- RETAIL TOUCHPOINTS -

2020 OUTLOOK GUIDE

TOP TRENDS AND TECH FOR 2020: REDEFINING STORES' ROLE AND OPTIMIZING OMNICHANNEL WITH AI, COMPUTER VISION AND ROBOTICS

retail TouchPoints®

INSIGHTS AND PREDICTIONS FROM 15 INDUSTRY EXPERTS

The start of a new decade is traditionally a time for long-range predictions. People want to know not only what the coming **366** days will bring but also how their industry will look in **five** years or even **10**. Will smart devices shrink even further, to the size of wearables or implanted chips? Will stores still be relevant, and more important, *how* will they be relevant, in 2025 or 2030? Will **Amazon** flourish or falter during the coming decade?

As provocative as these questions are, I'm actually glad that the **15** retail industry experts contributing to this year's *Retail TouchPoints* Outlook Guide have, for the most part, limited the scope of their forecasts to the next year or two. If there's one thing we've learned during the previous decade, it's how quickly the retail industry can pivot and morph into new configurations — and also how each change creates ripples of reaction and counter-reaction that themselves reshape the industry's contours.

Our stellar group of contributors provide an informed, insightful look at the trends and technologies that are both relevant now **and** are most likely to shape retail's future, including:

- **Getting omnichannel right:** Rather than striving to be all things in all channels, retailers will need to focus on providing exactly what customers need at specific points of the shopper journey — a difficult but not impossible task;
- **What's in store for stores:** Brick-and-mortar locations are actually underutilized assets that can serve as physical manifestations of powerful media messaging, fulfillment centers and places offering community, humanity and engaging customer experiences; and
- **An increasingly data-driven industry:** AI, robotics, computer vision, location technology, the 5G wireless standard and real-time business intelligence will continue to transform the industry as more retailers realize the value of customer data, as well as how it can be used to provide both personalization and customer engagement.

I hope you find the insights revealed by these retail experts helpful in creating a successful 2020 — a year that hopefully lays the foundation for an equally prosperous decade.

Adam Blair
Editor, *Retail TouchPoints*

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2020: Shaping The Vision For What Happens Next

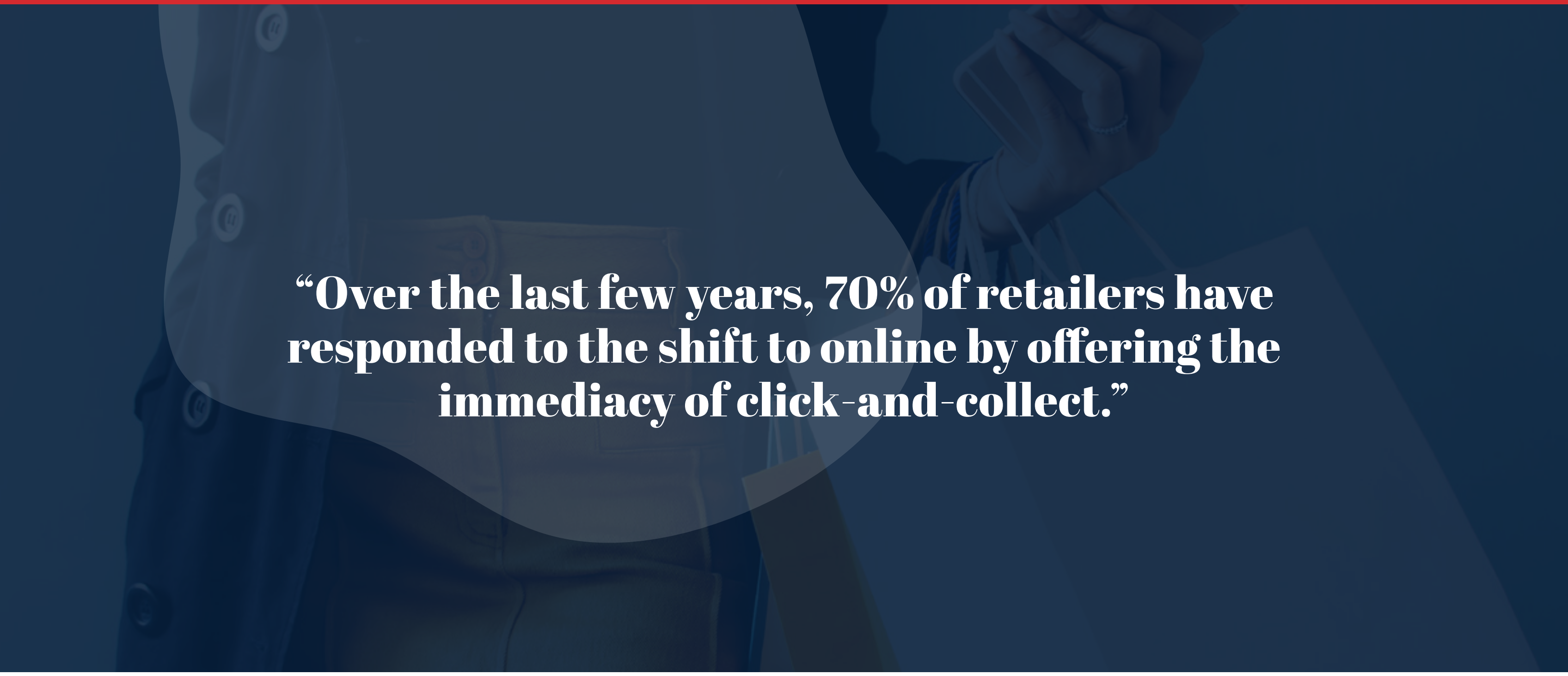
Bryan Amaral
Founder, President and CEO, **Clientricity, LLC**

Headlines seem to perpetuate the notion of a retail apocalypse, where stores lay barren and shopping malls are decaying relics of a time before **Amazon**. But to paraphrase Mark Twain, reports of retail's death are greatly exaggerated. What's really happening isn't the end of retail — its retail's logical transformation, driven by changing consumer values, increased shopper expectations, economic polarization, changing demographics, innovative technology and the resulting advent of more efficient and engaging business models. Those that have a vision to see "what happens next" stand the greatest chance of benefiting from any new "world order" — while those that are stuck in the prior status quo languish and are often casualties of change. Such is the state of retail today.

A SHIFTING STORE LANDSCAPE

Stores will remain relevant if retailers elevate service, experience and engagement. We know the retail landscape is still "over-stored" by traditional brands with outdated organizational design and a legacy infrastructure in support of the old way of doing business. Many of these brands are financially fragile, sitting on a time bomb of declining sales and excessive debt loads. Changing consumer behavior will not be kind to these merchants. According to Coresight Research, over **9,000** stores closed in 2019 as overleveraged retailers attempted to right-size their businesses to address normative shifts in shopper behavior.

E-Commerce will continue to expand at approximately **19%** for 2020, but progressive brands are responding with "phygital" experiences that blur the line between online and store formats. As omnichannel expectations become mainstream, legacy brands now realize the importance of increasing their digital investment, and digitally native brands are recognizing the inherent limitations of pure-play formats, spawning a new flavor of digitally interactive store concepts for both groups.



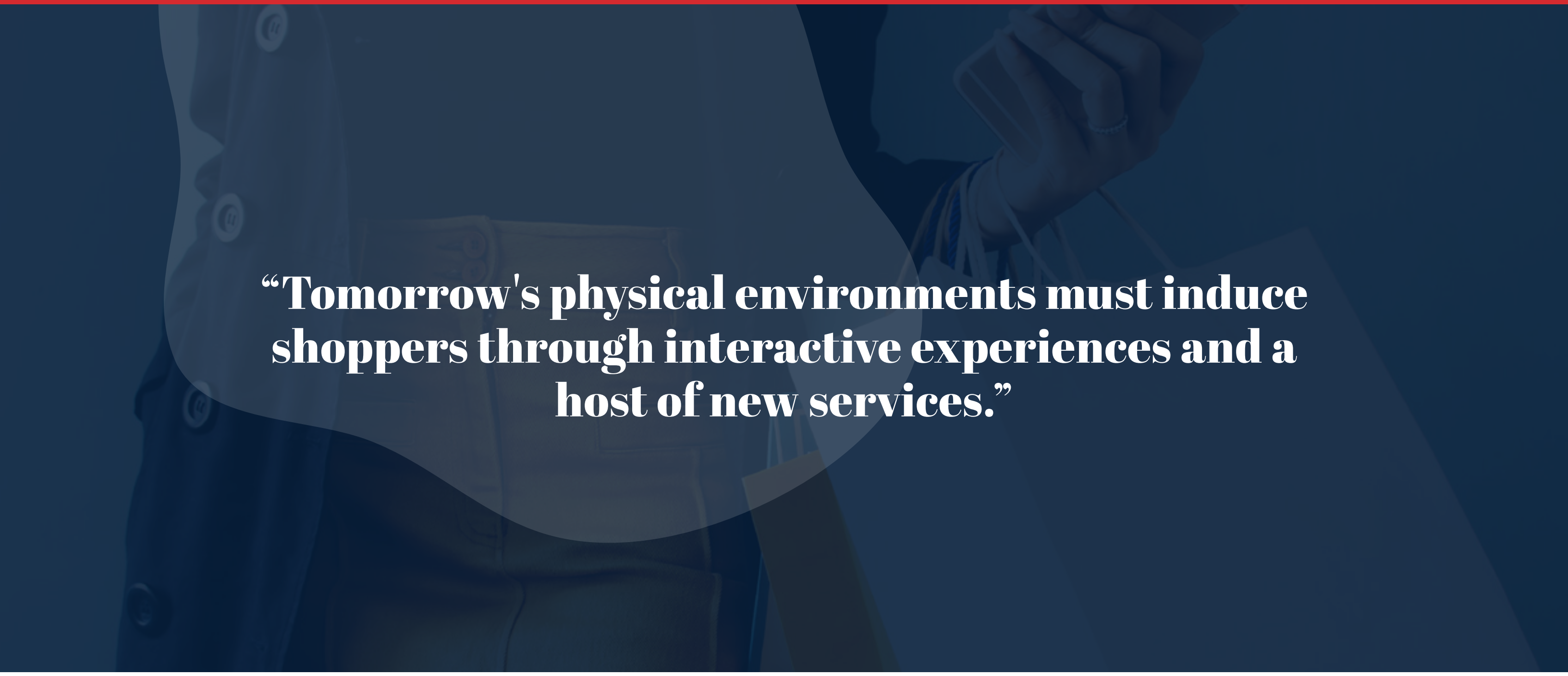
Emerging digital brands are well positioned to take advantage of the shift, starting with an agile mindset and a customer-first, digital-first philosophy. Designed to flexibly address customer needs and trends, these highly engaged direct brands are rapidly expanding, with innovative physical spaces and immersive customer-centric digital experiences that are redefining the face of retail. Declining traditional brands should be learning from these data-driven growth companies. Based on current plans, JLL Real Estate estimates at least **850** new D2C stores over the next five years, which may underestimate actual growth plans. **Casper** alone is planning a **200**-store expansion. Kearney predicts the equilibrium point in the retail real estate sector won't happen until 2025.

