



The  
global  
retail  
agency

# Global retail futures journal

Issue #1

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# Editor's notes

Welcome to the inaugural edition of the Global Retail Futures Journal. Having faced the most turbulent few years in retail history, we wanted to create a resource that sheds light on the exciting future that lies ahead for the industry.

As we move through 2022, still riding what looks like the tail end of a pandemic, facing a rising cost of living, demand for sustainability and an increasingly uncertain business landscape, it's difficult to know what the future of retail will look like. This uncertainty led us to carry out research among 204 respondents from retail brands (126) and marketing agencies (78) to help paint a picture of where our industry is headed, the roadblocks we may experience, and the innovations we should expect to see.

As experts of in-store experiences, 100% Group aims to play a pivotal role in the future of our high street. We believe the deep-rooted need for human interaction means physical retail will continue to hold an integral place in the way that we shop. But the role that our stores play in the customer journey has shifted significantly. In-store retail is able to stimulate the senses in a way that online will never be able to. And because of this invaluable USP, we are seeing more and more retailers reevaluate their physical spaces, subsequently reinventing them as marketing vessels. This shift in approach goes so far that many experts are now arguing that retailers should no longer consider rent as an overhead and instead classify it as a marketing expense – a cost of customer acquisition. This new era of retail is all about creating an experience. Even if customers aren't purchasing directly from the store, its job is to create a connection that resonates and encourages them to buy the product from a different channel.

Stepping into 2022 and beyond is like stepping into the unknown in so many ways. But with uncertainty comes opportunity for innovation. This is truly an exciting time for retail. We've broken free of what we can now see as fairly rigid structures and are moving at pace into an interconnected future without boundaries. Something that I'm excited to be a part of.

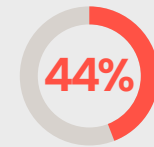
DAN WILLIAMS – MD 100% GROUP



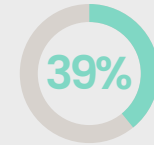
# Research Highlights

We worked with Sapio Research to conduct a questionnaire on the future of retail. The research covered 204 respondents from Retail Brands (126) and Marketing Agencies (78), those responsible for the management or strategy of the brand, or brands they work with, store merchandising/management or retail experience, in the UK.

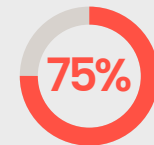
Opposite are some key findings that we have drawn on for this issue of Global Retail Futures.



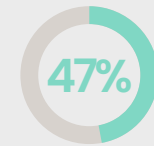
of respondents believe physical retail can create a complete experience for the shopper in a way online cannot.



of respondents believe that immersive experiences are driving innovation in the retail sector



of respondents believe we will see an increased drive to shop locally. At the same time, 23% think local shops will need to be competitive in terms of pricing for this.



of respondents think that experiential shopping will become increasingly centred around keeping customers in-store longer by creating a 'living brand'.



of respondents see contactless payments as being the most common new technology they'll be investing in.



of respondents claim sustainability is important to them, with this figure reaching 89% for consumer goods brands.



of respondents in the grocery & FMCG retail sector listed concern over rising inflation and increased cost of living as one of two biggest issues affecting the retail environment right now.







# Industry trends – #1 Shopping local

## Homing in on localisation

Our worlds have become smaller since 2020, with restrictions on travel keeping us static, a short walk downstairs for home working replacing the morning commute and reduced guest lists at social gatherings. For many of us, this culture change has bought with it a new sense of community and personal responsibility to the environment around us. And we're seeing these changes translate into how we shop.

Our research showed 75% of marketing agencies and retail brands believe we will see an increased drive to shop locally, citing sustainability as a key driver. The home has become a hub for communities and collectively we're recognising the importance of having amenities on our doorstep. But while there is a strong drive to shop local, it's likely there will be some roadblocks to reaching this sustainable utopia.

