



The Future of Retail:

Buying vs Shopping





THE FUTURE OF RETAIL

THE CONSUMERS OF 2030

The evolution of technology will permeate the purchasing decisions of consumers. Jonathan Eley, from the Financial Times, has stated “The consumers of 2030 will look back at the early years of the millennium and marvel at the amount of time people wasted sourcing daily essentials and accumulating things they used infrequently”.

Eventually, consumers will expect their smart home technology and voice-controlled assistants to bargain hunt and search for products that are feasible for their lifestyles.

As for shopping, it will remain a social activity for consumers. Shopping will be treated as an event that consumers pursue to spend time with friends, escape work stresses, and to enjoy themselves.

In the future, time will be the most valuable asset to consumers – not money. This means consumers will focus more on easier solutions to fulfil their needs.

Within the last decade alone, the retail industry has evolved tremendously. As opposed to still being viewed as destinations for repetitious and habitual purchases, many retailers have created multiple channels for shopping and opted for creating experiences instead of securing a sale.

But in this new decade, retailers expect emerging technologies to provide them with a greater understanding of the wants and needs of consumers. The Retail Doctor Group® has stated that within this new era of retail, we will see an increase in prediction data and analytics, automatic inventory reordering and an intensification in convenience fulfillment.

And even though these solutions could help retailers serve consumers better, there is a paradigm shift happening that retailers need to be aware of: **how consumers buy and shop for products.**

Until the 1990s and early 2000s, buying and shopping were activities that happened simultaneously in a physical space. After the emergence of the Internet and e-commerce, these activities started to be performed independently and expanded into the digital space. Now, it is theorized that these actions will conjoin once again.

The Buying vs. Shopping concept considers shopping as an ambient activity, while buying is a straight-forward, transactional activity for consumers. Currently, consumers shop for inspiration and to discover products they didn't know they needed. On the contrary, consumers buy with intent to purchase products.

However, in conjunction with this concept, it is important to understand the factors that are causing buying and shopping to come back together in the future.

**“...THE NEED TO BE AROUND OTHER HUMAN BEINGS
IN THE VAST MAJORITY OF OUR POPULATIONS IS
AN ABSOLUTE DRIVER TO THIS WHOLE CONCEPT
OF SHOPPING”**

Brian Walker, CEO & Founder RetailDoctorGroup



THE RAPID GROWTH OF ECOMMERCE

For the last decade, e-commerce has become a segment of retail that offers choice and convenience to consumers. It has ultimately shaped the buying behaviours of consumers and allowed retailers to sale beyond their geographical limitations.

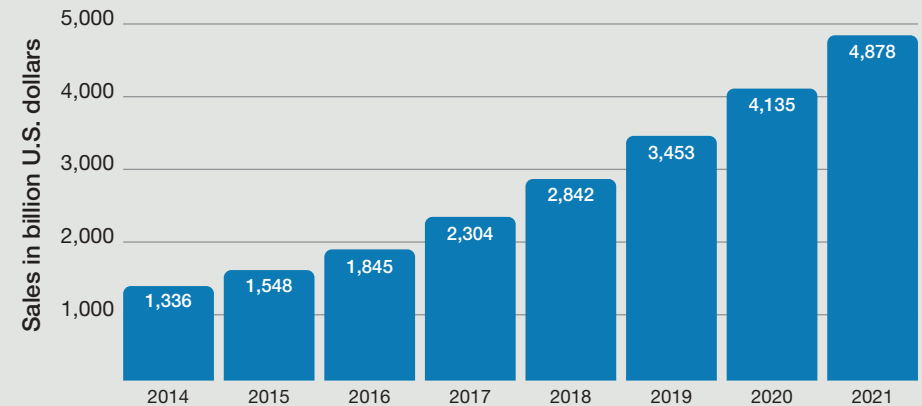
And while ecommerce only accounts for 13.7% of online purchases globally, its sales have steadily increased year after year. The rapid growth of ecommerce sales can be accredited to consumers' use and reliance on technology for purchases. Data from PwC's 2019 Global Consumer Insights Survey shows the steady incline of ecommerce sales comes from smartphone usage – 24% of consumers use their smartphones to complete purchases.

Global ecommerce sales are projected to increase from 3.5 trillion in 2019 to close to 5 trillion in 2021. Because of this, retailers have had to quickly integrate an omni-channel approach within their strategies. Retailers have invested significantly in business information systems, digital presence (i.e. social media), and online offerings to stay competitive. The haste of this change has also accelerated the volume of omni-channel retailers present today and influenced where consumers go to buy and shop.