REDEFINING THE PURPOSE OF STORES

In 2020 and beyond, retailers will rethink the purpose of their stores in the context of new customer expectations. Over the last few years, **70%** of retailers have responded to the shift to online by offering the immediacy of click-and-collect — essentially turning their stores into local fulfillment centers.

While BOPIS is a cornerstone of omnichannel retail and will continue to grow, tomorrow's physical environments must induce shoppers through interactive experiences and a host of new services — leveraging the store beyond the product and exploiting opportunities when consumers are in the store. Education, discovery and community are at the center of these new service offerings.

At the other extreme, retailers will continue to experiment with inventory-less stores and "try-on shops" that incorporate digital, high-touch personalization and clienteling/appointment selling and events in their sales process. A recent JRNI report indicated that **54%** of consumers are interested in scheduling appointments with in-store staff, and these interactions result in **3X-10X** increases in basket size. Examples of new formats are **Nordstrom Local, SHOWFIELDS** and a number of bespoke apparel retailers.



“Tomorrow's physical environments must induce shoppers through interactive experiences and a host of new services.”

‘ME-CENTRIC’ ENGAGEMENT

Creating a vision for what happens next requires an understanding of what customers value and expect from the brands they shop. Here are the top eight imperatives that customers say they would like to see next, and what we can hopefully expect to see in-store in the year ahead:

- **Make it easy!** Fast, efficient, frictionless and flexible. A unified view of inventory and customer, OMS and ease of payment. Make it happen on my device and yours!
- **Tell me what I want to know but don’t abuse my data!** Provide transparency into orders and delivery, share the truth about products, and use my data only to enhance my experience.
- **Make it mine!** Express my individuality and identity through your brand and products. Give me customized, personalized and unique offerings.
- **Engage me in fun, memorable experiences!** Create novel and innovative “phygital” journeys using AR, VR and interactive technologies. Make the exploration fun!
- **Let me drive!** But be there when I need help! Don’t be intrusive but incorporate the best concepts from online and enable in the store. Bring self-serve, wayfinding, digital display and content, outfit building and support to stores via my device and yours.
- **Know my “Shopper DNA” and what it takes to make me happy!** Learn from every interaction and use AI to curate products and offer clienteling-like experiences that wow me!
- **I’m social, I’m digital, I’m always on…you should be too!** Be a pervasive presence (D2C) on digital platforms and make engaging and transacting part of their normal daily experience.
- **Let me become part a community of wildly passionate advocates!** Create experiences and formats that connect people and immerse them in the brand narrative. Leverage social channels and allow customers to have a voice!

Retailers that successfully navigate the tumultuous decade ahead will incorporate these imperatives into their long-term vision of what happens next, and build adaptive organizations that meet the constantly evolving expectations of their loyal customers.

The Personalization Opportunity

Hilding Anderson
Head of Retail Strategy, North America, **Publicis Sapient**

Personalization has been a watchword for much of the past decade in retail, yet we've seen that most retailers have significant gaps when it comes to actually delivering a personalized experience.

Retailers, like most people, may be overstating their organization's abilities when it comes to personalization. This isn't a particularly rare phenomenon — one study, for example, noted that **93%** of Americans **claim they are above-average drivers**. Similarly, in Publicis Sapient and Adobe's recently completed executive study, **61%** claimed they were 'ahead of the competition' with respect to data and artificial intelligence. It is easy to misjudge our own competency.

Our experience suggests that significant challenges remain.

The challenges with effective and systematic personalization are multifold. First, most organizations are still in the process of unifying their customer data across brands, business lines, regions, and first- and third-party sources. Second, even if they have the data in a centralized source ready-to-go, they're unable to generate insights from that data. Third, even if they're able to generate insights, often the activation layer has considerable gaps and lacks flexibility to send messages across the customer journey, at different times, and with different messages, while consistently learning and improving in an automated fashion.

But perhaps the biggest issue is that many retail organizations lack the strategic agility to quickly use data to drive their business. To take the greatest advantage of data and AI requires small, agile teams — **teams of teams**, as General Stanley McChrystal calls it, to create an organization built around a network, not a bureaucracy.

A SENSE OF URGENCY

The clock is ticking. Without fundamental change, there are major questions around how many and to what degree retailers are likely to survive and thrive in this era. **McKinsey** recently noted that retailers that adopt the strategic use of data will see a **122%** increase in cumulative cash flow in five years. And those that fail to do so will see a **22%** decrease in cash flow in the same time dimension.

And just glance at the five largest companies by enterprise value: all view data as a strategic asset and have built their businesses around it. (Also, as a side note, all use agile teams as a primary organizational construct).

“69% of retail senior executives say that creating a personalized experience online and in-store is the top reason data is important to their company.”

THE CURRENT STATE OF PERSONALIZATION

Personalization is well established as a strategic business goal today. Our recent research found that **69%** of retail senior executives say that creating a personalized experience online and in-store is the top reason data is important to their company.

THE QUANTITATIVE POTENTIAL OF PERSONALIZATION

Well-executed personalization delivers considerable business value. For one retailer, we combined over **50** data sources and data from **85 million** customers together to build out five of their highest priority use cases. Specifically, we built a solution that delivered personalized targeting in post-purchase, replenishment, at-risk for churn, reward follow-up and real-time weekend promotions to drive results.

These selected use cases resulted in a **57%** increase in post-purchase sales and a **52%** lift in conversion rates, worth millions of incremental dollars.

And this is just the start of the client’s journey toward improving post-purchase sales and conversion rates. With the AI platform in place, additional use cases are being identified. This creates a virtuous cycle that will drive continual improvements.

THE FUTURE OF PERSONALIZATION: BUILDING DATAFUL EXPERIENCES

The future of personalization is the future of data.

At Publicis Sapient, when we design new experiences we use a concept that John Maeda, our CXO, calls ‘Dataful.’ This means that when you create experiences, they should be knowledgeable about the end customer’s context, and use that data to inform the experience. Personalization is a common example of this. And so would be **Amazon**’s ability to quickly search your past orders on your mobile device. Or **Apple**’s Genius Bar experience, where they greet you and notify you via your mobile device when your consultant is ready. They have the necessary information at hand and create an experience that includes rich knowledge about the relationship between you and the business. They know you, and tailor the experience to match.

CONCLUSION

We live at a bold new time for personalization. There are immediate benefits from offering personalized content and product recommendations. But the real benefits of developing a set of use cases and models to predict customer behavior and solve customer problems go much deeper. The retailers that will survive and thrive in the next decade will be the ones that can marshal this new set of solutions quickly.

2020: The Year Of The Retail Community Renaissance

Jono Bacon
Founder, **Jono Bacon Consulting**

The relationship between consumers and retailers is evolving. In ye olde days of the first era, consumers would only really engage with retailers via their customer service line. The broader availability of the Internet ushered in the second era, in which retailers captured email addresses and phone numbers to send marketing materials. As pockets got increasingly stuffed with cellphones, the third era arrived with digital experiences, web sites, ordering and payments. Throughout these eras, retailers knew their place and customers knew their place: the relationship was rather transactional in nature.

As we step into a new decade, newer generations are not just growing up with technology, but with inherently social technology. More than **85% of Millennials own a smartphone** and **more than 5 billion people own mobile devices**, of which half are smartphones. Over **3 billion people** are using these devices for social media and collaboration.

