

RETAIL NEWSAGENT 125 YEARS FUTUROLOGISTS

Imagine a world where your car is capable of making payments and cash is a distant memory. It's a reality you can expect in the next couple of decades. But where do local shops fit in and what does the future hold for retailers? Chris Gamm and Chris Rolfe quizzed seven futurologists to find out

The shop of things to come

Cast your mind back: it is approaching midnight on 31 December 1999. Bank accounts being wiped by the millennium bug have dominated news headlines all week. Westlife had the Christmas number one, the Pokemon Gameboy game was the must-have gift and the first BlackBerry email pager was launched earlier this year. The big supermarket is the grocery shopping venue of choice. However, an increasing number of independent stores have begun joining wholesaler-operated symbol groups, which generate around £4bn of annual sales.

Back to 2014, and the world has changed immeasurably. The fourth generation iPad was last year's must-have Christmas gift, nearly 75% of the UK population have a smartphone and Amazon is testing delivering goods to customers with unmanned drones.

Consumers are falling out of love with big supermarkets. Grocery industry growth is being driven by convenience, discount and online. Symbol stores are now worth £15.5bn a year and the convenience industry is forecast to grow by 30% to £49bn by 2019.

But what will the world look like in the next decade and will the rate of change match that of the past 14 years? RN has enlisted the help of seven world-renowned futurologists to find out. Between them they have worked with organisations that include NASA, Disney, Microsoft and

Procter & Gamble. RN has asked them about the key trends that will affect local shops in the future and how retailers can stay a step ahead of their competition to protect their profitability.

While opinions differ on which will be the most significant retail technology developments, they were unanimous on one thing: the future is extremely bright for independent retailers.

"Human beings will never get away from needing both convenience and locality," says Ray Hammond, who co-founded Northern & Shell with Richard Desmond in 1974 and has spent the past 30 years writing and speaking about the major trends affecting businesses.

"And in a world where more of our shopping and arrangements are done online, we need local points of contact for collection or delivery. I think the future is extremely healthy for your readers."

However, the world around you is changing, and innovation expert Jim Carroll says you shouldn't let a fear of the future hold you back. "You need to evolve. Don't close your eyes to what's happening - participate in it," he says.

