

THE FUTURE OF RETAIL

5 trends reshaping the future of retail in 2019 and beyond!

You're obsessed with the future of retail. We're obsessed with the future of retail.

Every CEO, senior executive, CMO and CIO is obsessed. Every trend firm, every consultancy. Everyone. Right?

Except, that is for consumers. Billions of them. Consumers don't think about retail the same way we do. They don't go through the day with terms like 'omnichannel', 'm-commerce', or 'mobile responsive' floating around their heads.

They don't care about your Last Mile problem, or your Bezos-eats-your-lunch problem. Consumers don't lose sleep over the Retail Apocalypse.

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Accelerating Expectations

The thing is, you're right to be obsessed.

Because while consumers may not care about the future of retail, they're still busy creating that future. They're fueled by a set of unchanging human needs. And their expectations never stand still. They want greater convenience. They want better value. They want excitement, meaning, status, relevance, authenticity, social connection and more.

It's the relentless consumer quest to fulfil those needs that drives every change we see in the retail arena. The demise of Toys R Us. Alibaba's record USD 25 billion Singles Day. JD.com's pledge to **open 1,000 physical stores a day** – yes, you read that right – in 2019. Amazon delivering to the **trunk of your car**. It's brutal out there.

But don't start feeling smug if you're not a retail business. These powerful consumer expectation shifts may arise within retail, but they'll quickly spread to your industry, too.

There is no shortage of high-level overviews of the state of retail, and the broad forces reshaping it. With this publication we went a different route. We're not here to talk about the **new wave of automated stores**, the ongoing **rise of direct to consumer**, the march of **offline-to-online retail brands**, or the opportunities **presented by Tier II and III**.

Yes, they're all crucial ongoing trends. But we know they're already on your radar. Instead, in this report we'll highlight five key tactical trends that are reshaping consumer expectations in 2019 and beyond. These are trends that you can *use*. Trends that can fuel your next winning product, service, campaign, experience, platform, business model and more.

1. MAGIC POINT OF SALE

Consumers now expect to summon retail brands as they would a genie from a lamp.

2. DEEP RETAIL

In 2019, smart retail brands know their customers better than customers know themselves.

3. CULTURE CLUBS

Your internal culture is your brand. So do more to help your people flourish.

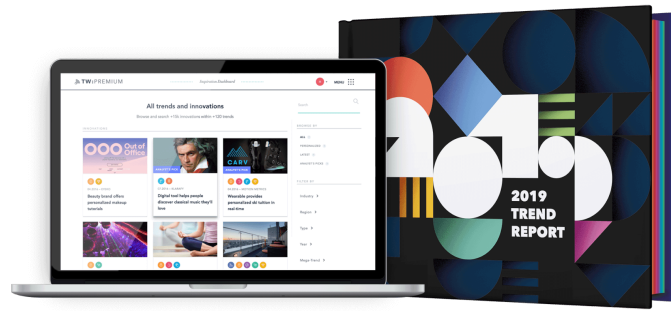
4. A-COMMERCE

From discovery to delivery, retail brands are automating the customer journey.

5. PRACTICAL POST-DEMOGRAPHICS

Inclusive marketing is no longer enough. Time to reimagine everything you do around true diversity.

So, enough preamble. Let's do this. And remember, these trends are opportunities waiting to happen. After you read, take action!



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1. MAGIC POINT OF SALE

Consumers now expect to summon retail brands as they would a genie from a lamp.

Three words: mobile, mobile, mobile.

Yes, the impact of mobile-empowered consumers is STILL playing out. Better m-commerce stores, better direct-to-consumer apps (Nike's SNKRS is the poster child) and the admittedly later than expected arrival of meaningful AR experiences are all reframing expectations when it comes to how, where and when customers can engage with your brand.

One consequence?

In 2018, consumers expect to summon retail experiences as they would a genie from a lamp, called forth from a smartphone, personal assistant, smart speaker, or even from the physical environment itself. That means summoning an on-demand MAGIC POINT OF SALE that allows them to engage with your brand, browse products, test and purchase in innovative new ways.

