

Retail Tomorrow, Today

Five trends shaping the retail industry in 2018 and beyond

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Change, but don't let disruption become a distraction



Times are tough for retailers

The cost and complexity of running their business across an increasing number of channels is rising, margins are shrinking and the need to compete on price feels greater than ever.

Customers are also more informed, demanding and fickle, with no shortage of online and in-store options to choose from.

Retailers are responding by turning to technology to improve the customer experience and protect their margins. From in-store tools that provide sales

assistants with up to date information on products and availability, to omnichannel experiences that put people at the centre of the buying journey, to more advanced supply chains, brands are transforming the way they work from the inside out.

In this report, leading retailers and influencers share their thoughts on what 2018 holds in store for one of the world's most exciting and challenging industries. Through their insights, we explore the trends that are reshaping retail and outline how brands should respond.



Chapter 1

Re-imagining the shop for digital customers

The future of shops is the subject of heated speculation. Competing with the economics and convenience of online rivals for the attention of consumers more prone to make purchases from the comfort of their own home has proved tough – too tough for some. Many shops have closed down but other retailers have found a way to breathe new life and fresh relevance into their physical locations.

The store is no longer just a place to buy things. It has a role to play as a showroom, a customer service centre, a click and collect pick-up point. It has become an essential complement to the online experience, with many pure-play dot-coms now setting up physical stores to deliver a level of customer interaction that is simply not possible online. In the words of Bryan Roberts, director at TCC global: "Online retailers want to build a physical presence in consumers' lives. It brings their products to life through interactive experiences and superbly trained brand ambassadors." Retailers are also learning from other sectors that if you create the right experience, sales will follow.

Clare Bailey, managing director of Mobaro Retail, says: "People love an experience. Just look at Disney World. It might be a theme park on the surface, but most of its income comes through gift shops. The rest is a collection of fun experiences that drive sales."

Innovative technologies are playing a major role in defining the new in-store experience. Retailers are looking to virtual and augmented reality in particular to excite customers and showcase their products in new ways. Research from leading payments processor Worldpay found that nearly half (48%) of consumers believe virtual reality is the future of shopping.

However, the experience will only resonate if it adds to the shopping experience.

Jerome Simonpietri, co-founder of Virtuose Reality, is currently working with Ruinart, the world's oldest Champagne brand, to create an immersive luxury lifestyle experience. As he says, "Virtual Reality shows enormous potential, but to be successful retailers need to make sure it answers one question: how it will improve our customer experience?"

In-store technologies must also act as a key point of consistency between in-store and digital experiences, as each becomes an extension of the other. According to a Business Insider report, "69% of consumers expect retailers to have AR tools by the end of March 2018. Retailers and brands will therefore make significant investments in their mobile apps to make sure they meet customers' expectations. These tools are likely to include product demos, additional product information, and more as retailers look to offer mobile experiences that are both unique and useful."

A young man with brown hair is wearing white VR goggles and adjusting them with his hands. He is wearing a blue jacket over a white shirt. In the background, a woman with glasses and a pink top is looking towards the right. The scene is brightly lit, suggesting an indoor setting like a store or office.

"69% of consumers expect retailers to have AR tools by the end of March 2018"

The rise of the experiential shop



Graham Soult

Retail analyst and founder, CannyInsights.com

People need a reason to leave their homes and go to the shops.

You can't just display your products on racks or shelves and expect shoppers to flood through the door. They can get a far more convenient experience online. And "experience" is the key word.

Consumers visit shops for incredible services and to interact with products in ways they can't online. They browse through products with zero sense of commitment, just as they do on a retailer's website, so it's less important to make sales on the spot than it is to delight them so they ultimately buy from you, even if it happens a week later through another channel.

In a sense, retailers should take cues from the restaurant industry. Leading chefs have realised that providing a shareworthy and Instagram-able experience is as important as their food itself if they want to build their brand. In the same way, stores must deliver more than just products on the shelf. They need to provide an experience that gets people excited.

