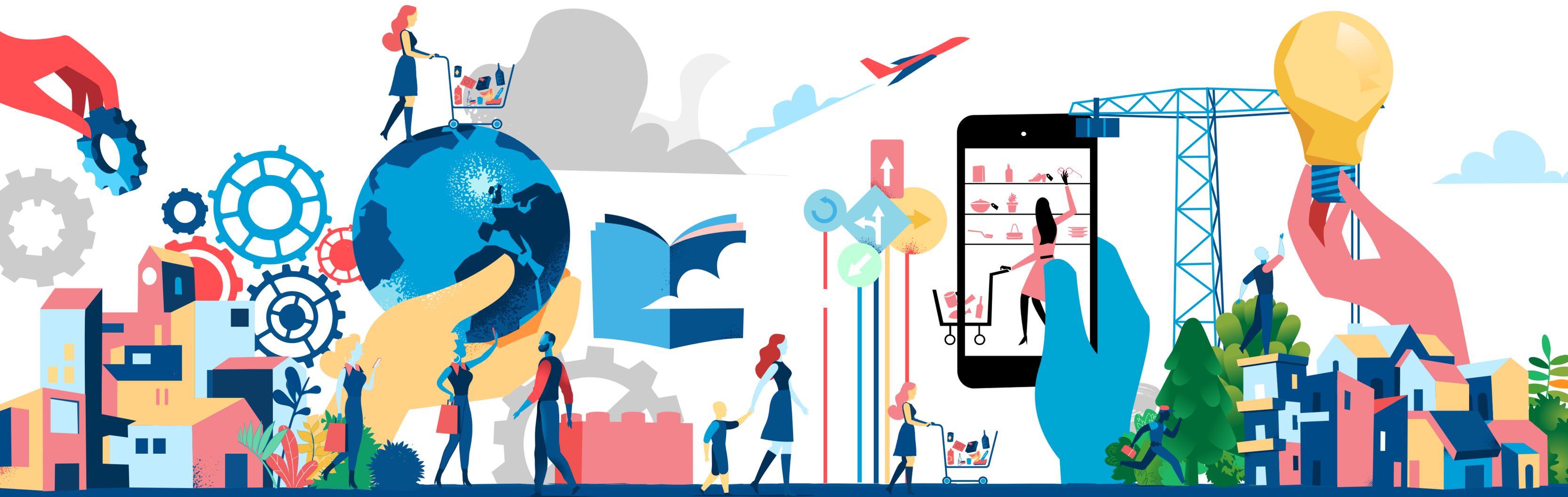


# Retail of the future: 5 trends to watch





Who's afraid of the next retail disruption? In the past few years, retailers have been through furious – and exceptionally fast – transformation. Well-established names in the industry crumbled and fell, while more agile players moved swiftly into their space. Consumer behavior shifted at light speed, and businesses followed suit, changing the way they present, sell, and deliver products. Loyalty is dead; loyalty is retail's new currency.

We are worn, exhilarated and exhausted. It might feel like we have been through everything – but it's not time to get comfortable just yet.

Here are five emerging trends and technologies that we expect will offer new challenges and opportunities in the months ahead.

1: Online

2: Contactless

3: A new era for physical stores

4: Sustainable and ethical

5: Technology for operational resiliency

**While some customer habits will return to normal,  
others have changed forever**

Steve Rowe  
CEO at Marks and Spencer's

## Trend #1: Online

Social distancing and working from home have had an impact on what people buy, how they browse for products and ideas, and where they make their purchase.

### eCommerce

A functional eCommerce platform is now a necessity. According to Census statistics, during the pandemic overall retail sales declined, but online sales grew almost 45% over the previous year.

Although online shopping had been slowly gaining ground for years, the sudden surge in demand caught many retailers unprepared. Some had been postponing investing in eCommerce, with a few downright refusing to go online. As the pandemic hit, these late comers had to build an eCommerce platform overnight, or use third-party marketplaces like Amazon and eBay, with mixed results.

To stay competitive in the upcoming months, retailers need to set up an eCommerce strategy that considers and addresses multiple issues:

- **Online safety.**

Cyberattacks have been multiplying, and not all retailers are prepared. According to a survey by payment provider Riskified, one in four merchants (27%) does not have measures in place to prevent Account Takeover (ATO) attacks on their eCommerce. A similar number (24%) said they can't identify an ATO during a purchase.





- **Infrastructure.**

Delays and breaks in supply chains and lack of warehouse space have become common issues that lead to unfulfilled orders. To solve the latter problem, some retailers have switched to “dark stores,” partially or completely converting traditional retail spaces into warehouses. The challenge of supply chain resilience is more complex. It requires early planning, and efforts to add flexibility and agility in the supply chain, for example identifying alternative providers and decreasing dependence on specific sources.

- **Ability to scale.**

As demand ebbs and flows, retailers need to be able to scale their eCommerce systems, supply chain and store operations so they can handle sudden peaks in traffic. At the same time, they also need to attract enough business to keep a healthy volume of sales during slow periods.