POINT & KNOW. Yep, this trend has its roots in another that we've *been tracking since forever*. Now that bolt-on visual search capability – see Amazon Rekognition from AWS – is available to retail brands large and small, the promise of a totally shoppable physical environment is finally being realized. Like the sneakers you're looking at right now? Just point your device for purchase options!

ARKit. iOS 11 was the biggest thing to happen to AR ever. We're at the beginning of a long phase of AR innovation that will prove revolutionary for retail and drive the emergence of a million geotagged MAGIC POINTS OF SALE.

Context is everything. Expectations of instant personalization and total relevance are *still* climbing. One glimpse? People are even changing the way they search on Google: there has been a 60% growth in mobile searches for '___ for me' and 80% growth in mobile searches for '___ should I ___' in the past two years (Google, January 2018). The inevitable next step? Retail brands that go beyond simply knowing the consumer, and start reaching out and serving them in the physical context they happen to be in *at that moment*.

In a nutshell? We're talking about empowered shoppers who want you to leverage new channels, technologies and platforms to be in the right place at the right time.

Yes, this has huge implications. But before we get into that, let's look at some brands already presenting the M-POS.

Examples



IKEA + GROKSTYLE – App combines visual search and AR product previews.
IKEA Place is a mobile app that lets shoppers plant and

ALIBABA + INTIME – Shopping mall's AR mirrors let visitors try on beauty products.
February 2018 saw Alibaba partner with Chinese

ALIBABA + I
try on bea
February 2

view digitally rendered products in their own homes. As of March 2018, the app was updated to include visual search so that users can point their cameras at household items (in person or in a catalogue) and search for similar products. The visual search feature is powered by San Francisco-based GrokStyle.

shopping mall InTime to launch an augmented reality restroom mirror. Via the mirror, customers can virtually test make-up looks and, if they like the products, can make purchases at an adjacent vending machine using a QR code link on their phone. The vending machine includes cosmetics brands such as Benefit, Lancôme and Shu Uemura.

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Scroll for more innovation examples >>>

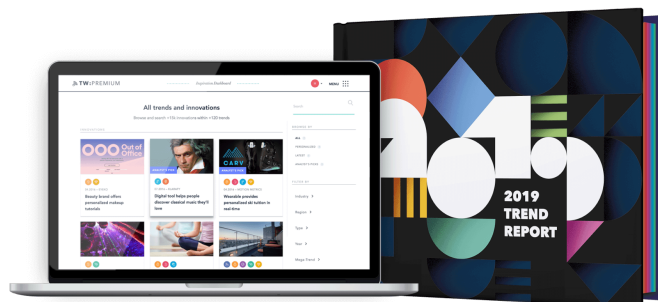
YOUR MOVE

Sure, we're going to see a whole ton of retail brands delivering an AR-fueled MAGICAL POINT OF SALE (M-POS) in the coming months. You too?

But while mobile, AR and M-POS are intimately linked, mobile is not the only channel via which an M-POS can be delivered. See how Alibaba and InTime transformed the shopping mall restroom into an interactive point of sale. Which unlikely locations can you transform into a retail opportunity? Where does your customer spend their time? Where might they delight in summoning you?

And remember, this trend is about convenience - 'be there when I need you' - but it can be about far more than that, too. See how Nike proved that an M-POS can deliver an immersive, entertaining experience in its own right. As expectations grow that m-commerce be not simply easy but also entertaining, a deep understanding of your customer's culture combined with well-orchestrated gamification can go a long way to help you stand out.

Omnipresent, efficient and delightful. It isn't easy to make magic happen. But you've got no excuse for not trying!



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2. DEEP RETAIL

In 2019, smart retailers know their customers better than customers know themselves.



In the retail universe of 2018, data is gravity. It's the fundamental force that draws retailers and consumers together. Its presence or absence shapes pretty much everything.

For years now every customer with a smartphone has been a human data source, endlessly spinning off the GPS information, Likes, searches, purchases, views and more that allow retailers to know them better.

