

6

Retail 2020 Easy Shopping



Easy Shopping

From Pain to Pleasure

For many of the reasons mentioned in our previous chapter, ‘The End of Silent Retailing’, shopping is about to get easier and there will be important impacts on – and benefits for – retailers as a consequence.

After more than 10 years’ debate, **RFID* is coming over the next decade and it will revolutionise, at the very least, payment systems.** Imagine the space gain in store when checkouts and queuing space are eliminated! For supermarkets, this is perhaps 35 cash-points fewer. Meanwhile, for all those store designs which have had, in the past, to factor in supplementary till points for peak Christmas trade, space planners will have to

fret no more. Indeed, **it is quite conceivable that a number of unmanned 24-hour stores will see their appearance on High Streets across Europe by the end of the decade.**

A second key impact on shopping of RFID – linked to integrated IT and logistical circuits – will be increasing levels of in-stocks. In the future, it will be much rarer to come away from a store empty handed due to an out-of-stock situation.

With or without RFID, time spent waiting to pay is set to decline. We are moving very quickly towards a cash-lite society where payment will be at the touch of a card or show of a mobile phone. Cheques will be virtually phased out before the end of the decade and **NFC* technology will be rolled out by most chain retailers within the next 5 years.** Today, South Korea is the most advanced country in the world regarding mobile payments, but other countries will catch up quickly.

We are moving very quickly towards a cash-lite society, where payment will be at the touch of a card or show of a mobile phone.

*RFID (radio frequency identification) tags products and then tracks them through radio transmissions. In the future all the labels in a shopping basket will transmit to a reader and the total be automatically calculated.

*NFC (near field communication) technology allows for data exchange at very short distances – for example by approaching a credit card to a reader. Today’s transport systems use NFC e.g. London’s Oyster card and Hong Kong’s Octopus card. In Europe in the future, contactless technologies will allow mobile phones to become wallets.

Fraud remains a concern, and will not go away entirely over the decade. Some people will be very nervous about purchasing over the airwaves, just as some older people remain wedded to cash and will not pay by cheque. For younger purchasers, brought up on Paypal and Worldpay, the issue of fraud and identity theft will hardly be on their radar screens.

Shopping will also be made easier through all sorts of advances in logistics. Fulfilment of online purchases will need to be extraordinary going forwards. Home delivery will become more rapid, often only hours after the order is placed (in urban areas). Auto parts distributors are giving this service to garages today – and we have got used to seeing supply chain innovations; we can expect more. Deliveries will become more flexible too – when consumers are at home – or at work – at their convenience.

Direct delivery will become cheaper. Already, Amazon is able to propose delivering even small purchases for free at a national level. Problems concerning ‘the last mile’ will be overcome gradually but not entirely eliminated.

FRAUD!!!

Meanwhile there will be an explosion of alternative delivery mechanisms from drive-thrus to local centralised pick-up points (petrol stations, dry cleaners, purpose built).

Shopping Centres will inevitably fall into line, and the numbers of customers carrying their purchases around for the day will be reduced. Porterage services will also make their comeback as Seniors demand that bags are transported to their cars.

Retailers will invest in fully integrated IT systems and will distinguish less and less between store stock, stockroom stock and warehouse stock. Delivery circuits will be intertwined. A store could organise a product to be delivered by DHL as freely as demand delivery from the central warehouse. In all of this, it will be the consumer who rules. Explaining that deliveries take 48 hours and that the customer will have to take a day off work to receive the merchandise will no longer wash. In the future, consumers will simply see this as incomprehensible and take their business elsewhere.



Explaining that deliveries take 48 hours and that the customer will have to take a day off work to receive the merchandise will no longer wash.

Dancing to a New Rhythm

In the future, easy shopping will also be interpreted as online shopping from home, of course. Rather than go out to retail, retail will come home to you.

One of the paradoxes this leads to is around the notion of experience. Bricks and mortar retailers hope that the in-store 'real world' experience they offer will be enough to tempt people from their stale, passionless online lives. In truth, internet retailing will not be just about transactions in the future but about providing exhilarating new experiences. It's happening already today. IKEA provide an augmented reality in-home experience where you can place a virtual image from their sofa range into your actual home setting (at least on screen). The first time consumers try this, they get a true 'wow' factor. Will offline retail be able to compete?

There will be low-tech advances making life easier too. More facilities and amenities in Shopping Centres are a shoo-in. But retailers will also have to dance to a new rhythm. If Uniqlo can offer free tailoring services in some stores, how much longer before other value fashion retailers do the same?

Slipping Through Retailers' Fingers

Making life easy for consumers does not go hand-in-hand with an easy life for retailers. For sure, making checkout payments automatic strips out costs and many management headaches. However, other 'advances' come at a cost e.g. doorstep deliveries, where it can be difficult to charge back the full costs to consumers.

Faced with this, retailers will seek efficiency savings and inevitably outsource more of their operations. As this movement accelerates in the future, retailers will find it more of a strain to keep profits in-house. As they outsource, revenues will flow to website builders and hosts, phone companies, logistics operators, technology providers, call centres and so on.

Ultimately, new technologies and new operating practices will lead some retailers to ask almost existential questions: who are we? what purpose do we serve? what are our essential core competencies? are they profitable now? can we guarantee our net margin (after central overheads) in 2020?

If you have any questions about this report, please contact us at:
Paul Guest, Head of EMEA Research
+44 (0)20 3147 1925
retail2020@eu.jll.com
www.retail2020.com