- **Delivery.**

Retailers are expected to deliver items fast, safely, and without contact – all the while having to deal with broken transportation networks and overwhelmed delivery services. Home delivery is a popular service, but it comes with specific challenges:

- Items need to be dispatched and routed within short and predictable timeframes.
- Both the retailer and the consumer need to be able to track drivers and items.
- There must be digital proof of delivery to ensure the item does reach the customer.
- Most retailers need to rely on third-party delivery services, which can lead to high costs and limited visibility.

- **Omni-channel approach.**

An omnichannel approach translates into the ability to meet consumer needs in store, online, or wherever the shopper is. But many retailers lack this unified approach to their channels, and manage instead their eCommerce

and physical stores with separate, somewhat-connected software solutions. As a result, their data is siloed – and so is their view. By keeping the channel disjointed they can't see their overall inventory in real time (and may sell online an item that is out of stock). They can't move products to the right location, losing possible sales. They can't prevent the risk of overstock and out of stocks. They can't keep track of the customer journey or of customer preferences across channels, and are unable to offer personalized offers and communication.

- **Order online, pick up in store or at the curbside.**

Click & collect (also known as BOPIS, for “buy online, pick up in store”) and curbside pickup (buying an item online and picking it up outside the store, often in the parking lot, without getting out of the car), have now become the norm. For retailers, offering these services has several benefits:

- They're easier to set up and require fewer resources than home delivery.
- Unlike home delivery, there are no additional costs for the customer.
- Customers can pick up the order when convenient.
- They drive people back to the store, and can lead to larger baskets: according to Forrester research, 35% of shoppers who pick up an online order in-store will buy something else as well.

### Social commerce

Shopping on social media platforms like TikTok or Instagram – also called social commerce – is a booming trend, which the pandemic simply speeded up. With social commerce, people can purchase an item straight on a social media platform, without having to click through to a third-party website.

The immediacy of social commerce is already transforming retail, leading to more experimentation. According to research, consumers buying on social media are more open to trying out new brands. “Social commerce, especially Instagram shopping, has made people more likely to buy based on product and less likely on brand,” said Nicole Penn, president of digital agency EGC Group. “They are happy to test a new brand, no matter the size, if they offer the product, features and style they are looking for.”



“ **More than three-quarters of consumers say they are interested in BOPIS (click and collect); over 90% of those who have tried curbside pickup said it was convenient.** ”

NRF, Consumer View survey

# Where to start

- **Invest in a functional eCommerce strategy.** You need an online sales platform that is reliable and safe, and which gives you data that is both trustworthy and timely.
- **Connect the channels.** To manage orders that start online but are fulfilled at the store – as is the case with both click and collect and curbside – you need seamless communication between online channels and stores. This requires a unified commerce approach.
- **Sell on social media.** Target social media users based on preferences and help new customers discover your products.



Unified commerce will transform your retail business for the better

Discover the benefits of a unified commerce platform

## Trend #2: Contactless

Yesterday, consumers longed for engaging, all-encompassing, made-just-for-me retail experiences. Today, the best in-person retail experiences are still personalized and engaging, but increasingly happen at a safe distance.

### Self service

Long lines at the register can be both a nuisance and a potential health hazard. Traditional registers where people queue to pay may become less common, to be replaced by:

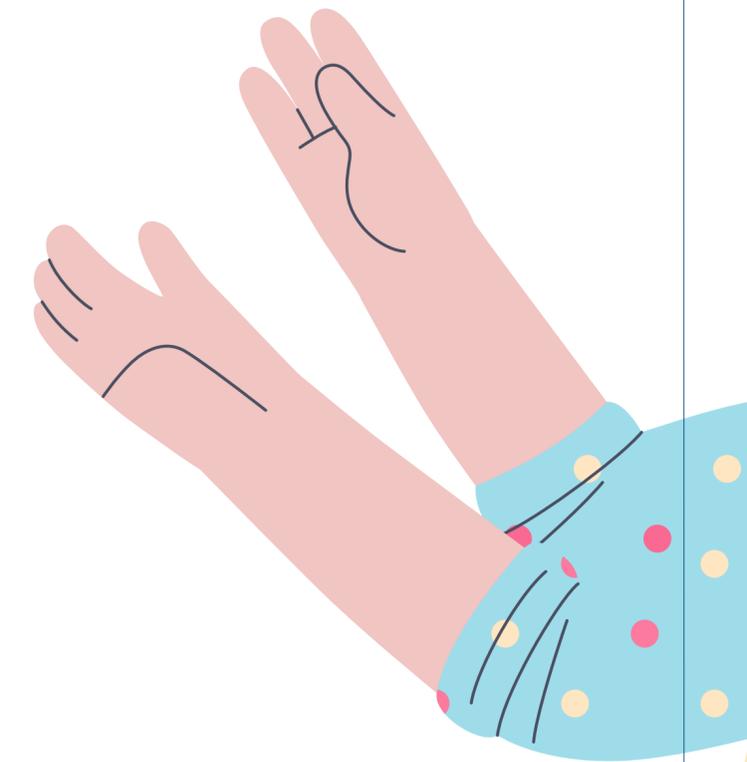
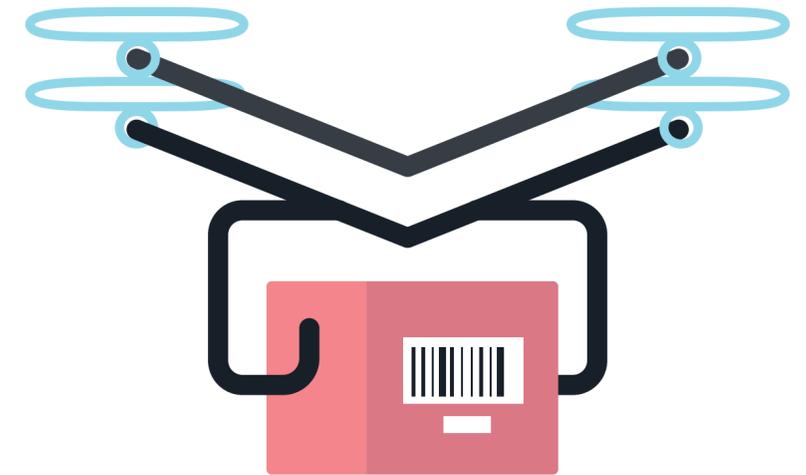
- **Self-checkouts.** Self-checkout machines help limit contact between customers and employees. These registers also require less space than traditional manned registers, so retailers can multiply their checkout points using the same space.
- **Mobile POS.** By running the Point of Sale (POS) on mobile devices like tablets or smartphones, retailers can bust queues as they form and serve customers anywhere. Employees can use the mobile POS to look up information, scan items, close transactions, accept payments and print receipts where the customers are. This technology is especially popular in stores with large indoors or outdoors premises, like garden centers, DIY stores with large warehouses and motor sales. Another reason for the popularity of mobile POS is that devices can be added as needed at limited cost.
- **Scan-and-go technologies.** The latest advances in Point of Sale technology see it move into the consumers' hands.

Shoppers download a “scan and go” app on their phone and then self-serve in the shop, using their personal device (or a specific handset provided by the retailer) to scan items as they are added to the cart. Scan-and-go technology has become quite popular in grocery stores; we expect to see more of it in other retail sectors in the upcoming months.

- **Cashierless stores.** The Amazon Go model, with no tills or cashiers, seemed extreme when it was launched. Today, more retailers are using technology that allows customers to shop and leave without wasting time to scan and pay items. The most common setup involves a mix of ceiling-mounted cameras, RFID tags and shelf sensors, but we can expect to see more variations of this concept in the months to come.

“ Study Amazon Go and the array of technologies in place there. For that matter, study Amazon’s drone experiments, automated warehousing, remote-entry smart home services and other technologies they are testing. Amazon seems willing to make the huge, risky investments to further their knowledge of retail processes — experiments that will inevitably benefit many of its competitors as well. ”

Rick Moss  
President and co-founder of RetailWire





## Contactless payments

Adoption of low-touch and no-touch forms of payments, such as mobile wallets and contactless cards, accelerated swiftly during the pandemic. Market research firm Valuates Reports predicts that the contactless payment market will more than double in size by 2026.

Despite the popularity of contactless options among consumers, the higher transaction costs have slowed down adoption among retailers. “Curbside pickup and ‘buy online, pick up in-store’ transactions are treated as ‘card not present’ online transactions by the processors, so retailers are paying an online rate even when these purchases are picked up at the store,” explains Lily Varon, senior analyst at research firm Forrester. “Retailers feel these are really in-store transactions so there’s some pain there.”

While economic considerations may hold back some retailers, the benefits that contactless payments offer – on top of supporting social distancing, they are quick, convenient, and eliminate queues – will make this a common payment method in the future.

## Voice shopping

Voice-based online searches are becoming mainstream, and purchases by voice may be next. Although adoption of voice commerce has been slower than expected, shoppers (especially younger generations) are increasingly using voice assistants