But now that journey is reaching a definitive inflection point when it comes to retail. **In 2018, consumers will expect retail brands to put new forms of data to work - think emotional data, eye tracking, DNA and more - to offer personalization that proves they know customers *better than customers know themselves*.**

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Primed and Ready. This is about a personalization and targeting journey that began in waaaay simpler times, back when 'customers who bought 1984 also bought Brave New World' was a revolution. We all know where a part of that journey has taken us. To the kind of data-driven behavioral targeting that is

seeing food brand Knorr offer personalized recipes based on a consumer's Instagram feed. (Oh, and to an existential crisis for democracy, obvs.) Now, DEEP RETAIL personalization is the next step.

Deep State: This shift is being driven by the maturing of a raft of technologies that mean access to new and more powerful forms of personal data. The cost of sequencing an entire human genome has fallen below USD 1,000. Face recognition is now how people use their iPhone. No wonder Walmart filed a patent for tech that will detect the emotional state of shoppers as they walk around the store.

Me Me Me. Yes there are widespread privacy concerns. But never discount consumers' ability to want two things at once: expectations of data-driven personal relevance are only accelerating. A staggering 54% of consumers expect to receive a personalized discount within 24 hours of making themselves known to a brand, and 71% express frustration at impersonal shopping experiences (Segment, October 2017).

How to sum all this up? In 2018, retailers must make the leap from customer experience (CX) to intimate experience (IX). Ready?

Examples



SÃO PAULO METRO – Live mood data used to personalize ads. April 2018 saw interactive platform doors installed on Line 4 of the São Paulo metro. The doors feature a sensor that can detect the number of passengers in front of them as well as detecting facial expressions to estimate each commuter's age, gender, and mood. Using this information, targeted personalized advertisements can be played to commuters. The doors are also used for public service announcements. Line 4 is privately operated by ViaQuatro, the interactive doors were initially installed at Luz, Paulista, and Pinheiros stations.

EBAY & SAATCHI GALLERY – Brainwaves tracked in shopping experiment. October 2017 saw the launch of eBay's experimental shopping experience The Art of Shopping. A joint enterprise with London's Saatchi Art, the initiative saw selected guests wear brainwave monitors while they browsed galleries featuring specially chosen artworks. Their brainwave response to each piece of art was measured, and participants received a personalized report and a digital shopping cart containing items based on their subconscious preferences.

STARTTODAY – perfect fit for Japanese fashion. Zealand-based ZozoSuit: a 3D online fits service with 150 sensors to measure body that shoppers can use to buy clothes that fit perfectly.

Scroll for more innovation examples >>>

YOUR MOVE

Okay, this trend can feel a bit Black Mirror. And the eBay and Saatchi Gallery 'track shopper brainwaves' example is more in the realm of interesting experiment than workable innovation. For now.

But step back from the urge to dismiss this trend as too far out to be relevant. In fact, it's urgent.

At heart, DEEP RETAIL is simply about the next - and inevitable - evolution of the long personalization story we've all been tracking for so long. Not asking consumers what they want, or getting them to co-create with you, but discerning their deepest preferences via new forms of data.

In the months ahead millions of consumers will come into contact with this next-stage personalization, and that won't be only via the retail industry: just see [Air New Zealand using emotional data to make personalized holiday recommendations to travelers](#).

So start by asking yourself three questions:

What kind of deep data could you have access to across the entire customer journey? Online behaviors? Emotional response? Attention? DNA?

How could you leverage that data to discern hidden, unarticulated, even unconscious preferences among customers?

How will you tailor your services to the preferences you discover?

And if you want to apply this trend, don't forget the prime directive here: be 100% transparent about the data you want to collect, how you plan to use it, and how you'll protect it.

3. CULTURE CLUBS

Consumers will demand retail brands do more to promote the flourishing of their own staff.

This trend has its roots in a single, powerful and – for brands – often terrifying force: transparency. But turn transparency to your advantage, and instead of being terrifying it becomes deeply empowering. Let's get down to it.

Last year we highlighted this: your internal culture is ever-more visible, and that means it's an **ever-more important part of your public-facing brand**. That's an epic, transparency-fueled shift sweeping across the entire business arena, and the consequences will play out for years. But one way in which that trend has become acute for retail brands? It's all about people.

In 2018, consumers will seek out, engage with and recommend retail brands that build better internal cultures for their own people. That means building CULTURE CLUBS that find new and innovative ways to protect, reward and promote the flourishing of all kinds of staff.