## The cost of shopping local

If the pandemic taught us anything, it's that we have it in us to respond quickly to a crisis. But often this is only when the crisis is right in front of us. While we have an abundance of knowledge and data that helps us to see into the future, as humans, we're not biologically designed to respond to long term threats such as climate-change. Fight or flight kicks in when a threat is imminent, and while the impact of our carbon footprint on the world around us is showing up in a number of ways, other, more pressing issues may have a stronger influence on our buying decisions. Therefore, it comes as no surprise that almost a quarter (23%) of respondents still feel stores will need to have competitive pricing in order to drive this localised sea-change.

We are still battling the fall out of the pandemic and part of that is the rising cost of living. Public spending and borrowing during the pandemic led to tax rises, inflicting increasing financial pressure on the general public as wages remain largely unchanged. It is more than likely this will have a direct influence on customer spending. This is reflected in our research with respondents listing the rising cost of living as the third biggest issue affecting the retail environment behind Covid and the supply chain crisis.

According to the Bank of England, December 2021 saw record numbers of borrowing across UK households. £800m was borrowed in consumer credit, surpassing the £700m average of the previous six months. This could mean consumers could be swayed by stores offering a 'buy now, pay later' payment option.



## A fresh take on the high street

But it's not time to write off consumer spending just yet and research shows that there is still hope for the local high street to make a powerful comeback. The final quarter of 2021 saw a fall in the number of shuttered shops for the first time since the start of 2018. It is crucial to communities that our high streets are kept alive. According to research by the Institute of Economic Development (IED), when it comes to successful town centres, the three priorities for consumers are a strong independent retail offer, a year-round programme of cultural events, and family-friendly activities.

This sentiment is backed by campaigns such as Totally Locally, which started out in the North of England and has since grown into a multi-award-winning worldwide movement. Totally Locally provides independents with the tools they need to promote their business and encourages consumers to shop local.

## The heart of our communities

It is true, our local high streets are about much more than just spending. They act as a hub for the local community, offering events, social spaces and jobs. Losing our local high streets would be like taking the heart out of the community it sits within. And the rediscovery of these spaces during lockdown has shown us that the decline of the high street is in no way terminal. But it's likely this won't be cured by re-filling vacant stores with more of the same chain shops that left them. Local independent stores will bring a new lease of life to these spaces, offering communities a sustainable and accessible way of shopping.



# Industry trends – #2 Living Brands

## The living, breathing brand experience

Retailers competing for customers with dwindling incomes within highly saturated markets is putting pressure on brands to deliver more than just a product. The in-store experience has shifted from the traditional 'turn up, try on, pay up, walk out' approach, we're now seeing retailers aim to deliver the ultimate customer experience. According to our research, almost half (47%) of marketing agencies and brands think that experiential shopping will become increasingly centred around keeping customers in-store longer by creating a 'living brand'.



## What is a living brand?

Broadly speaking, a living brand is all about delivering a clear and consistent brand ethos that is felt through every level of the company – from the shop floor, employees, packaging, webstore and everything in between. It begins from the inside out and should feel natural to everyone that comes into contact with the brand. This isn't something that's structured or tangible, it's a lot deeper than that. A living brand is something that has to be felt by your customers through the experience they receive.

This approach may not be right for every brand. Take for example, FMCG – purchases consumers make out of necessity are likely not going to be swayed by an emotive connection. But for higher spend, indulgent items, establishing your living brand can significantly set you apart from your competition.

## Liberty regained through Apple

A great example of a living brand is tech giant, Apple. This is something that they have achieved consistently since launching the iPod back in 2001 and is arguably the crux of the brand's success. Apple drives a 'power to the people' brand ethos – taking complex technology and delivering it in a simplified, accessible format. You can see this through the branding which leverages white space to create a feeling of simplicity, purity, and possibility.

The same goes for Apple stores, which are set out with a simplistic interface. What's more, when you visit a store, you aren't served by shop workers, you're served by 'Geniuses' – living, breathing extensions of the brand who are specialists in Apple technology. There are products available in-store for shoppers to interact with, without the pressure to buy. It's truly all about the experience.