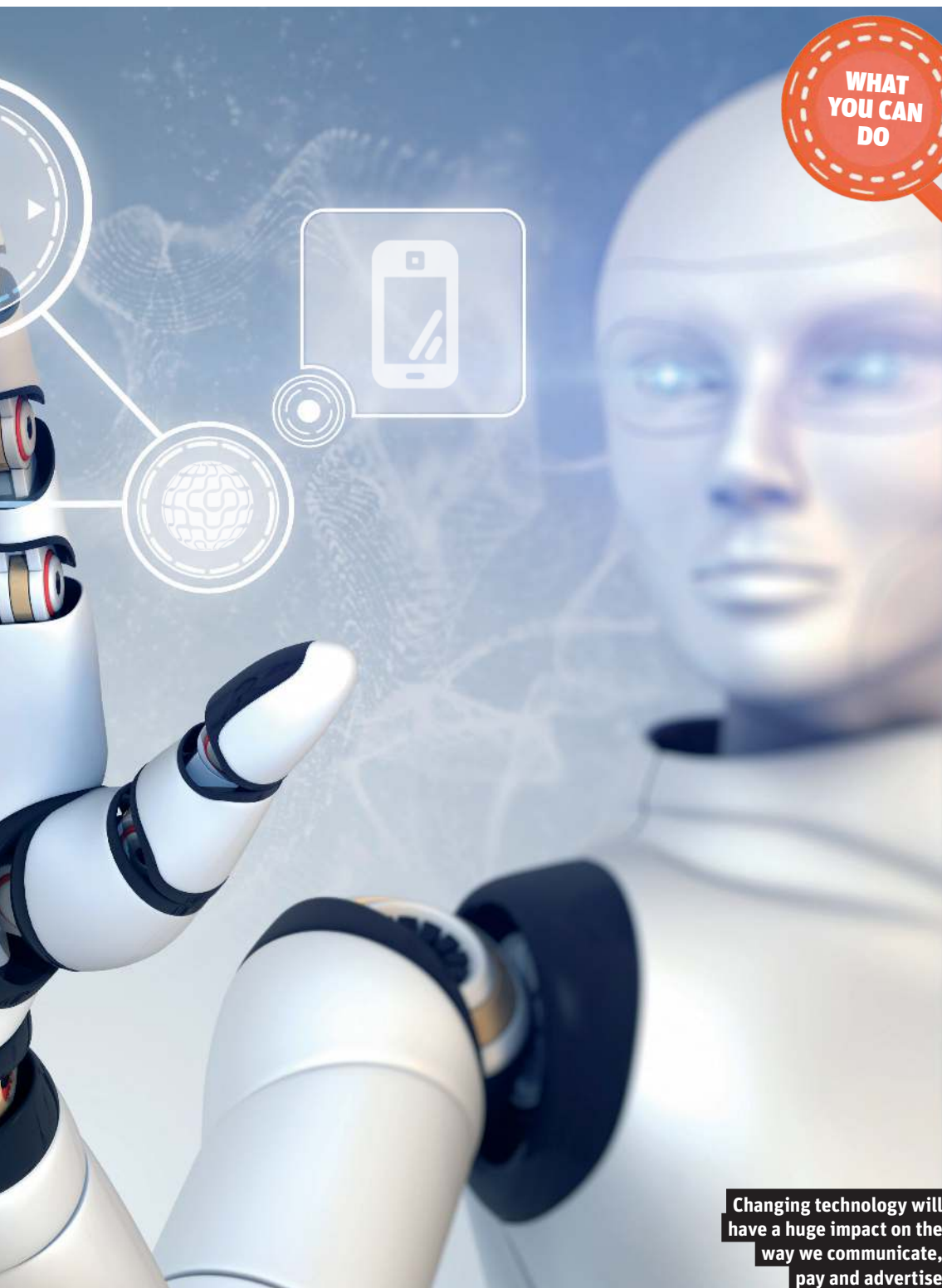
RN's futurologists have identified five key trends that will affect your business in the next 10 years. Stay ahead of them, find out how they could work for you and they will give you a major edge on your competition.



WHAT YOU CAN DO

PHYSICAL RETAIL NEEDS TO BE PHYSICAL
Make sure your store looks, smells and feels good.

OFFER A GREAT EXPERIENCE
Technology allows customers to join shopping communities and find out about products. How can you replicate that experience in your store and local area?



Changing technology will have a huge impact on the way we communicate, pay and advertise

Mobile technology

Many predicted that mobiles would sound the death knell for physical stores, as was the case for CD and book retailers, as they allow shoppers to walk in, compare prices and then buy goods cheaper online. However, today there is a shift in

the way mobile technology is being perceived and how it can be used by stores.

“Retailers are realising that a mobile phone will tell people where their local store is, and that shoppers can enter it, check in on their phone and pay for things without showing a wallet. It’s facilitating all sorts of easy wins for bricks and mortar stores to

WHAT YOU CAN DO

MAKE USE OF DATA
The most significant technology development in retail will be the use of data for intelligent stocking and forecasting, according to Ross Dawson.

KEEP UP WITH PAYMENT TECHNOLOGY
If customers prefer contactless payments or to use their phones to pay or redeem vouchers, can you meet their needs?

make use of,” says Jon Copestake, chief retail analyst at the Economist Intelligence Unit.

However the word smartphone is “as useful to understanding the future as the phrase ‘horse-drawn carriage’ was to understanding motorcars”, according to Ray Hammond.

It will be gone within 10 years, predict many of RN’s futurologists, and its functions will be absorbed by a wearable network of jewellery, glasses and contact lenses.

A major benefit of this will be a more enjoyable and interactive shopping experience with increased engagement between consumer and retailer, according to Jon Copestake.

“With wearable technology, there can be interactive multimedia displays in store and people will be able to visualise things a lot better,” he says. >>

WHAT YOU CAN DO

VARY YOUR OFFER THROUGH THE DAY
7-Eleven stores in Japan change their lighting, music and layouts according to the time of day, says Richard Watson.

LOOK OUT FOR 3D PRINTERS
This too is an opportunity for c-stores, says Ross Dawson. Customers will be looking to print their designs in-store.