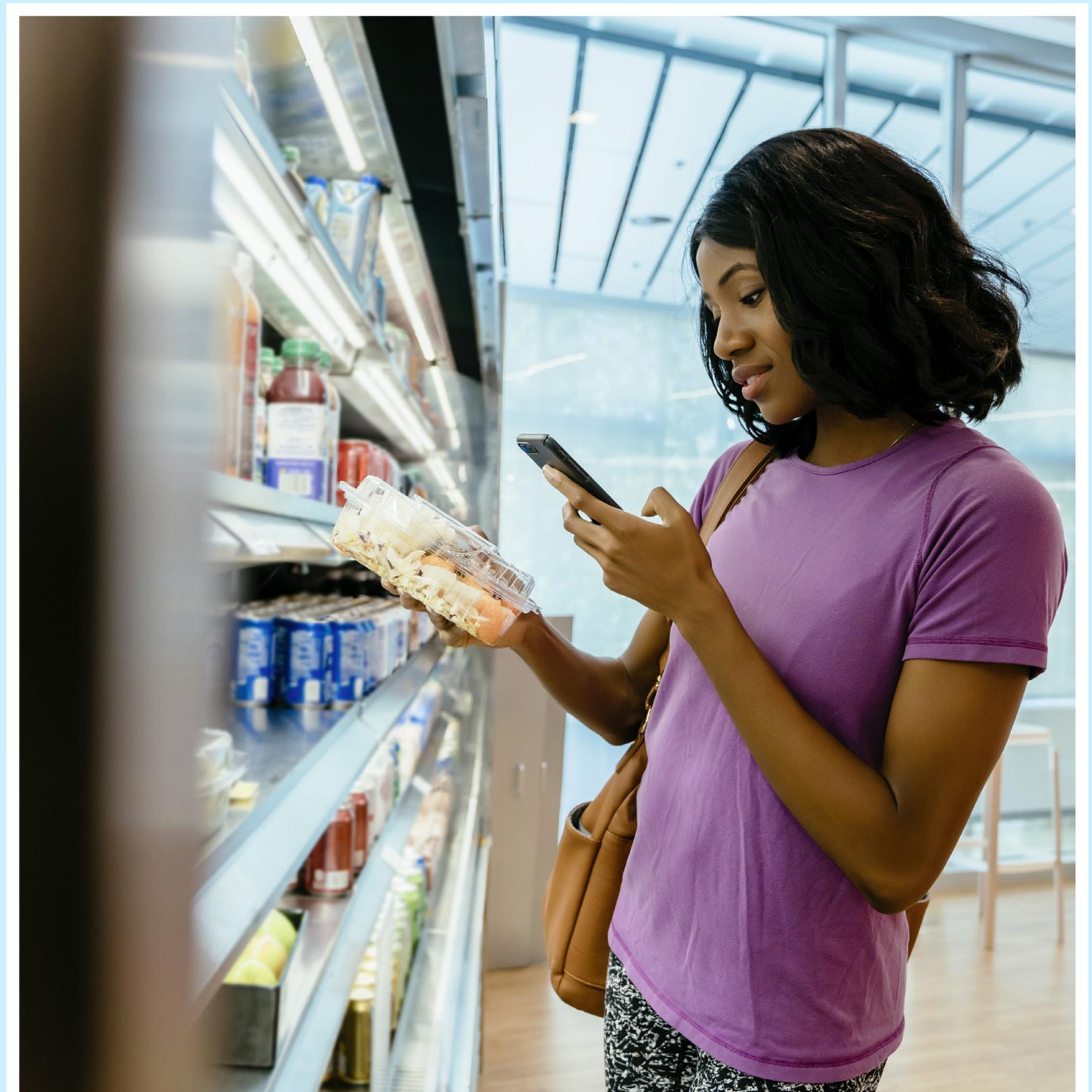
to shop for items. Three main factors are contributing to the uptick in usage:

- **Convenience.** Voice shopping is fast, natural, and doesn’t require consumers to learn how to use a device.
- **Popularity of smart speakers.** AI-powered, voice-controlled smart speakers have gone through explosive growth in the past few years. In the U.S., over one in three consumers owns a smart speaker. The global market is forecast to reach 640 million units by 2024, according to a report from technology analyst firm Canalys.
- **Advances in AI.** Improvements in Artificial Intelligence (AI) and natural language processing are making smart voice assistants increasingly better at interpreting human voice commands and understanding intent.

Retailers who want to let their customers shop using voice will need to make drastic changes to the structure of their eCommerce sites. When they speak, people tend to skip some information. They also use a different structure compared to when they type, and more often ask follow-up questions. Retailers must consider new ways of navigating their catalog, and go from using keywords to understanding context.

# Where to start

- **Rethink the checkout experience.** Take your pick from the technological solutions that can help you reduce queues and optimize the space in-store.
- **Go contactless.** Low- and no-touch checkouts and payments are quick and convenient. They'll be around for a while – it's a smart idea to start using them now.
- **Design online shopping journeys keeping voice in mind.** Today, people can find your products by asking questions to Cortana, Alexa or AliGenie. Tomorrow, they'll also buy them that way. What do you need to change on your eCommerce to make the shopping experience simple and convenient?



## Trend #3: A new era for physical stores

Although online won't replace shopping in person, the equilibrium has changed. As consumers' habits and lives keep transforming, stores too must evolve to respond to new demands.

### Fewer products

When shopping online, the search and filtering functionalities help you find what you need among innumerable options. But in a physical store, endless options can mean endless walking around – possibly without finding the item you need. Retailers like Aldi and Lidl have become successful because they offer an easy shopping experience thank to their **small, curated selection**. Now others, including big-box names like Walmart, are following in their tracks and **reducing the number of SKUs**.

Streamlining product lines is a win-win for consumers and retailers:

#### For customers, the benefits are

- easier decisions
- reduced consumer fatigue
- less time wasted wandering around the store.

#### For retailers, minimized product lines mean

- less money tied into inventory
- simpler replenishment
- faster item management.



