer be the answer: so what is the answer?" says James White, design director at Allen International. "Put simply, the purpose many stores were originally designed for does not exist anymore."

With a growing number of brands likely to expand their investment into direct-to-consumer, Siu-Lan Choi, Creative Director at retail agency Household believes the role of pop-ups will continue to grow in importance. "The emphasis will increasingly be on the pop-up as a brand building destination: a place to hang out with and experience the brand rather than simply shop," she says. "Pop-ups will also provide retailers and brands with 'live' opportunities to test and learn."

> **"As far as we have come, retail design needs to be even smarter in the future."**
>
> **David Dalziel,** Dalziel & Pow

Design Solutions

White believes that the starting point for many retailers is to accept that the future of their business will look very different to what it once was, or currently is. "Customer behaviour has changed: the world has changed," he says. Yet according to White, design alone will rarely be the answer. "It's not always about physical design but also operational and behavioural change, too.

The visual component is important but only spending money on one or two design changes and expecting a fundamental change in the customer experience remains a real challenge for the industry." It's a view shared by David Dalziel, founder of retail design agency, Dalziel & Pow. "As far as we have come, retail design needs to be even smarter in the future."

One example is how stores will respond and evolve to meet the challenge of managing online customer deliveries. Future success will be about creating environments, services and touchpoints that resolve customer issues. "Some of the most powerful innovations are comparatively small and often invisible but make the biggest difference," explains White. "The stores of the future will require a holistic understanding of customer needs from the physical retail space – better understanding patterns of behaviour and responding accordingly."

"The emphasis will increasingly be on the pop-up as a brand building destination."

Siu-Lan Choi, Household

Format Fluidity

The next decade will require retailers to adopt new approaches to format development. "Retailers will move away from repeat store roll out and focus more on innovative test formats, destinations personalised to location and experimental pop-up experiences," believes Choi. White agrees. "The customer type and demographic around existing stores has fundamentally changed over the last ten years. Fluidity of format will be key," says White. He believes that we will see a rise in micro-formats in the years ahead. "At present, we talk in terms of formats in single numbers. In the future, we might see that there are hundreds."

The new decade is likely to see investment move away from flagships toward wider store estate remodelling programmes. "The existing retail portfolio will be more streamlined, more flexible and more responsive to individual locations and customers," says Dalziel.

Top Image: Casper Sleep Pods
Middle Image: Flannels Flagship London
Bottom Image: Starbucks Reserve Roastery NYC

HEAL'S

The **Interview**

David Kohn
Customer & eComerce Director

David Kohn, customer and ecommerce director at Heal's, explains why retailers need crystal clarity when redefining themselves, and why they need to romance the product and the customer.

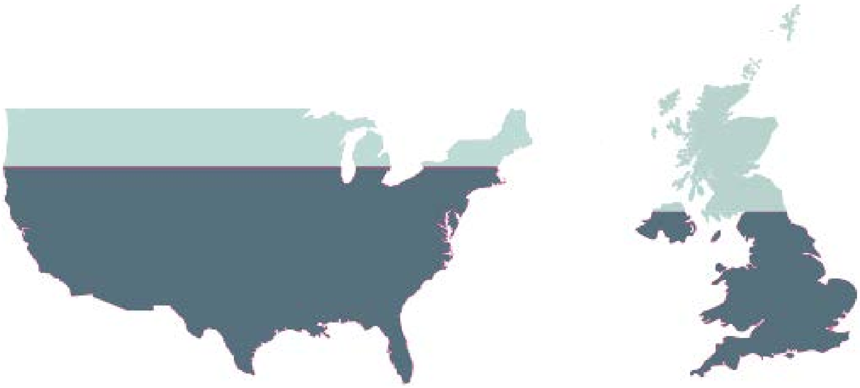
What needs to happen within retail organisations in order to finally breakdown established silos between online and offline teams?
"Ultimately, most people are driven by recognition and rewards. So you have to create a culture in which it is made clear that satisfying the customer, through whatever channel, is the priority, and recognition and rewards are aligned with this."

How do you believe online and physical retail experiences will evolve in the new decade?
"Retailers must stop thinking of themselves as retailers and start thinking of themselves as brands. It will not be possible to win on convenience or cost, so retailers will have to define, with crystal clarity, what they stand for and give the customer something to buy into. This means more story-telling, more 'romancing' of the product and greater levels of personal service."