The experiential shop

- Make sure to give customers an experience they can't get online
- Provide a shop environment that lets shoppers live and breathe your brand
- Ensure your in-store technology enhances the shopping experience, rather than complicating it

A man in a green hoodie is looking at a tablet and holding a red credit card. He is talking to a woman in a blue shirt. The background is a blurred retail store.

Chapter 2

Outmanoeuvring Goliath

For virtually every retailer, there is no escaping the impact of online Goliaths, such as Amazon and Alibaba, which have put so many businesses in the shade. eMarketer recently predicted that Amazon will soon command nearly 50% of America's ecommerce market. With deep pockets, the power and scale to drive down prices and a sky's the limit approach to distribution and supply chain management, the online Goliaths have both the will and the muscle to shape the retail sector.



“Despite these challenges, it’s important to remember that leading online marketplaces are just platforms”

Added to this is the pressure of stakeholder expectations. In the words of former Iceland CEO William Grimsey, “We’re dealing with technology companies that operate under a completely different business model and can absorb losses without deterring investors. The fortunes of pure-play retailers are dictated by stakeholder confidence from month to month, so this is a luxury they simply can’t afford.”

Despite these challenges, it’s important to remember that leading online marketplaces are just platforms. While many people will continue to vote with their wallets and buy from the likes of Alibaba, Amazon and eBay, a large proportion of shoppers want more from the retail experience. They want to feel valued, which is why instead of going toe-to-toe with Goliath they are reverting to what they do best:

delivering a personalised service and genuine human interaction.

Unless consumers have an urgent need for a product, they tend to value flexibility and choice as much as speed and price, if not more so. They’re happy to wait an extra day or two for a better product or more personalised services, or for delivery options that are better suited to their lifestyle.

Bryan Roberts has keenly observed this transition. “Retailers have accepted that the playing field isn’t level in terms of speed and fulfilment, which is why they’re investing in new ways to bring categories to life through a bit of theatre and helpful human connections.”

Differentiation holds the key to success



Dominic Regan

Senior director logistics applications, Oracle EMEA

The only way to beat Goliath is to understand how he operates and outmanoeuvre him.

Use his scale against him by doing what he is unable or unwilling to do.

Leading online marketplaces excel at supply chain logistics, fulfilment and selling products at scale. Where smaller retailers can win customers' hearts and minds is by creating a more personalised, specialised service, and differentiating themselves with a more flexible, tailored approach, from product choices to delivery.

Delivering flexibility requires greater integration between customer-facing platforms and the back-office, but today's technology makes this possible for retailers of all sizes. Take Wiggle, the online player that has carved out a healthy niche for itself in the cycling and running retail market through its clear understanding of customer passions, and its flexibility. The company aligned its ecommerce offering with its merchandising and supply chain operations, and doubled its revenue from \$200m to \$400m.

Finding your niche

- Focus on services that set you apart from competitors
- Develop offerings that put customer choice first
- Ensure your technology infrastructure can support customer-centric services

Chapter 3

Making the supply chain sing

PCA Predict reveals that 65% of retailers across the US, Germany and the UK incur significant costs due to late or failed deliveries.

A woman with long dark hair, wearing a white dress with a blue and red floral pattern, is looking down at a white ceramic mug with a brown band around the middle. She is holding a black hairbrush in her right hand. The background is blurred, showing what appears to be a retail or airport setting.

“There is a clear and direct correlation between operational efficiency and customer service”

For airport retail business, having the right stock on shelves at the right time is crucial. Take Dubai Duty Free, the world’s largest single-location airport retailer. One-third of flyers that pass through the Dubai Airport are ready to make a duty-free purchase, but they only pass through a few shops quickly before heading to their gate, so any out of stock situation is a guarantee.

However, there is also a false economy in overstocking. The cost of warehousing, wastage and discounting or disposing of unsold items mounts up quickly and in an age when consumers demand more choice than ever, overstocking hundreds of product lines is simply impractical. Retailers need a supply chain that is responsive, transparent and flexible, and which allows them to deliver a reliable service in the face of unpredictable demand.

As Clare Bailey neatly puts it: “There is a clear and direct correlation between operational efficiency and customer service.”