## Dark stores

With foot traffic decreasing and click & collect booming worldwide, many retailers have had to rethink the purpose of (some of) their stores.

Former showrooms and experience centers have been transformed into pick up areas or dark stores, to strengthen the supply and distribution chain.

“Dark stores” are retail spaces, usually former store locations, that are closed to customers and act exclusively as fulfillment centers. There are many advantages to changing a store – especially one with low traffic - into a dark store, where online orders are picked and packed for delivery and pickup. Dark stores can operate 24/7, helping retailers shorten order preparation times. By using stores that are conveniently located across the territories they want to reach, retailers can also reduce delivery times and offer same-day or next-day shipment.

For a glimpse of what physical retail might look like tomorrow, experts point at Hema, a Chinese supermarket chain operated by e-commerce giant Alibaba. The Hema stores are a combination of a high-end supermarket, a restaurant, and a fulfillment center: over a half of Hema’s sales happen via app – not in-store – and are then picked or delivered.

## Pop-up stores

Pop-up and temporary shops have become a staple of contemporary retail. As more businesses close down their physical locations, these vacated spaces – which are often in prime locations offer retailers an ideal opportunity to experiment.

**There are many reasons why pop-up concepts have become so popular:**

- They can be used to test new products, store formats, or concepts with minimum risk and capital investment.
- Retailers can go where their audience is – be it a festival, a touristic spot, or a transport hub – targeting a specific segment and responding to their interests.
- New geographies can be easily tried, and as easily abandoned if they don’t deliver the expected returns.
- They tap into people’s fear of missing out: the elements of novelty and surprise help drive engagement and footfall.
- Online-only retailers can let people see and touch products in person, and increase sales and trust.

As landlords and mall operators are increasingly open to the idea of short-term rental commitments, we expect more retailers to experiment with new concepts and collaborations.



# Where to start

- **Curate the selection.** Help customer make their shopping trips quick and effective, and increase return visits.
- **Test new formats.** If the old rulebook doesn't apply anymore, it's time to write a new one. Should your stores be smaller? Outdoors? Temporary? Should you use some store locations as warehouses to better support your online sales? Try, adjust, optimize.



Physical stores  
are still vital for  
retail.

Here are  
8 reasons why

## Trend #4: Sustainable and ethical

Sustainability has been one of the most dynamic and fastest-growing retail trends in the past few years. Environmental concerns will play an increasingly big role when it comes to how and what people choose to consume.

### Shoppers buy local, buy less, buy better

According to research by Accenture, consumers are shopping more mindfully than ever before. Among the consumers polled, 72% say they are limiting food waste, 61% are making more sustainable buying choices, while 56% are shopping local (both in terms of visiting neighborhood stores and buying locally sourced products) more often than before. Most importantly, nine out of ten respondents say they plan to continue with these habits.

A study by McKinsey on fashion shopping shows similar results: consumers are planning to purchase more durable items, to keep the items they already have for longer, and to repair them if needed to prolong use.

As retail experts Caroline Cartellieri and Gabrielle Hase summarize in their 'Retail Pandemic Playbook', "the sense that we have hit 'peak stuff' is growing, with consumers buying less but buying better; spending

