

**Voices** of **Retail**

How can tech help  
you become a  
winning retail brand?

**RingCentral**<sup>®</sup>

Cloud communications for retail



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# Foreword

Over the past 10 years we have seen multiple changes and advances in the retail space. In an increasingly changing and competitive market with increasingly demanding customers, retailers are looking for ways to stand out. Beyond product and price, service is now a key differentiator for customers.

The retail landscape is ever changing and we have regularly heard about the death of the High street, however our analysts still found that High street spending accounts for 36.6% of retail spend showing that the High street still has a big part to play in retail. Along with online purchases retailers now need to cater for customers across their estate in order to capture the market and we are seeing it is no longer about big beating small, it's about fast beating slow.

We are seeing a number of influences in the retail space with one major external factor being customer expectations and experience. A major internal influence facing retailers is technology and the pace of change. This e-book takes a closer look at these major influencers as well as others from the perspective of key analysts within the retail industry.

The future of retail is an interesting question and with the focus on technology and how retailers are able to integrate this into their retail environment is key to how they pivot in this next age of the customer experience. The investment into technology seems to be on all retailers minds but it's how that investment is made and how it impacts some of the key influences which will make a real difference and help those quickest to make the change.

Customer service is the key to survival and customer experience and technology investment is the key to growth, retailers that build the right customer experience by integrating technology are the ones we feel will be standing tall. Change is happening and it's time to evolve or get left behind.



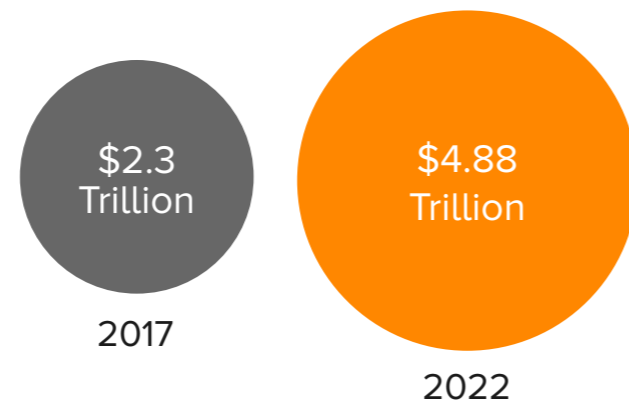
**Sunny Dhami**  
Director of Product Marketing for  
RingCentral

# The state of retail 2018



For every £1 spent **39p** was spent in food stores and **42p** in non-food stores

Global ecommerce spend is up



UK retail sales are growing (Around **£406 billion** spent in retail in 2017)

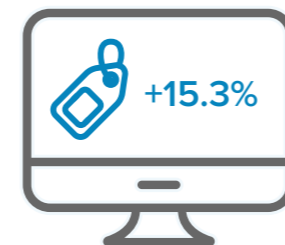


**1/3** of consumer spending goes through retail



Global retail spend is **£20 trillion**

## Online



Online sales are also growing in the UK (**up 15.3%** in the last year)

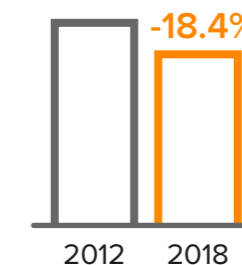


In the first half of 2018 online sales grew at **ten times** the rate of store sales

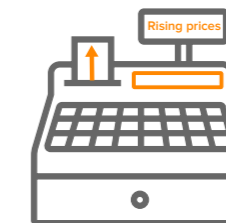


Online retailing to equal **17.8%** of the market in 2018 which is **£61.4 billion** in sales

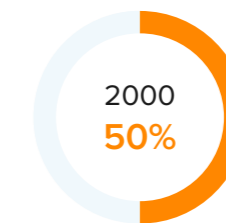
## Stores



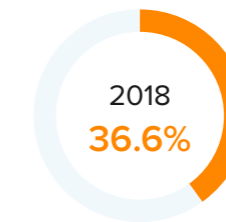
**317,462** physical stores expected in 2018 – **down by 18.4%** since 2012



Shop **prices are rising** (up for the second month in a row in September (2018) after five years of shop price deflation)



High street spending accounts for **36.6%** of spend – down from **50%** in 2000



**Retailers need to work harder than ever to win customer spend and survive**

# The state of retail 2018

## Opportunities

**Successful retailers are reinventing and investing in technology and customer experience** (ASOS saw a 26% rise in retail sales and 28% profit growth for the year ended 31 August 2018 despite heavy investment in the long-term potential of the business. Technology and transformation systems accounted for more than half of the company's CAPEX in 2018 and will be a similar level in 2019).

**Opportunities include improving the digital experience (84% of consumers say their experience with digital tools and services across all industries fall short of expectations).**

### Investment in technology is key

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Worldwide retail spending on IT is expected to hit **\$211 billion in 2018** and to rise to **\$241 billion** at a compound annual growth rate of **3.4% by 2022**.



“ We no longer ‘go’ shopping, we just ‘are’ shopping ”

## Natalie Berg

Author and founder of NBK Retail

**Natalie Berg is a retail analyst and founder of NBK Retail, a consultancy that specialises in strategy and future trends.**

She has worked for companies including Planet Retail and Kantar and is amongst the top 30 retail influencers in the world. In this interview she reveals why she believes the future of retail is blended and why the pace of change has moved so fast that we no longer ‘go’ shopping we just ‘are’ shopping. She also advises retailers looking to the future to start with the customer and work backwards if they are to design the perfect customer experience.