## The emotional pay off

So, what exactly is the driving force behind living brands? Consumers now long for authentic connections with whoever they are buying from. Money is tight and gaining an emotional pay off in exchange for hard earned cash feels like a fair trade. Creating a consistent brand ethos helps customers to form an emotional connection with your brand, in turn making them feel valued and part of something bigger. This ultimately helps to build trust and loyalty. Customer trust has taken a beating in recent years. With such an interconnected world, consumers are becoming increasingly savvy. We've

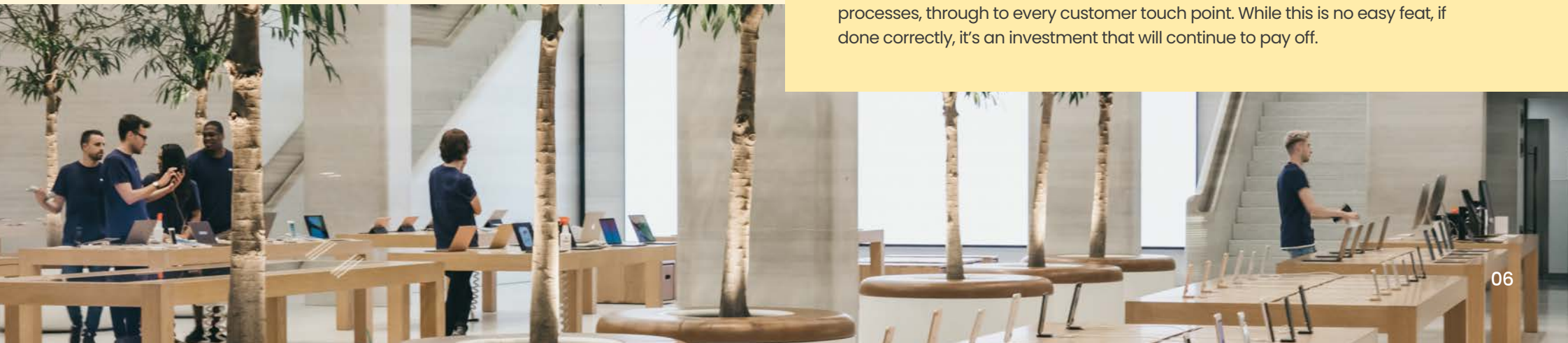
seen consumers quick to cut ties with brands that they felt didn't protect their staff during covid, or that exhibited performative activism or greenwashing. The chances are that if what you're shouting about your brand doesn't line up with what's going on behind the scenes, your customers will be able to sniff it out. On the flip side, we've seen customers become advocates for the brands they connect with, creating a tribal like mentality that has the potential to last a lifetime.

## The living in-store experience

The in-store experience is a fundamental part of the delivery of a living brand. The store acts as a vessel for customers to soak up the essence of what the brand is all about. Create an in-store experience that is authentic to your brand, fosters loyalty and lets customers take in elements of where the brand has come from, how it is evolving and what is important to it. This immersive shopping experience is one that consumers will seek out and go out of their way to experience.

## Do it, then do it again and again and again

Ultimately, living brands are about consistency. Establishing a clear and concise ethos that will resonate with your target market is the first step. Beyond that it's just about making sure that ethos is front and centre of every one of your internal processes, through to every customer touch point. While this is no easy feat, if done correctly, it's an investment that will continue to pay off.





# Sustainability focus

## What does sustainable retail actually mean?

Sustainability is a key priority for many brands and retailers. In our research, over one in four respondents claim sustainability is important to them, with this figure reaching 89% for consumer goods brands. But it's more than recognising its value, the brands that we spoke to understand the importance of having a genuine sustainability story that consumers can buy into and interact with. As our research shows, the challenge comes with how brands choose to define the meaning of sustainability, leading to a gap in deliverables.