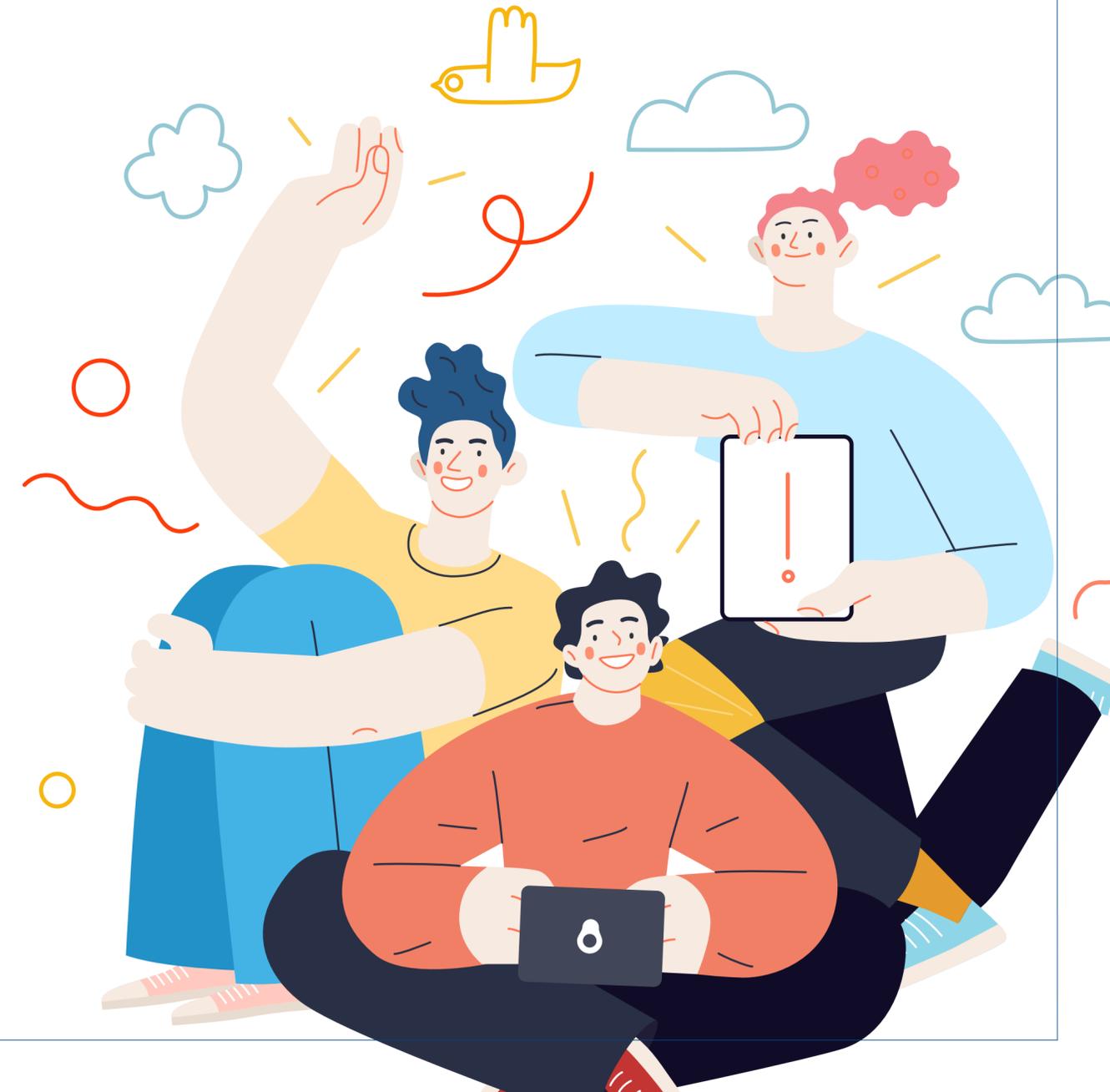
on higher quality products that last, supporting local brands with a reduced carbon footprint, and visiting stores that offer a truly valuable experience."

### Used and secondhand

A growing interest in sustainability and concerns over personal finances are among the factors behind the boom of the secondhand market. Resale has been a growing trend for a few years, but it took the pandemic to make it a global phenomenon. In 2016, 45% of U.S. consumers over 18 had bought, or were interested in buying, secondhand products, online resale platform Thredup reports. In 2020, it was 86%.

The pandemic has transformed consumers' priorities. 33 million consumers bought secondhand apparel for the first time in 2020, and 76% of those first-time buyers plan to increase their spend on secondhand in the next 5 years, according to research by Thredup. As a result, resale is one of the fastest-growing segments of retail, and it's projected to double its value to \$77 billion by 2025.

Perhaps surprisingly, luxury is one of the sectors of retail most affected by the resale trend. "[Secondhand] is often the first way for aspirational



consumers to have their first interaction with luxury,” says Federica Levato, Partner at Bain & Company Luxury Goods in Milan. High fashion brands are taking note, and stepping into the market. In the past few months, names including Alexander McQueen, Burberry, and Gucci have formally partnered with online resale platforms to increase their control over the resale process.

### Values matter

What companies stand for increasingly matters: **71%** of consumers say they prefer buying from brands that align to their values, according to research by 5W Public Relations.

Consumers desire a safe, fairer future, and they expect enterprises to help contribute to that vision. In the coming months we expect to see more brands take a clear position on a series of issues, including:

- **Sustainability and circularity** (where the goal is to prevent waste and environmental damage). According to a U.S. consumer survey by financial firm Stifel and data intelligence company Morning Consult, **83%** of consumers believe it’s important or very important for brands to act sustainably.
- **Fair treatment of employees.** According to data by Morning Consult, **49%** of consumers consider whether companies take care of their employees as one of their top five purchasing considerations. Whether a company offers paid sick leave, or if employees are laid off during times of crisis, can have a big impact on the way consumers judge a brand.

- **Social responsibility.** **66%** of consumers are willing to pay more for goods from brands that demonstrate social commitment, according to a global survey by Nielsen.

“Younger consumers in particular are prepared to stand by the brands that demonstrate the positive impact they bring to society and abandon those who do not,” said Becky Skiles, CMO at Deloitte Digital. “For brands to build loyalty, the positive contribution they are bringing to employees and communities must be as clearly communicated as their product offering.”

There’s an urgent lesson for retailers who still believe that their main goal is to make money, and not to do good: in the future, the first may depend on the second.



## Three main types of players are reaping benefits from the resale market:

- Thrift stores have been growing in popularity, and multiplying in city centers and malls from Hong Kong to Helsinki to Vancouver.
- Online resale platforms are redefining the value of pre-owned objects. While some (like eBay or Poshmark) simply connect buyers with sellers, others (like The RealReal) are bringing a new level of curation, taking care of the whole process from inspection, to certification, to shipment of the items.
- Retail brands are also stepping into the resale market. Brands like Patagonia and Levi's have taken matters into their own hands, creating official channels to resell authenticated, gently pre-owned items. Besides ensuring that each product reaches consumers in top condition, this is also an effective way to maintain relevance with new customer segments.



