



TOP 5 TRENDS DRIVING *Retail Innovation*

INSIGHTS FROM
INDUSTRY EXPERTS

A background image showing a woman with blonde hair tied back, wearing glasses and a light-colored blazer, pointing her right index finger at a large digital screen. The screen displays some blurred content, and the background is a bright, modern interior space.

TOP 5 TRENDS DRIVING RETAIL INNOVATION: INSIGHTS FROM INDUSTRY EXPERTS

With any technology, new or old, the biggest challenge comes not in the invention itself but in its application. AI as a concept has been around for decades, but it's only in the past few years that retailers and solution providers have figured out how it can **enhance shopper experiences** and **streamline internal operations**. Additionally, successful technologies breed a desire for even stronger applications: with personalization, for example, it's no longer enough to know a shopper's past habits and favorite items — retailers also must understand **which complementary items would be of interest**, and how their **preferred lifestyle may affect future purchases**.

Turning the theoretical into the practical will be a retail industry priority in 2019. Retail TouchPoints has identified five major technology and business trends retailers should pay close attention to this year:

- AI and machine learning;
- Enhanced personalization;
- Exemplary in-store experiences;
- Sustainability and ethical retailing; and
- Unified commerce.

This special report will explore the key trends and technology developments revealed by the contributors to the [Retail TouchPoints 2019 Technology Preview](#) and [2019 Outlook Guide](#). The contributors include retail analysts and consultants, along with high-level executives at leading solution provider companies — all with deep levels of retail industry expertise. Throughout the report, quotes from these experts will highlight other noteworthy trends, including **voice commerce**, **virtual showrooms** and **retailers' growing partnerships with tech startups**.

Any click, mouse movement, swipe, keystroke or dead link can be captured, indexed, aggregated and analyzed. Thanks to machine learning, any deviations from a normal pattern can be identified and recognized as an incident or an anomaly.

— AUDELIA BOKER, VP, MARKETING, GLASSBOX DIGITAL

AI IS AT THE HEART OF 2019 TECHNOLOGICAL ADVANCEMENTS

The world is perched at the cusp of an artificial intelligence (AI) revolution: the global business intelligence and data analytics market is expected to be worth as much as **\$18.3 billion** by the end of 2019, according to Audelia Boker, VP, Marketing at [Glassbox Digital](#). There will be **1.7 megabytes** of new data created for every human being on the planet each second as soon as 2020.