What will be the key(s) to success if major retailers are to respond to the challenges from new, more agile players in the sector?
"Retailers will only survive if they stand for something that customers desire and benefit from. Those that thrive will understand how to execute every element of their offering to fulfil and reinforce the brand promise. And they will do this cost-effectively."

How does thinking around tech need to evolve to ensure that it better meets the needs of shoppers as we enter a new decade?
"Too much tech is designed from a tech perspective. Developers of new technology need to develop a greater understanding of customer psychology and how people make choices and use this as the basis for their solutions."

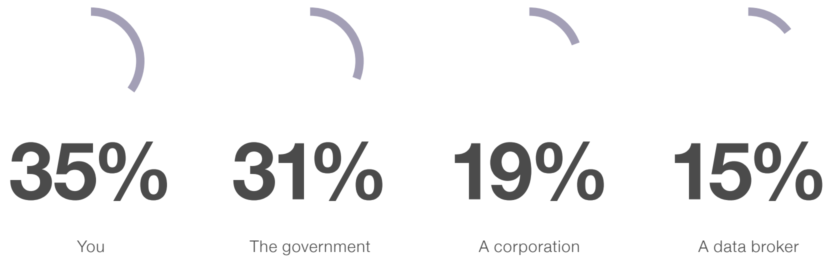
Further Listening
Check out our special series of Retail 2030 podcast episodes now.



70% of Millennials in the US and **62%** of Millennials in the UK say they would appreciate a brand or retailer using AI technology to show more interesting products.

Source: J.Walter Thompson Intelligence Innovation Group and WWD

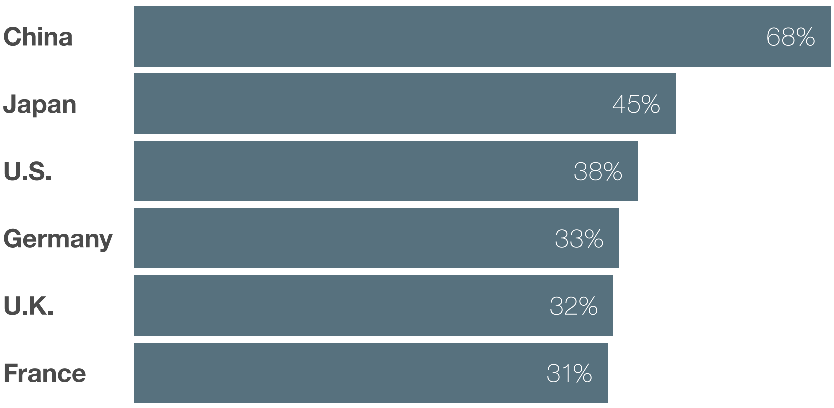
Who will own your personal data in ten years?



Source: EY

Shopping for trust

Percentage of respondents in select countries whose digital purchases are influenced by social media



Note: Online survey conducted with about 25,000 internet users in 2018

Source: Centre for International Governance Innovation

75%

of consumers do not feel that brands fully understand their interests

62%

of consumers are fine with the prospect of brands using AI to make marketing better

60%

of Millennials would be willing to actively give away more data about themselves in return for better marketing experiences

The research was conducted by Censuswide, with 1,006 general respondents in the UK between June 13-14, 2018. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles

Source: Censuswide

Nick Everitt
Director of Advisory, EMEA
Edge by Ascential

"The digital landscape is going to be even more fragmented than it is now, with customers discovering, considering and purchasing products through a myriad of ways online."

The role of online in **changing the way we shop**

In the UK alone, Amazon today is the top ecommerce retailer, accounting for 30% of all online retail sales. While traditional retailers improve their offering, pureplay online retailers are overtaking traditional store-based channels – and it is shifting fast. In the decade ahead, this will require brick and mortar retailers to innovate and integrate their physical and online channels even further in order to provide a truly connected experience.

The Current State of Online

Ecommerce-related channels will lead retail growth over the next five years. Nowhere will this be more pronounced than in China, where over 80% of its growth within this period will be driven by ecommerce. As this decade draws to a close, Chinese-based pureplay ecommerce giant Alibaba has overtaken Walmart as the top global retailer.