## Topic 1

## Retail challenges

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“ We’re always switched on and when we walk into a store we are armed with our own personal shopping companion – our mobile phones.”

**What are the main challenges that you believe retailers are facing right now?**

**1) Rising costs and subdued demand**

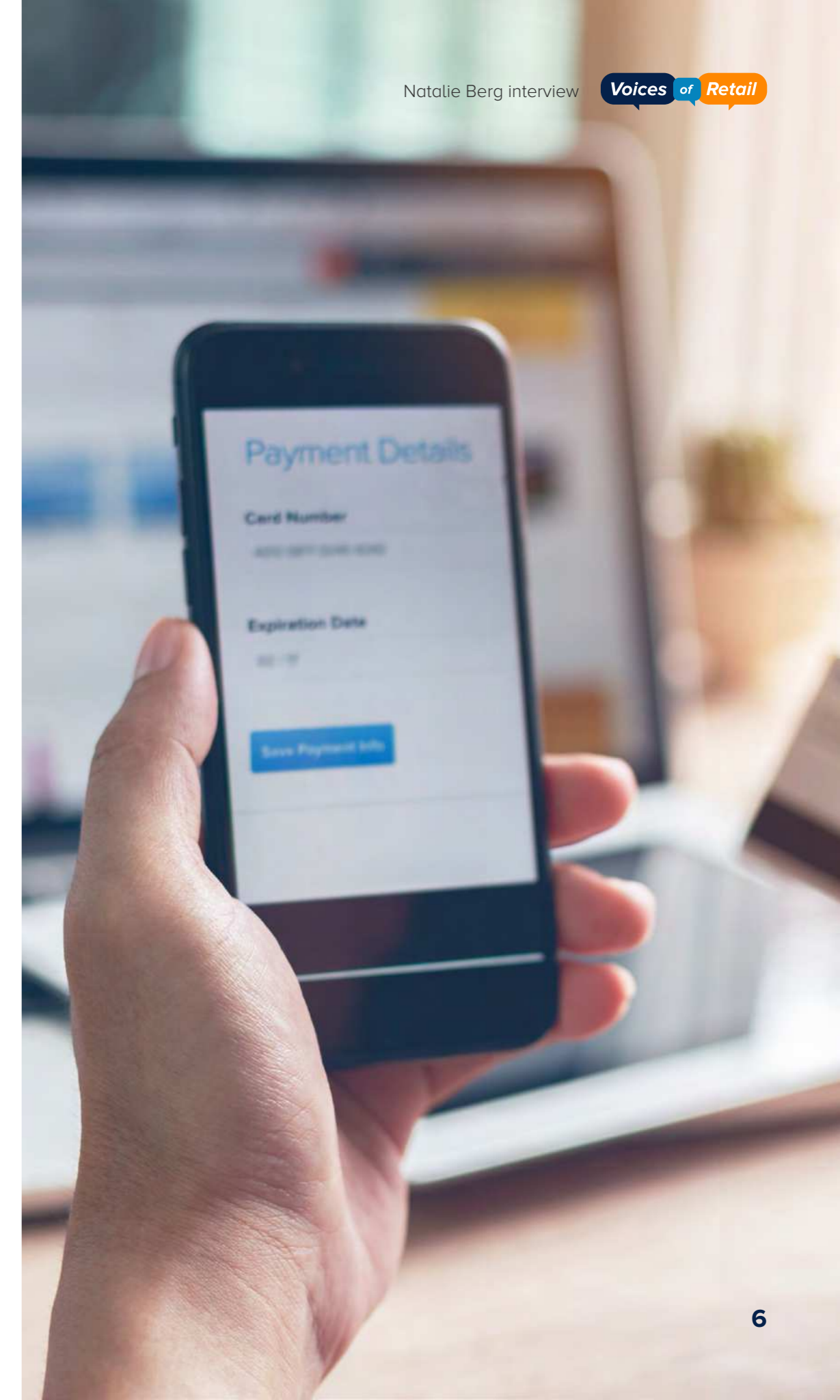
UK retailers are facing a perfect storm. The combination of rising costs – rates, rents, inflation, the list goes on - and subdued demand is putting considerable pressure on retailers, and particularly exposing those with underlying issues.

**2) Structural change**

At the same time the sector is undergoing profound structural change. Over the past decade we’ve witnessed the rise of the discount supermarkets and the seemingly unstoppable growth of e-commerce.

**3) Changing consumer expectations and values**

Consumer expectations have gone through the roof – shoppers today want to buy on their terms and they’ll accept nothing less. Consumer values are also shifting, as they increasingly prioritise spending on experiences over acquiring more material ‘stuff’. These major technological, societal and economic shifts have exposed an overbuilt retail sector. We simply have too much retail space, and space that is no longer fit for purpose.