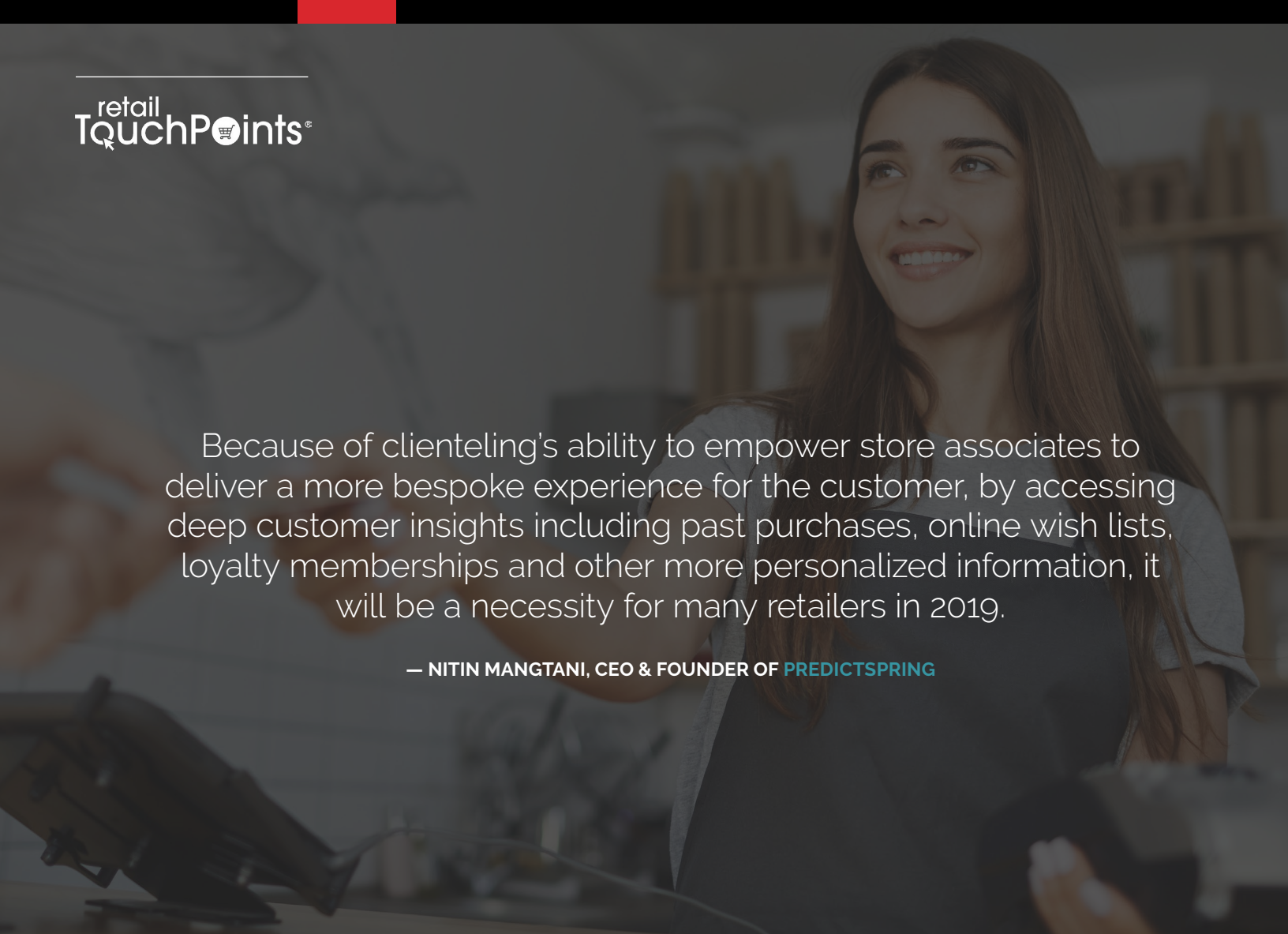
Diving through this sea of information to find actionable data points requires more than even an enormous team of humans with unlimited time could handle, but AI-empowered solutions are capable of taming the data tsunami. Experts believe that modern AI systems are going to be integrated into every aspect of retailing, from staffing to planogramming to marketing.

“Before AI, it was difficult to gain a holistic view of the information available from each data source,” said Sy Fahimi, SVP of Product Strategy at [Symphony RetailAI](#). “The fact that data is often siloed by channel or format becomes a pivotal issue when retailers have to analyze complementary insights from consumer data and past promotions separately — it makes it difficult to determine which promotions to run.”



Some aspects of retailing are particularly well-positioned to benefit from AI in 2019, according to Tim Lefkowicz, Managing Director at [AArete](#):

- **In-store customer behavior tracking:** AI will help marketers optimize the customer experience by tailoring the store's layout and merchandising toward products that drive interest;
- **Facial recognition:** Identifying loyalty program members as soon as they enter the store, offering them personalized services and promotions; and
- **Promotions and marketing:** Retailers can use AI to analyze past promotions and their competitors' offerings to determine the most efficient messaging.

A background image of a woman with long brown hair, smiling and looking upwards and to the right. She is wearing a grey shirt and a dark apron. The background is a blurred retail environment with shelves of products.

Because of clienteling's ability to empower store associates to deliver a more bespoke experience for the customer, by accessing deep customer insights including past purchases, online wish lists, loyalty memberships and other more personalized information, it will be a necessity for many retailers in 2019.