With ecommerce retailers expected to see triple the rate of growth (13% annually) between 2019-2024 compared to store-based retailers (4%), we'll begin to see more ecommerce pureplayers in the global top ten, and they have a massive advantage due to their innate technical proficiency.

Store of the Future Online and Offline

The consistent shift to online will not signal the end of store-based retail. In fact, ecommerce and physical stores will have an even closer symbiotic relationship in the years ahead. As categories shift online, we will see many stores increasingly use their physical space exclusively for launches and service elements, or to introduce more experiential elements to the brand.

For example, Nordic jeweller Georg Jensen has introduced instore silversmithing demonstrations, whilst clothing retailer Next has enhanced its instore offering by becoming click and collect hubs for Amazon orders. British health and beauty specialists Boots also launched an experience-focused, digitally integrated concept store earlier this year that better caters to modern shopper needs.

Supply Chain and Shopper Engagement

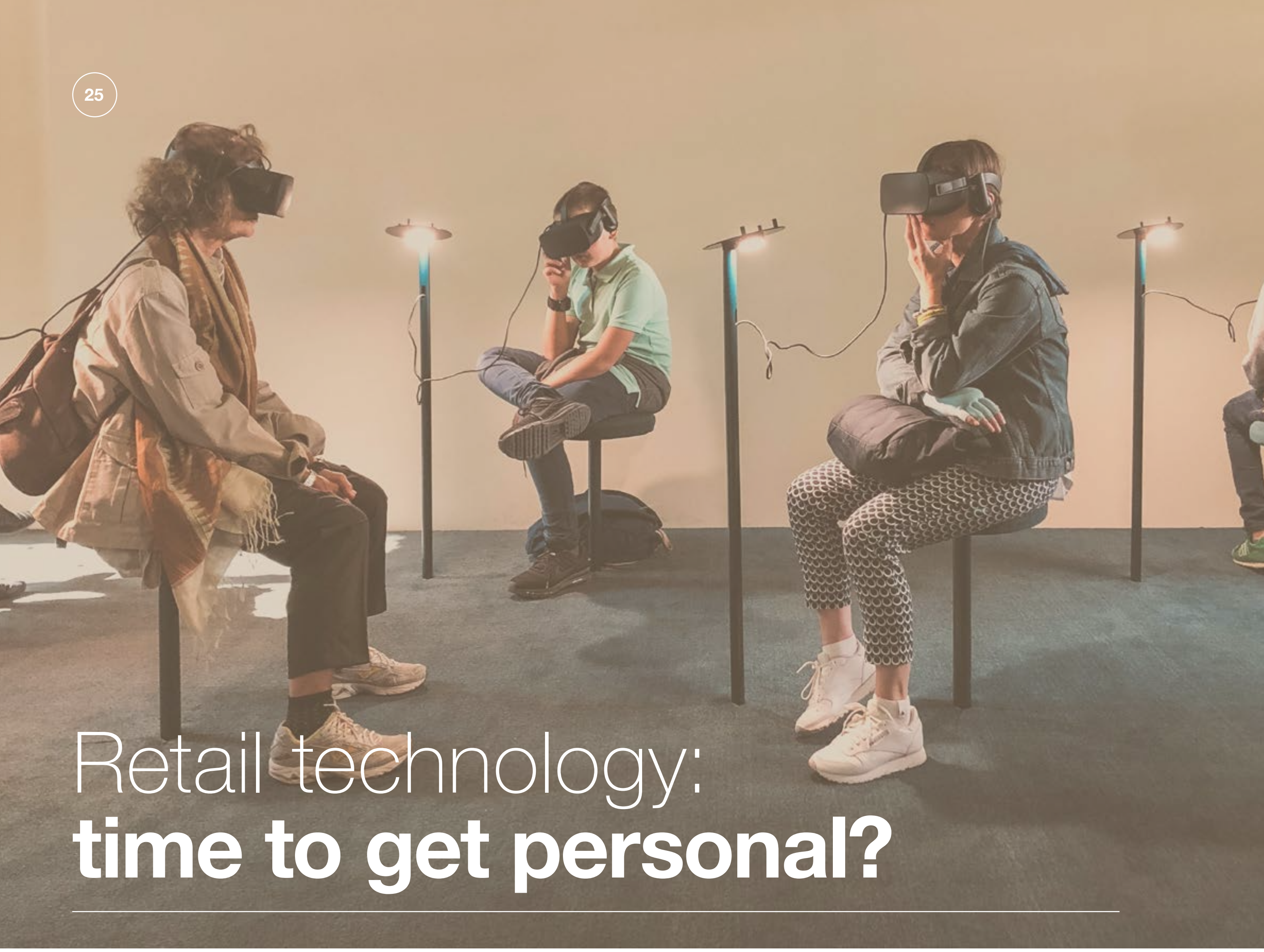
A key challenge that will impact both instore and online channels is how to better engage and retain customers. The digital landscape is going to be even more fragmented than it is now, with customers discovering, considering and purchasing products through a myriad of ways online. This also extends to the way orders are fulfilled – increasing competition across the entire supply chain.

