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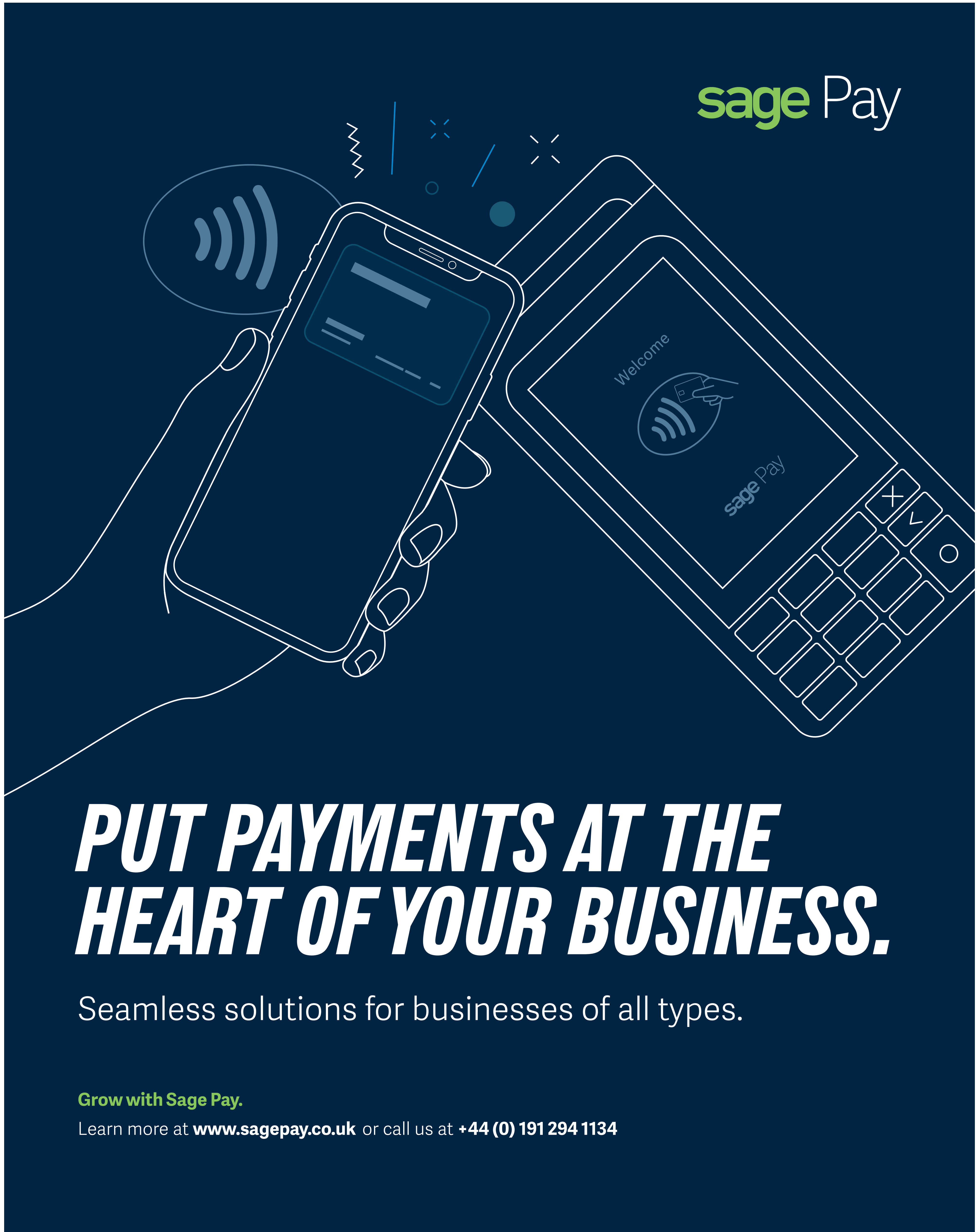
FUTURE OF RETAIL



FUTURE OF RETAIL

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Contributors

Sophie Benson
Freelance writer focusing on sustainability and consumerism, her work has been published in *The Guardian*, *Dazed* and *Refinery29*.

Belinda Booker
Award-winning business journalist covering events and marketing, she has written for titles such as *Meetings & Incentive Travel Magazine* and *The Grocer*.

Francesca Cassidy
Freelance writer specialising in lifestyle and business topics, she contributes to a range of business and consumer-facing publications.

Marina Gerner
Award-winning arts, philosophy and finance writer, contributing to *The Economist's 1843*, *The Times Literary Supplement* and *Standpoint*.

Duncan Jefferies
Freelance journalist and copywriter, he covers digital culture, technology and innovation, and writes for *The Guardian* and *Independent Voices*.

Clare Press
Writer and respected environmentalist, she is the sustainability editor-at-large of *Australian Vogue* and presenter of the *Wardrobe Crisis* podcast.

Oliver Pickup
Award-winning journalist, he specialises in tech, business and sport, and contributes to a wide range of publications.

Ana Santi
Former editor at *Drapers* and commentator for the *BBC* and *Sky News*, she writes extensively across fashion, business and culture.

raconteur reports

Publishing manager
Libby Owen-Jones

Associate editor
Peter Archer

Deputy editor
Francesca Cassidy

Managing editor
Benjamin Chiou

Digital content executive
Taryn Brickner

Head of production
Justyna O'Connell

Design
Joanna Bird
Sara Gelfgren
Kellie Jerrard
Harry Lewis-Irlam
Celina Lucey
Colm McDermott
Samuele Motta
Jack Woolrich

Head of design
Tim Whitlock

@raconteur /raconteur.net @raconteur_london

raconteur.net /future-retail-2019-dec

CONVENIENCE

Exploring the dark side of frictionless shopping

We are increasingly, and probably unconsciously, relying on algorithmic recommendations when shopping online. But when friction is completely removed, what is the impact on our emotional and cognitive relationships with the buying experience?

Marina Gerner

When it comes to shopping, convenience is the name of the game. Increasingly, one-click buying, contactless payments and same-day deliveries create a frictionless shopping experience. But is friction necessarily a bad thing? After all, removing friction creates a cognitive and emotional distance from our purchase. In other words, it makes handing over money feel less real.

At the same time, we increasingly shop online through algorithms. Whether that's "customers also bought this" recommendations or advertising tailored to our data following us around on Google and Instagram.

Businesses invest heavily in algorithms that recommend products, from films to clothes. Worldwide revenue for big data and business analytics is expected to reach $189.1 billion this year, a 12 per cent increase on 2018, according to the International Data Corporation.

So how do algorithmic recommendations influence our decision-making when we shop online? Do they make us more impulsive? "They give us opportunities to be more impulsive," says Nick Lee, professor of marketing at Warwick Business School.

There are different theories on how advertising works. Professor Lee says there's not much evidence for the "strong theory" that advertising changes people's attitudes and makes them buy products they wouldn't otherwise. Instead, the "weak theory" posits that advertising builds brand awareness: the more you see something, the more you become aware of it. The same is true for algorithmic recommendations.

In some cases, algorithms could do the opposite and actually make us less impulsive, argues Brad Love, professor of cognitive and decision sciences at University College London, and fellow at the Alan Turing Institute.

"It depends on the shopper's habits," he says. "If you're faced with a thousand potential products that all vary in 20 different ways, the odds of finding the best product are close to zero. But if you're shown five things through an algorithm, it could free up your mental resources to think: what do I value more in a laptop, the battery life or the processor speed?"

Justin Lim/Unsplash

But what it we're relying on algorithms to preselect gifts we buy for friends and family. Does this spare us the emotional labour of actually considering their needs and wants? Does it, therefore, defeat the purpose of gift-buying?

The way we're perceived in the world is through our choices, notes Michal Gal, professor of law and markets at the University of Haifa. "If an algorithm knows us well, it becomes an extension of ourselves," she says. "But even if the gift is better or more efficient in relation to the preferences of your friend, what's missing is the human interaction, thinking actively about the needs and preferences of another person."

However, Professor Love points out that shops already present us with a selection of goods, as they preselect and import products, catering to certain demographics. Besides, he asks: "Is drudgery what people value in this case? It doesn't seem like suffering in itself makes a gift valuable, it's about understanding another person.

"We need to make sure the drudgery aspect is automated, but that people don't lose sight of what they value and what it is that makes a product joyful or useful."