— NITIN MANGTANI, CEO & FOUNDER OF [PREDICTSPRING](#)

PERSONALIZATION POWERS THE MARKETING MACHINE

While AI is moving to the heart of modern retailing, all the information in the world isn't helpful unless it's being put to use. Retailers' key point of differentiation will stem from their use of the massive trove of shopper data becoming available to assist their customers.

"In order to stand out in an increasingly competitive retail space, retailers have to focus on the customer experience and make their messaging feel personalized and more like a one-to-one conversation," said Eric Keating, VP of Marketing at [Zaius](#). "Data must power all of this, with retailers working to analyze, segment and instantly trigger personalized campaigns that resonate with buyers."

However, personalization isn't limited to offering recommendations or pinpoint-targeting promotions, according to Tom Treanor, Head of Marketing at [Arm Treasure Data](#). Savvy retailers are taking personalization data and using it to drive strategic initiatives behind the scenes:

- **Analyzing the best customers** to create “lookalike” groups that can be marketed to;
- **Segmenting leads and/or customers** into higher- and lower-value groups that allow retailers to present different offers to each;
- **Using AI to analyze and activate customer lists** at scale (sending targeted emails, web or mobile experiences or advertising at the right time); and
- **Having a single unified customer profile** that pulls data from tools that support all touch points.

QUICK TAKE

VOICE SHOPPING

Potentially, one trend that will become more imminent in the U.S. is voice, with the stronghold of Alexa and its facilitation of the gifting experience throughout this holiday season — **Alexa voice shopping tripled** during the holiday. It will be interesting to see how voice is evolving in the convenience space, because the touch point is owned by one particular retailer, and that retailer is one of the few driving a strategy through that channel. Retail significantly changes through that channel since there's no visual component — we trust the source of the audio to give us the optimal answer.

— KATRIN ZIMMERMANN, MANAGING DIRECTOR, THE AMERICAS AT [TLGG CONSULTING](#)



HOW THE CLOUD ENABLES RETAILERS TO KEEP UP WITH THE ACCELERATING PACE OF CHANGE

BY MATT RHODUS, INDUSTRY PRINCIPAL, ORACLE NETSUITE

Consumer expectations are rapidly changing, making the ability to keep up with pace a key priority for retailers. This means that there is a huge opportunity for retailers to not only improve their relationship with consumers but also focus on enabling a true seamless experience.

Betting On The Future

Technology for retailers is coming from every direction. Whether it be the newest tools in virtual reality or social media outreach, technology must remain the catalyst for innovation and keep up with the pace of shopper demands.

The technology that runs your business needs to future proof your processes, be adaptable and agile. Cloud-based platforms are at the core of enabling businesses of all sizes to focus on increasing profits and satisfying consumers, rather than managing the complexities of traditional siloed software and hardware.

It is no doubt that the retail landscape will be shaped by what consumers demand, both in stores and online. Having a unified shopping experience across the cloud allows businesses to deliver on these expectations through end-to-end visibility, single commerce and management for real-time insights into customers, inventory, sales and more. Building a seamless customer experience relies on embracing the technologies that will grow with your business.

Tomorrow's challenge for retailers is thinking about a store as a place where experiences help capture a shopper's imagination... Adopting an 'experiential retailing' strategy, a store's mission becomes attracting customers so that they can see, interact and build connections with products and brands that become organic extensions of, or supplements to, their lifestyles.

— MICHAEL BROWN, PARTNER, RETAIL STRATEGY, OMNICHANNEL INTEGRATION, [A.T. KEARNEY](#)

THE IN-STORE EXPERIENCE MUST BE EXCEPTIONAL, WHETHER IT LASTS 5 HOURS OR 5 MINUTES

The rise of faster, easier e-Commerce has raised the stakes for physical stores. They remain vital to many shopper journeys, but they now need to offer shoppers experiences that go beyond being just a place to make purchases. Fortunately, there are both existing and emerging technologies that provide retailers with the means to make every trip to the store easier, more useful — and potentially fun and educational.