## Topic 1

## Retail challenges

### What role can technology play in helping to meet such challenges?

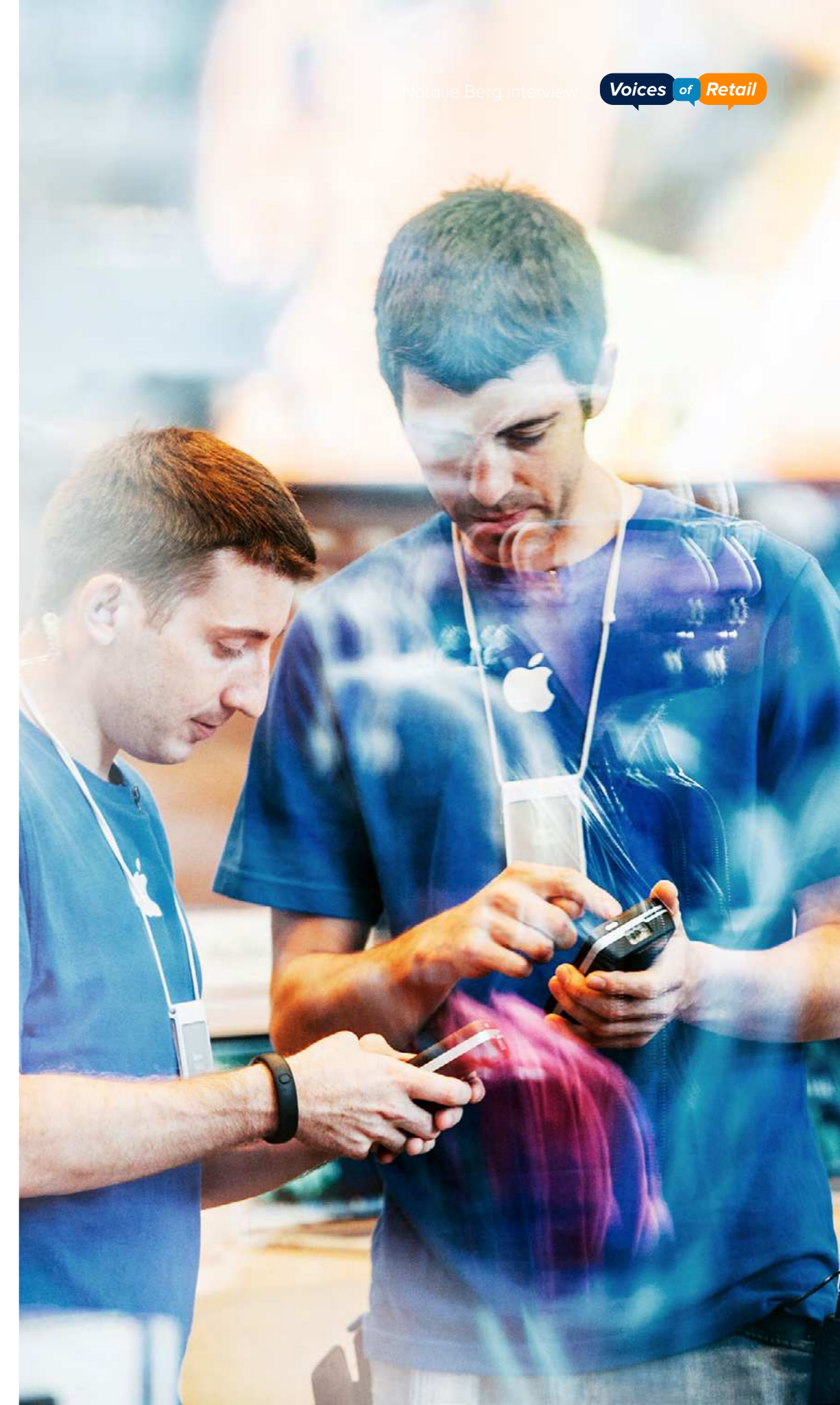
Technology is enabling retailers to appease today's 'on-my-terms' shopper. Today, we're ubiquitously connected. We're always switched on and when we walk into a store we are armed with our own personal shopping companion – our mobile phones. In fact, **I'd argue that we no longer 'go' shopping, we just 'are' shopping.**

The customer today is firmly in the driving seat. We have access to millions of products right at our fingertips and they magically turn up on our doorsteps the next, or increasingly the same, day. Many retailers are finding it hard to live up to consumers' supercharged expectations.

Technology is also breaking down the barriers between physical and digital – be prepared for an acceleration in the convergence of these two worlds. **The future of retail, in one word, is blended.** Bricks and mortar retailers are using technology to bring the physical stores into the 21st century, replicating the ease, convenience and increasingly personalisation that was once reserved for online retail.

“ I'd argue that we no longer 'go' shopping, we just 'are' shopping ”

“ The future of retail, in one word, is blended ”



## Topic 2

## Pace of change

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“ I’d argue that “the Amazon Effect” has a second meaning which is to stamp out complacency, to act as a catalyst for change.”

“ What makes Amazon unique is its obsession with customers, passion for innovation and long-term vision.”

### How easy is it for retailers to keep up with the pace of technology and innovation?

The pace and scale of the changes is unprecedented. A lot of what we’re seeing is reaction to one retailer – Amazon. When we hear the phrase “the Amazon effect”, it often has a negative connotation. We think of boarded up shops and retailers going into administration.

**However, I’d argue that “the Amazon Effect” has a second meaning which is to stamp out complacency, to act as a catalyst for change.** They’ve been a force for good for consumers. Amazon’s relentless innovations and continuous efforts to improve the customer experience have forced the entire sector to raise its game, all to the benefit of the customer. Same-day delivery, frictionless checkout (online and instore), voice shopping, user-based reviews and recommendations, in-home delivery, try-before-you-buy (online fashion), the list goes on. This is the Amazon effect.