WISDOM OF THE CROWD

The collective experiences of “the crowd” – or reviews – direct consumers' buying habits. Instead of listening solely to the voices of brands, consumers seek out product reviews, the number of units sold, and evaluate the values and beliefs of a brand to justify their purchases.

Global ecommerce sales from 2014 to 2021
(in billion U.S. dollars)



Source Emarketer.com 2019

GENERATIONAL CONSUMERISM: MILLENNIALS & GENERATION Z

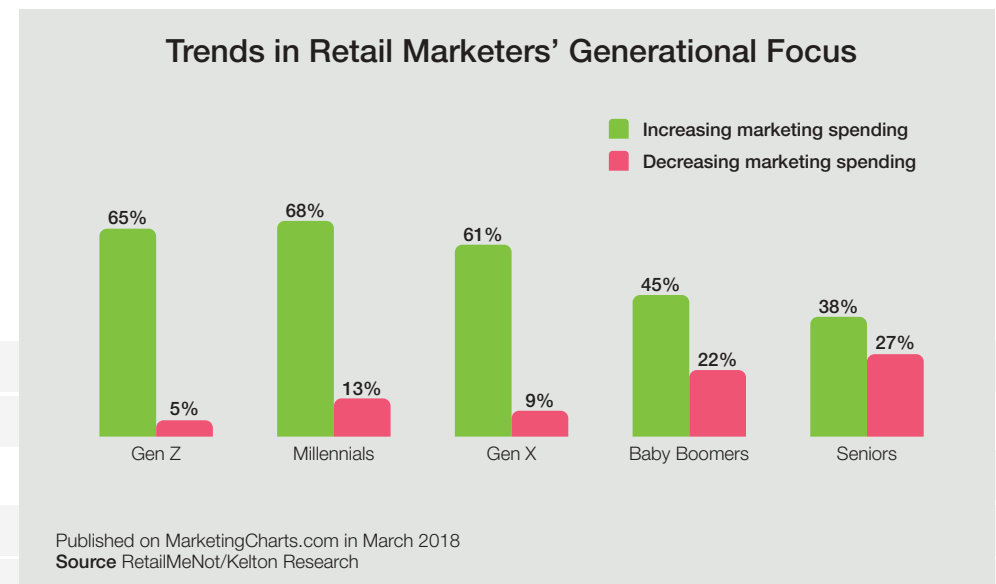
Millennials are one of the most price-conscious generations and have the largest spending power globally. By 2025, they will account for 75% of the global workforce and 20% of the world's population (Catalyst 2019).

Members of this generational group are not only digital natives, they are advocates of social responsibility and environmentally attuned. And because of this, Millennials patronize companies that align with their values and beliefs.

This has caused retailers to invest more into brand messaging to millennials. In 2018, retail marketers increased their spending in marketing to millennials by 68%. Millennials also demand speed and convenience to be integrated into their shopping experiences. When shopping online, MarTech Advisor has found that Millennials leverage BOPIS – buy online, pick up in-store – capabilities more than 40% of the time.

Generation Z's buying power that spans from \$44 billion upwards to \$600 billion annually. This generational group influences 36% of purchases in their household and account for 40% of consumers spending globally (The National Retail Federation, 2019).

Members of this generational group value brand authenticity and transparency. For this reason, compelling storytelling and messaging are important to this generation – this makes them feel connected to a brand. To solidify their purchasing decisions, they use YouTube, social media, and search engines to educate, discover and even evaluate the quality of products prior to purchase. They also use these platforms to help their parents, Gen X & Y, make well-informed purchasing decisions.



THE ULTIMATE DECIDING FACTOR: HUMAN TOUCH

But despite their differences, Millennials and Generation Z still prefer to shop at physical locations. Yes, social media and search engines assist them both in discovering products, but shopping in-store permits these consumers to experience and interact with products on a first-hand basis.

It is equally important to mention that 'Buy Now, Pay Later' payment options are popular among both generation groups. And because of this, retailers such as H&M and Ulta have implemented flexible payment solutions (i.e. Klarna, Afterpay) to cater young professionals without credit lines.

Across all generations, the customer experience is the most profound factor in deciding where consumers buy and shop. In fact, PwC recently reported that 73% of people admitted that the customer experience is the deciding factor.

In digital and physical environments, the customer experience must involve one element: 'human touch'. The Retail Doctor Group's own insights on customer loyalty confirmed that human interaction is crucial for purchasing decisions. For retailers, this means engaging with, listening to, and responding to customers.

Each of these activities contribute significantly to customer satisfaction. And interestingly, these activities help retailers establish trust with their customers.