“As shoppers, when we have good experiences, emotions are unleashed that trigger positive buying and loyalty behaviors, which ultimately lead to revenue,” said Laura Davis-Taylor, Co-Founder of [HighStreet Collective](#). “If your brand can’t compete against **Amazon’s** chokehold on convenience — and most cannot — it is with this approach that retailers win.”

Many of the e-Commerce pure-plays that have gone “phygital” exemplify this focus on the customer experience, by combining their online and in-store capabilities to offer the best of both. Bryan Amaral, Founder, President and CEO of [Clientricity, LLC](#) notes that the “storefront as a service” has been appearing in major cities, using next-gen retail spaces to showcase digital native brands using **interactive displays**, knowledgeable **mobile-enabled staff** and a well-executed **customer engagement strategy**. These spaces allow the brand to control the narrative and gain real-time market feedback.

QUICK TAKE

VIRTUAL SHOWROOMS

With AR and VR adoption spreading, especially in certain segments, the idea of what represents retail real estate is transforming and expanding. It's no longer just the store — it can be almost anywhere, including the customer's home. Retail stores have traditionally been the focal point for the theater of retail, but now **AR and VR allow the customer to directly control where that experience happens.**

— BRIAN BRUNK, PRINCIPAL AT [BRP CONSULTING](#)

Even the simple act of picking up a click-and-collect order can harness technology to become as seamless and enjoyable as possible. Soothing minor but common friction points, such as lines, can foster a positive experience and build loyalty, even on short trips.

“This experience is a true blending of channels that often falls apart at the ‘last five feet,’” said Janelle Estes, VP, Strategic Research Services at [UserTesting](#). “Smoothing out this process, and even adding moments of delight — such as delivering the product to the buyer in the parking lot instead of forcing the customer to wait in line to pick up inside — is where retailers will separate themselves from the competition.”

MUJI GROWS IN-STORE REVENUE WITH DIGITAL SAVVY

Muji, a global retailer known for sustainable products and packaging, planned to grow beyond its 650+ store locations. When they discovered that web site visitors often browsed for products to later buy in a physical store, Muji developed a mobile app to build more intimate customer relationships, enhance in-store experiences and improve customer lifetime value.

Challenge

Muji, like most retailers, ran online and social campaigns, but struggled to improve sales and generate steady foot traffic to physical stores. Merging the physical and digital experiences posed a significant challenge. In addition, they were unable to transfer data and perform data analysis of online traffic in time to make a relevant recommendation to the in-store customer.

A lack of engineering support also kept Muji from building the scale and performance needed to capture clickstream data from their mobile app and join it with their existing web, point of sale, and other customer data. They needed a solution that their marketers could use independently without engineering support.

Solution

Using Arm Treasure Data's enterprise customer data platform (CDP), Muji combined online browsing data and in-store purchase history to get a complete customer profile. By joining real-time store inventory data, they executed data-driven incentives such as personalized coupons and timely, well-targeted in-app push notifications. Treasure Data provided a dynamic, scalable way to acquire and aggregate fast-moving data streams.


Using the mobile app in combination with highly targeted promotions led to a **100% increase** in coupon redemptions across all store locations, increased CLTV, led to higher volumes of in-store foot traffic and a **46%** increase in revenue over a two year period.

In addition, Muji leveraged Treasure Data's machine learning capabilities for location-aware promotions to increase impromptu store foot traffic. Treasure Data's enterprise CDP enables unique personalization algorithms and marketing segmentation syndication that further connects the digital and offline customer journey for an enhanced customer experience.

Results

Treasure Data helped Muji collect and process more than 8 million web and mobile events per day and analyze more than 3 billion transactions per year. Over a two year period, Muji exceeded objectives:

- Saved **millions of dollars** by eliminating the need to print flyers
- Saw higher volumes of **in-store foot traffic**
- Realized a **46% increase** in in-store revenue
- Boosted coupon redemptions by **100%** using highly-targeted promotions in their loyalty app

A background image showing a field of solar panels in the foreground and several wind turbines in the distance under a clear sky.