Automation is a key component in the modern supply chain. In the words of Maria Prados, VP global retail at Worldpay: “There are simply too many touchpoints in a modern retail operation for the human brain to process. That’s why brands are turning to the Internet

of Things and machine learning to help them manage and analyse data so they can better predict demand, and ensure they have the supply to match.”

Retailers are also embracing automation to speed up warehousing and better manage their supply chain and product availability information. With roughly 90 million flyers passing through Dubai Airport year, even short-term stock issues can have major implications on Dubai Duty Free’s bottom line. The company turned to automation to address this issue.

Ramesh Cidambi, COO of Dubai Duty Free, says: “Automation gives us greater levels of inventory accuracy and allows us track warehouse merchandise in real-time, which makes fulfilment faster and more accurate. It also helps us to replenish orders for our more than 200 shops in the right sequence and fulfil them on the same day, which is crucial when you have such a short window to engage with customers.”

Creating a customer-centric supply chain



Ruediger Hagedorn

Director, end-to-end value chain, The Consumer Goods Forum

Retailers cannot just sell products and expect to thrive in today's market.

Customers are increasingly won-over by service and by the flexibility to shop and pay for goods in whichever way they prefer.

To build a supply chain that revolves around what the customer wants, retailers first need to gain a more complete view of their business. This comes down to ensuring their processes can speak with each other through an open exchange of data. From inventory, to process management, to supplier information, all these processes are interdependent and must be treated as a complete ecosystem if the company is to operate in a more customer-centric way across the board.

In other words, the modern retail business is becoming a digital autonomous organisation where data automatically moves up and down the value chain and processes adjust to the changing needs and habits of shoppers.

Creating a responsive supply

- Make sure you can deliver on the promise of product availability both in-store and online
- Ensure the processes in your supply chain can speak with each other seamlessly

A smiling woman with curly hair is holding a smartphone over a payment terminal. The background is a blurred indoor setting, possibly a cafe or store. The text is overlaid on an orange banner.

Chapter 4

Empowering employees

The people on the front line of customer service do as much to define how customers view a brand as its website, shop design or product selection. As such, retailers need to give employees the tools, training and access to information they need to provide an exceptional service.

The aim is to deliver a seamless in-store experience, where any employee is empowered to handle any customer interaction. From checking stock availability to providing in-depth product information to facilitating a purchase, retailers need both well-trained staff and technology that puts all the information they need at their fingertips.

Customers don't want to be left lingering in a store while an employee disappears in search of answers, they want their enquiry dealt with there and then. It is also in the retailer's interest to deliver quick, accurate answers, as this keeps customers in a purchasing frame of mind instead of losing interest and walking out.

After watching the retail industry evolve for over 45 years, William Grimsey agrees: "If you make the decision to invest in technology just to generate profit and add everything to the bottom line, you will die. The only way to succeed is to re-invest in your people and service so you can continuously improve the customer experience"

Or in the words of Oracle's Andy Campbell: "Retailers can either differentiate themselves on price or service. Once a customer is in your store, service becomes your trump card, and you better make sure your

employees are ready to deliver." Customers are well informed when they visit a shop and expect associates to help them in ways that aren't available to them online. For a salesperson who needs to keep track of hundreds of products, it's impossible to stay on top of every minute detail without technological assistance.

"Employees should be enabled by technology to answer people's questions on demand," says Clare Bailey. "That's how we search for information in our personal lives," she adds, "so why would we force someone to memorise more information than they can possibly retain instead of putting the answers at their fingertips so they can focus on serving customers?"

According to data from recruitment specialists, Indeed, the majority (54%) of retail workers are younger than 35 years old. Most are fully conversant with the latest technologies and expect the same level of convenience from their workplace resources that they enjoy in their daily lives.



"According to data from recruitment specialists, 54% of retail workers are younger than 35 years old"



The value of people power



Andy Campbell

HCM strategy director, Oracle UK

The workforce has never been more fluid. Retail employees want greater flexibility, both in the breadth and number of roles they take on.

Meanwhile, the gig economy has made part-time contracts and short notice periods more common.