THE PLATFORM ECONOMY

The Platform Economy has changed how people shop, interact, and work in the last decade. And as a result, businesses have had to adapt the platform business model and digital strategies to remain competitive.

What is the Platform Economy?

The Platform Economy is an ecosystem of digital platforms that provide services, products, payments and more to consumers. It has also helped businesses create a means of connection for their customers. Companies such as Uber, Amazon, and Facebook have used these online frameworks to connect consumers directly to people, products, and services.

Deloitte's The rise of the Platform Economy revealed that the increase of shared information and circulation of data has made this economy an open economic system – encouraging greater participation from its users.

Social media platforms have redesigned how consumers shop. For instance, Instagram has become a powerful force in the development of 'social commerce' and has enabled brands to market directly to consumers. But its influence on spending is far more profound. Because it is a picturesque platform, Instagram has played a key role in altering the look and nature of products and influenced the design of physical stores.

THE POWER OF THE INFLUENCERS

In today's digital world, social media influencers 'influence' consumer purchases. Because influencers are perceived as credible and trustworthy, consumers use their recommendations and advice to determine if they should buy a product.





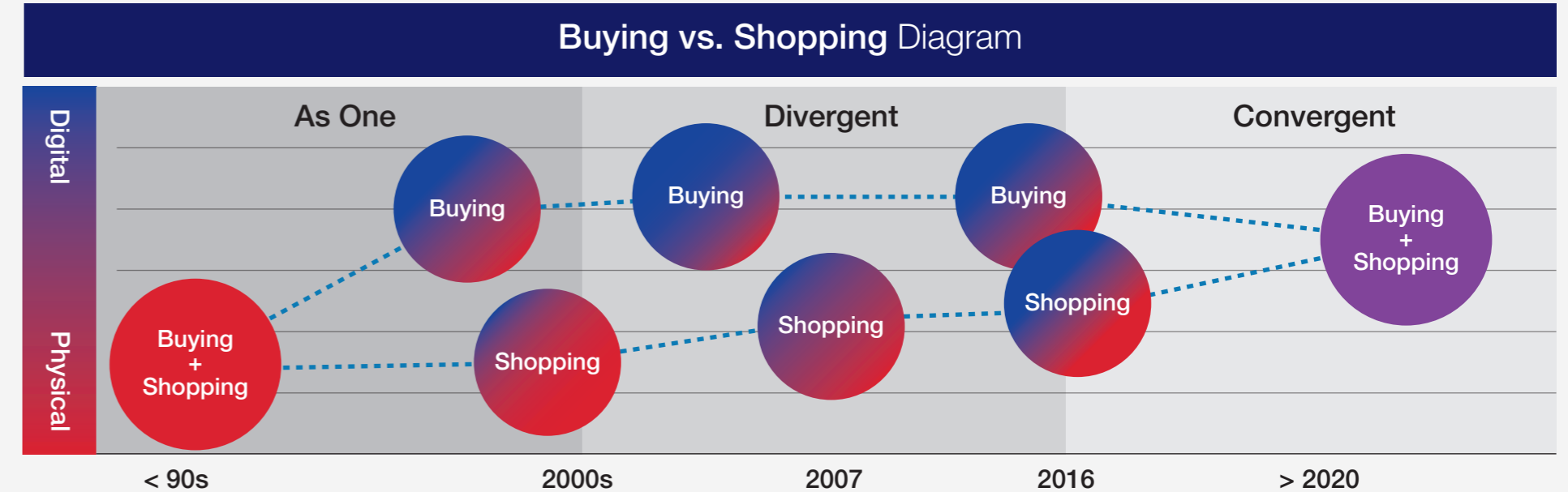
BUYING VS. SHOPPING

As ONE (1990s – 2000s)

Before the first web browser, shopping and buying were activities that happened within the physical confines of stores. But as the internet became accessible to more consumers, e-commerce was born. Companies such as Alibaba, Amazon and eBay pioneered and mobilized the act of buying. And as a result, consumers begin buying products online and continued to shop at brick-and-mortar stores.

Divergent (2000 – 2016)

Smartphones drove the online shopping boom. And as a result, more retailers sought to create better online experiences that catered to their customers' needs. This required retailers to create responsive websites, offer greater arrangements of product, and engage with their customers online. However, the increase in online shopping contributed to the 'retail apocalypse'. The rising cost of rent, bankruptcies of leverage payouts, and lack of consumer confidence caused many brick-and-mortar retailers to close their stores. These events initiated an overlap in buying and shopping, and enabled consumers to shop and buy in the phygital space.