For some of the respondents, sustainability simply means responsibly sourced and manufactured products. Then, at the other end of the spectrum, others believe it includes everything to do with the brand from its supply chain, employees, ethical stance, how the product is displayed in store and what is done with the product at end of life. There are some established brands that truly live and breathe sustainability, while others are starting out on their journey and discovering just how difficult these waters are to navigate.

## Legislative requirements

Last year's COP26 summit made steps forward in setting some significant targets that eventually the whole of the retail sector will need to take on board, although many think the targets did not go far enough. Initially the UK Government is going to require both listed companies and UK financial institutions to publish their net zero transitioning plans in 2023, detailing how they will decarbonise to meet 2050 net zero targets.

There are some sectors of retail that will find themselves under increased scrutiny as this move towards net zero increases. The fashion industry contributes as much as 10% of all global carbon emissions and 20% of global wastewater annually and is showing no signs of slowing down. 56 million tonnes of clothing are bought every year, and this is set to increase to 160 million tonnes by the year 2050 unless we do something to curb demand.



In the state of New York, a new bill could require fashion brands to disclose their impact on the environment and then order them to work towards reducing it. The proposed Fashion Sustainability and Social Accountability Act will impact on both high end and fast fashion retailers including Prada, Armani and Shein. Fines of up to 2% on revenues of \$450 million and above will be levied which will then be used to support projects for environmental justice. The bill is currently in committee with the hope that it will reach a vote later this year.

On 23 February the EU presented a proposal for a corporate sustainability due diligence directive that would oblige companies to identify, prevent, and mitigate human rights and environmental violations in their value chain. This is a very small step in a long road to making significant changes to the way that sustainability is viewed by large corporations who are based within the EU and is yet to be agreed by the European Parliament.



## Investor pressure

Whilst governments and consumers can apply pressure both directly and indirectly to businesses, investors and major lenders have a role to play in the retail environment. ESG investment holds huge sway over retailers in particular, as many of them rely on major lenders and investors for survival, particularly after the turbulent Covid-19 period. Investors are fully aware of the commercial benefits of being authentically sustainable. A report from Deutsche Bank revealed that companies with positive press around the issue of climate change saw their share prices outperform the market by 26% year on year.

Stakeholder capitalism, a philosophy based on the belief that companies have an obligation that goes beyond simply providing returns to shareholders, grew in importance during the global pandemic. Whilst people working in the retail sector today may not know this, this type of approach is not new. It was very popular during the 1950s and 60s but today it is heavily linked to the ESG issues such as climate change, human rights and diversity and inclusion. Today we more commonly refer to purpose-driven businesses and the B-Corp movement that balances profit with people and the planet.

The Covid pandemic seems to have accelerated the need for organisations to become more purposeful and inclusive in their strive for success. This has been highlighted by companies that have put their people first during the pandemic. These companies have likely improved their public perception and corporate reputation which is expected to result in long term business improvement. Those that did the opposite will have eroded trust and damaged reputation among the buying public – a risky strategy when expendable cash is scarce, and consumers look for reasons to make a switch away from a premium brand.

Interestingly B-Corp companies are looking to go further than this – making happy employees and sustainable practises their core focus. A great example of this in the fashion industry is Athleta, a women's fitness brand that has proven that it is possible to align the values of people and planet and still maintain a profitable business model. The brand has taken its commitment further than most and actually uses recycled plastic bottles in the material their clothing is made from and contributes to fair-trade worker funds – a commitment that certainly sets them apart.







## The rise of rental

One of the interesting trends is the re-emergence of the rental market. Not so long ago, rental was the preferred method of ownership when it came to consumer electronics and white goods. Companies such as Radio Rentals were a high street stalwart and households revelled in owning the latest technology for a small monthly investment. Despite companies like Radio Rentals finally closing (due to the pandemic in 2020), the principle behind rental is making a comeback.