Even if people buy gifts based on algorithmic recommendations, they will probably still take credit for it. After all, we have a tendency to overemphasise our own contribution. "If computers really were shaping that choice, the consumer won't give them the credit," says Professor Love.

Is it possible that we may gradually lose the inclination, or even the capacity, to engage critically when shopping? So could this make us more prone to deceptive advertising?

"The dangers aren't the obvious ads," says Professor Lee. "In developed economies like the UK, consumers are savvy about those." Instead, it's important to watch out for grey areas, such as influencers, who don't clearly show that they're being paid for pushing a product, or sponsored content that is not clearly labelled as such.

Crucially, when it comes to algorithmic recommendations, the medium is important. A recommendation we see visually is very different from one we only hear. It depends, for example, whether you're searching on a screen or using a voice assistant. "With voice shopping, research has shown that the first recommendation often becomes what you buy, because you can only hear it, you don't have any other parameters for comparison," says Professor Gal. Visually, you might see more features of the product.

It's also important to consider who the algorithm is employed by and what the incentives are. "If I write my own algorithm or its neutral, then the risk of deception might be reduced. But if the algorithm is created by a third party with incentives that are different from mine, and I'm not aware of it, then I might be less aware of deception," says Professor Gal.

What's more, research by Michael Yeomans of Harvard Business School has shown that people trust the recommendations of family and friends much more than those of algorithms, even if the latter is spot on. In fact, it's precisely not knowing how an algorithm operates that erodes trust; known as the "black box" problem. That's why Google recently launched its Explainable AI programme, for example.

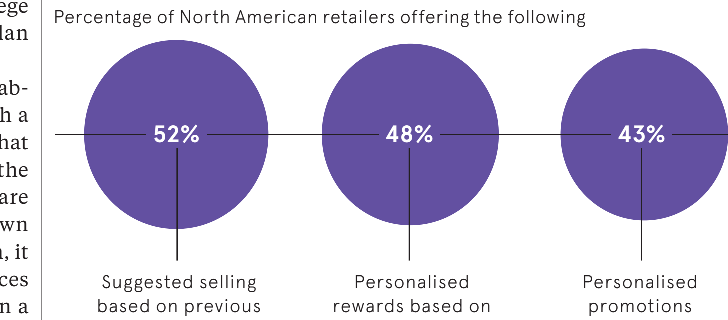
Dr Yeomans says: "If we are taught to trust an algorithm without understanding, this can make it easier for all kinds of covert influences to pop up. In some ways, our intuition for relying on tools we can understand may be an age-old defence mechanism. And it is being tested in new ways in the modern marketplace."

Critical thinking is paramount when we choose a partner, read the news or vote in an election. Buying tomatoes may be less profound.

"With some goods, algorithmic recommendations could save us a lot of time," says Professor Gal. We have a limited amount of decisional energy that we use up throughout the day. "If the recommendations are actually ones that benefit us, then that could help us save decisional energy," she says. And we could focus on decisions that matter the most.

PERSONALISING THE SHOPPING EXPERIENCE

Percentage of North American retailers offering the following



BRP 2019

UK apparel brands turn to data for personalisation

Personalisation will continue to dominate the future of retail and the big players seem to agree

In a multichannel environment, customers expect a tailored shopping experience. Online stores have the responsibility to give a personal touch while providing a fast and convenient user experience.

This has led to a trend in the UK of more and more outlets offering personalised and interactive size advice through online channels.

An example of such technology is Fit Analytics, a data-driven software company helping leading global retail brands, including ASOS, Footlocker, Tommy Hilfiger, Calvin Klein and Lacoste, to name a few, solve sizing issues with Fit Finder.

The trend of retailers and brands turning to machine-learning to address user expectations illustrates a general shift in user experience strategies. Apparel customers increasingly expect their favourite brands to offer personalised solutions to help them choose the right size.

For Fit Analytics, this consumer demand drives more than 800 million monthly size recommendations, spanning a portfolio of more than 15 million items across 17,000 brands, and supporting more than £100 billion in global sales and returns.

271%
increase in the number of UK and Irish apparel and footwear companies partnering with Fit Analytics to address sizing from 2016 to 2019

706%
increase in size recommendations during the five-day Black Friday period between 2017 and 2019

1050%
increase in purchases of supported products during the five-day Black Friday period between 2017 and 2019

Size recommendations provided during the five-day Black Friday period

2017 2019

44m

355m

Purchases of supported products during the five-day Black Friday period

2m

23m

Machine-learning is the future

When Fit Analytics was founded in 2010, it knew the value of data. The company developed proprietary technologies based on hundreds of thousands of body measurements, which still act as the foundation for its technologies. In 2013, the company introduced a machine-learning approach to its algorithms.

"By learning how to model bodies using different factors, such as gender, height, weight, age and body shape, we were able to combine the measurements with production size charts and sales and returns records to produce accurate recommendations for shoppers seeking size advice," says Fit Analytics' chief executive Sebastian Schulze.

"Standard size charts never did, and still don't, offer the same accurate size advice as data and machine-learning. After years in the industry, it was clear we could take our technologies a step further."

Observing the increased importance of machine-learning and responding to client requests for deeper insights, Fit Analytics broadened the scope of its data applications. The company created a data-platform that leverages its industry knowledge to solve issues from various points within the multichannel ecosystem.

Fit Connect followed Fit Finder to address clients' needs to offer personalisation earlier in the online user journey. Fit Intelligence was created to provide additional insight into shopper preferences, helping retailers develop smarter business strategies. Fit Source rounded out the platform, providing Fit Analytics with its own answer to personalisation, assessing the unique needs of its clients and supporting them with bespoke, uniquely crafted projects.

Dealing with facts, not conjecture

By offering size recommendations and insights based on accurate data, retailers ensure shoppers are better connected with items likely to fit, while simultaneously converting pain points into new revenue opportunities.

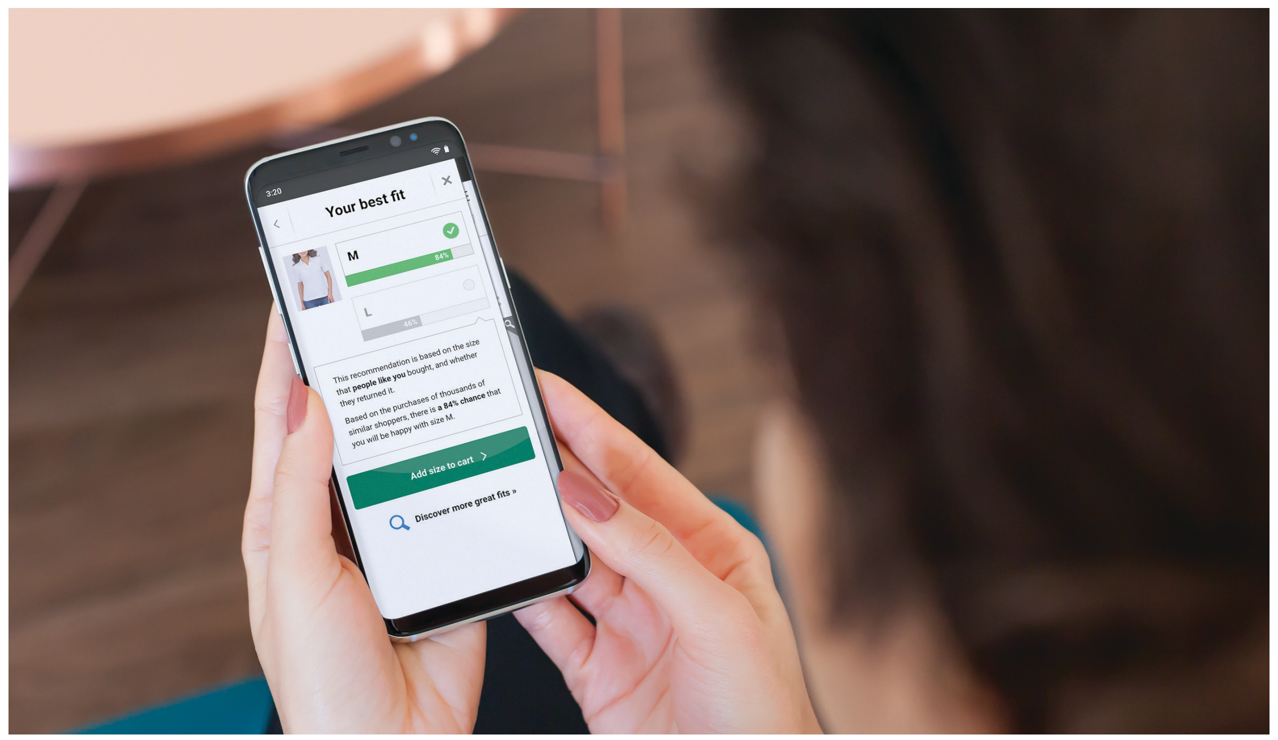
Ultimately, it addresses the wider trend of consumer power and expectation and, most significantly, personalisation.