This enormous growth in digital access and this growing desire for social engagement and collaboration is driving enormous interest in retail and brand communities. While retailers such as **Sephora, Lululemon** and **Starbucks** have built powerful communities, much of retail is trailing behind in this area.

This is going to change in 2020. Consumers are oversaturated with newsletters and email. Television advertising is less effective as more people cut the cord and focus on Netflix and Amazon Prime for their shows. Consumers are sick of the marketing fluff and instead want authentic, real, collaborative relationships with their favorite brands. They want their brands to be **invested in their success with products**, not just merely selling them products. This change steps beyond the transactional business into the relationship business.

> **“Fitbit has connected over 1.4 million customers together into its community, where they share fitness, nutrition, run events and more.”**

What’s more, when consumers are connected with other consumers, enormous value can flow. For example, Fitbit has connected over **1.4 million** customers together into its community, where they share fitness, nutrition, run events and more. This content, guidance and material goes far beyond what Fitbit employees could generate alone. The community is a network of minds with time, talent and expertise, all fused together in a powerful collaborative environment that fuels the very thing that brings everyone together — Fitbit.

Outside of retail, there are many success stories of this approach. Salesforce, Oracle and SAP all built communities of over a million members who provide support, produce events and more. **Harley Davidson** has over **1,700** local chapters packed with enthusiasts. Open source technology now runs major infrastructure. HITRECORD has pulled together a global community of artists to produce content.

Retail is next. There is enormous opportunity for retail communities, especially given that many retailers are both local and online and can deliver the best of both worlds. Community platforms could provide a place for retail customers to share ideas, guidance and best practices for how to get the most out of their products. Events could pull together customers with retail professionals to serve local communities, tap into local business needs, build relationships and broaden brand recognition. Passionate community members can generate content and brand awareness, have those contributions recognized and rewarded and make friends along the way. Doing this work well doesn’t just build brand loyalty and retention — your community members become **a factory that produces enormous value.**

2020 is going to be a big year for retail, and communities will be a key driving force.

Closings And Openings Parity By 2025? Not As Impossible As It Sounds

Michael Brown
Partner in the consumer practice of **Kearney** (previously A.T. Kearney)

I predict that by 2025, we'll reach equilibrium between store openings and closings.

That sounds like a tall order, especially if you look at Coresight Research's **store closures and openings totals for 2019**. There were **9,275** announced closings versus **4,454** announced openings. At the time of writing, with three weeks into 2020, another **768** closings have been announced, and **1,572** openings turning the usual pattern on its head. Many of last year's announced closings were driven by bankruptcies, others by a pruning of the fleet to make for a more efficient enterprise.

While this has some of the same qualities as a runaway train or a forest fire — that is, downright dangerous for anyone within reach — **closings, properly thought through and managed, can help bring retail organizations back to fiscal and organizational health**. It's often been repeated that the U.S. is overstored. Even in a retail environment where spending is showing slight year-over-year net growth, retailers are doing the right thing by pruning underperforming locations.

Amid this, we're seeing many traditional retailers languishing, particularly some department and specialty apparel stores. While observers blame Amazon's inexorable rise, that's not quite where the blame lies. If online sales represent about **12%** of all retail sales, and Amazon has about **50%** of online, the landscape is a bit more complex. The phenomenon that's invisible to the untrained eye is fragmentation. Online only retailers, resellers and renters are all taking a bite out of legacy retailer's sales.

Analyzing the online companies that are digitally native, they're taking a percentage here, a percentage there, from established retailers. According to *Digital Commerce 360*, there are **392 digital-only retailers in the top 1000 online retail sellers**. And when 20 or 30 of them each take a small percentage away from the legacy stores, that has a sizeable impact on profit margin. Today, with the plethora of digitally native companies and the spread of DTC, simple arithmetic dictates that the same wallet is being spread across more retailers. Declining store and overall sales will continue to force more and more retailers to close stores to maintain profitability levels

So, once all the pruning is done, what's that path to equilibrium, and what's the path to profit? Let's look at a few trends that will drive this.

“UNTUCKit, Allbirds, Casper, AdoreMe and Bauble-Bar need to open 300-400 more stores each over the next five years to reach scale.”

First, we’re going to see **a wave of store openings**. This is a result of the new, successful, once-online-only players entering the physical realm. Counterintuitively, they actually need to open physical stores. Looking at brands such as **UNTUCKit, Allbirds, Casper, AdoreMe** and **BaubleBar**, these and similar enterprises need to open 300-400 more stores each over the next five years to reach scale. The reason is that there are still major practical and financial incentives weighted in favor of physical locations, despite the fact that a main driver of their success so far has been tied to their online-only existence.

The second trend I’d like to look at has to do with the way people buy. As we all know, e-Commerce has changed, and continues to change, the way consumers shop. But change is a constant, and there are certain consistent characteristics of the new retail guard. **Rather than getting left behind, some progressive retailers will focus on increasing effectiveness of the SELLING staff**. As wages increase, proactive retailers will upscale their staff while reactive ones are forced to cut employees. This leaves one camp with efficient yet quality staffing, as they can leverage customers’ own work power at self-checkouts and other automated processes, and the other camp struggling to make ends meet, eventually closing stores.

We also expect to see **a rise in fee-based membership programs**, mirroring **Amazon’s** Prime service. For years now, in order to remain appealing to shoppers, retailers have been following in Amazon’s free shipping footprints. But they’ve been missing a key source of revenue the e-Commerce giant gets from those membership fees, to the detriment of margins. Now, brands like **Restoration Hardware** and **Lululemon** are piloting services in which paying customers get the most desirable benefits, like free shipping.

Looking at the broader view ahead, an even more essential characteristic of a retailer primed for success today is the harnessing of platforms. A **report** Kearney presented at the **Consumer Goods Forum** last year on “The Platform Imperative” cited the eye-opening statistic that platform-based companies now deliver **26%** of total shareholder value among the world’s top 50 companies — a major increase, up from just **6%** a decade ago.

“While Walmart and Target are far and away ahead of other legacy retailers, they provide a model for other retailers to follow in the next five years.”

Just selling goods is no longer enough, as consumers take for granted convenient access to just about everything. Rather, through constant communication across multiple platforms, platform-based retailers are multiplying their opportunities to connect with consumers across dimensions, with value-added services such as content, community, insights and gamification — all of which work to increase customer engagement and drive shoppers to *their* web site.

Finally, there are a few notable exceptions to the widespread struggle traditional retailers face. We find those examples in the drive toward mastery of the seamless omnichannel experience. For the last decade, having both a digital and a physical side to a retail business, or “dual channel,” has merely been table stakes. The true Holy Grail is finding the overlap that each can’t do on its own. As an example, let’s look at a couple of retailers that managed to win back lost ground in 2019: **Walmart** and **Target** both proved they can successfully compete with Amazon on their own terms.

Any way you slice it, their various systems of digital ordering and on-site pickup, with employees literally putting goods in your car as you drive up, is faster than even next-day delivery, and more convenient than waiting for packages at home, or worse having them stolen by porch pirates. Pickup in store is a great reason, if any is needed, to have a physical presence. And bottom line, having the right merchandise in stock and efficiently getting it to the consumer is the end game of omnichannel.

So while Walmart and Target are far and away ahead of other legacy retailers, they provide a model for other retailers to follow in the next five years. Take a page out of their playbook, and people will no longer be wringing their hands over the existential question, “do we need physical stores?” In fact, there’ll be as much justification for opening new stores as for closing them.

The Burden Of Proof For Brick-And-Mortar: Breaking Boundaries To Build New Revenue Paradigms

Laura Davis-Taylor
Chief Strategy Officer, **InReality**

For almost 20 years now, I've been beating the drum that stores and venues are a powerful media venue that are woefully undervalued. In 2007, while co-founder of Retail Media Consulting, I co-authored a book to cheerlead anyone with an interest on why this was the lens of the future as well as the foundation of store success.

At the heart of it is a philosophy I believe to be true, which is that **all media is now fundamentally digital**. Even if it's not presented in a digital format, technology was utilized to plan it, place it and design it. As such, all media can be measured and optimized, sometimes real-time and sometimes within future strategies. Which means it's on you if what you're doing isn't working, including your stores and the things active within them.

Amazon snuck in with a Trojan Horse strategy we don't call out enough, which is that revenue based on sales margins, shopper marketing programs and slotting fees is a limited model. As Doug Stephens, a.k.a. The Retail Prophet, shared in his 2019 keynote at RetailX, "Amazon didn't buy **Whole Foods**...they bought baskets of data."

With data comes the ability to understand. With understanding comes the ability to target. With targeting comes the ability to turn a marketing message into a helpful suggestion — meaning, it's no longer an ad. With all of this comes the ability to test, learn and optimize, therefore ensuring that you are squeezing as much value as possible out of your media and marketing investments — and charging the maximum value back to brands for it.

None of this is rocket science; it’s just not been put into play within brick-and-mortar stores. That is, until Amazon and the online-only brands started manifesting into physical locations. **They were born from data-based platforms, so of course they made their stores intelligent ecosystems.**

In a mobilized, digitized media world, we HAVE to approach a store as a ‘physical web site’ from a measurement perspective. Brands can measure customer behavior everywhere they go — on every platform — but when their targeted prospects walk into the store, it’s often right into a behavioral black hole. Not only is this strategically shortsighted, it’s also fiscally irresponsible. Why? In the words of P&G, “we fund well what we measure well.”