Online retailers will need to focus on their point of difference in the market, as well as how their overall services make shopping easier for the consumer. This could include convenient delivery services, insightful product discovery tools, having a diverse product assortment or exclusives, to building loyalty through membership schemes.

"Ecommerce and physical stores will have an even closer symbiotic relationship in the years ahead."

As online continues to disrupt the retail sector, it's evident that retailers – both online and offline – must focus on enhancing their offering in all manners across the supply chain in order to better service and engage customers if they want to succeed in the years to come.

EDGE BY ASCENTIAL



Retail technology: **time to get personal?**

“The biggest game changer will be interactions that are designed with the customer at its heart. As technology becomes more prominent in our lives, thinking... must be dialled up.”

John Vary, John Lewis Partnership

Advances in technology will pose profound questions for brick and mortar shopping.

The purchase journey is no longer linear – the lines between online and offline becoming blurred. The way customers interact and transact with brands and retailers, and the experience they expect from them will continue to change fundamentally in the decade ahead.

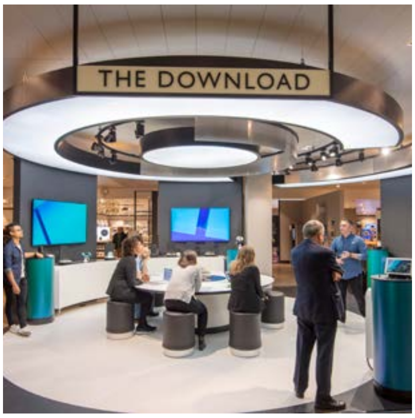
So, as we enter a new decade, will the game-changing, customer-facing tech that will transform the customer experience comprise robots, AR or VR? Not according to Imogen Wethered, CEO and Co-Founder of software company Qudini. “That would be fun and interesting, but customers don’t need it just yet,” she claims. “We’re seeing modern customers become more demanding, fickle and impatient than ever,” notes Wethered.

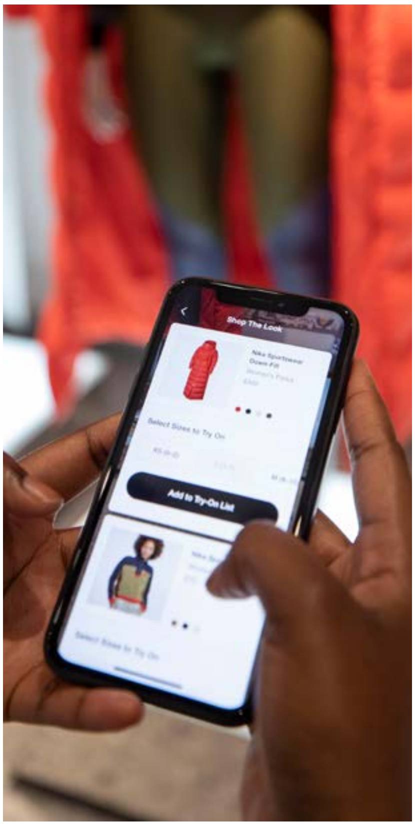
“As a result, we’ll see stores transform away from the traditional concept of a store into what Qudini refer to as ‘brand interaction hubs’ – spaces to experience and build relationships with brands, their products and communities.”

“We expect retailers to experiment with new store formats that cater to specific lifestyles, interests and hyper-local nuances.”

George Gottl, FutureBrand UXUS

For Wethered, this transformation of a store’s purpose, as well as the rise in expectations of modern customers and compounded risk of poor instore experiences being amplified (by social media) means retailers are increasingly turning to technology to improve their customer experience and operations.