### What characteristics do retailers need to innovate quickly as movers rather than followers?

There are only a handful of brands genuinely disrupting the sector. The majority of retailers are in the unfortunate position of reacting to, rather than leading, change. It’s agility, not scale, that will define a winning retailer in the future.

### **What makes Amazon unique is its obsession with customers, passion for innovation and long-term vision.**

Most retailers aren’t afforded the luxury of such long-term thinking, but they can take inspiration from Amazon by making sure they put the customer at the very heart of their strategies. This means starting with the customer and working backwards. It means not being afraid of failure, always looking for new ways to surprise and delight your shoppers.



## Topic 3

## Customer experience

### What makes for a truly great in-store customer experience?

The store of the future must be frictionless, experiential and a hub for fulfilment. Utilising technology, retailers must look to match the ease and convenience of online shopping while creating a hyper-personalised experience for the shopper.

They also must give shoppers a reason to ditch their screens, which means the store of the future has to be about more than just product. It will transition from transactional to experiential. It won't just be a place to buy, but a place to eat, work, play, discover, learn and even borrow.

### How is technology enabling retailers to improve the online shopping experience?

As with the instore experience, retailers are improving the online shopping experience by cutting out friction and offering a more tailored experience. They're also giving customers more choice, catering to the 'on-my-terms' shopper – both when it comes to accessing the retailer (discovery and purchase) as well as delivery.

**In recent years, we've seen a number of new customer touchpoints popping up outside of traditional retail channels – in our homes, in objects and even media (ie social shopping/visual search, AR/VR, voice, simplified and auto-replenishment.) You no longer need a store or a screen to be “shopping”.**

At the same time, we've seen a proliferation in delivery services. – from click and collect to in-fridge delivery! There's never been so much choice for customers, but so much complexity for retailers. The most successful retailers will be those that think like their customers, that connect the dots to create a seamless experience across multiple touchpoints.

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“ The most successful retailers will be those that think like their customers, that connect the dots to create a seamless experience across multiple touchpoints.”

## Topic 4

# Creating a culture of innovation

### Why is innovation and remaining relevant vital for retailers?

We are seeing a growing disparity between the winners and the losers and that's only going to become more polarised. I think that those retailers that can't do the basics right, that haven't been able to stand out from the competition and that aren't relevant to their customer are the retailers that are being exposed and won't survive in the future. I think what we're seeing now is retail Darwinism; you evolve or die.

### What makes Amazon's approach to innovation so impressive?

Amazon genuinely has a long-term vision, is obsessed with its customers and is passionate about invention and innovation. **While most retailers aren't afforded the luxury of such long-term thinking, they can take inspiration from Amazon by being completely customer-centric and working backwards.**

“ I think what we're seeing now is retail Darwinism; you evolve or die.”



## Topic 5

## Future of retail

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“ Online retailers are now recognising the value in having a physical presence to offset rising shipping and customer acquisition costs, but also because stores are a lot more compelling these days!”

**What trends in shopping behaviour should retailers prepare for in 2019?**

We'll see an acceleration in the convergence of online and offline, with more digitally native brands making the leap into the physical space. The structural economic advantages of being an online-only retailer are gone. Pure-play e-commerce is dead. Online retailers are now recognising the value in having a physical presence to offset rising shipping and customer acquisition costs, but also because stores are a lot more compelling these days!

Stores are far more digitally-integrated than they were just five years ago, and it's becoming essential to utilise stores as mini-warehouses to cater to the growing demand for fast delivery and to address the Achilles heel of online retail – returns.

Other trends to watch out for – the rise of rental retail, frictionless fashion, auto-replenishment of everyday essentials and 'retail as a service'.

**What do you think will be the biggest shift in retail in the next few years?**

The future of retail will be more blended as physical and digital worlds converge, but also in the sense that retail space will be less about retail. We'll see greater blurring of retail, hospitality, work and leisure.

Looking ahead to the next decade, the biggest change in retail will be the switch to artificial intelligence. AI will allow retailers to become more efficient, to make sense of all the data they're sitting on, offer better customer service and much deeper personalisation.

As the broader purpose of the store shifts from transactional to experiential, so must the role of the store employee. Instore staff must be able to inspire and educate shoppers, to be empowered to act as genuine brand ambassadors. We're even seeing some retailers like John Lewis send their staff to theatrical training. Customer service and engagement will be critical.