To connect the analytics ecosystem with attribution, it’s imperative that stores start providing metrics such as traffic, dwell, engagement (visual or touch), shopper path and transaction. Emotion, location-based mobile insights and validated demographics sweeten the metrics pot more, but only if they are gathered via detection *sensors* versus personal *recognition* ones. Other qualitative lenses are helpful to understand the ‘why’s’ lurking behind the quantitative numbers, but the end goal for it all is to be able to test against a myriad of variables, optimize the outcomes and turn our stores into a measured media.

A final point emerged out of this year’s NRF Big Show, and that is that **most retailers are now aiming to use customer data to create *customized customer journeys and experiences.*** Is this an Amazon catch-up or a passionate imperative? Who knows, but this can’t happen if there aren’t analytic tools and digital apertures inside of our stores. You can’t respond to what isn’t being measured.

Stores have always been a media vehicle, and it’s time we look at them that way.

Omnichannel Is Dead. The Future Is Harmonized Retail

Steve Dennis
President, **SageBerry Consulting**

"Omnichannel" is dead. And in my mind it's long overdue.

Ever since certain CEOs started saying "omnichannel" in just about every sentence, the term has become problematic. First, it was always ill-defined. It's hard to find any definition that is terribly consistent or appropriately comprehensive. Second, it was often served up as the panacea for what ailed every struggling retailer — and therefore became the centerpiece of many a conference keynote, white paper and technology-provider sales pitch.

Lastly, and most importantly, to the extent it was pointing at the right idea, it was muddled by the "omni" part. Simply stated, a great customer experience has never been about being everywhere and being all things to all people. What is critical is showing up for the right customers, at the right time, where it really matters, in remarkable ways.

In retailers' rush to pursue all things omni, too many embarked on an expensive, complicated and time-consuming set of initiatives without adequate prioritization and a clear sense of how customers would be positively impacted. Unsurprisingly, this everyone-out-for-a-pass approach resulted in some less-than-stellar implementations. Many companies now have discovered that they are heavily invested in channel integration, largely to accelerate a transfer from physical stores to online — often with lower profit margins.

Showing up in remarkable ways in the moments that matter in a customer's journey is what I call **"harmonized retail."** The essence of harmonized retail is accepting the truth that customers don't think or care about channels. **The customer is the channel.** When the majority of shopping journeys involve a smart digital device, when we know that physical store visits drive online shopping — and vice versa — the distinction among channels is, increasingly, a false one. The channels are blurring and retailers must embrace the blur.

The word "harmonized" has important advantages over "omnichannel," "unified commerce," "seamless integration," or any of the other terms being used to describe the changing nature of shopping. Harmony means two or more notes, played at the same time, that create a pleasing sound. This positive congruity comes from the way harmony resolves discordant notes (what we might see as "pain points") and the way we experience well-played notes in concert building on each other. To some degree we enjoy a beautiful piece of music because it is performed seamlessly, but underlying that is the strong feeling it evokes.

"When the majority of shopping journeys involve a smart digital device, when we know that physical store visits drive online shopping — and vice versa — the distinction among channels is, increasingly, a false one."

Much like when composing a piece of music and orchestrating a performance, we must have a precise understanding of how each instrument (including voices) can contribute to how the whole effort comes together. Of course, what a trumpet can do is very different from what, say, a drum or French horn does. And each instrument's role will vary depending on where we are in playing the particular song. When the next song comes along, and the next, and the next, each is arranged and performed in a completely different manner. In some compositions, a particular instrument may have little or no part to play. In others, it plays the solo.

In my experience, many omnichannel strategies tend to treat all the major components that help deliver the customer the experience somewhat the same. There is often not a detailed enough understanding of how shopping journeys vary depending upon the product or service being sought, and how different customers navigate those journeys and value those different pieces.

To be remarkable, it is not enough to merely integrate or unify all the component pieces of an (often) complicated path to purchase for the different customer segments we wish to win and keep. They have to sing beautifully together.

Embracing the blur that is shopping today and working in highly targeted ways to harmonize the customer experience are at the heart of many winning retailers' strategies, including the resurgence of **Walmart, Target** and **Best Buy**. These companies began to see their stores as assets rather than liabilities and are investing in both improving their digital capabilities while at the same time leaning into the unique, value-added roles of a physical store. Many other retailers that are defying the retail apocalypse are deploying well-harmonized retail strategies as well, including **Nike, Nordstrom, ULTA Beauty, Lululemon** and **The Home Depot**.

Adapted from Remarkable Retail: How to Win & Keep Customers in the Age of Digital Disruption (April 2020, Lifetree Media)

Brands' Dilemma: Amazon Simplifies Sales But Overshadows Brand Identity

Q&A with Deb Gabor
CEO, **Sol Marketing**

Retail TouchPoints (RTP): What are the biggest challenges that brands are facing in 2020?

Deb Gabor: For startup brands, while it's easier for them to get their products to market via Amazon-like channels, it's harder to establish themselves as a brand by creating deep emotional connections with consumers. That's accomplished by the brand doing good things to **deposit in the consumer's emotional bank account.** But when you sell on Amazon, it's the brand, so the choice of whether 'to Amazon or not to Amazon' is one that will define your destiny throughout the life of your brand.

RTP: What are the big challenges for more established omnichannel brands?

Gabor: Brands with stores have the ultimate opportunity to create an incredible emotional bond, particularly during the holiday season when shoppers are in stores en masse. But they will need to come up with something better than starting Christmas promotions in October! They need to create unique experiences that can only happen in-store, like gift wrapping and special shopping events that go beyond deals, coupons and doorbusters. **This practice of moving back the date when Christmas starts is conditioning consumers to never pay full price, as well as not valuing the unique experience of being in the store.**

RTP: Will the trend of brands taking more public stands, like Nike did with Colin Kaepernick, continue?

Gabor: This trend will only pick up more steam. Brands are showing up with a set of values and beliefs and using them as a magnet to attract and bond with their best customers. This is tied into demographic and attitudinal shifts, of Millennials aging and Gen Z'ers coming of age financially. **These are folks who want to know what they're paying for, above and beyond the products and services themselves.** We're seeing it in marketing and advertising — more evidence of brands very clearly showing us what they're all about. This isn't about offering features that other brands can imitate, like BOPIS or one-day delivery. The fact that I shop at **Nordstrom** says something about me to others, and more importantly to myself — that I deserve a higher-touch retail experience. **Where you shop and what you buy is all part of who you are.**

I should add that shoppers also can develop emotional connections with online-only brands. For instance, **Zappos** has branded love, not selling shoes, with their corporate culture. Other CEOs send their executive teams to 'Zappos Culture Camp' to learn. It encompasses everything from the language they use on their site to the way the app works. When the shoes I've bought go into my shopping cart, a little animated pig with wings flies them there. **That's the kind of thing that makes a brand human.** The best retailers in the world are the ones that will capitalize on those human connections in unique ways, and they are the ones that are really going to survive this turbulent environment. **They will need to come out as unique, not just different.**

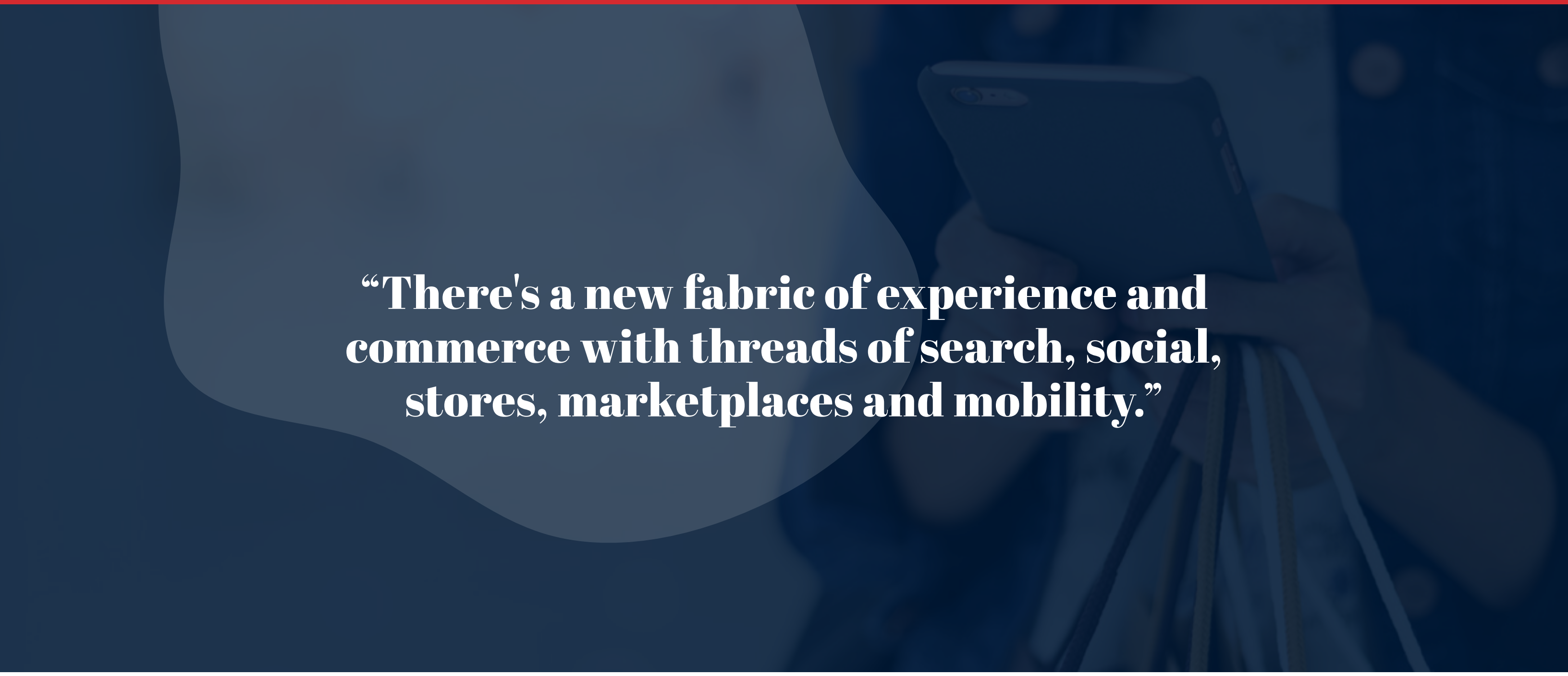
The Future Of The Omnichannel Orchestration Of Experiences