"It is easier to make key decisions that will have a positive business impact if a company knows its customers," says Fit Analytics' global head of marketing Alejandro Sáez. "Data helps our clients eliminate confusion around fit and reconcile inconsistencies due to lack of industry sizing standards. The relationship between a shopper and an item becomes clear, replacing conjecture with facts, and ultimately improves profits."

Mr Sáez cites the example of generational differences with vastly different social and behavioural profiles as evidence of data's important role, noting that an apparel company marketing to millennials when their customer base primarily comprised of centennials would result in lost conversion opportunity by failing to market effectively to a specific demographic.

The diversity in customer preferences, needs and body shapes is a main driver in this shift to data-driven personalisation. Innovative apparel and footwear companies understand that to offer the most accurate size advice possible, they need to appeal to the individual.

Retailers can be confident that the data behind the recommendations is accurate because the generated advice is based on multiple data sources, including social proof, the aggregate of inputs and preferences given by the customers themselves.



> Reduced returns, increased conversions, less size sampling, enhanced trust and customer engagement are just a few of the improvements brands look to address

Bridging digital and in-store

Reduced returns, increased conversions, less size sampling, enhanced trust and customer engagement are just a few of the improvements brands look to address.

For the retail industry as a whole, turning to data presents a significant opportunity for companies to offer a way for their customers to make satisfying purchases. Data also bridges the digital and physical divide. With consumers wanting the convenience of online with the personal touch of bricks-and-mortar stores, retailers are more able to address multichannel needs.

"Sizing solutions offer the personal touch most shoppers are accustomed to when interacting with employees in stores. On the flip side, retailers can use online insights to inform their bricks-and-mortar strategies by adjusting everything from product stock to in-store technologies based on online customer preferences," says Mr Schulze.

Demand for data-driven approach

For Fit Analytics, the large number of monthly size recommendations produces around 800 million new data points every day. The fact that the company's number of UK and Irish partners has increased by 271 per cent from 2016 to 2019 shows brands are proactively choosing to partner with industry experts to provide a collaborative, data-driven solution to issues around fit and sizing.

Looking at the busiest time of the year alone, 2019's five-day Black Friday period saw 2.75 billion page views for Fit Analytics' clients, amounting to requests from 130 countries, providing 355 million size recommendations and 23 million purchases of supported products.

"With this comprehensive knowledge, we are in the unique position to be able to build products using the largest dataset in the industry," Mr Schulze concludes. "The retail industry is leaning towards personalisation and we will continue to support apparel and footwear partners looking to leverage data to best serve their customers."

Want to solve sizing? For more information please visit www.fitanalytics.com

FIT ANALYTICS

Adidas analyses customers' running styles using a treadmill and sensors so they can receive personalised footwear recommendations

The football department of the adidas flagship on Oxford Street

IMMERSIVE

Taking immersive shopping to the next level

The high street is not dead, according to adidas, whose new flagship store on London's Oxford Street is showcasing the very latest technology to reinvent the in-store shopping experience

Ana Santi

In the footwear department of the new adidas flagship on London's Oxford Street, a customer takes out his smartphone, clicks on the adidas app and, via the Bring It To Me tech, scans the shoe he has been browsing.

The details come up: it's from the Predator Precision range by David Beckham. The customer selects his size, requests to try it on, then moves to a different department in the 2,500sqm store.

Through geo-tracking, the sales assistant who picked up the request quickly locates him and presents the box-fresh trainers. The customer is speechless. The sales assistant is David Beckham.

Granted, it was a one-off, but the moment is representative of the brand's ambition for its capital adidas high street outlet: to blend technology with physical brand theatre to hit the sweet spot of an immersive shopping experience.

According to *The State of Fashion 2020* report by McKinsey and Company and *Business of Fashion*, four in five customers shopping in stores browse the internet on their phones.

The report says: "A fully tech-driven in-store experience is currently the exception rather than the rule, [but] players at the cutting-edge are increasingly exploring technologies that could one day become commonplace. For the customer, cutting-edge tools create an immersive experience and aid decision-making on interactive devices."

Dubbed "our most digital store yet" by Hannah Mercer, vice president of global retail and franchise operations, the adidas flagship, which opened in late-October, features more than 100 digital touchpoints and will become a template, through learning and tweaking, for other stores.

"We developed the Bring It To Me technology in-house and it has done so well here that we've already scaled it to 45 stores in the United States," says Ms Mercer, as we tour the four-storey adidas Oxford Street store and pause at the MakerLab, where customers can personalise product with customisation options including flocking, embroidery and artistic heat-pressing.

"We're already looking at how we can make MakerLab bigger in Paris and New York," she says. "The high street is not dead. We shouldn't be worrying about declining traffic in terms of big-box retail so long as they have a great experience.

"The retailers that have struggled in a troubling economy haven't changed enough. If you're a big-box retailer and it's full of racks, I'd be at home on the sofa doing my shopping. You have to make it exciting."

For Ms Mercer, the measure of success comes down to net promoter score (NPS) and conversion. "Density and linear foot measurement are gone. It's not about getting the biggest assortment; it's about getting the best or the most exclusive," she says, pointing out that adidas LDN's best-selling product is a simple black T-shirt from its exclusive London range, only available at the flagship.

"The NPS in this store is between 94 and 97 per cent, one of the best in the world. Conversion went from 15 per cent, what most full-price stores along here will be on, to 20 per cent and trading in the first month has exceeded expectations."

Areas that are smashing conversion rates include women's footwear and Ms Mercer credits the adidas flagship's Running Lab, a discreet treadmill facing a giant digital screen of a London backdrop, which changes the faster the customer runs.

Special pods are synced to a tablet and then attached to the customer's trainers. After a few minutes' running, the pods transfer data about the running style of the customer and makes footwear recommendations.

Today, it is staffed by Akesha Smith, who also happens to be a 400-metre hurdler. "Customers trust it," says Ms Mercer. "You have a true athlete supported by technology."

> Big-box retail needs to be playful and theatrical, and that's why there will always be a place for it

Here, conversion currently stands at 85 per cent.

But is the blend of high-tech and experiential retail the preserve of the big brands and their flagship stores?

"Flagship stores are designed to attract a large volume of consumers by offering unique experiences, so it makes sense to prioritise the latest technology," says Huw Owen, head of Europe, Middle East and Africa at Couchbase, a Silicon Valley-based tech company, whose clients include Louis Vuitton and Tesco.

"However, the majority of retailers, particularly smaller stores, won't see the benefit of this alone, which is why it's crucial to apply technology for more operational services, like price checks, payment and inventory management."

According to software company MuleSoft's 2019 consumer research report, despite the hype around augmented and virtual reality, consumers place greater value on the basics, with 80 per cent saying inaccurate data, such as stock availability, would make them likely to shop with another retailer next time. Some 44 per cent said they hadn't seen innovations, such as cashierless stores, mobile-driven in-store experiences and personalised offers, at their local stores.

The ground floor of the adidas flagship, the area the customer sees first, is a clear sign of the brand's confidence. At the centre, men in white coats stand next to trainers dipping in and out of liquid resin, as part of the brand's temporary Future of Sport installation.

To the right is the sustainability wall, a permanent installation. The rest of the store is built on a modular system that tells the story of adidas's pledge to use no virgin plastic by 2024. The store is 100 per cent powered by green energy and has BREEAM-certified (Building Research Establishment Environmental Assessment Method) sustainable materials used throughout.

"We do it because it's the right thing to do," says Ms Mercer of the approach to sustainability, which has been embedded in the brand for the last 20 years. "I've done lots of big-box retail over the years and here I have an entire ground floor to play with. It allows us to tell a story. Big-box retail needs to be playful and theatrical, and that's why [as she points across the road to the 110-year-old Selfridges] there will always be a place for it."