## Topic 5

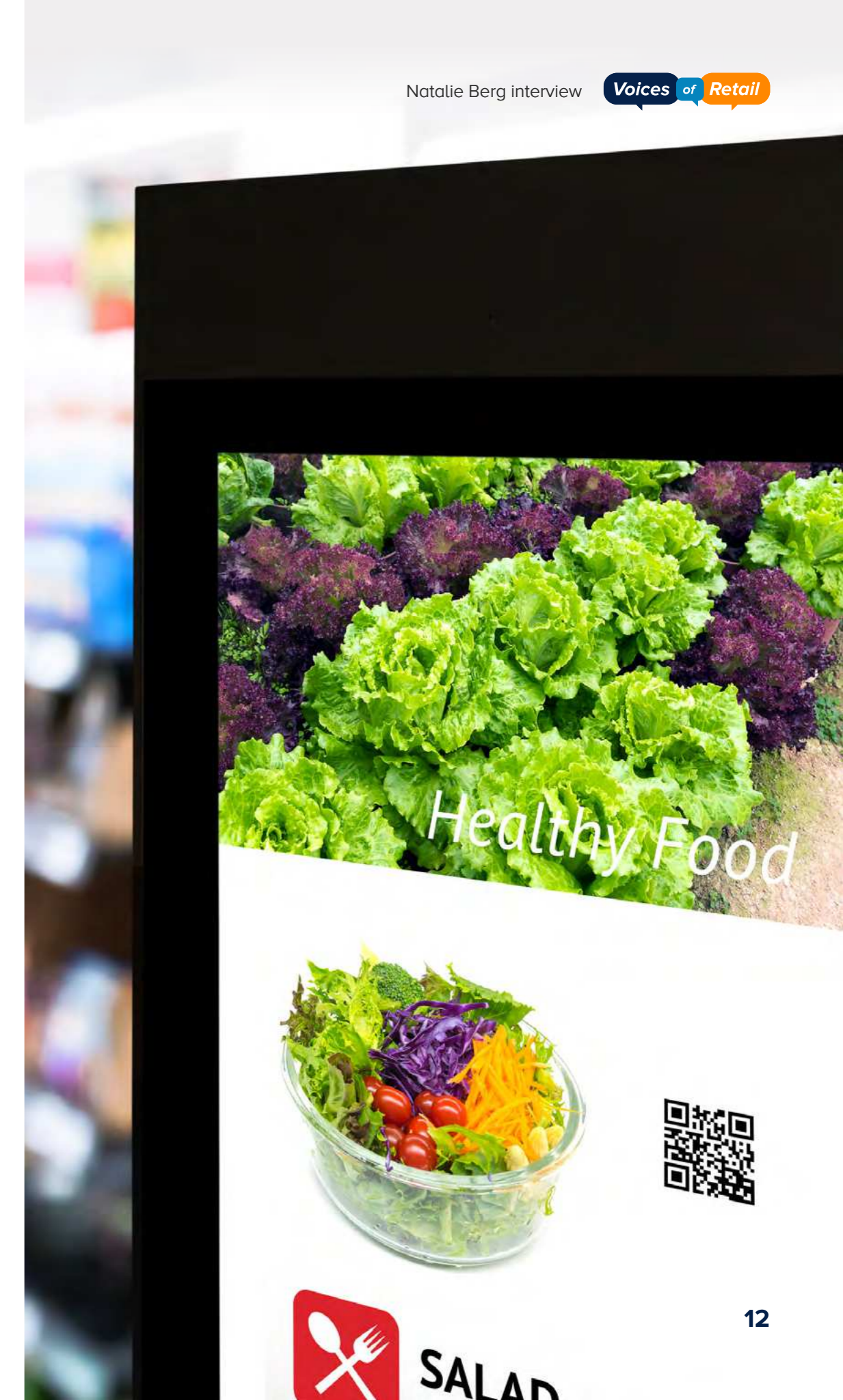
## Future of retail


## What technologies could we see that aren't commonplace already?

As our homes get smarter, shoppers' lives will get easier. The average adult currently makes a whopping 35,000 decisions every day but in the future our connected homes will do all the low-level, mundane re-ordering of household products, freeing up time to focus on more enjoyable tasks.

Shoppers will no longer have to traipse down supermarket aisles when they run out of bleach or toilet paper. They will spend less of their valuable time buying the essentials and we believe the impact on the physical store will be immense: retailers today should be rethinking store layout, trip drivers and broader purpose of the store. **In the future, we will see a greater divergence between functional and fun shopping.**

“ In the future, we will see a greater divergence between functional and fun shopping.”



A black and white portrait of Doug Stephens, a man with short, dark hair, wearing a dark suit jacket over a light-colored collared shirt. He is looking directly at the camera with a slight smile.

“It’s easier and infinitely more productive to engineer the future you want than to respond to the present you get.”

## Doug Stephens

Author and founder of Retail Prophet

Doug Stephens is founder and president of Retail Prophet and known as one of the world’s foremost retail industry futurists. He spent more than 20 years in retail before establishing Retail Prophet in 2009.

He regularly advises brands and retailers worldwide and is also a renowned retail author. In this interview he explains why anyone with a great idea can pose a threat to retailers and why it’s wrong to assume that the new generation of shoppers want all their needs satisfied digitally. He also reveals how retailers should choose the right technologies for their very best customer experience and why he believes the biggest change we will see in the future of retail is a move to staging experiences rather than sell products.

## Topic 1

## Retail challenges

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“What many retailers are discovering is that they simply aren't structured or staffed to produce the sort of lateral thinking necessary to become disrupters in their category.”

**What are the main challenges that retailers are facing in today's ever-changing retail world?**

**1) The pace of change in the digital era**

The most profound shift has been the sheer speed of change. Any organisation that was accustomed to change unfolding at an industrial speed is having difficulty adjusting to the pace of change in the digital era.

If you're a cosmetics brand or retailer, you first heard about a beauty blogger named Emily Weiss in 2014. Today, that blogger is the head of Glossier, a company that just raised an additional \$52 million in funding and is now breathing down the neck of incumbents. Twenty years ago enormous financial barriers to entry would have made this impossible. Today, anyone with a great idea has the potential to become a threat almost instantly.