Leslie Hand
GVP, **IDC Retail Insights**

On my first trip to Amsterdam, I was struck by the seemingly perfectly orchestrated movements of cars, bicycles and pedestrians as they moved through the streets, and then in Mumbai this orchestration was taken to an even higher level. But wait, these movements weren't orchestrated — what looked like orchestration was the consequence of numerous individual actors digesting information from the world around them and taking the next right action. There is a direct parallel to what perfect omnichannel orchestration and experience looks like. It looks natural — and in 2020 this is not new news.

Retailers are in the midst of a race for their lives with consumers and supply partners — one fuels the engine and the other makes running it sustainable. The great news is that retailers by and large have a great race plan. They have a new understanding of the **value of the store in omnichannel business,** and of the **workforce in delivering perfect omnichannel experiences.** The work of executing against creating the new integrated version of each retail business is well underway. Internal culture is shifting, and the value of investing in technologies as enablers of efficient orchestration of experiences and enablers of a productive workforce have been internalized. In 2020, we will see more of the following:

- **Physical presence takes new forms (stores, pop-ups, stand-alone kiosks)** and is integral to a retailer's "Marketplace" approach. Digitally determined retailers are hell-bent on IT modernization of physical consumer touch points, pursuing end-to-end initiatives and finding solid use cases for transformational technologies — compute at the edge, artificial intelligence, robots, drones, computer vision, facial recognition and augmented reality to name a few. Refer to the examples from **Amazon, Alibaba, Walmart** and **Target.**
- There's no shortage of **attractive transformational use cases that improve experiences.** Some examples — quantum gains in convenience through radical store automation (sensor-enabled product, digital signage and computer vision), contextualized mobile services, hyperlocalized assortments, orchestration of global manufacturing, material and carrier networks, transparent field-to-fork food safety and sourcing assurance. Refer to what Walmart, **Kroger** and **Ahold** are doing.



“There's a new fabric of experience and commerce with threads of search, social, stores, marketplaces and mobility.”

- **Integrators become the orchestrators**, enabling the complex web of retail ecosystems to work seamlessly together. There’s a new fabric of experience and commerce with threads of **search, social, stores, marketplaces** and **mobility**, but taken alone, each of these technologies fails to meet consumer experience expectations. Integrators leverage platforms, AI and microservices to weave these together for seamless customer experience and efficient operations.
- Retailers get busy **extending and reconfiguring their ecosystems to meet consumer expectations.** Some examples include retailers as unlikely partners (**Walgreens**-Kroger fulfillment partnership), retailers as service providers (Target’s acquisition of Shipt), and retailers as technology platform companies (Alibaba, Amazon).
- **Artificial intelligence (AI) and machine learning (ML) is more deeply embedded** in marketing, merchandising, workforce management and supply chain, improving processes and outcomes, for what we call contextual innovation. To be sure, the scale of contextual innovation impact can be impressive, e.g. improving item sales forecasts by daypart across hundreds of stores.

The race will be won by retailers that can replace the tires on the car as it moves around the track, but this requires that a foundation — the fabric — for innovation is in place, the workforce is appreciated as a linchpin in execution and technology enables the seamless orchestration of experiences.

Last Mile Delivery...Solved For SMBs

Asif Khan
Founder And President, **Location Based Marketing Association**

For many years now we've watched as large retail organizations have adopted Uber-like location services to deliver packages to consumers quickly and efficiently, but for the most part such solutions have been unaffordable for the smaller company.

In 2020 this will all change, as SMBs of all sorts and new retail start-ups are able to leverage services such as **Fulfillment by Amazon (FBA)**. This will enable businesses to just focus on sales and marketing, simply growing their brand and leaving the inventory and shipping to **Amazon**. Amazon has one of the most advanced fulfillment networks in the world, and services like FBA will help businesses scale in 2020, expanding customer bases and geographic reach.

AI GOES MAINSTREAM...BEHIND THE SCENES

AI has been remaking industries since at least the Deep Learning revolution of 2013-2014. But it's mainly been a quiet revolution. In contrast to the cliché scary scenes of robots invading an industry and stealing everyone's jobs, we've seen a quiet proliferation of AI tech: voice assistants that actually work, spam blockers that are amazingly sensitive and accurate, computers that can understand photos, OCR that drives tech like automatic bank deposits from your phone, better-targeted ads...the list goes on.

Sure, there have been some showy uses of AI, too (self-driving cars, anyone?), but mostly we've seen AI establish a pervasive and largely invisible presence throughout — well, everything. Expect this to continue in 2020. The growth of technologies like AI-as-a-service (from Microsoft, IBM Watson, etc.), more training data for models, and hardware like Intel's on-device AI chips will ensure that AI continues to expand its dominance.

But again, this will mostly take place silently, without many industries even realizing they're being disrupted. AI is already making its way into location-based marketing platforms like: **GroundLevel Insights, Infer** and **Accurat.**

We'll see AI's influence, though, in more VC funding for AI companies, constantly improving features in data analytics, machine vision and predictive analytics features, and in macroeconomic indicators that will puzzle governments — like increasing productivity without job or wage growth.

TECH GETS POLITICAL

Historically, high-minded, libertarian-leaning tech has distanced itself from the messy, chaotic and undignified world of politics. That’s changing — rapidly. As the 2020 election approaches in the U.S., expect tech companies — and tech topics — to take a much more prominent place in the political world.

From a location-based data/marketing perspective I see a great deal of money being spent by the political parties on geo ad-targeting and analytics. Using location data to understand where potential voters are to send ads is one thing, but also to know where to send campaign troops to knock on doors. In addition, we will see location be used to re-invent political polling via social media platform-based surveys.

5G BECOMES A THING

We’ve seen a relentless march in the world of wireless, from WAP and the earliest of cellphone tech to ubiquitous iPhones, to the billion-dollar 4G networks of today. 5G is the next step, and it’s coming. Delivering broadband-like speeds over mobile, 5G will make video streaming, location-based services, and a whole lot else about the mobile world much faster and better.

Since the reliability of 5G technology far exceeds 4G, expect users and their plethora of mobile devices to be much more connected. This equates to even better real-time data capabilities for things like location-based marketing and push notifications.

Remember the glory days of Pokémon Go? Mobile marketers everywhere jumped on the AR/VR bandwagon, but not much came to fruition. With 5G, we’ll finally be able to handle the streaming capacity needed to realize AR and VR’s true potential. The sky’s the limit on what mobile app marketers (and developers) can do with these fun technologies. Expect adoption to be slow, and to start with limited spaces (like stadiums and financial districts) where you can cover a large number of high-value customers with a small number of antennas. But then, expect the floodgates to open, and to see 5G antennas on lampposts, on suburban homes — anywhere wireless carriers can cram them.

Adoption will move faster abroad than in the U.S., and parts of the country will never get 5G. But it will become an increasingly important feature for telcos, and something consumers ultimately expect, even if they’re not 100% sure what the new standard actually means.

Technologies To Watch In 2020

Ken Morris
Former Founder and Principal, Boston Retail Partners

I believe a key technology to watch in the coming years is Real-Time Business Intelligence (BI), which refers, essentially, to identifying opportunities interactively and doing something about them now.

Gartner breaks down BI into four distinct attributes, as follows:

1. **Descriptive** – what happened?
2. **Diagnostic** – why did it happen?
3. **Predictive** – what will happen?
4. **Prescriptive** – what should we do about it?

Prescriptive BI is the missing link in many of today's BI solutions. It is not enough to know what happened, why it happened or when it will happen again if we can't do something about it today. Identifying an opportunity and doing something about it in real time rather than tomorrow or next week is the aim of this technology.

For far too long (50+ years), POS systems have been decentralized, and have not been real-time but rather always at least one day behind, as today's sales are polled and batched nightly to update the retailer's merchandising, financial and inventory data. With the advent of cloud-based POS we now have the opportunity to analyze data immediately, not tomorrow, and if we have the right Prescriptive BI tool in place, we can finally do something about it. Prescriptive BI allows us to automate functions, activities, tasks and steps that support retail operations, to increase sales and customer satisfaction while lowering costs.