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This, of course, works both ways, and mobile devices contain all sorts of data about their users which can be used by retailers.

"Most customers will be known wherever they go," says Ray Hammond. "Regular customers will pre-order simply by walking towards a shop because it will identify the things they normally buy. Even if they are not regulars, their preferences will be identified by the network, which means a retailer will be able to offer a personalised service."

Technology

Two things will be consistently present in nearly every type of retail business, according to Jim Carroll – mobile phones that influence our purchasing decisions and LCD TVs – and there is going to be a distinct link between the two.

"I played out a scenario for the leadership team of Gap in which I had 'liked' them on Facebook so had a relationship with them," he says. "I walk into one of their stores and it will recognise me and run a customised commercial on an in-store TV saying 'welcome back Jim. We're giving you a \$20-off coupon today and in aisle seven there is something you might like.'"

Mr Carroll believes that the technology currently used by Oakley in snowboarders' sunglasses – which gives wearers access to Facebook, hill conditions and statistics from their run – will also influence retail in the near future.

"Apple is cutting deals with all the car manufacturers to get Siri in them. By 2017 we will be driving along and you will ask Siri in the augmented reality dashboard which store has X product. She will put five



stores on the map and you will pick one, which the car's autonomous driving technology will take you to. What's more, you will have payment technology embedded in your car so that will be your credit card too."

A divergent trend could also play out in which consumers are taken out of purchasing decisions, according to Jon Copestake.

"We'll have refrigerators that can check if they're low on something and order groceries, which adds hugely to the convenience factor but takes out the consumer from purchasing decisions," he says.

Payments

Jim Carroll believes that Apple is one to watch when it comes to changing in-store payment technology too.

"Apple stores have eliminated payment registers. Innovation in the retail sector is shifting from

retail companies to firms like Apple who can innovate much quicker. As soon as Apple puts a chip in the iPhone to support credit card payments – boom, the industry changes at lightning speed," he says.

Richard Watson, who has worked with companies such as Coca-Cola, Ikea and McDonald's, predicts that cash registers aren't the only thing whose days are numbered. "I can't see there being coins in 30 years' time," he says. "The trend is towards the wallet disappearing and going into your phone, or embedded or online payments. Credit cards will probably go into your phone too."

Global speaker and author Ross Dawson agrees.

"There will be more alternatives. We're seeing a move away from cash and it's about how fast you pay, convenience and data gathering for shops."

Amazon

One company that is both driving development and taking advantage of the ever-advancing technology and retail market is Amazon, and many have questioned how much of a threat this global giant could pose should it set its sights on the UK grocery market.

There are many opportunities for Amazon in the UK. Ian Pearson, who works with future consultancy firm Futurizon, points out that its vast global reach and infrastructure would be hard to compete with, especially for UK supermarkets with relatively unsophisticated online models.

Jim Carroll adds that in the US, Amazon is building an infrastructure to support same-day delivery to 50% of the population. The next potential markets are Canada and the UK, he suggests.

But despite Amazon's opportunities in the UK, many of RN's futurologists believe the threat to grocery retailers will not be significant.