## Where to start

- **Focus on high-quality items.** People want fewer, better products. Stock items that last. Choose local products that benefit local people – and communicate it. Help customers make a difference.
- **Consider entering the second-hand market.** Is there an opportunity in used items? Consider whether resell may fit your audience – or help you reach new ones.
- **Rethink your role as a business and employer.** No one needs another soulless corporation who's in it just for the money. People increasingly support businesses that reflect their values, make them feel good, and bring positive change.



# Trend #5: Technology for operational resiliency

After months of disruption, operational resiliency and business continuity have become key points of focus for businesses. More retailers are investing in technologies that can make them ready for tomorrow, today.

## Staying operational with the cloud

In the past, a crisis like the one caused by Covid-19 would have brought business processes and productivity to a halt. But cloud technologies enabled retailers to continue operating almost seamlessly throughout months of utter disruption.

### By running their IT in the cloud, businesses can

- **Support collaboration for remote teams.** Employees can access business data securely and attend meetings whether they are at the office, at home, or traveling. Customer service departments and contact centers can view up-to-date customer and ledger data, and solve issues at distance.
- **Speed up decision making.** Employees can see in real time key information such as inventory, sales, and revenue, and instantly share reports, dashboards, and decisions.
- **Get actionable insights.** By using advanced analytics tools in the cloud, businesses can make full use of their data, spot trends, understand their customers, and predict future demand. Before the cloud, these kinds of intelligent technologies were too expensive or complex for the average retailer; not anymore.

- **Innovate more easily.** Retailers can move rapidly, and deploy mission-critical applications or innovative tech with minimal upfront cost and preparation time.
- **Scale faster.** It's easier to cope with sudden changes in volume of demand, and adjust operations.
- **Limit risk.** Businesses don't need to think about legal compliancy or protecting data from hackers: the cloud provider takes care of that. They can also stop worrying about losing their data because of hardware issues: their business information is safely stored in the cloud.

Research firm McKinsey believes businesses must move to the cloud today to achieve resilience before it's too late. Those still wary must, McKinsey suggests, "recognize that infrastructure investments in cloud platforms represent a source of competitive advantage rather than a cost to be managed."

“  
**When you move to cloud, one of the great things that comes from that is really kind of forcing you to think about how to run in a lights-out operation.**  
 ”  
 Tim Crawford  
 Strategic CIO and advisor





Moving your retail stores to the cloud doesn't mean you need to be online to sell. LS Central is the SaaS POS and ERP software that works even when the internet is down. **Discover LS Central SaaS**

### Tracking and predicting inventory needs

Inventory shortages have become a common headache for retailers. While some of the causes behind these shortages are out of most businesses' control, there are technologies that can help retailers reduce the risk of being out of stock.

- **Unified commerce platforms** help retailers maintain accurate inventory data across all channels, giving them a clear view over what sold, when, and at what price, what's available, how long products stay unsold, and so on. Having clear, detailed information for all products across all locations helps retailers spot trends, and move products to the right place to reduce localized overstocks and out of stocks.
- **Demand forecasting technology** uses artificial intelligence to help retailers spot trends, notice abnormal fluctuations in consumption, and order the appropriate quantity of products taking into consideration both internal and external factors. While there are many software solutions available, retailers need to select one that also enables them to intervene when needed—for example, during times of unusual sales patterns.

“When demand is unstable, to build a dependable projection of demand, you need to combine technological and human insights,” says Martin Kleindl, who heads the development of replenishment and supply chain solutions at LS Retail. “You need a demand planning software that automatically detects statistical outliers and adjusts the sales history. At the same time, you also need technology that accepts manual adjustments, so you can use your knowledge of external events to fix abnormal histories and ensure they are not considered during modeling. The most accurate predictions come from combining the machine's analytics capabilities with the retailer's knowledge of external factors,” says Kleindl.



“**As retailers, you have the most valuable asset – commercial scale consumer behavioral data. You have the power to shape your business models, to transform your business, and build your own future.**”

Satya Nadella,  
CEO at Microsoft

# Where to start

- **Look into AI-powered predictive tools.** You work in a complex industry, and need to move at the speed of change. To spot trends and patterns, and decide what should be moved where and when, you simply need the help of AI.
- **Put resilience first place.** The world is unpredictable – this is not going to change. Now is the time to decide what matters most: short-term money savings, or long-term survival? If you plan to stick around, don't wait. Move to SaaS technology now.
- **Combine artificial and human intelligence in ways that benefit the consumer.** AI can analyze immense amounts of data. Add your human ingenuity to find the best ways to improve your customers' lives and make your business more relevant and valuable to them.