“Push (Prescriptive) analytics and real-time connectivity will finally allow us to reap the benefits of the very expensive systems we have implemented.”

Some of my clients are planning to leverage this technology to do just that. Everything that we do in retail is a process, yet few retailers actually look at their business this way. What we do can be broken down into functions, activities, tasks and steps, which can be normalized and codified to understand where we can leverage prescriptive BI technologies to automate much of what we do in-store today.

For example, today there are many devices in restaurants and retail stores that are IoT-enabled. These devices are constantly communicating (lights, cash drawers, HVAC, freezers, refrigerators, dishwashers, coffee machines, etc.) but nothing is listening to their chatter.

A great deal of store management and store operations work that supports the management of these IoT-enabled devices, as well as other functions, require a significant number of hours per store, per day, which can be automated. Retailers and restaurants can increase the span of control for store managers and assistant managers by automating these functions. A prescriptive BI solution will allow tasks to be assigned, resources to be deployed, either internally or externally, without human intervention. The system leverages a closed-loop prescriptive BI model, one that identifies the problem, notifies people by routing the problem to the appropriate resource (either internal or outside the company) and escalates the problem/opportunity after an appropriate time interval.

The opportunity created by this push (Prescriptive) analytics and real-time connectivity will finally allow us to reap the benefits of the very expensive systems we have implemented. What good is a system that tells us what we did yesterday or last week, and what we could have done to prevent it, when we now have technology within our grasp that will allow us to react like a central nervous system in our bodies does? When we feel pain, we will be able to react immediately, rather than days or weeks after the wound is inflicted.

Retail In 2025: Humanized Technology

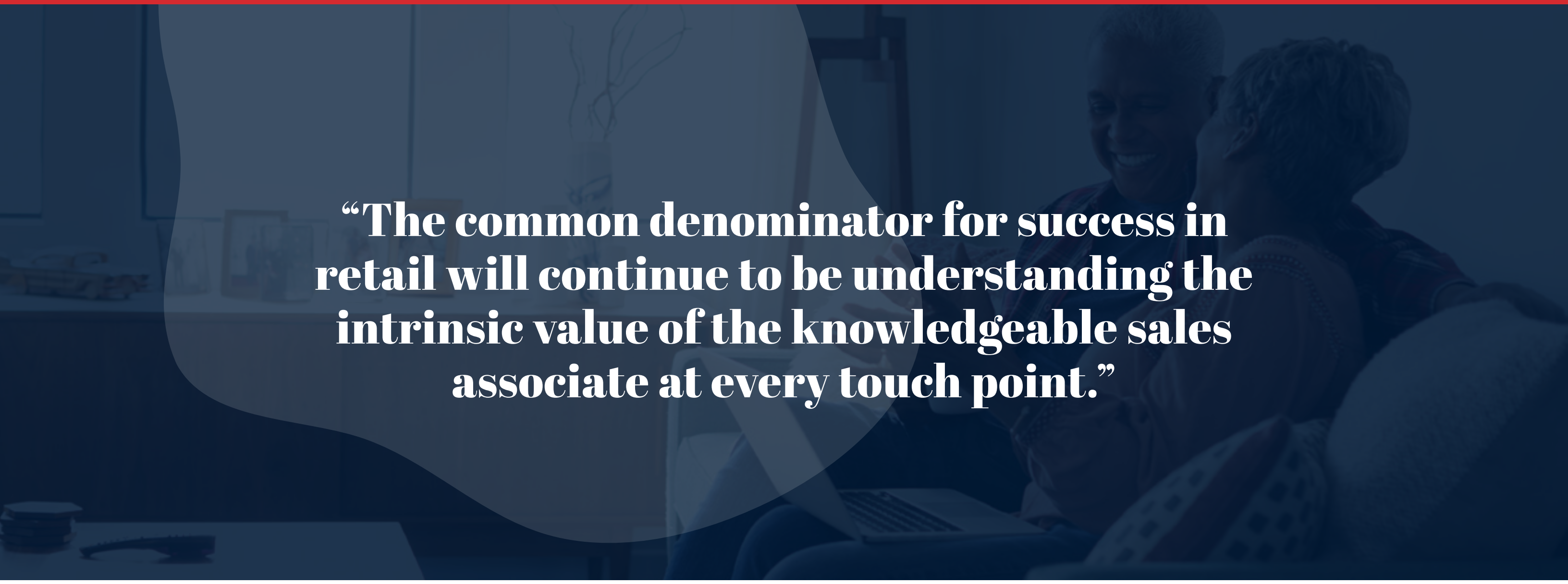
Richard Shapiro
Founder & President, **The Center For Client Retention**

As a retail observer, trends predictor and professor at The Fashion Institute of Technology, I have been extremely successful in determining what's ahead in the retail world for the past five years. Looking ahead and forecasting the future of retail in 2025 and beyond is a more difficult and discerning task, but I'm confident in my crystal ball-gazing abilities.

When I heard a presentation by the CEO of **Hero**, Adam Levene, I smiled and said, "Yes!" A technology company that at its core recognized the value of a well-trained store associate rang my bell. According to *The Financial Times*, Hero, "allows retailers to make better use of employees' downtime, while offering online shoppers a more personalized experience."

Founded in 2015, Hero creates a platform for customers to interact in real time with a "real" associate in a physical store through chat, video and photography. **John Hardy**, a retailer of handcrafted jewelry worldwide, uses the Hero software to provide personalized service for its customers that previously could only be received in a store. Technology is married to a human being in order to deliver personal service to a customer, miles away — perfection in my world. Virtual face to face interactions, harnessing the key component at the heart of a traditional retail transaction, is a win-win for both the merchant and the consumer.

My belief is that technology companies combining a well-trained sales associate, AI and practical applications for virtual or augmented reality will be positioned positively for the year 2025. Companies such as Hero provide the structure for successful retailers to plan for the future. I listen to earnings conference calls from public retail companies and there is no mention about the sales associate. C-suite executives speak about their financial results, store closings, online focus, etc., but again, no reference to the sales associate. By omission, it's obvious the senior executives do not value the importance of the human, face-to face connection with the customer. Employees are irrelevant, when in fact, **they are the pivot and key to success.**



“The common denominator for success in retail will continue to be understanding the intrinsic value of the knowledgeable sales associate at every touch point.”

A 2019 article published in the *Harvard Business Review*, “Retailers Are Squandering Their Most Potent Weapon,” documents how every dollar “saved” on staffing may cause several dollars in lost revenue. The article continues by quoting a UBS study predicting that by 2025, another **30,000 to 80,000** U.S. stores will have closed their doors. In conclusion, “that unless retailers change the way they hire, schedule and train labor, they risk being among the casualties.”

As we move forward, consumers will be shopping in brick-and-mortar less to purchase, more to browse. Stores will have smaller footprints and reduced staff. However, as spatial computing (virtual/augmented realities and AI) become more user-friendly, consumers shopping online from their mobile devices will appreciate and value communicating with a real person to navigate their shopping experience. I believe Hero is just the beginning; new technologies are on the horizon that will create interactive visuals with a consumer who never has to leave their couch or coffee shop.

So, bottom line — what is the common denominator for success in retail? In my opinion, the answer is easy, clear and simple. The common denominator for success in retail will continue to be understanding the intrinsic value of the knowledgeable sales associates at every touch point — live-shopping online or walking into a physical store to touch and feel.

2025 is around the corner. Plan now to retain your most valuable assets, the experienced sales associate. Elevate their status. If their future isn’t secure, they will end up working for your competitors. Don’t let that happen.

Physical Stores Remain An 'Immensely Powerful Asset'