Q&A

Why retail is entering a brand-new era

Renowned retail consultant and founder of Portas agency, **Mary Portas** describes the death of old-school consumer culture and tells why 'The Kindness Economy' will define the future of the high street

Francesca Cassidy

Q You believe we are entering a new era of consumerism which you call 'The Kindness Economy'. What does this mean to you?

A It's a new economy that businesses have to get used to, one that's built on a new value system. If you look at the past 30 years, consumerism has been peaking and the whole infrastructure of retailers has been around who is the biggest, the fastest, the cheapest. It's all been down to operations rather than an understanding of how people are living.

Big retailers will give you many reasons why the high street is failing and this won't be among them. The first reason they give is the internet, the second is the economic climate, that most people are strapped for cash, and the third has been the uncertainty of Brexit.

Of course, all of these play a part, but the biggest reason has been that we've changed our value system as people. What we've come to realise as a society is that the tenets of capitalism, that 'more equals better', is not going to be better for us as people or for our planet.

The indicators are everywhere. We now have a real backlash against fast fashion. We're seeing a rise in recycling, upcycling, vintage, secondhand. We've got global marches, we've got a real mistrust in large organisations. And on the back of that a rise in volunteering.

Old-school consumer culture, reducing people to what they buy rather than who they are, is dying. And businesses that were set up to feed that beast are crumbling. This new era, The Kindness Economy, is going to be about sentience. It's going to be about care, respect and understanding the implications of what we are doing.

The businesses that can connect with people as people, not merely consumers, will start generating a whole new way of shopping.

Q Do you believe The Kindness Economy, as a new way of creating business, is the secret to reinvigorating the UK high street?

A Absolutely. It makes for a better world. And as a result we will lose the boring, boring high street we had in the 1990s and noughties.

A great example is Eat 17: a couple of lads from Walthamstow [north-east London] saw the local Spar and thought, "We can do something with this." They realised there was not much money in the area, so they kept the low-priced stuff, but they also started to work with small, independent producers. They get their sausages from the local butcher and they get the local florist to deliver. And they've created this brilliant supermarket. There's a space where people can sit and eat too, instead of a dodgy cafe, they get the greatest street food vendors to come.

Now areas like Walthamstow will pick up and you'll suddenly notice that a chain shop has come in because Eat 17 has created the footfall. They've created the place to go.

These are the new anchors of the high street. Instead of "Oh, we have to get a Marks & Spencer or a Debenhams in here", the new anchors won't even be all retail, they could be a yoga studio, a crèche, community spaces with a socialising function. So yes, we're going to have less retail, but we're going to have better retail and better places to connect.

> The tenets of capitalism, that 'more equals better', is not going to be better for us or for our planet

Q What is the triple bottom line and why is it important?

A The triple bottom line is people, planet, profit, in that order. Put your people first, because the planet will continue without us, but if we want to be on it, we need to change. We need to understand how we're eating, how we're travelling and how we're buying. Put people first and it will be us that can make that change happen. And this means both people in your business and people outside your business. Not consumers or staff: people.

Q In your book *Work Like a Woman*, you talk about dismantling alpha culture and embracing more traditionally female qualities. Will this redress the imbalance of having so few women on retail boards, despite retail staff being predominantly female?

A It is shockingly bad; 70 to 80 per cent of purchasing decisions are made by women. And in the retail business, there are huge numbers of women in the roles of buying and behind the scenes in human resources, but when it comes to the board? All you see is men.

In the past, alpha culture was prime, because we're talking about numbers, we're talking fast turnover and we're talking about old codes, statistics, data. And the belief was that this kind of work didn't need the "soft stuff", the understanding of what women are buying, what they want. So that element of retail was kept out of the boardroom, but thankfully this is shifting.

We've had three trajectories over the 30 years I've been in the business. In the 1980s, it was an era of Status Symbols: "I shop, therefore I am." Then we moved on from that because it was rather gauche and obvious, and moved on to Status Stories. These were all about "discovering" things from small, unknown designers, very rare and special. The food scene really took off at this time.

Now we're moving into what I call Status Sentience. A shift from buying from, to buying into. You buy into brands that connect with your values. This requires very different ways of creating business; it requires instinct and sensitivity. It's built on the so-called soft stuff that previously had no place in business, in the boardroom. And that has to come in now.

Q You are credited as the person who turned Harvey Nichols into a leading brand. What are the lessons from your time there that are applicable to retailers now?

A When I joined Harvey Nichols, it was loss making. There was a team of five of us on the board and we were given 18 months to make it profitable, with very little budget. And so we worked instinctively. That's a very important word, "instinctively". As creative director, I instinctively connected the business with what was happening culturally.

We couldn't get the big designer brands, like Harrods could, because we weren't a "sexy" business at that time. So I went after young designers and gave them free space on the shop floor. I used to go to the Royal College and Saint Martin's, meet with the lecturers and say, "Tell me who your best students are and I'll get them work", next thing we had a young Thomas Heatherwick designing the window.

Then I heard about Jennifer [Saunders] writing Ab Fab and offered the cast access to the store at anytime and to let them borrow clothes. When the show came out they only mentioned shopping at Harvey Nicks. And people started to feel cool shopping there.

We opened up a bar and a restaurant, which was the first time anyone had done that in a department store. It redefined the shopping experience and the by-product was that we sold stuff. And then it got bigger and more successful, and in came the finance people and we lost what was really special.

But now we're going back to that. All those operations set up simply to shift stock don't know how to harness that magic. That's why House of Fraser has collapsed. That's why we're seeing problems at Marks & Spencer. You have to be nimble, you have to be instinctive. You have to understand people's pains and get excited by them and take risks.

One year we emptied the windows, put nothing in them and gave all the money to charity. That was a risk, but it was instinctive, knowing the climate, knowing the feeling. And that is what the future of great retail is going to be.

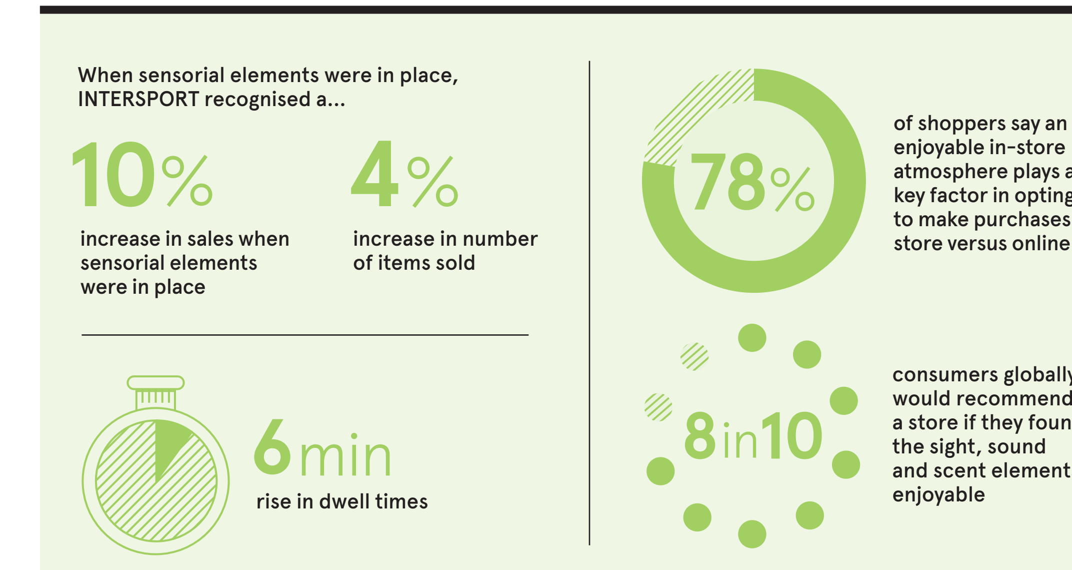
That's why we're seeing brilliant brands grow, the Glossiers, the Caspers, they are understanding our needs, they're connecting with what people want. And these are the brands that will really do well in the long term. ●

TRUST AND VALUES RANK HIGH IN BUYING CONSIDERATIONS

Percentage of consumers who say each is a deal breaker or deciding factor in their brand buying decision

Edelman 2019

Commercial feature



How sensory retail is paying off

Digital signage, scent and music combine to inspire consumers, increasing their return visits to high street stores and propensity to buy, says Linda Ralph, vice president of international business development, **Mood Media**

When Selfridges opened a skate park within its designer streetwear department at its flagship Oxford Street store in October 2018, some were sceptical. But it was just one of several customer experience initiatives that helped the department store to increase sales by 6 per cent to £1.85 billion for the year to February 2019, bucking wider retail trends. Now, it's a sign of the times.