In a generation of consumers where home rentals are commonplace against accessing mortgages, renting the latest tech when the industry is moving and changing so quickly makes a huge amount of sense. Not only are they saving on big investments, they also get to refresh and update their technology at the press of a button. This switch in buying psyche actually helps sustainability as the importance of ownership is easing. People can now rent, download and subscribe to things without the need to 'own' it. At the end of its agreed period, the item is removed and either refurbished, reused or recycled thus extending its lifecycle. Interestingly this approach to rental rather than ownership is now spilling into other areas of retail including fashion with ski-wear and children's clothing both gaining consumer attention. It is also being seen in grocery packaging with services such as Loop being introduced in the UK after successful roll-outs in US and France.



This actually leads us to another area – the second-hand market. In the fashion industry, second hand or vintage has always been available. Typically, in the UK, this market has been dominated by charity shops but there are new e-tailers popping up almost daily, offering specialist services that give consumers access to a wealth of second-hand products, from white goods to clothing, furniture to tech. The high street is also involved in this trend with a number of key retailers introducing second hand shopping in their stores including Selfridges, ASDA and Patagonia. The advent of eBay back in 1995 started the principle of people being able to sell used or unwanted goods to other people – one person's rubbish is another person's treasure so to speak. Now there are a myriad of online stores that offer the same facility specialising in almost every market you could think of. This online 'car boot sale' environment actually extends the lifespan of products, with items that would have ended up in landfill being given a new lease of life.





## Authentically sustainable

Before we give you some simple advice on sustainability, we want to issue a word of warning. Sustainability is a journey and not a fast one. Brands and retailers cannot become sustainable overnight. The world is full of companies that try to greenwash the general public, creating a seemingly fantastic world of environmental responsibility. But consumers today are savvy. If your back story does not match your public image, then be prepared to be unmasked. It is vital that brands and retailers establish their green credentials and have authenticity at the heart of their sustainable offer before launching anything into the world around us. Outdoor clothing retailer, Patagonia, is a great example of this approach, having set up with sustainability at its heart and grown based on this foundation. It's much better to tell people that you are at the start of your journey and that it will take time to make the right changes, rather than claiming a finished sustainability programme that consumers can unpick.

Moreover, there are now organisations out there that are tasked with disclosing those companies who make false environmental claims about their products. In the UK the government's Competition and Markets Authority is responsible for looking at claims of greenwashing and has already had judgements against Hyundai and Alpro upheld in court.



Ultimately being sustainable is not a quick process. But honesty in your approach to what you are attempting to achieve is a much better way to tackle the issue of consumer perception than making sweeping statements that could result in court action or consumer backlash.



# Sustainability checklist for brands

## 01. Be transparent and traceable

For a consumer to want to remain loyal to your brand they need information. Be transparent and use the latest technologies to demonstrate traceability. Demonstrate your commitment to sustainability by providing details on what you do and be honest about where things have not gone so well.

## 02. Consumers who value sustainability might be willing to contribute

Paying a premium for a product that addresses their environmental concerns is not unusual consumer behaviour. Make sure you offer options that provide trade-offs between supply chain cost, service, and environmental impact. This way you may be able to reduce the additional costs you face as a business by capitalising on the desire of consumers to be more sustainable. Consider that the trade-off might also not just be monetary but things such as longer delivery times for products to be transported by less carbon-intensive means. Maersk is now offering ECO delivery to reduce its carbon footprint from ocean shipping.

## 03. Use sustainability to drive change in end-to-end operations

Focus your efforts on creating inter-company partnerships that are focused on the key elements of sustainability such as environmental impact and social responsibility. The UK provider, DPD, has made significant moves forward in its commitment to being carbon neutral, creating smarter urban deliveries and reducing the impact of its operations by managing energy consumption.

## 04. Align sustainability initiatives to your core competency

Brands and companies that do this well understand how what they do can be repurposed or realigned to meet the increasingly strict demands of the sustainable consumer. Think about what it is your company does and then how it can be made more sustainable without moving too far away from your core competency.