Top Image: John Lewis, Southampton
Bottom Image: Nike House Of Innovation NYC

Customer-facing Technology

According to John Vary, Futurologist at John Lewis Partnership, the customer is and will always remain central to whatever experience is created. "I think the biggest game changer will be interactions that are designed with the customer at its heart. As technology becomes more prominent in our lives, thinking in this way must be dialled up. This approach will create more value for customer-facing technology, which will drive advances in back-of-house technology as a consequence."

Over the next ten years, we are likely to see more and more retailers moving away from a one-size-fits-all approach and adopting a personalisation strategy to drive customer loyalty and create engaging and relevant instore experiences. "In the years to come, retailers will look to deliver personalised experiences instore; everything from personalised greetings from store associates, to tailored offerings and discounts, to targeted instore events and experiences," add Wethered.

Hyper-relevance

George Gottl, Chief Creative Officer and Co-Founder of FutureBrand UXUS agrees that the next era of retail is about hyper-relevance. "Tomorrow's customers are highly individualistic and jaded," he says. "They filter out generic experiences and want something specific and personal. As a result, we expect retailers to experiment with new store formats that cater to specific lifestyles, interests and hyper-local nuances. We also anticipate the rise of an intelligent store that uses deep learning to read customers in real-time.

Mike Roberts, Chief Creative Officer at Green Room Design, believes that AI is here to stay and will only become more prevalent in retail ecosystems but warns that "if it isn't deployed in a way that is sensitive to the emotions of the user then it will fail".

Looking ahead to the next decade then, it seems that those technologies that can remove friction and everyday obstacles for customers and store associates will be the ones that win out.

"The future isn't going to be about leveraging the latest technologies but ensuring that technology choices are centred around human need," concludes Roberts.

HSBC

The Interview

Josh Bottomley
Global Head of Digital, Data and Development

Josh Bottomley, global head of digital, data and development at HSBC explains why trust in data will be key and how making the customer experience more personal and relevant is the future.

What changes do you believe we'll see in the next ten years in how customers view personal data ownership?

"Data and analytics will have a huge impact as technologies like artificial intelligence and machine learning come of age. Customers will take more control of their personal data profiles online, and which organisations they allow access to. In this more 'data aware' environment, the determining factor for any consumer-facing brand will be maintaining and building trust."

Which of the current tech developments do you believe will endure, and which are just 'trends'?

"While we expect big data, artificial intelligence and machine learning to endure, this will ultimately depend on retailers' ability to carefully combine what technology can enable to meet customer expectations, with the need to actively address risks to their wellbeing."

What will be the 'breakthrough' tech that will shape the customer experience and their interaction with brands in the new decade ahead?

"Cloud computing, artificial intelligence and machine learning will enable us to leverage data to make the customer experience more personal and relevant. There will be a multitude of new technologies that help providers do this simply, safely and satisfyingly on their smartphones and other devices."

How do you see the relationship between in-house teams and external partnerships developing amongst major retail brands as we move forward?

"Partnerships between retailers, big tech companies, fintechs and other third parties will all increase. They will catalyse innovative customer products and services, as well as broaden distribution models."

Further Listening
Check out our exclusive interview with Josh Bottomley now.

David Coombs
Head of Strategic Services
Cheil UK

“Customers are only going to get more protective of their data. They’ll share it, but with fewer organisations and only the ones they trust.”

The future of personalisation **isn’t in our DNA, it’s in yours**

What will the future of personalisation look like in ten years’ time? Given that, in real time, we’re now past the first appearances of Blade Runner and The Terminator, and we’re still partying like it’s 1999, can we safely say it’s unlikely to involve murderous robots made from quicksilver, carrying bespoke programming targeted to an individual person’s DNA.

In fact, the only fanciful thing about that last statement is quicksilver. After all, they banned mercury in thermometers years ago. The bit about DNA is perfectly plausible in ten years and is already taking baby steps today. And before you think it’s all about to go all George Orwell and 1984, this is something that a significant number of consumers would be completely fine about.

Creative Personalisation

In research for our latest whitepaper, Perfecting the Echo Chamber: Putting Creativity Into Data-Driven Marketing, our survey of 1,001 UK consumers discovered that a third would be completely willing to allow supermarkets access to their DNA information, in return for bespoke advice on nutrition or offers around health. The feeling was that by sharing such intimate information, it might have a positive impact on the common good, as well as providing some immediate benefit to that individual consumer.