More than **70%** of Millennials are troubled about climate change and agree that humans should take steps to slow or stop the cascading effect of global warming. While concern about the environment is not new, retailers are beginning to change their policies to demonstrate their commitment to the circular economy and sustainability.

— RICHARD SHAPIRO, PRESIDENT OF [THE CENTER FOR CLIENT RETENTION](#)

CORPORATE RESPONSIBILITY AND SUSTAINABILITY CAN CREATE ‘IRRATIONALLY LOYAL’ SHOPPERS

While many retailers have always strived to do good in their communities, such actions are shifting from a public relations bonus to an outright necessity. An increasing number of shoppers care about everything from a retailer's carbon footprint to the treatment of the farmers that grow their raw materials, and are willing to change their shopping habits to frequent retailers that match their beliefs.

“The whole tone of marketing has really changed, and retailers need to think of themselves as a brand — not just a vessel for people to buy things,” said Deb Gabor, CEO of [Sol Marketing](#). “Where people shop is becoming as important to people as what they wear, eat and drink, so it's increasingly important for retailers to start thinking of themselves as both a brand and an experience. Stores can bond with customers in a way that no other entity can, and I'm excited to see how, in the ‘second coming’ of branding, **retailers will align with their customers’ beliefs and values.**”

The ultimate goal is to create customers that are what Gabor called “irrationally loyal.” These shoppers are fanatically invested in their favorite retailers, and feel as though their lives would be diminished if “their” company were to disappear.

Creating this kind of relationship also means developing a devoted workforce. A company's brand vision, mission, purpose and values will only play out for shoppers if they first work for employees, both in terms of providing better customer service and consumers feeling good knowing that they shop at a retailer with a positive company culture.

QUICK TAKE

RETAILER-STARTUP PARTNERSHIPS

Established brands and retailers will increasingly lean on startups to provide the digitalization expertise needed to compete with online-native rivals. Though we expect to see further acquisitions, this trend will extend beyond outright purchases. Brands and retailers will seek out partnerships and sign vendor agreements with nascent digital enablers — as well as launch their own accelerators and funding programs — to get **exclusive first rights to innovations developed by emerging startups.**

— DEBORAH WEINSWIG, FOUNDER AND CEO OF [CORESIGHT RESEARCH](#)

We have always seen location data as a way to unite the silos of traditional and digital media. We expect this goal to be realized further through 'physical retargeting.' By collecting data about the movements of people in the brick-and-mortar world, we can store this data to use for more personalized/localized retargeting online.

— ASIF KHAN, FOUNDER AND PRESIDENT OF THE [LOCATION BASED MARKETING ASSOCIATION](#)

UNIFIED COMMERCE MOVES OMNICHANNEL GOAL CLOSER TO REALITY

"Omnichannel" as a descriptive term is old news; the modern, relevant phrase is "unified commerce." While exact definitions vary, as a starting point unified commerce means that merchants must do more than offer an e-Commerce site and a physical store with pickup options tying the two together. Rather, the entire organization must be built from the ground up **with all channels in mind**, working together to create an optimized experience from every angle.

"With consistent and consolidated views of data and business processes across the organization, a tremendous amount of manual work and process exceptions are eliminated," said Matt Rhodus, Director and Industry Principal for Strategic Initiatives at [Oracle NetSuite](#). "You can better serve customers on the frontend when you have better visibility to customers, items and inventory. The same goes for orders on the backend, to allow a retailer to better focus on the best way to engage the customer on any given channel, without worrying about whether that channel will understand what can be sold and how it will get to the consumer."

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Bryan Wassel covers the retail industry at large, with a focus on contextual marketing, technological innovation and omnichannel developments.

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