# Expert opinion from phil day

## About Phil Day and POPAI

Phil Day is an experienced director, with a proven track record of successfully running a retail trade association and delivering products and services to retailers, brands and their suppliers.

During his 15+ years at POPAI, he has created the industry-leading POPAI Awards, managed numerous insights projects into shopper behaviour and the retail space, as well as delivering an ongoing programme of off-the-shelf and bespoke training courses for shopper and retail professionals.



### ? What do you think is the future of the retail sector?

I think the retail sector is actually quite resilient. In the immediate future I see it being very much more of the same. We are often quick to bemoan the state of the UK high street but you only need to look a little deeper and you will see some really great examples of how to weather the storm. I'm not saying it's all perfect, there are obviously the bad examples too but simple, effective retail can be delivered really well at a local level.

### ? How predictable is the future of retail at this point?

I don't believe there will be any short-term revolution. What we will see in retail is people going back to basics and doing it well, that is what will resonate with the consumer. Having a good store layout with the right products on the shelves, priced in the right way to keep people in the store for longer and making on-the-spot purchases. Retailers need to think about keeping the in-store experience relevant for the type of store they are and the products they are selling. For example, what works for a sports retail store will not work for a grocer.

### ? How do you see high street and e-commerce working in unity in the future?

Statistics show us that the in-store experience is still very important. 77% of all purchases are still carried out physically so although the world of the e-tailer has grown significantly during the global pandemic, consumers will always want to return to in-person experiences. E-commerce certainly has a place for creating a 'want' in the consumer. You only have to look at the automotive sector to see how well this can be done. But the reality of the final purchase is that it is still largely done in person.



**? How do you think the rising cost of living will impact on the retail industry in the UK next year in terms of consumer spending?**

I believe that the industry is already fairly robust in terms of dealing with the rising cost of living. If consumers have a choice to level down in their grocery shopping, then this is where you are likely to see the biggest changes. People will potentially go from buying a premium brand to levelling down in their shop to get a similar product at a lower price point. However, I believe that consumers will still want to treat themselves, so the onus is on the brand and the retailer to give them a reason to choose them over their competition. They boil down to in-store experience, knowledge of the staff, the right price, the right offer and the right buying triggers.

**? Sustainability has a huge role to play across all sectors of industry and retail is no different. However, it is often only the sustainability of the physical product that gets considered. What do you think the industry needs to do to encourage a more holistic view of sustainability?**

The last 24 months has seen an exponential increase in consumer awareness and engagement with the sustainability agenda. If you look at this over the last 10 years the speed of change has been astronomical. Following the success of programmes such as David Attenborough's Blue Planet and the popularity of activists such as Greta Thunberg, sustainability and environmental impact has entered the public psyche and is likely to remain there.

Brands and retailers need to get on board with the sustainability message and think about the journey that they need to go on. Sustainability is something that will require constant effort as it's not just about a product or a store but the whole picture. It requires effort, dedication and a commitment to wanting to make a change. Companies like L'Oreal and P&G have been doing this really well for years and have some incredible CSR goals around sustainability.

But that is the key – they have goals they are consistently striving towards and these help to shape the way they do everything from product design to their supply chains to their in-store displays.



## Experiential shopping

### Creating an emotional connection – why experience is the most important part of a shopper's journey

When a consumer purchases a specific brand are they buying out of necessity, loyalty, need or want? Are the choices they make influenced more by advertising, influencers, personal recommendations, curiosity or past experiences? As a brand in the retail arena, your product is one of many that a consumer can choose to select, so the onus is on you to foster a relationship with your existing and potential customers to encourage them to pick yours over others. But in a world where customer decisions are made in an instant, how do you build a relationship that gives a customer laser focus on your products and your products alone?

The answer lies in building an emotional connection between your brand and the consumer. By tapping into what is important to them and building this into your brand story you start to develop a relationship with your customers that goes beyond the physical product. This approach starts with the way a product is promoted and ends when the customer is in-store making the purchasing decision.