**2) Changing consumer behaviours and greater knowledge**

The second challenge is understanding shifting consumer behaviours and preferences in a world where a consumer's access to category and product information is equal to, and in some cases greater, than that of industry executives. **Retailers are no longer setting trends but rather having to respond to them as they evolve and in real-time.** This represents a massive paradigm shift.

**3) Understanding a new generation (or two) of shoppers**

Retailers are watching their dependable, predictable, workhorse consumer (the baby boomer) ride into the sunset. That consumer is being replaced with a new, younger consumer that is wired completely differently with new and far higher expectations of the companies they do business with.

**4) The need for innovation at an unprecedented rate**

Perhaps the most important change is that retail companies are having to innovate at an unprecedented rate. What many are discovering is that they simply aren't structured or staffed to produce the sort of lateral thinking necessary to become disrupters in their category.

**How is technology providing solutions to the challenges retailers face?**

Used properly, technology is now giving brands and retailers the ability to parse massive amounts of consumer and market data to find and even anticipate hidden correlations and trends.

Technology is also allowing retailers to personalise experiences and build community in a way that only 20 years ago was unimaginable. The new Nike Melrose store in LA is a perfect example of this where the store experience is shaped by the consumer's use of the Nike app.

## Topic 2

# Pace of change

### How easy is it for retailers to keep up with the pace of technology and innovation?

It's virtually impossible to anticipate which technologies will successfully evolve beyond the hype curve or become combinatorial with other technologies. Retailers should not obsess over the technologies themselves but focus their attention on the design of their customer experience and work back to understanding how and which technologies can support the activation of that experience.

If you have a clear sense of brand essence and have distilled an experience from it that is compelling, valuable and memorable, finding the right technologies becomes infinitely easier to do.

### What characteristics do retailers need to innovate quickly as movers rather than followers?

#### 1) The right leaders

First, they need leadership that is comfortable with uncertainty. And that's difficult because Western leadership education has traditionally been built around the idea that a good leader operates with confidence and certainty. Unfortunately, this ethos runs contrary to the concept of innovation. Innovation is, by definition, about a willingness to embrace uncertainty.

#### 2) A framework for innovation

The second thing, and something I find lacking in many retail organisations, is a fundamental framework for innovation. Many retailers haven't taken the time to define innovation, to establish a working methodology for developing new concepts or a consistent and effective means of prototyping and testing new ideas. Without having these things in place an organisation can be setting itself up for failure.

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“ Innovation is, by definition, about a willingness to embrace uncertainty.”

## Topic 3

# Customer experience

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“ I also believe that we are entering what I call “the replenishment economy” where our cars, appliances, connected packaging and even products themselves will begin to re-order themselves and be purchased with our approval.”

## What makes for a truly great in-store customer experience?

I believe there are five common elements of remarkable customer experiences, regardless of the category of product or service.

### 1) Surprise

This means the experience presents the consumer with some delightful experiential element or value-add that they didn't expect.

### 2) Unique

This suggests that the retailer has developed a new and proprietary way of selling what they sell. They've changed “the script”, so to speak, within their category.

### 3) Personalisation

This can take many forms but however it's executed, the customer is left feeling like the experience, the service or the product was designed just for them.

### 4) Engagement

This simply means that the customer is more deeply involved in the experience from a sensorial, physical and emotional standpoint. They are an active participant in the experience.

### 5) Repeatable

This suggests that the experience can be executed brilliantly day-in day-out through rigorous discipline and practice as with a great piece of theater.

## How is technology revolutionising the online shopping experience that retailers are delivering for customers?

We're on the cusp of a revolution in terms of how we shop online. Augmented reality applications are allowing consumers to try everything from cosmetics to furniture before they buy. Virtual and mixed reality technology will allow shoppers to literally step into experiences in the virtual world and, while there, receive instruction, advice and purchase products that are relevant within that experience.

I also believe that we are entering what I call “the replenishment economy” where our cars, appliances, connected packaging and even products themselves will begin to re-order themselves and be purchased with our approval.



## Topic 4

## Creating a culture of innovation

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“ The world is now the consumer’s warehouse and every digital touchpoint has become a store.”