It is more important than ever for bricks-and-mortar retailers to differentiate their offering from both competitors and ecommerce platforms. Consumers demand an immersive in-store experience that stands out. Mood Media's 2019 Global Study shows that 79 per cent of shoppers say an enjoyable in-store atmosphere was influential when deciding to make purchases on the high street, rather than online.

Ecommerce will almost always win on convenience for everyday items. But for inspiration, a sensory experience that fires the imagination and delights the soul is far more powerful. Thanks to technology, retailers have an unprecedented opportunity to create in-store experiences that deeply engage consumers, presenting endless creative possibilities to make an impact.

Our recent study demonstrates the tangible commercial benefits associated with sensory marketing. We partnered with INTERSPORT to conduct a controlled experiment, which compared consumers' behavioural, emotional and cognitive responses in a "senses-on" phase to a "senses-off" phase and three control stores throughout the period, finding that when sensory marketing was applied, sales increased by 10 per cent.

Our findings underline the importance of investing in the in-store experience. Apt sensory surroundings can influence consumers to stay longer, by approximately six minutes, and consequently make purchases. Consumers bought 4 per cent more articles and what they purchased was on average 6 per cent more expensive. Above all, greater immersion can drive customer loyalty.

Retailers need to focus on developing an in-store experience which focuses on four key trends: immersion, community, customisation and convenience. By appreciating the importance of these trends retailers can align with consumers' preferences, allowing them to engage with people in a way that grips them and excites their imagination.

Innovative brands in many sectors have started to use technology to align with these four key trends. For example, fashion and beauty retailers have been deploying highly innovative yet practical concepts, such as voice-powered mirrors which can assess a customer's skin type and suggest products as they apply make-up.

7Fresh is a next-generation supermarket in China that uses smart trolleys to guide customers through the aisles, a mobile payment app with WeChatPay, a 30-minute delivery service and a restaurant where products purchased by customers can be prepared.

In the automotive sector, Nissan recently launched its City Hub flagship store in Paris, including wall-to-ceiling touchscreen ultra-definition LED installations that bring its concepts to life.

We believe retailers across the board will follow the success of such brand and sector pioneers, and start to make a greater investment in leveraging the unique advantages of a physical store. That said, brands need to think strategically about sensory marketing to achieve commercial success. As with all forms of marketing, they need to focus on projecting a consistent image across their channels.

Our sensory marketing research with INTERSPORT demonstrates this. The football area of the INTERSPORT store that featured scent marketing generated 26 per cent more sales than similar unscented zones across the country during the same period.

There is little doubt that retail is becoming evermore competitive. An investment in sensory marketing to elevate the in-store experience and deliver on these findings will become increasingly important in driving sales and fostering brand loyalty.

Mood Media's global survey validates sensory marketing in terms of return visits, with 90 per cent of consumers globally saying they are more likely to revisit a store if the music, visuals and scent create an enjoyable atmosphere.

The opportunity is clear. Sensorial marketing is not a nice to have. It is an essential tool that is increasingly impacting retailers' bottom line in a challenging climate.

For more information please visit moodmedia.co.uk

MOOD:MEDIA

OPINION

More work needed to stop fast fashion greenwashing

Clare Press, the sustainability editor-at-large at *Vogue Australia* and presenter of the *Wardrobe Crisis* podcast, explores how greenwashing is spreading across the fast fashion industry and why more needs to be done to fight it

Clare Press

As the first *Vogue* sustainability editor, I've been asked more than once if fashion can actually be sustainable. You could argue that the phrase is oxymoronic. Built-in obsolescence is a given, and fast fashion has put this into overdrive. Oscar Wilde once quipped that "fashion is a form of ugliness so intolerable that we have to alter it every six months"; today it's more like six weeks.

According to the Ellen MacArthur Foundation, clothing production doubled in the 15 years from 2000. Globally, we now produce more than 100 billion garments per year.

During the same period, clothing utilisation – the amount of wear we get from clothes – dropped by 36 per cent.

I used to think disposable fashion was a worry, until I heard a worse phrase recently – single-use fashion. The equivalent of one garbage truckload of textiles enters landfill every second. We are buying clothes to throw away, and churning through resources to produce them. The UK Parliament's Environmental Audit Committee warns that, if current consumption levels continue, the fashion industry could account for one quarter of the world's carbon budget by 2050.

This is the context for brands stepping up their sustainability innovations and setting bolder goals for circularity and carbon neutrality. Consumer demand is spurring them on. According to Nielsen, 73 per cent of millennials would spend more on a product if it came from a sustainable brand, while Lyst reports searches with sustainability-related keywords have increased 75 per cent year on year.

Yet the word 'sustainable' means different things to different people. It depends on your criteria. Here's a few to spin your head. Are you looking at the water footprint of a textile, or its carbon emissions, or both? If so, which one takes priority? Does how you treat your workers come into it? Should it?

Despite this complexity, shoppers are hungry for more sustainable solutions. "More sustainable" – see what I did there? I began this piece by asking if sustainable fashion were even possible; sometimes the addition of a qualifying word can help. Almost everything we produce negatively impacts the planet. Simply reading this in print or online has a footprint. 'Sustainable fashion' is a useful umbrella term and for now it must suffice, but words do matter. With greenwashing on the rise, vigilance is more important than ever.

One of the most common forms of greenwashing occurs when brands make a big fuss about at their eco-friendly capsule collections, when the vast majority of their practice is just unsustainable business as usual.

When something is trending, hip or buzzed about, competition steps up. A recent *Ad Age* story charged that "nearly every [apparel marketer is] leaping on to the green wagon" where the "lack of a clear definition of terms is proving both beneficial and burdensome." If you want to exaggerate your eco-cred, there's little to stop you.

In Australia where I live, the Environmental Claims in Advertising & Marketing Code warns that claims should be factual, relevant to the product or service and its actual environmental impacts substantiated and verifiable. They should not be misleading, deceptive, vague, ambiguous or unbalanced. Similar standards are in effect elsewhere, yet few fashion brands have been officially called out.

In August, the Norwegian Consumer watchdog criticised H&M for a Conscious Collection campaign that claimed, "[We] explore the healing power of nature, while also embracing innovation with sustainable materials and processes for a more sustainable fashion future." There was insufficient information to back this up, the watchdog said.

But much of this stuff slips by unnoticed. In general, the press coverage of Zara's latest "environmental commitment" was favourable. Goals include increasing their renewable energy use, phasing out single-use plastic packaging and upping their use of more sustainable and recycled materials. All laudable things. But executives promoted the story by telling media that Zara is "the opposite of a fast fashion company". Come on! They invented the model.

Clare Press

In June, Boohoo's #forthefuture capsule was marketed as an opportunity to "dress well and do your bit for the planet". The online retailer releases 100 new products a day, and this capsule featured 34 in total. Prices started at £4, and polyester dominated. How that's "for the future" stumps me – and I wasn't alone. The story made headlines worldwide as an example of greenwashing. Switching in a bit of recycled polyester doesn't equate to saving the planet – not at single-use prices anyway.

We can trace 'greenwashing' back to the Mad Men era, when former Madison Avenue advertising executive Jerry Mander coined the term "eco-pornography". In the late-1960s, US public utility companies were spending more on advertising their anti-pollution research than on the initiatives themselves.

In 1970, on some days, just breathing the air in Los Angeles was like smoking two packs a day. Polluted rivers burst into flames. Millions joined the first Earth Day protests that year, and have done ever since. The race for brands to show how environmentally responsible they were had begun. But it took another 15 years for term 'greenwash' to enter the lexicon.

Who knows if Jay Westerveld was really the very first person ever to use it, but he certainly did so in a 1986 essay. Story goes that he'd seen a sign in a Fiji hotel urging patrons to hang up their lightly used towels for reuse, and explaining that a towel on the floor would be washed. The hotel thanked patrons for helping them conserve the Earth's precious resources. So far so good, until Westerveld noticed that the hotel was expanding into an adjacent nature strip. Not washing the towels, he decided, was probably about saving money as much as water.