Everything from advertising to aligning your brand with the right personalities plays a part in establishing the emotional connection. But the really successful brands go one step further and offer an in-store experience that customers cannot get by simply ordering a product online. This experience enables customers to immerse themselves in the brand, by being surrounded by the

brand personality itself. It also connects them with like-minded consumers, establishing a brand community that provides reassurance, a sense of belonging and creates a 'warm feeling' about the brand that no amount of advertising or social media can ever achieve. According to a study by Harris Group, 72% of millennials would rather pay for experiences than products. Building an experience is how you establish lasting relationships with your customers.

Recent research carried out by 100% Group shows that 39% of marketing agencies and retail brands believe that immersive experiences are driving innovation in the retail sector and 47% believe that experiential shopping is centred around keeping a customer in store for longer. Vans, the skateboard apparel brand, has created an experience in London called the House of Vans. Spanning almost 30,000 square feet the location incorporates art, music, BMX, street culture and fashion, allowing customers to both shop and socialise. The showstopper in this location is the bottom floor which houses a concrete ramp, mini ramp and street course for people to use bikes and skateboards on. This is a truly immersive experience that creates a powerful connection between the Vans products and the type of customer they are building a relationship with.





But experiences don't have to be permanent to have an impact. Pop-up experiences can be just as powerful and allow brands to perform on-the-ground market research into future permanent locations as well as establishing that important physical relationship with customers. Brands that have been born out of e-tailing, such as Glossier and Gymshark, have successfully used the pop-up retail experience to market test and develop their offering until they felt ready to make the move to permanent stores. Glossier opened three new stores in 2021 following successful pop-up events and Gymshark will be launching its first and flagship store in London in June 2022.



As we head into a new era of retail, where customers want a real reason to buy a product, experiential marketing and immersive shopping experiences are going to continue to shape the way retail expands. Brands that insist on using a linear approach to customer engagement will get left behind as customers vote with their feet and create long lasting and loyal relationships with brands that can give them more than just the product they take away from the store.



# Retail technology



## Transformative technology – how is the retail industry coping?

In our recent research we asked the industry about the most common new technology that is being deployed to ensure customers still engage with brands in-store. Interestingly, although we now think of contactless payments as omnipotent in the retail environment, many retailers have only switched to this method in the last two years, bowing to customer demand for options that did not involve physical touch. More than half (52%) of the brands and marketing agencies we surveyed see this as being the most common new technology being used to ensure that consumers still want to visit in-store.

An extension of this technology can be seen with the on-the-spot payment, an initiative first used in the UK food retailing environment by M&S. The Pay With Me allows customers with a small number of items to check out with a member of staff whilst in the queue rather than having to wait for a self-service or manned till. This technology has been rolled out to 200 stores and has been done to make the bricks and mortar stores feel more efficient, convenient, and safe.

Outside of the obvious, an old favourite made a significant come back – the QR code. There was a time when QR codes were considered to be on the

wane but with codes popping up literally everywhere and consumers being very comfortable with using them in connection with their mobile technology, it is unsurprising that retailers and brands have once again recognised the power that can sit behind the little square panel. Increasingly, QR codes are being used in-store to provide customers with additional detail on products which can include interactive content, video links and enhanced product details that they cannot get from simply looking at the product on a shelf. 42% of our respondents think that QR codes will help to keep the in-store shopper engaged with a brand.

Touchless technology became a much bigger priority once the pandemic hit and developers of this type of solution advanced at a pace. Motion or gesture-based technology has seen an increasing interest from the retail sector as stores look to move from touch to touchless technologies. This type of technology is particularly suited to places in the store where catalogues or brochures would normally be available, or where a customer is presented with options or reasons to come into the store. This global market is expected to reach \$32.2 billion by 2025 and could see the way we interact with retail displays change significantly in every part of a store from the window display to checkout.