### What kind of mindset and culture do retail brands need to remain relevant and competitive?

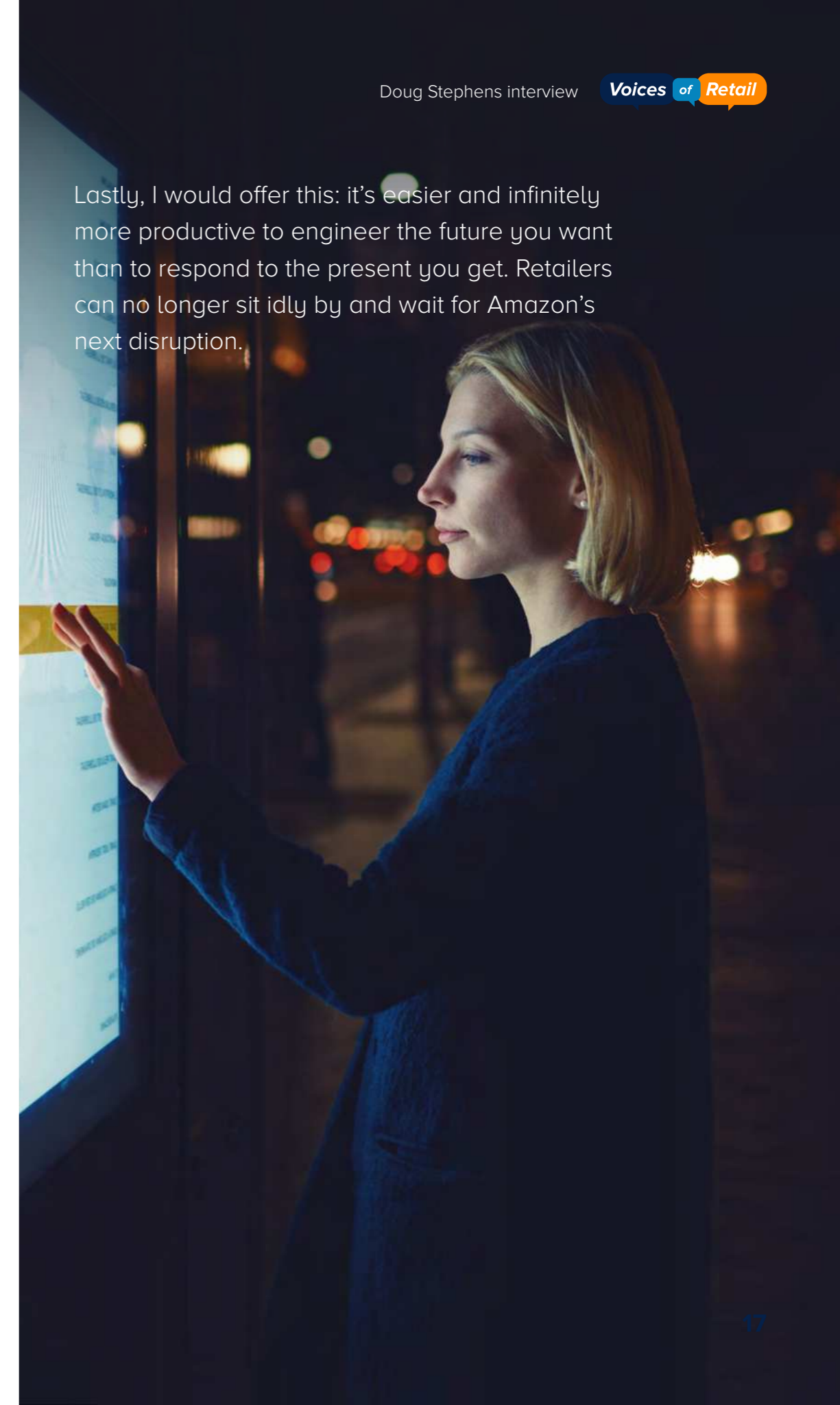
I firmly believe that every brand and retailer should operate on the assumption that no-one needs what they sell. **The world is now the consumer’s warehouse and every digital touchpoint has become a store.** So whether you sell computers, coffee or clothing – no-one actually needs what you sell.

However, consumers desperately need how you sell what you sell. The unique alchemy of culture, community and connection - that’s what consumers are really looking for and if you can deliver that, product sales come along in the jet stream.

### What tips can you offer senior managers to help them persuade the c-suite to invest in tech and innovation? How can they better make the investment case?

There’s more than enough empirical evidence available to demonstrate the payoff available to innovators. Secondly, we also know that with each percentage point that a company is able to raise its customer experience position within its category, there’s a direct and profound impact on revenue.

Lastly, I would offer this: it’s easier and infinitely more productive to engineer the future you want than to respond to the present you get. Retailers can no longer sit idly by and wait for Amazon’s next disruption.



## Topic 5

## Future of retail

**What are the main trends in shopping behaviour that will shape retail in 2019?**

**1) Voice shopping could take off**

I believe that 2019 will be the year that Amazon figures out how to promote more shopping activity on its Alexa voice platform. The install base of its Echo product is now significant. If Amazon can develop an incentive for people to begin shopping on the device, it will begin to truly change the sea-level of voice commerce.

**2) Membership will replace loyalty**

2019 will also be the year that membership begins to take the lead over “loyalty”. The truth is, most loyalty programs don’t inspire loyalty. However, consumers today show a clear willingness to pay for privilege when there’s a fair exchange of value. Brands like Costco, Amazon and Restoration Hardware continue to prove this. The result is not only a declaration of true loyalty on the shopper’s part but also a more open willingness on the part of that shopper to share data with the retailer. Look for more retailers to institute paid membership programs.

**3) A network approach from retailers**

We’re also going to see businesses taking a more networked approach to their value proposition in response to the consumer’s desire for variety, newness and surprise. Macy’s recently launched The Market @ Macy’s. Simon Properties is introducing start-ups into its malls. Walmart continues to expand its network of brands under Jet.com. There’s a general realization that stand-alone, empire-based businesses can no longer keep consumers fascinated long enough to maintain loyalty.

**4) Manufactured scarcity**

Look also for more manufactured scarcity in retail. Drops, collaborations and limited product runs will become the new paradigm in fashion and spread into other categories as well.

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“ 2019 will also be the year that membership begins to take the lead over loyalty”

Topic 5

# Future of retail

What do you think will be the biggest shift in retail in the next few years?

