

Scenarios That Point To The Future of Retail

Despite reports of the death of retail stores¹ in the new, primarily digital world, the fact is retail overall has been growing at over 4 percent annually since 2010². But the traditional model of retailers providing an assortment of goods in a “brick & mortar” location from which consumers select their purchases has changed radically. What is the future of retail? One way to envision the future of retail is by understanding some emerging retail scenarios and the conditions under which they apply.

- 1 Online mega stores offer a wide variety of products and easy fulfillment.**
While Amazon is the leader in online retail³, there are others including Walmart and Target that make up the online mega store space. These retailers offer full product lines that consumers may order online and have directly shipped to the home or to a pickup location - Amazon now offers to deliver direct to the trunk of your car. The products offered and sold are well known and primarily commodity-like.
- 2 Direct fulfillment provides convenience for regular consumables.**
Retailers now offer subscription services that provide replacement consumables direct to consumers. Dollar Shave Club provides a service for razors (razors are shipped to consumers regularly and buyers are charged a monthly or annual fee) and Procter & Gamble just launched a subscription for Tide laundry detergent pods.
- 3 Real World Boutique specialty stores offer personalized services.**
Small local boutiques not only provide products specialized in a category but also give detailed expertise as part of the shopping experience. Buyers are less concerned with convenience or prices but more with personalized services and value added assistance to help choose products that fit their specific needs and desires. Jewelry companies like Jewelry Designs or boutique apparel stores like EB are good examples in this category.
- 4 In store shopping experiences are providing immersive, experiential environments.**
Shopping is made to be entertaining for consumers. Nike has opened a store in NYC with a basketball court on the top floor for customers to test its shoes. REI has developed excursions which help to promote its outdoor brand. Home improvement stores offer do-it-yourself classes, sporting goods retailers offer wall climbing and golf simulators, and grocers offer cooking classes. All of these provide experiences that promote brands and provide enjoyment as part of the shopping experience.
- 5 Online retailers provide “try before you buy” experiences.**
Many retailers that started out exclusively online are now adding physical locations to let customers try out their products. Warby Parker is opening stores where customers can try on glasses for fit prior to the online purchase. Casper opened a “sleep shop” so customers can take naps on mattresses before buying online. These stores are best suited for products that are not commodities but instead are products that require additional customer research (touch and feel) before buying.
- 6 Customized designs allow customers to co-create personalized products.**
Rather than choosing off-the-shelf products, some consumers value the opportunity to customize a product to their own specifications and personal tastes. Trek’s Project One allows customers to design almost every detail of their bicycle to their unique specifications. Indochino lets customers design their own custom suits selecting from hundreds of fabrics and options. Nike By You allows customers to design and personalize a custom shoe.
- 7 Shops like today are evolving to improve the shopping experience.**
Traditional stores that provide a variety of products like today’s grocery or department stores will not be disappearing but are changing to make it easier and more enjoyable for the customer. Walmart and Kroger are adding automation to help guide customers through the store, promote products, manage inventory and speed checkout. Amazon Go is piloting automated stores that use machine learning, sensors and visual recognition to automatically check out customers. More technologies will augment the customer experience to ease what used to be mainline shopping.

1. Flatlined: Combatting the death of retail stores <https://www.sciencedirect.com/science/article/pii/S0007681318301411>

2. Annual Retail Trade Survey: 2017, U.S. Census Bureau <https://www.census.gov/data/tables/2017/econ/arts/annual-report.html>

3. Who Are The Top 10 U.S. Online Retailers? <https://www.forbes.com/sites/walterloeb/2018/08/06/who-are-the-top-10-u-s-online-retailers/#4d9c033d3401>

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