Increased use of digital technology through mobile phones can be seen everywhere. From apps that allow you to scan a product to access additional information, to ordering a product, trying on and paying for it without ever having a human interaction. That's what Nike's flagship store offers in its Speed Shop. Here, customers order online, unlock a locker with their name on via their smartphone, try on the shoes and check out online. A whole transaction completed without any face-to-face interaction!

Cornershop launched in London in May 2021 and is the invention of Capgemini, SharpEnd and The Drum. The idea is to provide a real-world experience to customers based on global research and the real-world challenges faced by the clients and customers of the founders on a daily basis. The store is split into four corners, each exploring different aspects of the shopping experience: the automated store, the augmented store, the purposeful store, and the personalised store. Brands are able to try out the different concepts in Cornershop to see what resonates with consumers before launching to a broader market.

What is very clear is that technology is a driving force in the retail environment, and it is certainly going to have an impact on how the industry changes over time. Whether you are just at the start of your technology journey or are at the cutting edge of innovation, always consider what the changes you are making will mean to your customer and whether they enhance your relationship with them or detract from it.



# The world around us

## A challenging period ahead as costs increase and real term earnings fall

Despite global pressures easing as Covid-19 appears to be waning in terms of its strength, the economic realities of almost two years in intermittent lock down and the knock-on effects, combined with the current energy crisis are starting to take hold. In early February the Bank of England announced an interest rate hike in the face of soaring inflation (which is now at a 30 year high) with further rises predicted throughout the year.

The UK consumer is facing one of their toughest years to date. Energy prices are rising almost unchecked with reports they are likely to reach almost £2000 a year for the average household (an increase from the average of £1277 this winter). Grocery prices are steadily rising with a 3.8% increase recorded in the four weeks to 23 January and the annual inflation of goods bought from retailers rose to 1.5% from 0.8% in December, according to the British Retail Consortium, its highest level since December 2012.

The Bank of England is also warning that inflation could reach 7.25% in April, largely due to the rocketing energy prices, its highest level since August 1991. What this means for UK households is a real fall in disposable incomes of around 2% – the worst since records began back in 1990. So, what does all this mean for the UK retail sector? How can shoppers be encouraged to part with their hard-earned cash given that they will have less of it to be spending with?





After such a long period with restrictions in place, it is likely that many UK consumers will be considering foreign holidays in 2022. The international travel market was devastated by the effects of the global pandemic, but signs are that the recovery is underway. EasyJet, the UK's biggest airline, believes that by the fourth quarter, flight capacity will be near pre-pandemic levels with the most popular destinations being Greece and Turkey. This positive outlook is echoed by other travel operators including Saga who have recorded solid bookings for its cruise products in the 2022/23 financial year, producing a profit on an adjusted basis to end of January 2022.

The home improvement industry saw a surge in value with online sales in 2020 increasing by almost 50% compared to the same period the year before. This includes not only specialist DIY stores and outlets but also generalist e-commerce platforms such as Amazon. Over the total lockdown period the DIY sector was one of the best performing non-essential retail sectors, seeing total expenditure rise by 16.5%. The industry is also expecting a halo effect from this upsurge as more and more people became confident with DIY projects in their own homes and feel more able to tackle future projects.

But with a significant drop in disposable income, after a holiday and small home improvements, what will be left for spending? Retailers are going to have to work harder to encourage consumers to part with their dwindling pennies. It's likely to be a time of battles on the high street as brands will have to find new ways to attract consumer spending. Whether that is discounting or value-added offers, it's clear that simply being open and available to shoppers will not be enough as inflation continues to rise.

Brands and retailers alike should already be thinking about how they target their target markets. Whether it's the baby boomer generation who might have a higher disposable income or families with young children who will be looking for the best possible deal. Remaining authentic to who and what the brand is all about will be the key to success – consumers can smell desperation and don't take kindly to being duped into a purchase, especially not when it's something they can ill-afford.

The retailers and brands that get it right will be in a great position to leverage the relationship they have with their customers when the economic dust settles around the world.