Q&A with Jerry Sheldon
VP of Technology, **IHL Group**

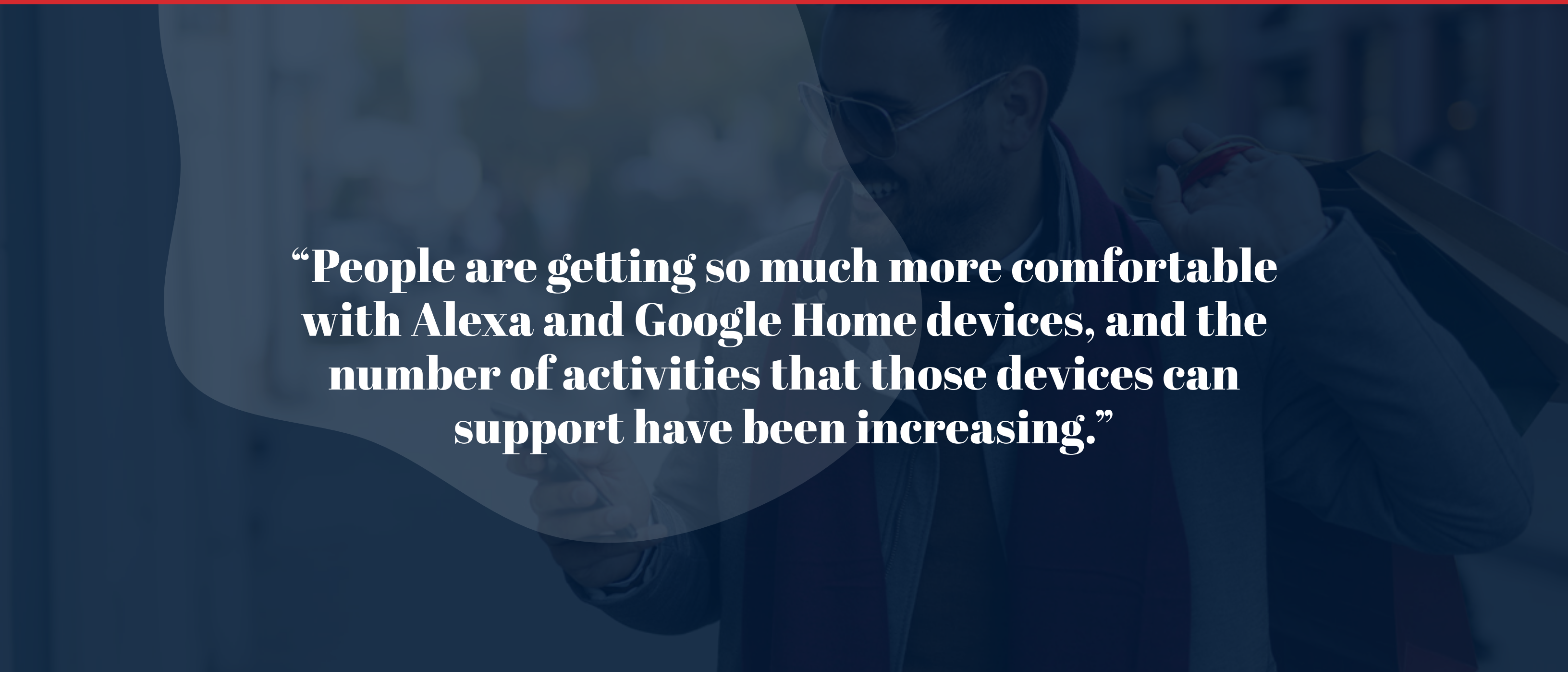
Retail TouchPoints (RTP): Experiential retail has been a retail buzzword for the last several years. Do you foresee a continued focus on this in 2020 and beyond?

Jerry Sheldon: I would say we're still on the cusp of experiential retailing. If you're talking about digital displays, interactive kiosks or immersive experiences, you might see these at a flagship store in New York City. But while the traditional store in a mall, a strip mall or an outlet center will have a lot of digital technology behind the scenes, **it's still fairly sparse in terms of customer-facing applications.** I'm not seeing retailers presenting opportunities to bring out your phone and connect with the retailer's app or the store WiFi for an immersive experience with, for example, magic mirrors or endless aisle displays on digital kiosks. For the last couple of years retailers have been focusing on being more equipped to handle the myriad of customer journey types that are now required, such as BOPIS, but **retailers are still aligning their systems to support the next-level customer journeys.**

RTP: It sounds like you see the brick-and-mortar store remaining important to the shopper journey.

Sheldon: The store is still an immensely powerful asset, as an immersive environment, a brand-building center and a return/fulfillment/distribution location. Compared to even as recently as three to four years ago, stores are transforming into so much more than they were previously. For example, take the big cost centers when people buy online: **20% to 40%** of those transactions can result in returns. If retailers can bring people back to the store for those returns, maybe they can capture another sale. When retailers can fulfill in the store, it's a gold mine: not only does the retailer not have to 'eat' the cost of shipping the item, but they may be able to better manage the return. The other 'golden goose' is that when someone comes in to pick up their order, they will often buy something they hadn't intended to purchase. We've consistently seen that consumers shopping in more than one channel spend **40% to 50% more** than single-channel shoppers.

Stores will continue to have a very strong role going forward. The talk about contraction is not an apocalypse, it's a transformation — a natural winnowing of brands that have failed to connect with consumers. IHL continues to see more store openings than closures.



RTP: What are some technologies you believe will be important to retailers in the next five years?

Sheldon: AI and machine learning are absolutely at the top of the list, and I think there will also be a lot more talk about RFID and the role it plays with inventory visibility in the store. Also IoT and edge computing are on the rise.

Robotics, both within the supply chain and in the store — not so much for interacting with consumers, but for things like looking for out-of-stocks and picking product. **Walmart** has robots in **close to 1,000 stores today**, but the costs are still high, so I think they will primarily be a Tier 1 play for the time being.

On the consumer-facing side, **conversational commerce** will continue to grow over the next five years. People are getting so much more comfortable with Alexa and Google Home devices, and the number of activities that those devices can support have been increasing. They are literally getting smarter, and as we as consumers get more comfortable with them, I can see these devices having an increasing impact on people's purchasing decisions.

The Collateral Benefit Of Getting Omnichannel Alignment Right: Improved Pricing Power

Chris Ventry
VP in the Consumer and Retail practice, **SSA & Company**

Looking ahead to what omnichannel alignment might look like in 2025 begs a quick check-in with where we are now, and how far we've come. For years, retailers have been chasing **Amazon**, which has called for mandatory two- to three-day shipping or better if they hope to compete with the online giant. Same-day shipping isn't in the cards for most, but as retailers grow micro-distribution centers from their stores, they can bring the product much closer to the end customer. To this end, retailers have improved their systems and tools. As evidence of this, even during the truncated 2019 holiday season, most retailers seemed to be able to get product out on time.

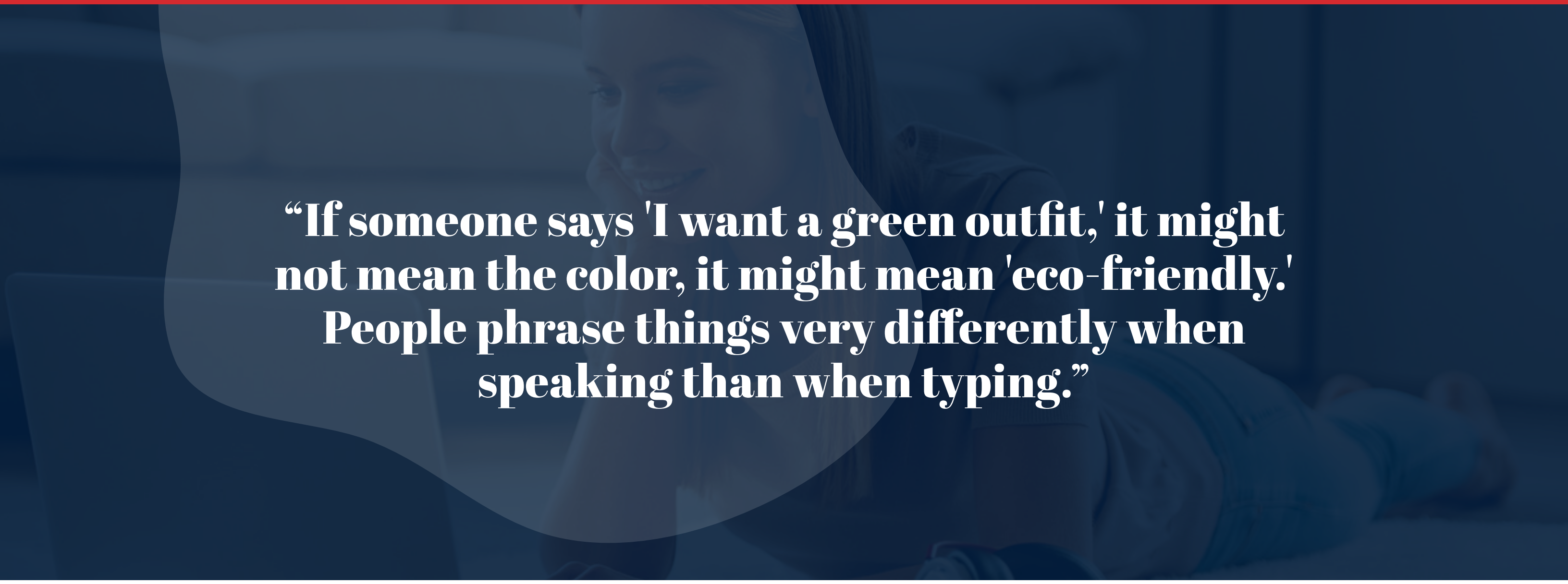
Although we've passed the first phase of multichannel retail, we're still in the early days of omnichannel alignment. Inventory holdings are still built according to how retailers operate their systems and tools, rather than taking a customer-first approach. Success in omnichannel alignment will be predicated on making this important mindset shift. Marketplace, inventory management, communications and experience need to start from the customer perspective rather than the inside out.

Because omnichannel alignment can mean different things to different people, it's worth mentioning that **we define it as the ability for a customer to find the product she wants whenever and wherever she wants it.** All interactions, whether in-store, online or mobile, must offer a seamless interaction across formerly separate distribution channels.

And what happens when retailers don't have this alignment? Several things. First, sales take a hit, especially if something is out of stock or unable to reach the customer. When an item is out of stock online and the customer doesn't have another way to buy the product, the entire product listing and potential sale disappears.

Secondly, retailers can get hurt with stranded inventories — with giant stores and inventories, it's much more difficult to keep track of and sell it all. Previously, when catalogs would live past their season, retailers could take an order for a sold-out item and in the process be able to identify the gross demand for that product. Not so for traditional retailers in a non-omnichannel world; once they sell out in a store they no longer interact with the customer.