Most hotels I visit today have a similar linen policy, and I'm sure it does save water and energy, and that's a beautiful thing. I'd like to argue for both truth and beauty. I don't presume every brand with a new initiative is trying to dupe us, but the onus is still on the consumer to unpick fact from fiction. Ultimately, we need tighter regulation. Until then, social media may be the most effective tool we have, and it can be brutal. Brands, you have been warned. ●

> Switching in a bit of recycled polyester doesn't equate to saving the planet – not at single-use prices

100m
garments are produced each year worldwide

2x
increase in clothing production between 2000 and 2015

36%
drop in clothing utilisation (the amount of wear we get from clothes) during that same period

Ellen MacArthur Foundation 2017

OPINION

'It is time for the government to put their money where their mouth is'

The UK has one of the most vibrant and dynamic retail industries in the world. One that contributes £97.1 billion to the UK economy, employs three million people and has higher productivity growth than almost any other industry.

Yet there is a dramatic transformation happening. New technologies are changing the way we shop, the possibilities for consumers are limitless. We can now shop anywhere, at any time. What was unthinkable a few years ago has become reality for the industry and consumers. The potential for success is huge, with companies investing millions in digital infrastructure. Internet shopping is increasingly popular with the proportion of food bought online growing continuously.

The role of the store is changing. From smart mirrors in changing rooms to shops without checkouts, retailers are creating an enhanced experience for customers. Apps provide help in finding, sizing and buying products, and the use of augmented reality may mean that soon we are shopping virtually "in-store" from the comfort of our own home.

The transformation has brought with it a need to embrace change. The most successful retailers are those who effectively integrate their physical and digital offerings to create a seamless experience for shoppers. However, jobs have been lost and many existing jobs are changing, established brands have fallen by the wayside and the future of retail remains uncertain.

With the election over, the new government has an opportunity to relieve the ever-increasing burden of public policy costs that is holding back the industry from investing more heavily to delivering the productivity growth and skills development the industry will need in the future.

Before the election, the British Retail Consortium launched *A Vision for The UK Retail Industry*, outlining our recommendations for a cross-government strategy for retail. Among the many recommendations there are three that should be at the top of the government's agenda.

Firstly, as I talk to colleagues across the retail industry, one cry rings louder than most: the need to reform the UK's broken business rates system. We must fix a system that forces our industry, which accounts for 5 per cent of the economy, pay 25 per cent of all business rates. This includes reforms to the Valuation Office Agency and fixing the transitional relief, which costs retailers a combined £2.1 billion over five years.

Secondly, retail is an industry full of opportunity. Many retail careers that start in the stockroom, end in the boardroom. This year the British Retail Consortium launched *Rethink Retail* to raise awareness of the diverse career paths that exist across retail. There is a bright future for those entering the industry. But for everyone to get the skills needed for the future, such as enhanced digital skills, the government must realise the need for increased flexibility in the way firms use their apprenticeship levy funds.

Finally, the new government has a duty to protect people and must take action to keep shopworkers safe. There are three million people who work tirelessly to ensure we have stacked shelves, on-time deliveries and the best selection of goods. Too many face abuse and violence as they go about their work. This must not be allowed to continue. The government should ensure such violence is met with tougher sentences so everyone feels safe in their place of work.

Retail is about choice. Now the government has a choice to make. Will it choose a successful future with exciting products, better jobs and greater opportunities for the retail industry and those who shop there? Or will it choose to continue a legacy of disproportionate costs and increasing regulation? Will the promises of the election campaign be followed. ●

Helen Dickinson
Chief executive
British Retail Consortium

Commercial feature

What does the future of ecommerce hold?

In a crowded online retail market, merchants and brands need digital excellence to compete and provide consumers with the personalised experience they expect

Consumers have access to virtually any product thanks to the wealth of stores available through ecommerce. Intense competition has created an almost perfect market for consumers, but it has also made it extremely difficult for brands to compete and reach customers effectively.

"Before the advent of digital, nobody knew what the neighbouring store in another city was offering or how much they were charging but now, with the high level of transparency in the market, anyone can compare any product they want instantly," explains P.J. Utsi, co-founder and chief creative of Vaimo, a global leader in delivering award-winning digital storefronts, omnichannel solutions and mobile apps.

Mr Utsi has seen how already high consumer expectations are continuing to increase with players like Amazon and other major e-tailers having the economies of scale to drive down prices and stop smaller competitors from being able to compete on price alone.

While these international giants may often win on price and availability, according to Mr Utsi, expert advice, strong merchandising, brand and product experience can help smaller brands gain an advantage and create demand.

The mentality of "IWWIWWIWI" (I want what I want when I want it) is changing customer expectations and altering how merchants provide digital experiences. "Steve Jobs talked about this when he launched iTunes back in 2003 and spoke about how important it is for customers to get music immediately after making the purchase decision," says Mr Utsi.

"The current experience offered by market leaders sets the bar incredibly high. Google is king for search, Apple leads for the user interface and you have Amazon, known for delivery. This is what consumers are used to these days and any company that is not as polished as these firms will be offering a subpar experience and that's going to make customers hesitate or experience friction."

By embracing data-driven insights merchants can enable unparalleled levels of personalisation and transform how their customers interact with and purchase from their business.

"The better you know your customer, the better you can tailor their experience and, in the world of digital, the customer expects to receive personalised content at all times. Every single app I launch is hyper-personalised to me and if it wasn't I wouldn't use them. These apps are so incredibly popular because they are hyper-relevant and that is powered by data," says Mr Utsi.

Vamio provides businesses with the tools to offer a truly omnichannel strategy and overcome the challenge of not having a unified tech stack. Consumers use countless devices, user interfaces and touchpoints before buying a product, which requires businesses to offer a seamless experience in all these areas.

For example, communicating with companies has rapidly changed as consumers expect instant answers to their questions. If a website or app only has a "contact us" button that leads to an email address, an entire generation of consumers will be unimpressed and want to know why there isn't a live chat option or WhatsApp or Facebook Messenger contact.

"Where Vaimo can help our clients is in serving a user an excellent experience and creating demand. That is something Amazon cannot even get close to. Because Amazon is selling every single product available on the market, it isn't able to do a really good job in niche areas like fashion, electronics or cars that require a more personalised experience and interaction," says Mr Utsi.

"It's in this area where merchants and brands have the best opportunity to actually compete with a giant market leader because, with our help, they can offer a personalised experience consumers really want and expect in such a competitive ecommerce space."

> With our help, merchants and brands can offer a personalised experience consumers really want and expect in such a competitive ecommerce space

P.J. Utsi
Co-founder and chief creative of Vaimo

For more information please visit vaimo.com

THROWAWAY CULTURE

We throw a staggering volume of clothes to landfill every year, and the effect that the rise of single-use fashion is having on our environment is shocking. As the average number of wears for each garment continues to fall, more must be done to tackle the problem