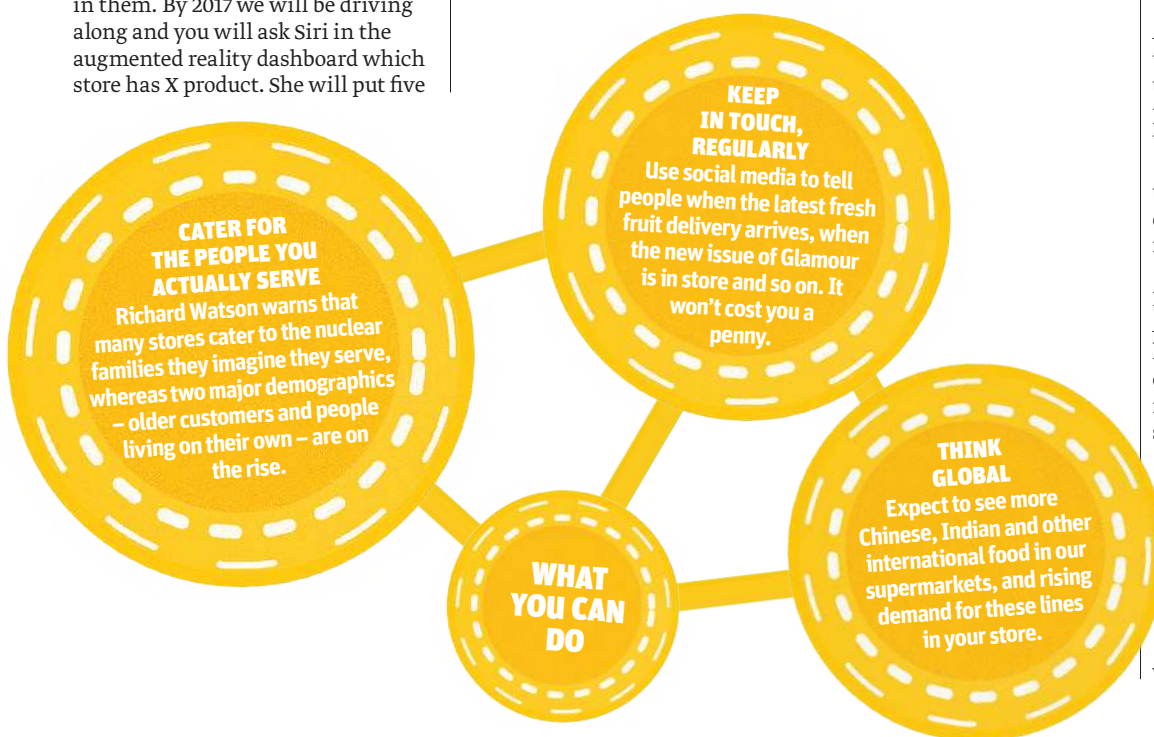
Tom Savigar, partner at The Future Laboratory, says that while Amazon's extensive reach could allow it to partner with smaller retailers and assist them with predictive retail or delivery infrastructure, its size could also work against it.

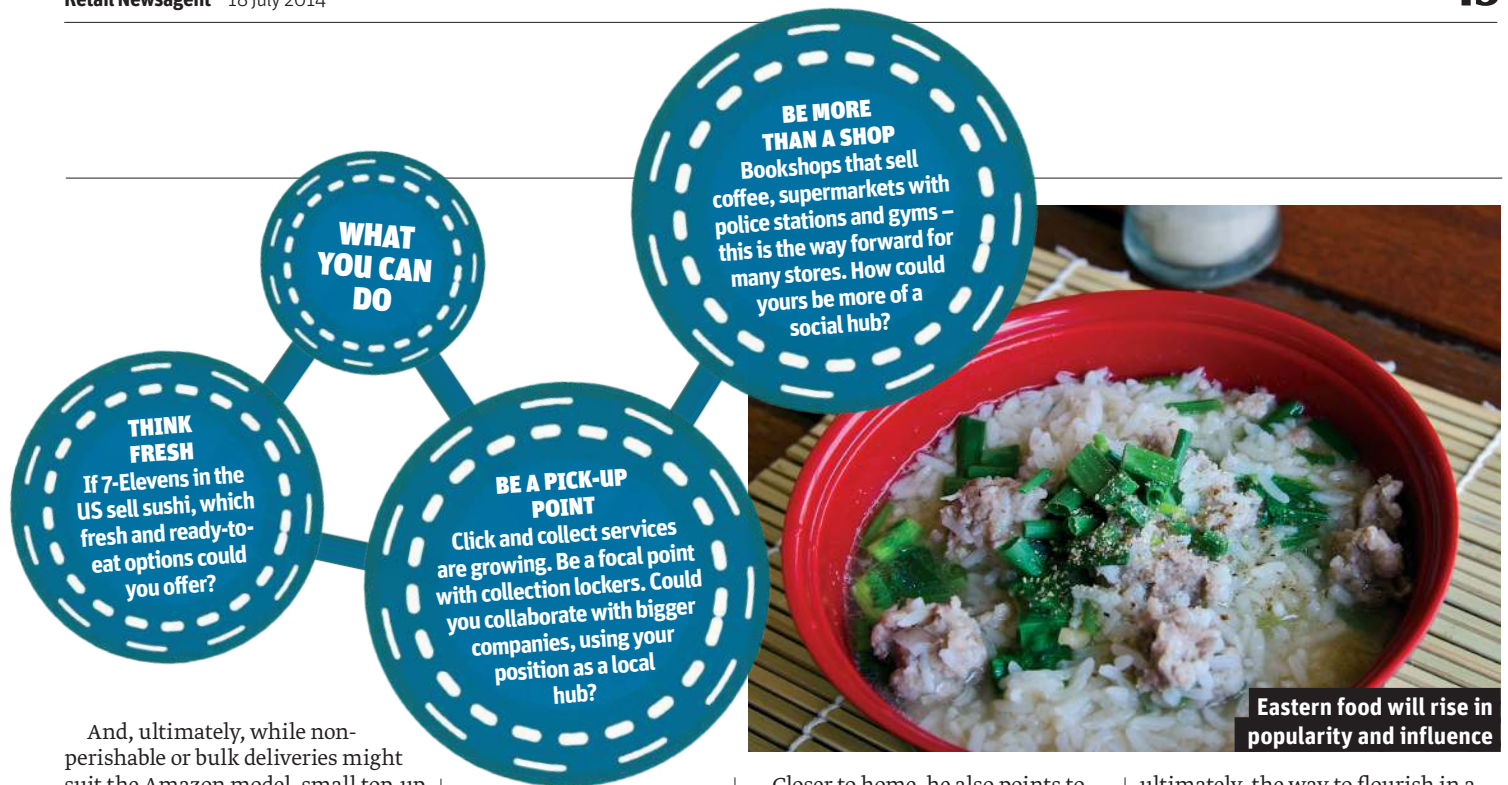
"People might push back and say 'You're not the couple who run the local store. You're Amazon and you're a bit corporate.'"