We've also been seeing movement across the board toward omnichannel alignment with BOPIS, retail lockers, and so on. Some retailers, such as **The RealReal**, have also been embracing the post-market retail environment. This may indicate movement toward a true SKU management that goes beyond your four walls and into post-purchase.



> **“If someone says 'I want a green outfit,' it might not mean the color, it might mean 'eco-friendly.' People phrase things very differently when speaking than when typing.”**

There has also been a redefinition of seasonality and the cyclical nature of retail — now the *customer* defines peak periods, rather than the retailer. Consumers — especially younger ones — have shown a clear preference for just-in-time shopping. This often goes against inventory bets placed by traditional department stores, for example when the autumn apparel starts to arrive in summer. If they have no way to sell that product except through their four walls, they lower prices defensively and end up selling the product at a discount, right when demand reappears and people are most likely to buy at full price and wear it. Timing is everything.

Amid the shift to omnichannel alignment, what’s new in marketing? We believe the biggest thing retailers are missing about marketing is that they look at spend as a percentage of sales, rather than from the perspective of *lifetime value*. Time periods can vary, depending on the retailer. Budgets shouldn’t be flat across the board — they need to be tweaked to answer to particular customer cohorts and timing, looking at lifetime customer value. This can’t be measured from social engagement alone; retailers must follow up with email or in-store offers.

Marketing will have to change in terms of key ad word buys, because so many queries are now voice and question driven — assisted rather than typed. If someone says, “I want a green outfit,” it might not mean the color, it might mean ‘eco-friendly.’ **People phrase things very differently when speaking than when typing**. Marketers will also need to embrace the personal assistant voice interaction—it’s becoming a much greater part of our lives.

Where marketing and omnichannel intersect is that retailers now need to align toward identification of true consumer cohorts, identifying a *meaningful interaction* with each customer. If historically I always purchase sweaters in December, why would you be selling them to me at a discount then? Micro-pricing, driven by data and AI, needs to align with personal demand. If retailers could flip some of their production periods, they could save on the cost of goods, while allowing the user to dictate timing.

For retailers, omnichannel success will be driven by how their customer interacts with them — whether that’s by device, timing or type of engagement she prefers. There’s no one-size-fits-all answer. Regionalization, geography and time of day are all important areas to identify. Retailers might have the same marketing message going out in multiple ways, but **the key to true omnichannel alignment is to deliver it in the channel and over the medium their customer wants.** Moreover, understanding consumer-driven seasonality shifts gives retailers a shot at regaining pricing power.

Top Tech For 2020: Computer Vision, Robotics And AI

Q&A with Chris Walton
CEO, **Omni Talk** and **Third Haus**

Retail TouchPoints (RTP): What are some of the key technologies that will be impacting retail in 2020?

Chris Walton: One technology I'm paying a lot of attention to is **computer vision**. There's been a lot of mainstream media interest in autonomous vehicles, and the underlying technologies that make them work are computer vision and AI. Now with self-driving cars, the technology has to work incredibly well without fail, because there are lives at stake. But these also are the same technologies that power **Amazon Go**-style self-checkout, and the threshold required for them to work in this type of scenario is far less than it would be for an autonomous vehicle. That's why I think it's likely we'll see its impact on the consumer side before we see it working in cars.

RTP: So you think the cashierless store phenomenon will continue to gain traction?

Walton: Amazon Go is up at **25** locations already, and it looks like the company will continue growing it and perhaps licensing the technology. It's growing because at the end of the day, it provides a better shopping experience. **One thing that's universally true in retail is that people don't want to waste their time paying.** Retailers may want customers to linger in their store, but not during the payment process, so I believe it's only a matter of time before this starts to take hold.

RTP: What are some other computer vision-powered applications in retail you think will be heating up this year?

Walton: Computer vision helps with robotics, and there are a lot of in-store applications being explored. Robots are great for doing the repetitive, monotonous things that humans don't want to do. For example, **GIANT and Stop & Shop** have Marty the Robot checking the store floor for spills. No matter how many humans you assigned to this task, they wouldn't be doing it all day, every day. The same with inventory counts — robots can perform these continuously throughout the day.

I also see robots being used for micro-fulfillment, for picking and packing at the store level. Micro-fulfillment holds the promise of saving retailers on these fulfillment costs. I forecast that the number of retail industry pilots testing this type of technology will increase **3X** to **4X** in 2020 alone. As a matter of fact, **I predict hyperlocal micro-fulfillment itself will be the technological innovation with the biggest flurry of activity in 2020.**

“I predict hyperlocal micro-fulfillment itself will be the technological innovation with the biggest flurry of activity in 2020.”

RTP: Does computer vision have applications for digital commerce as well?

Walton: Computer vision technology, in combination with AI and analytics, is definitely useful for e-Commerce applications. For example, it can ‘look’ at how the color of a shirt is registering online, and see how well that’s matching the actual description of the product. These technologies can comb a site more efficiently than a human ever could — in fact, these things literally couldn’t be done by humans.

As the technology gains broad-based acceptance, there will also be additional consumer-facing use cases. For example, a consumer could take a picture of an item, maybe a jacket someone is wearing on the street, and be able to find the product and buy it very quickly and seamlessly.

10 Trends From 2019 That Will Inform Retail In 2020 And Beyond

Deborah Weinswig
Founder and CEO, **Coresight Research**

What's ahead for 2020? Our team of analysts at Coresight Research took a deep dive into proprietary data on key retail developments shaping the industry and identified 10 top trends that will resonate across retail in 2020 and beyond. Based on our analysis, here's what you can expect:

1. Record U.S. store closures reflect a seismic shift in retail
Major U.S. retailers closed **9,275** stores in 2019 — up significantly from **6,897** in 2018 and setting a new record. By week 15 of 2019, year-to-date announced closures had already passed the total for all of 2018.

The pace of closures will remain brisk—but we will also see many stores return with far more innovative approaches. Watch for smaller formats that make product search easier for the consumer (and rents easier for the retailer), technology that brings the online experience in-store and more cross-brand collaborations.

2. Major retailers face a rising challenge from Amazon
The Coresight Research **annual survey** of apparel shoppers showed **Amazon** became the most-shopped retailer for clothing and footwear in 2019. Major retailers are responding with heavy investments in online capabilities of their own — and leveraging their store fleets to offer convenience and an in-store experience Amazon cannot match. This trend will hasten multichannel integration as the online-offline-mobile app lines continue to blur.

3. CBD is going mainstream in a big way
The U.S. cannabidiol (CBD) market boomed after Congress passed legislation that clarified hemp's legal status, making it explicitly legal in all states. Hemp farmers responded by doubling planting, retailers once confined to small markets went national and major brands once shy of a compound with a vague legal status began developing new CBD products.

Expect continued growth in this space: A Coresight Research November 2019 **consumer survey** predicted a long runway.

4. The U.S. marijuana market continues to grow
On January 1, Illinois became the 11th U.S. state to legalize recreational marijuana. New Jersey could be next if voters approve a November referendum. Watch for continued easing of state and federal laws on recreational use — but for medical use to drive demand and spend, as Coresight Research found **when we surveyed** marijuana consumers.

> **"More than-one third of U.S. consumers now buy groceries online, up from less than one-quarter a year earlier — but over 70% buy only a small portion online."**

5. E-Commerce and shopping festivals continue distorting the retail rhythm
Holiday shopping continues to spread away from Black Friday, and we expect this trend to continue. **Coresight Research data** shows the proportion of annual U.S. retail sales in November and December fell steadily, from almost **24%** in 1998 to **21%** in 2018.

6. Cheap, imported apparel brands dominate Amazon's UK fashion offering
Coresight Research data shows Amazon's UK fashion offering was largely supported by cheap, generic-style brands from overseas sellers — mainly in China. **Our analysis** of over two million clothing products on Amazon.co.uk found unknown, overseas brands are the most-listed, with several listing tens of thousands of products.

7. Brand mashups present a huge opportunity to stand out in China
Western brands keen to tap into China's booming consumer market are showing the power of teaming up to create unique **brand mashups** — often from totally different categories. For example, Moschino clothing with Budweiser-inspired designs, Skechers footwear with the Snickers logo, and Sprite-themed shower gel from Lux. Watch for more of these innovative mashups in coming years.

8. Maybelline leads beauty on Amazon.com
Coresight Research **analysis** found L'Oréal's Maybelline New York brand is the most-listed beauty and personal care brand on Amazon.com. Third-party sellers dominate the beauty offering on Amazon's U.S. site, accounting for over **90%** of all beauty and personal care product listings.

9. U.S. consumers buy more groceries online — but still relatively little
More than one-third of U.S. consumers now **buy groceries online**, up from less than one-quarter a year earlier. But there is still a long way to go: over **70%** buy only a small portion online. Watch for grocery retailers to up their online games — especially as Amazon increasingly leverages **Whole Foods.**

10. Chinese tourists support global beauty sales
The Coresight Research **annual survey** of Chinese outbound tourism found that almost three-quarters bought beauty products abroad in the past 12 months, supporting category sales worldwide. Watch for Chinese outbound tourism to continue climbing, and for travelers to spend more on luxury beauty in particular.

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