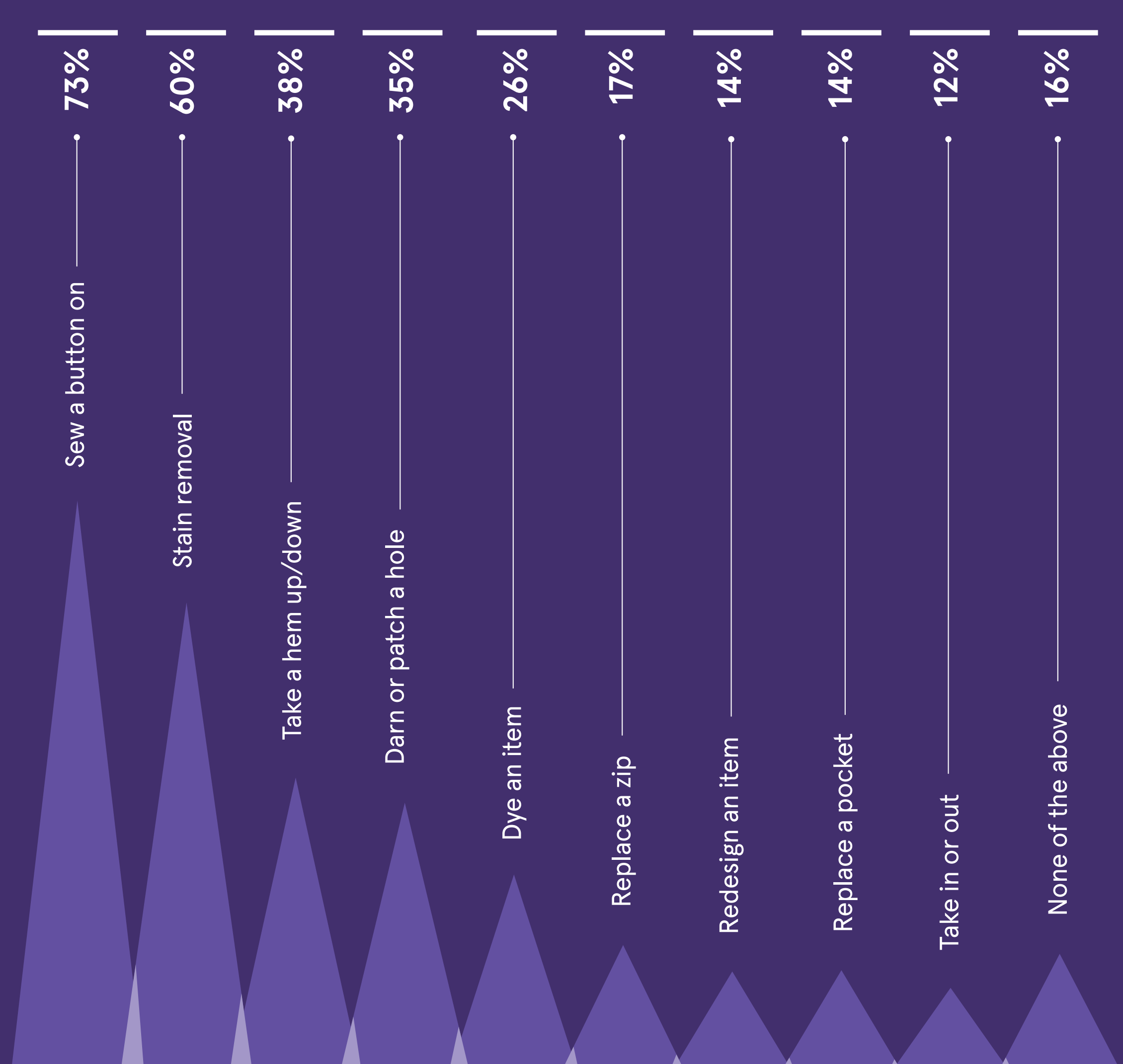
£2.7bn
spending by UK consumers in 2019 on fashion that will only be worn once

50.3m
outfits will only be worn once

Barnado's/Censuswide 2019

REPAIRS AND ALTERATIONS COULD STEM THE TIDE OF SINGLE-USE

Percentage of UK consumers who feel confident doing the following



WRAP 2017

MATERIAL FLOWS FOR CLOTHING

Global estimates for material flows in 2015

[1] Recycling of clothing into the same or similar quality applications
[2] Recycling of clothing into other, lower-value applications such as insulation material, wiping cloths, or mattress stuffing
[3] Includes factory offcuts and overstock liquidation
[4] Plastic microfibres shed through the washing of all textiles released into the ocean

Circular Fibres Initiative/Ellen MacArthur Foundation 2017

£140m
worth of clothing goes to landfill in the UK each year

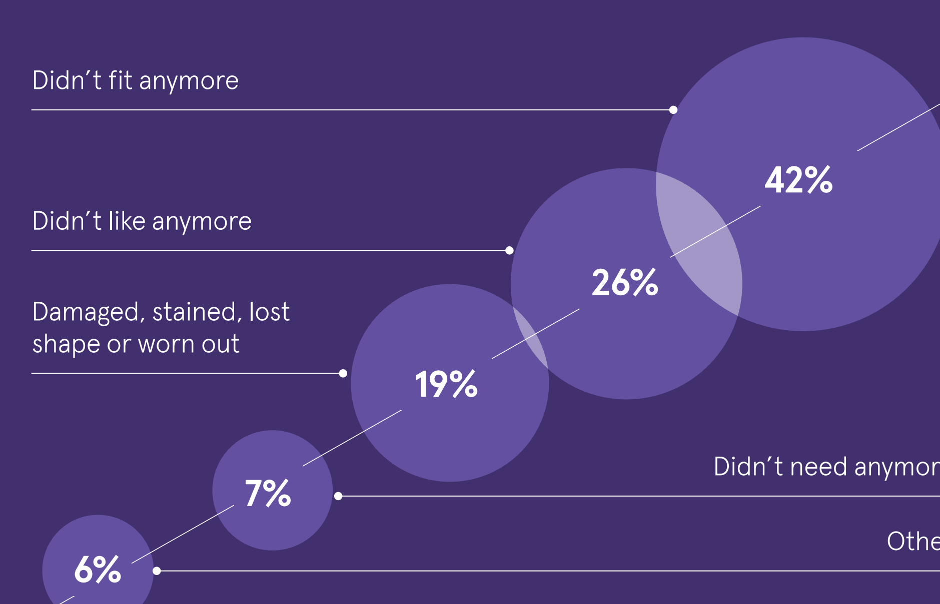
£30bn
estimated value of all unused clothing across the country

2.2yrs
average lifetime for a garment of clothing in the UK

WRAP 2019

REASONS WHY PEOPLE GET RID OF THEIR CLOTHES

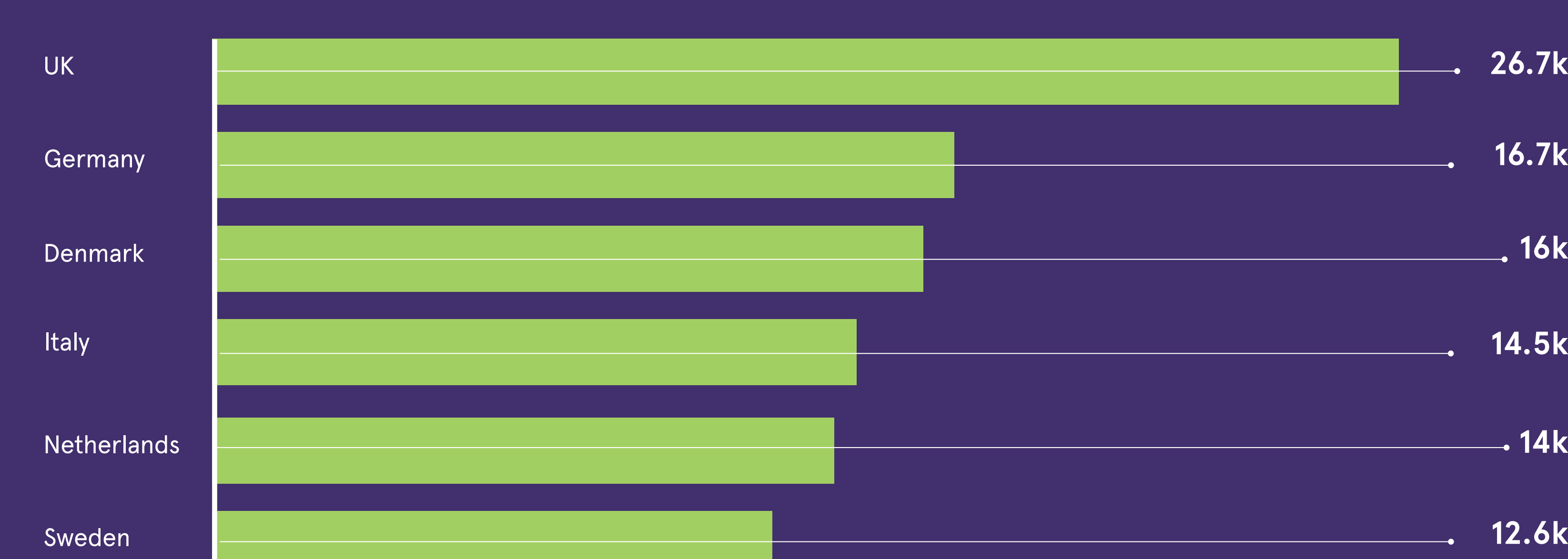
Reasons for disposal, donation or sale in the UK



WRAP 2016

CLOTHING CONSUMPTION IN THE UK

Consumption of new clothing per capita in selected countries



ECAP 2018

DIRECT TO CONSUMER

End of the grid interface?

Brands are choosing to forego Amazon and sell their products directly to consumers in an attempt to create a more personalised and immersive online shopping experience

Belinda Booker

While it caused reverberations across retailing, Nike's move to pull its products from Amazon could be just the start of the shake-up.