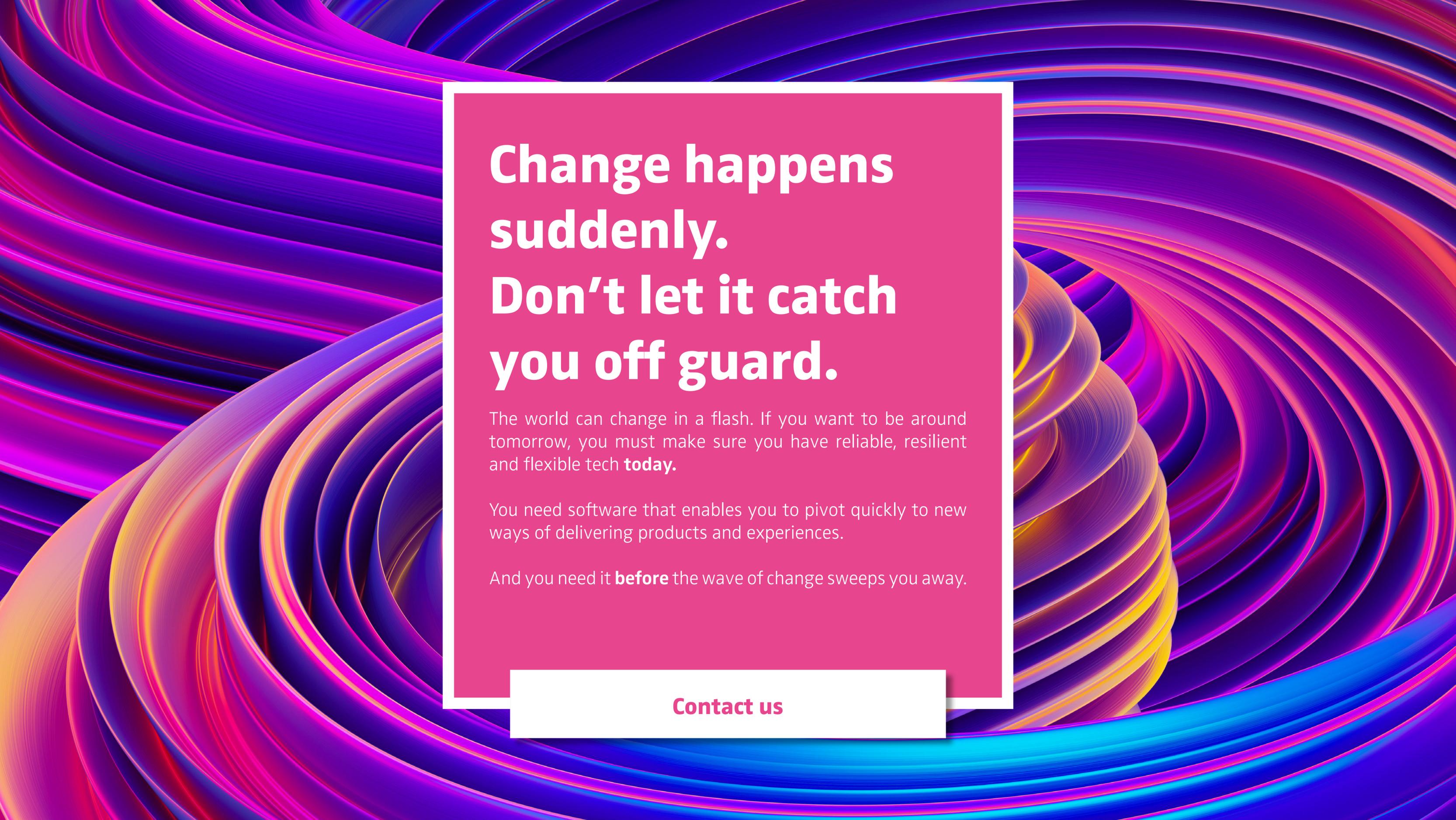


# Not the strongest, but the most adaptable will win

The transformation has just started. In the next few months, retailers must continue to move ahead with their digital transformation to keep pace with consumers' wants and demands. A solid integration of online and offline technology, with the support of real-time data and analytics, will be essential.

Smart retailers are investing in technology that will help them find new opportunities when the next crisis hits. Those who did not use this time to upgrade their capabilities should prepare for rocky times. This is the moment for retailers to look at themselves in the mirror, and ask themselves: **am I ready for tomorrow? If not: where should I start?**





# Change happens suddenly. Don't let it catch you off guard.

The world can change in a flash. If you want to be around tomorrow, you must make sure you have reliable, resilient and flexible tech **today**.

You need software that enables you to pivot quickly to new ways of delivering products and experiences.

And you need it **before** the wave of change sweeps you away.

[Contact us](#)



# LS Retail

We make business easy

LS Retail is a world-leading provider of business management software solutions for retail, hospitality, food service and forecourt businesses of all sizes.

Our unified commerce management systems power thousands of fashion boutiques, electronics stores, furniture giants, duty free chains, restaurants, hotels, coffee shops, gas stations, convenience stores and more.

Any question? **Contact our experts**

[www.LSRetail.com](http://www.LSRetail.com)