	As One (1990s – 2000s)	Divergent (2000s – 2016)	Convergent (2016 – 2020s)
MAIN TRIGGERS	<ul style="list-style-type: none"> The birth of the internet & cloud computing technology The emergence of e-commerce 	<ul style="list-style-type: none"> Global growth of the middle class The rise of the Platform Economy & social media The 1st iPhone launches publicly Interest in consumer neuroscience (buying brain) Technology able to track (GPS, Beacon,...) 	<ul style="list-style-type: none"> Urban population will continue to shoot up Generational change From Clicks to Bricks Showrooming vs. Webrooming Click & Collect grows in popularity
CAUSED EVENTS	<ul style="list-style-type: none"> Alibaba, Amazon & eBay are established Paypal launches as 1st online payment method Consumers start to feel comfortable purchasing online Apple & Google steadily grow as companies 	<ul style="list-style-type: none"> Facebook creates sponsored ads Retail stores begin closing their doors ("Retail Apocalypse") Social commerce surges Flexible payments are introduced to consumers (i.e Klarna, Afterpay) 	<ul style="list-style-type: none"> Amazon & Alibaba physical stores Google hosts pop-ups in various cities Toys 'R' Us dies & re-emerges Netflix leases out movie theatres Grocery stores deliver orders straight to kitchens

Source GLORY, The Retail Doctor Group®

BUYING VS. SHOPPING

[continued]

Convergent (2016 – 2020s)

Consumers buy and shop with their emotions rather than their wallets. The demand for 'human touch' and efficiency has caused retailers to embrace omni-channel strategies. This involves delivering an interactive, engaging experience – both on and offline. Because of this, online retailers like Alibaba and Amazon have built physical locations to allow visitors to experience their products. This allows visitors to connect with products before buying them. Google is even hosting pop-up shops in various cities to allow visitors to experience their electronics.

Likewise, digital and traditional businesses are using seamless experiences to cater to the needs of their customers. For instance, Netflix is leasing out movie theatres while AMC Theatres has launched their video streaming services.

Also, Showrooming will become more common as the number of tech-savvy consumers increase. The newly formatted, smaller IKEA stores throughout London are great examples of this. Visitors can walk-in to feel, view, and even measure furniture before buying. But these stores do not have restaurants nor checkout lanes. When customers are ready to check out, they use the self-service digital terminals or their mobile phones.

Zara's flagship store in London features digital technology that integrates the online and offline shopping experiences. In practice, this means that shoppers can collect same-day orders, with a robotic arm fulfilling an order in mere seconds. Interactive mirrors detect which products customers are holding and display a model wearing those same clothes, with complimentary styles and garments. Most noteworthy, customers have the option of paying within the Zara app for their purchases, or via an assistant armed with an iPad.



HOW WILL BUYING & SHOPPING LOOK IN THE FUTURE?

Buying

Being that buying consists of habitual and repetitious purchases, it's likely that AI and automation will be used heavily within the future. In fact, the Retail Doctor Group® has stated that the future of buying will include auto-replenishment.

That means Google will be able to place inventory reorders for your offices' coffee, tea and sugar. It will also be common that service washing machines will have the ability to order and replenishment of their washing solutions. Or if someone is watching their favourite TV series and they like the jacket the main character is wearing, they will be able to buy it directly from their TV set. In fact, this is already happening with social commerce. Integrating automation into the buying experience will provide retailers with better analytical data on customers' purchases and, most importantly, save consumers valuable time.

Shopping

Due to the importance of physical touchpoints in a shopping experience, we will see more online retailers opening physical locations. However, most of those physical spaces will not include long term leases – similar to pop-up shops.

Many of these locations will start online and will eventually plan out their physical presence. It will also be common to see many online retailers debut their physical locations in the high streets. And as retailers continuously integrate their physical and online stores, they will need to implement a complete suite of innovative software solutions to transform any store into a responsive retail store, introducing the power of AI to personalise the customer journey and optimise store operations. Insights from the Retail Doctor Group® has predicted that retailers could increase their sales margins between 10 and 20% by implementing these solutions.



ABOUT US

RETAIL DOCTOR GROUP®

Retail Doctor Group® is Australasia's most successful retail advisory and consultancy firm. We specialise in conducting leading market and consumer insights research to inform sound strategies and drive transformative implementation.

We are experts in multi omnichannel retail, franchise retail and service formats. We leverage our proven methodologies to help you get Fit for Business™ through improving client positioning, distribution, sales, people, productivity, systems, profitability and value. We are “how to” retail implementation specialists who transform strategy into delivery.

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For further information please visit www.retaildoctor.com.au



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