Ross Dawson adds that the UK's existing grocery network could pose too much competition to make breaking into it worthwhile.



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And, ultimately, while non-perishable or bulk deliveries might suit the Amazon model, small top-up shops do not.

“Convenience shopping – ‘I haven’t got any milk and I need a lottery ticket’ – will never disappear,” says Ray Hammond. “It responds to a human need and can’t be replaced by a machine. Amazon can offer delivery within an hour, but I can get it from the local shop in five minutes.”

Globalisation

RN’s futurologists also point to international trends which could impact the UK.

In the US, says Richard Watson, vending machines are making headway.

“These machines are the size of kitchens and stock everything under the sun. They’re small, so they can be sited in petrol stations, and suit younger people who prefer self-service. We’re close to a situation where you’ll use your phone to find the nearest vending machine, order a pie which will be heated up when you’re 30 seconds away, then you’ll pay for it with your smartphone,” he says.

In third world countries such as Kenya and Nigeria, many text message payment systems have emerged, adds Jim Carroll.

“I predict we’re going to see a lot of third world technologies, like text payments, coming into the first world,” he says.

Over in India, adds Jon Copestake, a start-up portal that allows people to order groceries from independent retailers has been developed.

“It’s the eBay approach, which facilitates deals that utilise the locality and convenience of smaller stores and makes them do all the work,” he says. “That opens up the prospect of local competition and for independents to trade through them.”



Some things will be radically different in the future, but the basics don’t change

Closer to home, he also points to France as an example of the way the UK’s fledgling click and collect market could look in future, as highway collection points grow in number.

“It’s like stopping at a motorway service station on your way home and picking up your goods,” he says. “It’s already the case in London, where you can pick up your groceries from certain tube stops.”

But for retailers looking for a trend that will directly benefit their own stores, Tom Savigar points to the growth of Eastern economies and the rising popularity of Eastern food.

“Instead of an American-inclined diet it will be Eastern. There will be a groundswell of diets around soups, teas, mushrooms and things you have for breakfast in the East.”

Mr Watson concludes that,

ultimately, the way to flourish in a market that is being transformed by such trends is to adapt to the technology of the times, but also to stick to a few timeless basics.

“It’s not rocket science. It’s about customers and providing really great customer service,” he says. “Yes, Sainsbury’s might be experimenting with Google Glass to use facial recognition, but it’s incredibly insincere. It’s much better if you recognise me, know what I want to buy and are friendly. Some things will be radically different in the future, but the basics don’t change. Good stock, location and service will never go out of date.” ●

