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???Rishi Kumar



If you think physical stores are dead, then you've got it wrong. Forrester reports that 72 percent of U.S. retail sales will still occur in brick-and-mortar stores over the next three years. But shopping is changing. It's becoming more exciting. Immersive. And more complicated for retailers. Mastering multichannel commerce once sounded challenging enough – but in 2022, retailers need to balance in-store shopping with social commerce and more immersive experiences being born in the metaverse. Oh, and there's a supply chain crisis still going on to complicate their lives while they figure out the vagaries of contact-free shopping and TikTok livestreams. Welcome to the wild, ever-evolving world of retail. Here's how I think retail will evolve, with brick-and-mortar shopping at the center:

1 Human-Centered Technology Improves the Experience

We've seen retailers ramp up services such as curbside pickup to make shopping safer and more efficient during the pandemic. But curbside pickup is just table stakes now. Especially as pre-pandemic shopping habits return, retailers are looking for ways to make shopping in the store the best experience it can be. This means applying technology with people at the center of the experience. Sometimes shoppers simply want to get what they need and leave. The use of Amazon One, which read a person's palm print to enable contact-free shopping, will help these shoppers. But sometimes shoppers want to browse and experience a product in the store before buying in. Here, a

technology such as augmented reality will be key. For example, Target offers a virtual try-on option in its stores. A shopper can scan a product with a barcode using the Target app. Then the user simply taps “try it on” to view how a product will look, and the shopper can get personalized beauty advice via a virtual beauty consultant.

2 Buy Now, Pay Later Blurs the Lines Between Retail and FinTech

For years, retailers offered layaway shopping plans that made it possible for shoppers to purchase a product and pay it off in installments while the retailer set aside the product until the consumer had paid up in full. But what’s the fun in that for the shopper? In an economy of instant gratification, shoppers want to buy now, take the product, and pay later. Retailers are responding by offering buy now, pay later options, which is exactly what they sound like. These are typically offered online, as retailers continue to look for ways to gain an edge amid the steady rise in digital spending. Many of these programs charge zero interest unless a shopper falls behind in payments, and because they are not technically credit cards, a shopper who falls behind in payments won’t have their credit scores affected. Others charge interest. These will grow in popularity as consumers spend more conservatively and carefully during these inflationary times. As a result, retailers like Amazon, Target, and Walmart, collaborating with buy now, pay later services such as Affirm, will continue to blur the lines between retail and financial services.

3 The Metaverse Spurs Next-Generation Retailing

The metaverse refers to immersive worlds such as Roblox and Fortnite where people interact with each other through avatars. They also purchase digital products through non-fungible tokens (NFTs), digital currencies, and crypto currencies. Businesses are already figuring out how to enter the metaverse, sometimes by setting up virtual experiences on platforms such as Roblox; and other times by selling NFTs with crypto currencies either in a metaverse environment or on the good-old-fashioned internet. Nike created Nikeland on Roblox, which is a Nike-hosted playground for gamers. Gucci created the Gucci Garden on Roblox, where people could purchase NFTs of Gucci merchandise costing thousands of dollars. Many other luxury brands are doing the same thing. The metaverse will open up more direct-to-consumer channels in an immersive way and connect both retailers and non-retailers more closely with more gamers and Gen Zers, who tend to congregate on Roblox, Fortnite, and gaming platforms like them.

4 Retailers Adopt More Sustainable Shopping Experiences

Retailers, like most businesses, are under pressure to become more sustainable in this era of purpose-driven capitalism. According to Accenture, consumers are acting with sustainability in mind. During the 2021 holiday season, one in three shoppers said they plan to ditch traditional wrapping paper for environmental reasons. Searches on Etsy for eco-friendly, sustainable or biodegradable gifts are up 48 percent in the past six months compared with the same time in 2020. We’re going to see more brick-and-mortar retailers embed sustainability into their core products and into the shopping experience, as Patagonia has been doing for years. Adidas operated a pop-up store in New York that brought together vendors selling vintage and upcycled Adidas clothing. To shop for the wares, consumers needed to bring clothes to donate to thredUP, an online consignment and thrift store that has relationships with retailers such as Walmart. Meanwhile, H&M offers the smart clothes recycling bin. A shopper can return a garment to the bin, scan a QR code, and get a discount on their next purchase. The code also links to an e-commerce page with information on H&M’s sustainable collection. Retailers are doing much more to adopt sustainable shopping. Walmart Canada will eliminate single-use plastic shopping bags preventing almost three-quarters-of-a billion plastic bags

from entering circulation each year. And Walmart is not the only one. A long-term commitment will require retailers to collaborate with manufacturers to adopt circular economy practices that affect all aspects of retailing, including product packaging (of particular interest to retailers with their own private labels). For 2022, consumers and retailers will be partnering in very visible ways.

5 Private Labels Separate the Haves from the Have-Nots

All the big retailers now sell their in-house labels. (It's impossible not to notice the proliferation of Target's Good & Gather food products throughout Target stores.) Private labels are more profitable. Retailers can manage the manufacturing and distribution instead of paying a mark-up to consumer packaged goods companies. Indeed, Bed, Bath & Beyond is banking on the popularity of its own private label to fuel the company's turnaround. Private labels will become even more important in 2022. Supply chain woes are making it harder for retailers to rely on CPG companies to literally deliver the goods in a reliable fashion. And private labels help retailers fight the rising costs of doing business that's resulted from the supply chain crisis. Retailers with private labels can protect their margins and contain costs (as best they can) during inflationary times. But not every retailer possesses the scale and resources to launch private labels. The ones with private labels already established will have an advantage over those who have not developed them by now. Amazon is definitely one of the retailers with the upper hand. Amazon has developed hundreds of private labels. Its brick-and-mortar stores, ranging from Amazon GO to Amazon Fresh to Whole Foods, have already given Amazon a powerful distribution channel for them. Amazon once again has the advantage: this time in brick-and-mortar retail.