The challenge for retail companies is to attract, engage and retain talent that can consistently deliver the knowledge and level of service their customers expect. Technology has shown its value in helping companies to on-board and train new hires more quickly, but it's equally important for retailers to foster a work environment that makes employees feel valued and encourages them to collaborate.

In part, this comes down to a new way of approaching reward. Pay rises are always welcome, but they are not always financially viable, nor do they keep people engaged for the long term. For this, retailers must focus on recognising their employees' successes and on making people feel they are developing a career rather than simply holding down a job until a better opportunity comes along. They must present employees with opportunities to contribute, expand their skillset, and gain experience that will help their development.

The retail work environment and the relationship staff have with their managers also has an enormous impact on their motivation and their willingness to learn. Crucially, a nurturing environment will inspire employees to deliver excellent customer service, which in turn drives loyalty and sales.

Improving customer service through engaged employees

- Foster a healthy workplace culture both on and off the shop floor
- Provide salespeople with the technologies and data they need to help customers
- Build a strong employer brand to attract new prospects



Chapter 5

Change, but don't let disruption become a distraction

Even before ecommerce became the norm, change was a constant in retail. We have seen the evolution. From markets to supermarkets, from manual process to automation and from bag-packers to self-service, not to mention the shift from local to global sales. That said, the pace of change has accelerated dramatically over the past two decades and shows no sign of slowing down.

“Evolution must be grounded in a solid understanding of the customer”

Some of the advances we’ve seen over time will go full circle, augmented by technology. As discussed already, shops are already finding a new lease on life as experiential hubs.

Elsewhere, growing interest in craft and artisan foods and beverages is wresting customers back from supermarkets towards independent local retailers. Specialist retailers are on the rise across product categories, particularly among discerning shoppers who are increasingly turned-off by the commoditisation of online retail.

We’re also seeing the rise of new selling models, such as subscription services. Companies such as Dollar Shave Club, Birch Box, and Hello Fresh have proven that subscription-based retail is a viable business model, and established retailers are rightfully exploring ways to compete and make the shopping experience more convenient, and more personalised.

Of course, evolution must be grounded in a solid understanding of the customer. “Retailers cannot change their business model just to follow in the footsteps of others,” says Essential Retail editor Caroline Baldwin, “They need to be true to their brand, and what works for a competitor and its customers may not work for them.”

That doesn’t mean retailers shouldn’t take chances; experimentation is essential in any challenging industry.

However, they must do so with careful consideration for what their customers want, and be ready to learn and adapt quickly so they can fine-tune their services to changing shopper habits. As Bryan Roberts says: “The great joy of retail at the moment is that we’re making it up as we go along. It’s a hugely exciting time of pioneering, but that inevitably creates missteps. Retailers need to be prepared to fail fast, recover and learn.”

To evolve, understand how your customers are evolving



William Grimsey

Former CEO of Wickes, Iceland and ParknShop Hong Kong

Our children's children are not going to believe the way we used to shop for groceries.

They'll say: "Wait, you used to drive to an actual shop, push a trolley around trying to find what you needed, then load all the food into your car and drive back home to unload it all over again? You wasted your precious time on the planet doing all that?!!!"

In 10 years, we'll go to shops where there will be no stock at all. My daughter will go to a clothes shop and watch holographic models walking down a runway, choose the items she wants and try them on virtually. Those clothes won't even exist until she buys them, triggering on-demand manufacturing and automated fulfilment and delivery. The supply chain will be lean and responsive, the customer experience seamless.

To succeed in this environment, retailers will need to understand how to deliver a digital customer experience. Tomorrow's retail guru is going to be a "geek," not a market stall trader like myself. Unless retailers have someone on their board today who is looking at strategic digital transformation, they will fail.