This trend taps into a deep and ever-more pressing choice for any retail brand in 2018. Are you about speed, convenience and low prices, or are you about an amazing, immersive, human experience? Are you trying to **save customer attention or seize it?**

Because if you fall on the amazing experience side of that equation – if you're competing on creativity, curation, human connection or a thousand other experiential factors – then building a CULTURE CLUB might just be the *only* way to ensure you can retain and cultivate the staff needed to do that.

BAD REP. The retail industry is synonymous with underpaid, overworked, high turnover workers (it almost feels unfair to single out Amazon and Walmart, but hey, we just did). No wonder employee turnover in the retail industry is 5% per month according to Bloomberg. In a transparent environment, the way retail brands treat their people will become an increasingly important part of the way consumers perceive them as a brand.

CHECK MY ETHICS. We hear what you're thinking: yes, plenty of consumers will continue to prioritise low cost over everything else, including worker welfare. But we are in an environment in which rising numbers of consumers see ethical choices as a key status play: 'I am more ethical, I am more enlightened than the rest'.

LOYALTY PLAY. In an age of rising and ubiquitous retail automation, one way to stand out? Go the other way and cultivate a high-touch, experiential offering that's all about human contact, creativity and expertise. The first step if you want to do that? Create a CULTURE CLUB that induces your key staff to stay with you, and so allows customers to form deep, loyal relationships with individual staff members.

Yep, as that last bullet hints at, this trend taps deep into the fundamental dichotomy facing any retail business. More on that in YOUR MOVE. First, featured innovations...

Examples

TACO BELL – Fast food chain funds employees' education costs.

US fast food chain Taco Bell announced a partnership with Guild Education that allows employees to study during their employment. The March 2018 announcement followed a six-month trial of the program, and offers each of its 210,000 workers USD 5,250 per academic year for tuition, along with access to a personal college adviser. The money is paid at the start of each academic term.

WALMART – US retailer announces package of benefits for staff.

January 2018 saw Walmart announce plans to increase the minimum wage of US employees to USD 11. The retailer also announced improved parental leave benefits, a new bonus scheme and a benefit fund to aid employees with adoption costs. According to Walmart, the wage and benefit changes will impact more than 1 million employees.

MAGAZINE I

domestic violence. In August 2018, the magazine unveiled a new anonymous helpline for domestic violence, where employees can call for help.

Click here for more innovation examples >>>

YOUR MOVE

First, building cultures that allow your people to flourish is the right thing to do. So do it!

But as we talked about above, this trend is also about making a choice when it comes to the dichotomy facing any retail brand in 2018. Automation, speed, convenience and low prices? Or human creativity, curation, expertise and relationships? Which field are you going to compete on?

Building a true culture of flourishing means taking decisions that run deep and make real change. But as the Best Buy example above illustrates, a simple gesture can speak volumes about the kind of culture you are trying to create.

And by the way, if you *do* plan to automate your staff away and compete on speed and low prices, you can still build a CULTURE CLUB. Indeed, as consumers become ever-more concerned about the social impacts of automation, they'll start to demand that the automation-minded brands are taking steps to help staff flourish once they've left. Cue news of the Amazon Career Choice initiative, which is seeing Amazon pay up to **USD 12,000 for staff on hourly wages to study for new jobs in in-demand professions such as healthcare and I.T.**

So your first question: are we about attention saving or attention seizing? Of course, you might fall on different sides of the equation at different moments in the customer journey. The key thing is to know that. And then build your CULTURE CLUBS accordingly.



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4. A-COMMERCE

From discovery to delivery, retail brands are automating the customer journey.

We first featured this trend in our [5 Trends for 2018](#). If you read that, you can skip straight to the new selection of examples!

Yes, we're mentioning 'automation' and 'retail' in the same breath. Cue visions of the millions of retail jobs projected to be automated away, right? Well, okay. But this should also be on your radar...

In 2018 shoppers are outsourcing a whole host of retail experiences to algorithms, automation and smart devices: that means the automation of hunting, negotiating, purchasing, delivery arrangements and more.