6 Social Commerce Changes Multichannel Retailing

The rise of social commerce, or social shopping, was one of the big stories in retail in 2021, with eMarketer predicting 36 percent growth. One of the reasons for the surge in social shopping was popular apps such as TikTok and Instagram rolling out features that make it possible for social media users to buy from brands who are active on those apps. For example, TikTok partnered with Shopify to launch virtual storefronts where TikTok members can browse and purchase. Walmart is an early adopter of social commerce. The company announced that it is teaming with livestreaming social commerce provider TalkShopLive. The partnership will enable Walmart to provide shoppable content through embeddable videos across platforms. This is the latest of many social commerce initiatives by Walmart. More retailers will crack the code. That's because social commerce does more than create a revenue stream. Social commerce also gives retailers insights into the search and shopping habits of the surging Gen Z population and the already established Millennials. Social commerce will be a social listening tool that brick-and-mortar retailers can use to inform in-store shopping and merchandising.

7 Retailers Use Technology to Help Store Associates

We all know there's a labor shortage going on. Retailers are responding by improving pay and benefits to attract and keep store associates. But they are going to need to invest in technology to make the store associate experience better. I wrote about how Walmart unveiled a new in-house app, Me@Walmart, built exclusively to help U.S. store associates do their jobs more effectively and simplify daily tasks. In addition, Walmart is providing 740,000 associates with new Samsung phones loaded with the app. As a result of supporting associates with mobile technology, Walmart intends to improve customer service. Me@Walmart provides several features that help employees improve the in-store experience. For example, a voice-activated personal assistant for work, the Ask Sam feature, saves time by letting associates ask the app questions to locate merchandise and get answers for

customers quickly.

Retailers will also invest in artificial intelligence to optimize the precious supply of available labor, for instance forecasting surges in demand for specific functions (such as the cash register) to optimize labor schedules. AI can also help a retailer assign and re-assign store associates living in close proximity to different stores depending on where they are needed most.

8 Stores Get Smarter

During the pandemic, many retailers responded to the rise of home delivery by converting brick-and-mortar stores into fulfillment centers, an example being Apple. Doing this has helped stores master that last mile of delivery, where the proximity between a store and a customer is crucial. It's less expensive for retailers to ship items from their stores, which are located closer to where people live. Target estimates that it costs on average 40 percent less to ship orders from its stores (compared with the expense of shipping from its warehouses).

But all this doesn't mean stores are turning into boring fulfillment centers.

Quite the opposite is happening: with artificial intelligence, stores can better understand regionalized tastes and fluctuations in supply and demand, and customize product selection accordingly. From there, they can ship directly from the store if a customer wants the retailer to do that or sell the product in the store. For example, Levi's is opening "next generation" stores that are smaller than existing full-price locations. At these stores, shoppers can customize products with flourishes such as colored rivets on blue jeans. Levi's is banking on AI to stock merchandise according to local tastes.

Yes, sometimes effective application of AI can mean the store functions more efficiently as a distribution location. But distribution is only half the story. The big picture: using AI to make stores smarter with both inventory selection and delivery.

9 Big Retailers Transform Supply Chain Management

What trends article would be complete without a discussion of the global supply chain crisis? It's going to continue. But the big retailers with deeper pockets are getting more resourceful and better at managing their supply chains. For example, Macy's, Target, and Walmart are rerouting ships, chartering their own ships, switching to air delivery, and redeploying personnel to keep products in stock. They also have an opportunity to build better AI ecosystems that are:

- Tied to the manufacturing floor.
- Connected to digital shelves that constantly monitor inventory levels in stores in real-time.

Doing so will remove uncertainty from the equation. By knowing where products are at all times in the supply chain, retailers will be able to align pricing and marketing approaches with expected demand more strategically and less reactively. Making AI a more valuable source of real-time insight will require retailers to make smarter investment into AI enablement. AI enablement means collecting, labeling, and curating vast amounts of unstructured data. Retailers need better AI enablement to synthesize data from multiple sources, ranging from in-store to the website, in order to predict where consumer behavior is headed and then adapt product offerings accordingly. AI enablement is about delivering more mature data sets quickly, accurately, and in an inclusive manner to represent the diverse nature of our global population. Read more about that here.

But these advantages will only come to retailers with the resources and scale to invest property. They need something else, too: vision and commitment.

Contact Centific

The number of trends shaping retail can be inspiring – and also overwhelming. Finding the right partner can help a business get started figuring out how to capitalize on these trends.

Centific brings together data, intelligence and experiences to deliver human-centric solutions to complex business challenges. Our focus is on omni-channel e-commerce solutions, digital store operations, intelligent insights, and labor optimization.

We are also enabling our customers with high-quality data to train models and augmented and virtual reality around search, relevance, personalization, fraud, store operations to name a few.

We rely on design sprints all the time as part of our FUEL methodology for unlocking innovation. We believe that starting with a design sprint allows brands to generate creative solutions with consumers in mind.

To discuss how can we help in your transformation journey, please contact Centific. Learn more about our retail capabilities here.

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