Becoming change-ready

- Make sure you can extract relevant insights from your customer data
- Dedicate an expert or create a department to drive your digital transformation
- Rethink your tried-and-tested models to work in a digital environment

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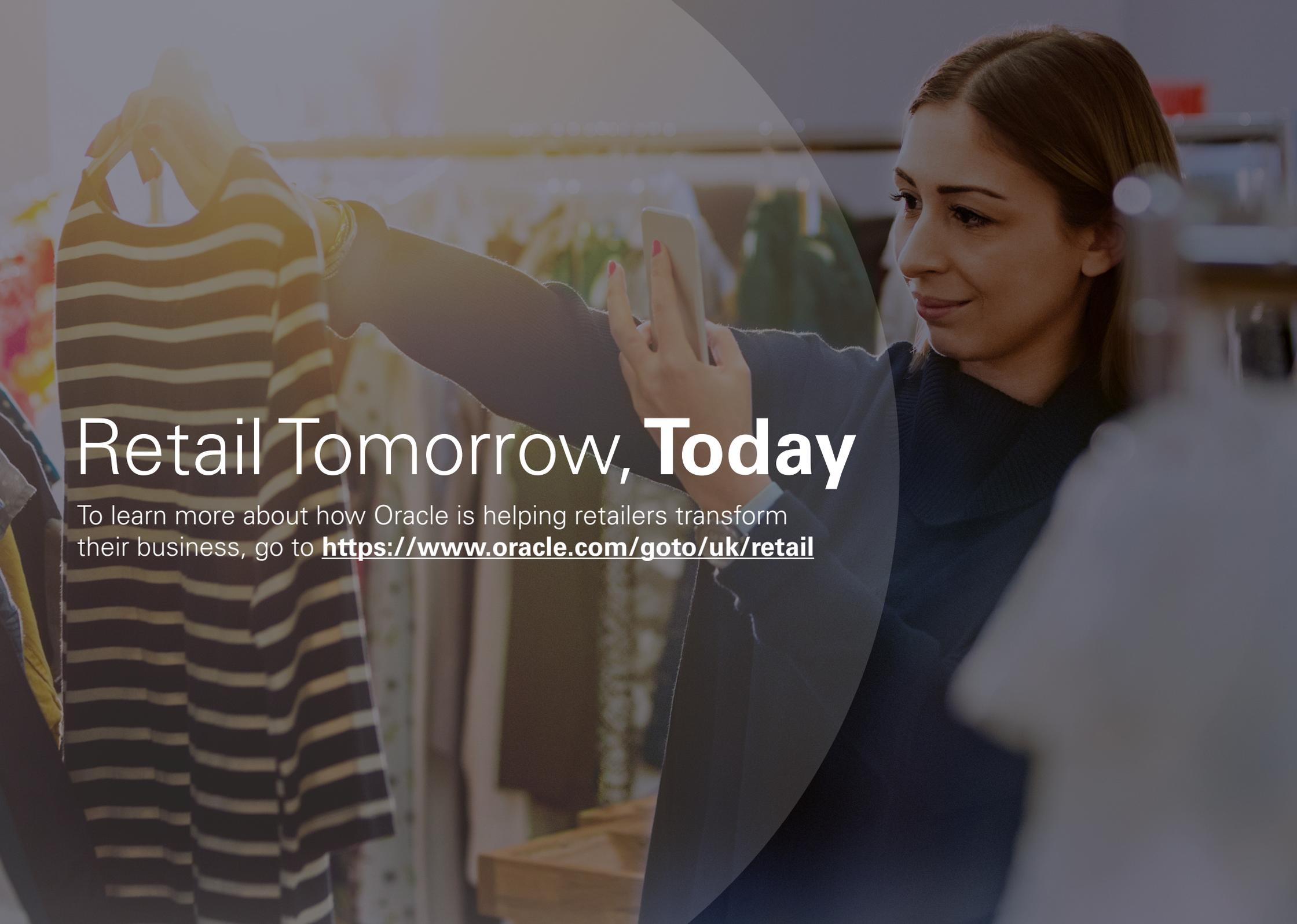
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A woman with long brown hair, wearing a dark blue turtleneck sweater, is standing in a clothing store. She is holding a white smartphone in her right hand and a striped shirt on a hanger in her left hand. She is looking at the phone with a slight smile. The background shows racks of clothes and a wooden table. A large, semi-transparent circular graphic is overlaid on the right side of the image.

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To learn more about how Oracle is helping retailers transform their business, go to <https://www.oracle.com/goto/uk/retail>

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