Yes, consumers are concerned about automation-fueled unemployment. But never underestimate the human ability to feel multiple and contradictory things at the same time! Many of the same consumers worried about job displacement are already hunting out brands that harness automation to make their lives better.

Outsourced Life. This trend is driven by a newly emerging but deep consumer expectation. That is, that you can outsource decision-making to brands and trust them to deliver on your unique needs. That expectation has burrowed deep into the consumer psyche via a host of 'we do the thinking for you' subscription services: think razors, cars, music, food, and more. The subscription e-commerce market in the US has grown over 100% a year over the past 5 years (McKinsey & Company, February 2018).

AI hype cycle. You saw [this, right?](#) Your customers saw it too. Yep, Google Duplex will soon be booking haircuts for users around the globe. No wonder expectations of AI-fueled outsourcing - 'find me the right product, negotiate the best deal, book my next appointment!' - are escalating.

Emergent properties. Consumers can see a whole host of technologies are maturing: face recognition, voice recognition, image recognition. Taken together, these technologies make new forms of A-COMMERCE possible. And what's possible will soon be *expected*. A full 80% of Chinese prosumers look forward to automatic refrigerator refills (Havas, December 2017).

The examples below show the broad spectrum of implications for this trend, and they go beyond auto-replenishment (FYI, [Target](#) is getting involved). Get inspired:

Examples



REVOLUT – Geolocation used to auto-enroll travel insurance.
UK-based digital banking company Revolut introduced

FREDA – Tampons auto-ordered by AI.
Beta-launched in the UK in January 2018, Freda is an AI-powered organic tampon delivery service. Using an

DOSH – Ap
US-based
purchases

an automated travel insurance app in January 2018. The app automatically initiates travel insurance when it detects that the user is in a different country, and will automatically update as users move between countries. Users pay per day, and a grace period allows cancellation of the cover if it is not required. A cap ensures users don't pay more than the annual fee of GBP 30.

algorithm similar to that used by fertility apps, deliveries are synced to the user's monthly cycle and tampons are ordered to ensure they arrive a few days before they will be needed. A monthly delivery of tampons costs GBP 6.99.

card within cashback s redeemed can be trar over 100,c as of April back to us

Scroll for more innovation examples >>>

YOUR MOVE

First, let's acknowledge that Revolut's location-triggered travel insurance is a forehead slapping 'WHY didn't someone do that already?' kind of idea!

At its heart is a simple principle: harness customer context (in this case location) to automate a purchasing process and so save the customer time. So one simple question to get started on this trend: what customer contexts could you harness in order to automate part of the process of engaging with and buying from you?

But every one of the featured examples here is a signal of where consumer expectations are heading.

And you don't need to use technology to meet the expectation at the heart of this trend (though of course technology will probably be needed to deliver a solution at scale). Your flesh and blood staff could always be better at recognizing when and where – even when they are out of store – a shopper might need advice or want one of your products.

Where will A-COMMERCE head in the coming years? Rising numbers of consumers will feel comfortable outsourcing much of their retail to AIs and smart assistants, leaving those virtual entities to find the best products, prices and experiences. Time to start thinking now about what it means for you when you're selling to AIs as often as you are to humans.

5. PRACTICAL POST-DEMOGRAPHICS

Inclusive marketing is no longer enough. Time to to reimagine everything you do around true diversity.

Smirnoff's long-running 'We're Open' campaign. Bancolombia's same-sex insurance ad. MGM Resorts creating a playlist to celebrate LGBTQ people. Inclusivity is everywhere. Show us a progressive brand that hasn't put a plus-size model on a billboard?!

Of course, that's 100% a change for the better. It's just not enough. In 2018 consumers will no longer be impressed by brands that only point towards diversity in their campaigns and messaging.

Instead, consumers will demand that brands reimagine their offerings around the wants and needs of a truly diverse set of customers. That means products, services, physical spaces, and engagement processes that cater to everyone, including traditionally marginalized groups.

POST-DEMOGRAPHICS. Yes, this taps into a mega-trend we've been talking about for a long time: the **rise of a POST-DEMOGRAPHIC world**. A world in which many consumers are more free than ever before to construct, inhabit – and in many cases – celebrate the identities of their choosing, not ones determined for them by their age, gender, location, income and more.