Do something a bit lukewarm with customer data; expect a lukewarm response in return. Do something genuinely creative and new and you’ve got their attention.

Being lukewarm about how they use data is where retailers have been struggling so much. They’ve grasped that customer data and the customer journey are important. But so far, in so many ways, the way that information has been used has been underwhelming. It’s about time retailers put creativity back into the process.

Understanding Motivations

Data and personalisation aren’t about creating a programmatic solution to follow you around the Internet, trying to flog the same camera for 30 days. It’s about understanding customer motivations, what it is the customer wants from you, and what you can offer them in return. That’s your starting point. And it’s such a forgotten piece.

“The way that information has been used has been underwhelming. It’s about time retailers put creativity back into the process.”

Whether it’s instore displays like the Samsung KX digital wall and its bespoke content for each shopper or TikTok, which matches content to users’ likes but serves up a healthy dose of random content, too. Using data that runs the gamut from transactional to demographic allows us to develop more creative solutions that are surprising and engaging.

In the coming ten years, customers are only going to get more protective of their data. They’ll share it, but with fewer organisations and only the ones they trust – the ones that can prove they’ve got some cast-iron governance and transparency policies in place. And in return for that data, they’re going to expect some high-level service and more tailored products.

Cheil

Retail 2030 **Forecast**

It has certainly been a tumultuous decade for retail. Actually so was the last decade and the one before that.

Established retail models have always been challenged, and retail institutions we took for granted have often disappeared. The way we shop has evolved from the moment retail was born. But in the midst of all that, change happens and progress is made.

Thinking Differently

This is a difficult age. The common issues remain, but over the past decade we have witnessed huge changes – not only in retailing, but also in wider consumer attitudes and behaviours.

Who will emerge to be the dominant retailers of tomorrow, if at all? Or will small and many be the new 'retail power'? Who will fall? What solutions will endure and which will be consigned to the history books? The only certainty is that we don't know what's going to happen next.

In one decade, the way we shop has been completely revolutionised. Yet despite its popularity, Amazon Prime is still in its relative infancy. Instagram launched in 2010 and social media has exploded since. But where is Myspace today? How we share our lives in 2030 is likely to be very different again, as is the way we shop. Our ever-increasing understanding of the environmental cost of existing practices to our planet will mean that many of us may become increasingly uncomfortable with our current attitudes to consumption.

Difference Makers

It's all too easy to be daunted by the scale of the challenges ahead, so it's important to remember that every decision, every act, can make a difference. Big challenges need radical ideas and action. But then it has always been that way. The retail industry itself can't be relentless, nor can technology. It's people that are, be that customers with their appetite for newness and evolving behaviours, or people like you, continually striving for 'better' to fulfil and exceed their expectations.

Lots of people are taking modest steps to make a difference. Whether in terms of new retail start-ups that could become tomorrow's big retail names, people within large organisations seeking to improve existing ways of working, or those committed to tackling wider social issues. Taken in isolation, the commitment and effort from each person is relatively small, but combined they will add up to the big changes that will shape the future. There are going to be new jobs for new talents.

Thinking Differently

As this report has discussed, we believe the next ten years will prove to be just as inspiring (and at times difficult) for retailers everywhere. But there is hope. Every challenge can always be dealt with. Now is the time for thinking differently, reimagining what is and realising what could be. It will require visionary and purposeful leadership, something that any business looking to deliver significant or even seismic change must have. Decisive moves and a strategic long-term approach to enabling change that will save a lot of pain and dead-ends along the way.

Get it right as an industry and we will ensure that retail remains as relevant to people's lives in the future as it has been in its past. Let's go to work.

> **"The only certainty is that we don't know what's going to happen next."**

The Retail Exchange is a dedicated retail podcast series that throws the spotlight on key issues affecting the industry. Since 2017, we have been opening the door to knowledge and insight into the many aspects of the retail industry. Featuring senior industry professionals and thought-leaders, our purpose is to provide retailers and brands with a unique perspective to help businesses and people grow. We talk about retail leadership. We talk about business models. We talk about overcoming the complexities of modern retail. We talk about how retailers can most effectively deliver the change needed to remain relevant in modern retail.

To listen to our podcast archive and future episodes, visit **theretailexchange.co.uk**

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