**1) A shift from selling products to staging experiences**

In my estimation the biggest shift will be the transformation in retail from selling products to staging experiences.

**Retailers will evolve from being merchants to becoming entertainment, hospitality and media companies.**

**2) Malls will become true community centres with retail a less important part**

With this, malls will cease to be monolithic buildings with a constant assortment of mostly fashion retailer and transform into entertainment, community and hospitality centres. Retail will comprise less of a mall's total offering (perhaps as little as 30%) but the retail that remains will be highly interactive and experiential.

“Retailers will evolve from being merchants to becoming entertainment, hospitality and media companies.”



## Topic 5

## Future of retail

What technologies could we see that aren't commonplace already?

### 1) Artificial intelligence

Artificial intelligence will become as present and indispensable in our lives as the internet is today. We will depend on it to manage our entire consumer life.

### 2) Augmented reality

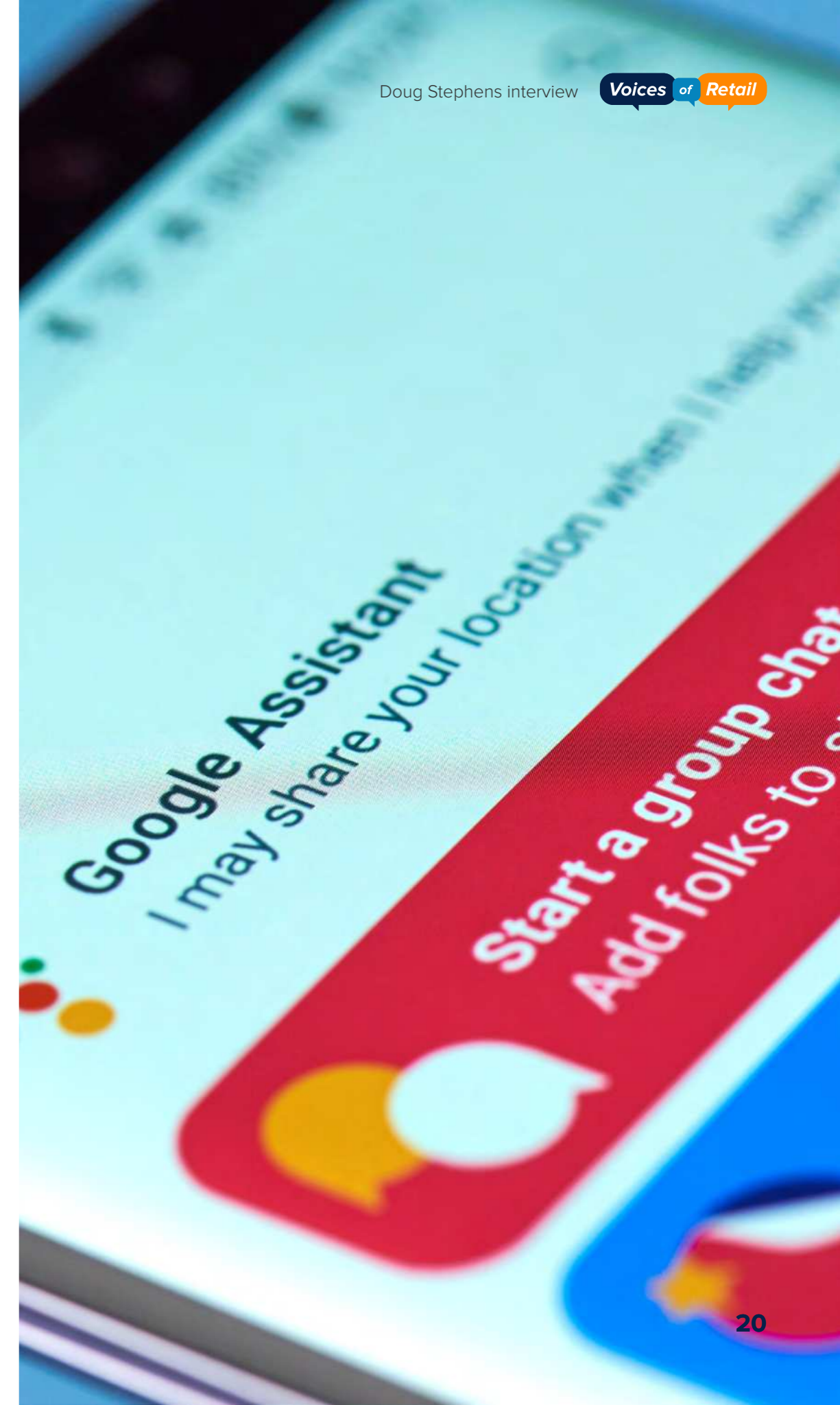
Augmented and mixed reality will enable us to view and experience any product from the comfort of our sofa and fundamentally reinvent online commerce.

### 3) Blockchain

Blockchain will also find an established place in retail – initially more on the supply chain side but eventually also on the consumer-facing and cyber-security side of the business.

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“ We will depend on AI to manage our entire consumer life.”



### Credits

Thanks to Natalie Berg, author and founder of NBK Retail, and Doug Stephens, author and founder of Retail Prophet

### State of Retail sources:

retaileconomics.co.uk  
retailresearch.org  
deloitte.com  
telegraph.co.uk  
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gartner.com

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