PRIVILEGE CHECKS. A connected world has given traditionally marginalized groups new ways to come together and demand action for change: see #MeToo, #BlackLivesMatter and more. Now, rising numbers are demanding that brands finally give them the recognition and service they deserve.

SPENDING SHIFT. The POST-DEMOGRAPHIC liberation of older people from traditional expectations means many are spending on all kinds of new, non-traditional and unexpected products and services. Time for the business to catch up! According to research, 86% of marketers overestimate how much consumers under the age of 35 spend, whilst 72% underestimate how much consumers 55 and older spend (Age of Majority, October 2017).

Need any further persuading of the vast demand out there for products that celebrate traditionally marginalized groups? Consider the phenomenal success of Black Panther: as of April 2018, the **third highest-grossing movie of all time** in the US.

Ready to apply some PRACTICAL POST-DEMOGRAPHICS? Check out these examples first.

Examples

TAOBAO – Ecommerce site develops an app for elderly shoppers.

January 2018 saw Taobao, the ecommerce site owned by Alibaba, launch an app aimed at China's aging population. The app has the usual key functions, including access to the Tmall Supermarket, live-streaming programs and shopping recommendations. According to Alibaba's research, 30 million Taobao users are aged 50, and nearly 20% of them are aged between 60 and 69. Elderly users can also use the app to communicate with family members via a click and chat option.

ASOS – Etailer uses AR to show outfits on different body types.

April 2018 saw ASOS test a feature showing how the same outfit looks on people of different body types and sizes. The initiative uses AR technology to automate the process. The feature is the UK-based fashion etailer's latest effort around positive body image and inclusive of models.

COSTA COFFEE – Addresses loneliness.

In May 2018, Costa Coffee launched The Chatty Cafes, where tables at 21 locations are staffed by happy to chat baristas – paid to strike up a

[Click here for more innovation examples >>>](#)

YOUR MOVE

We're always talking about how great innovation starts with one question: how can we give people something of value? That means serving fundamental human needs and wants.

But for too long now we – business, society, all of us – have overlooked marginalized groups when we come to think about those human needs and wants. What about the needs of older consumers? What about those with disabilities? We could go on.

Making a change and applying some PRACTICAL POST-DEMOGRAPHICS is the way to put that right. And to offer something of value to many – maybe even millions more – people.

Sure, technology can help: think about the ASOS AR-fueled app that shows outfits on different body types. But as the Costa Coffee Chatty Cafes example proves, making a positive change can be as simple as putting a sign on a table.

A powerful first step? Listen. Go out and ask as wide a range of people as possible – including those you've overlooked in the past – how it feels to engage with you and how it could be better.

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THE BIGGER PICTURE

The five trends featured here present five key new directions in the future of retail. Of course, these five trends represent just a small fraction of the trends currently reshaping the consumer landscape.

At TrendWatching, we're obsessed with those trends. And we've been tracking them across the globe and in 16 B2C industries for longer than we care to remember.

Clients of our **Premium Service** have access to our entire Trend Framework, built around the 16 mega-trends that define modern consumerism. Beneath those sit 120+ actionable trends, all illustrated with 15,000+ hand-curated, best practice innovations. Plus a host of simple, powerful ideation tools to help turn trends into concrete new ideas.

It's an entire trend department ready to go. If you're serious about trends, it's a no-brainer.

GET GOING

We've stressed this all along but just in case you missed it: these trends are opportunities. Opportunities to create your next retail product, service, platform, app, experience, or business model. Opportunities to delight existing consumers and win new ones.

That means they're useless if you don't act.

But you don't have to start with a two-day ideation session, a week-long hackathon, or a pitch to the CEO (that can all come later). Here's a minimum viable first step. Just take a single innovation example featured here back to your team and ask one simple question: when people see this, what will they start to expect from us?

That question encapsulates everything that's important about Trend-Driven Innovation. That is, that game-changing innovations – such as those featured in this report – create new customer expectations. That those expectations once created will spread, and eventually find you. And that if you can see those expectations coming in advance and innovate to meet them, you can win!