Nike's decision follows a two-year pilot, which saw the sportswear brand work with Amazon to reduce the sale of counterfeits on the site and increase those of its own products. But the results must have fallen short because, in November, Nike announced it would be forsaking the online retail giant to focus on selling directly to customers.

Analysts now believe other brands may follow suit, anticipating major growth in direct-to-consumer (D2C) sales globally. In the UK alone, Barclays Corporate Banking says 77 per cent of all manufacturers intend to invest in D2C in 2020 and this could mean more will be cutting ties with online marketplaces. This is easier to do this in stores than online. The trend for so-called immersive retail in bricks-and-mortar stores has seen brands such as Nordstrom offering spa services and art installations in its new seven-floor New York flagship and Lululemon installing workout studios and snack bars in its just-launched Mall of America concept store.

Meanwhile, Nike's rival adidas has recently unveiled a flagship immersive retail space on London's Oxford Street, packed with experiential retail features, including digital mirrors in fitting rooms that let shoppers see what they look like in a real-world scenario.

If Nike has turned its back on Amazon to improve the online shopping experience, what hopes does it have of immersive retail experience seen lately on the high street? It might want to look to brands like Levi's, Tommy Hilfiger and Samsung, which have all partnered with experiential ecommerce platform Obsess to build virtual reality stores.

Neha Singh, founder and chief executive of Obsess, believes retailers need to go beyond the grid-of-thumbnails Amazon created to sell books 25 years ago. "A common consumer behaviour is 'hedonic shopping' where you enjoy the process of browsing for inspiration," she says. "The consumer spend in that behaviour actually ends up being greater, but this primarily happens offline today. We are bringing that same consumer behaviour to online shopping."

57%

of consumers in 2019 bought direct from brands rather than mainstream retailers

KPMG 2019

Of course, ease of discovery isn't the only reason people like shopping in real life. As tactile beings, we also like to see how products fit and feel. Meeting this need digitally is a major challenge, but one way retailers are trying is with advanced 3D modelling that, thanks to virtual reality, enables shoppers to visualise how products would look in their homes.

"This is proven to lead to higher sales conversions as well as reduced product returns, which are a huge operational expense for brands and retailers," says Dalia Lasaite, co-founder and chief executive of CGTrader.

> Advanced 3D modeling is proven to lead to higher sales conversions as well as reduced product returns

As exciting as these solutions may be, providing immersive retail experiences on your website or app doesn't necessarily mean you'll succeed as a D2C brand. Nailing social media is just as important, if not more so.

"The connection between blogs, vlogs, YouTube channels, product pages, Instagram posts and in-store touchpoints is crucial," says Benoit Soucaret, creative director of experience design at LiveArea. "Savvy brands are integrating and aligning social and customer journeys, so buyers have the complete picture.

"In beauty, for instance, it's no good having an influencer tutorial video trending online if consumers can't easily find the product, check it suits their skin tone, complete the look with other products and buy easily on their mobile device. Website merchandising strategies should be aligned with other channels to make this journey as seamless as possible."

Cosmetics brand Glossier is a D2C retailer that does this, developing new products from feedback in social comments, collaborating with influencers and deploying user-generated content pulled from its social channels.

"The site's reviews system helps users find reviews that are most relevant to them, filtering by age, skin type and gender for each product," says Mr Soucaret. "And discounted product bundles are available to trial various products and looks. The simplicity and customer-focused ethos of the brand is coherent throughout all stages of the customer journey."

Another example of D2C done well is Dollar Shave Club, which has built a billion-dollar empire by offering a better grooming experience at a more affordable price. Dollar Shave Club also demonstrates the power of the subscription model, something that Nike is experimenting with through its Nike Adventure Club for kids.

When Nike announced its split from Amazon, it said it wanted to "focus on elevating consumer experiences through more direct, personal relationships". One way it's already successfully doing this is through its NikePlus programme, which boasts 185 million members.

Members can unlock all sorts of benefits by using Nike's app in-store, like the ability to request shoes to try on and checkout without queueing. But they can also enjoy perks at home, for example, by using it to measure their shoe size through their smartphone's camera. Nike says it aims to make stores "an extension of the mobile experience" by tightening the relationship between the channels.

While it all adds up to a great retail experience, it doesn't come cheap; Nike invested $1 billion in immersive retail capabilities and concepts during the fiscal year 2019. It's clear that any consumer brands walking away from Amazon to focus on a customer-first business model will need deep pockets.

OPINION

'Change creates challenges and retailers are meeting them head on'

As the retail industry continues its rapid evolution, retailers are rising to the challenge and creating unique, customised and delightful experiences that seamlessly reach across channels. The future of engagement and loyalty is no longer in stores or online, it's in both, everywhere consumers are.

Retailers are focused on connecting with customers, no matter how they shop. That's why companies that have been around for decades are building digital offerings with major investments in ecommerce, artificial intelligence, data and the supply chain. It's why retailers that started online are opening physical stores. It's also why, right now, you can take out your phone, order online, pick up in store and enjoy a personalised, continuous experience at every step.

Change creates challenges and retailers are meeting them head on.

The journey to purchasing, and engagement, now involves different channels working together. Many consumers start their shopping journeys digitally, but still end them with a purchase in a physical store, which remains the best way for consumers to experience a brand. In fact, almost 90 per cent of transactions still happen in a store; 98 per cent of Gen-Zers, the youngest consumer, still shop in stores. The in-store experience is also changing with the emergence of new technologies and services.

These innovations are working. According to National Retail Federation's *Consumer View* survey, the majority of consumers have tried services like buy online, pick up in store, mobile payment and self-checkout. They're also interested in advanced, tech-enabled tools like in-app store navigation, visual search, virtual and augmented reality, virtual fit and smart dressing rooms.

These technologies enable greater personalisation and better engagement, which is especially valuable to younger consumers. Two thirds of millennials say they like it when websites track their visits and recommend products. Two-thirds also say they would be more loyal to a brand that lets them give input and help shape the products and services they buy.

Many leading retailers are pursuing new opportunities like these to build engagement and loyalty, using online and in-store to complement each other and deliver high-level experiences to every customer.

Nordstrom is transforming its services and stores to cater for customers with a local market strategy, adding spaces and new formats that provide unique services and experiences tailored to the neighbourhood and its customers. These local hubs have zero inventory; instead, customers come in to pick up online orders, get suits tailored, enjoy a manicure and other services. The approach redefines the role of the store to create a connection, increasing loyalty and spending.

Or consider Sephora, which is embracing an "omnitude" mindset, creating a holistic, personalised shopping experience that reaches across all channels and departments. For instance, information from in-store makeover sessions is captured in a digital guide, enabling one-click purchases in the future. The company is also capitalising on ecommerce returns and driving more in-store interactions.

Target is another great example. It has made massive investments in stores, transforming how they look, how they're staffed and how people use them. Stores are now home to advanced technology and sophisticated services, blending physical and digital to offer customers more. To bring this strategy to life, employees are also receiving more training and higher pay, a talent-first approach to customer service.

These retailers and countless others are showing how to build engagement, loyalty and experiences in the digital age. Customers want, and increasingly expect, these customised shopping experiences that blend online and in-person, using advanced technologies without losing the personal touch. As we look forward to 2020, America's retailers will continue to find new ways to deliver just that.

Mark Mathews
Vice president, research development and industry analysis
National Retail Federation

Commercial feature

Why we need a super regulator

The high street is experiencing a rash of administrations, but could regulators fix the mess?

In *The Sun Also Rises*, Ernest Hemingway neatly summed up how bankruptcy happens. It occurs two ways: "Gradually. Then suddenly."

The British retail landscape has seen a flurry of such calamities. Thomas Cook, House of Fraser, L.K.Bennett, Debenhams, Links of London, Goals Soccer Centres, Mothercare and Jack Wills all struggled for periods before collapsing into various forms of administration.

In each case, the question from creditors, shareholders and other stakeholders was identical: why wasn't something done earlier? Some appear to have been in trouble for years before failing. In some cases, mismanagement may be to blame, in others it is alleged there has been serious fraud.

The Times' business columnist Matthew Gwyther recently pointed his finger at auditors. "They've been asleep on the job at Carillion, BHS, Patisserie Valerie and, most recently, Thomas Cook. They're used as a low-margin quality Trojan horse to get into FTSE companies to then sell far pricier services... Quite what needs to be done appears to elude government," he wrote.

So what can be done? One person with a view is Jeremy Drew, co-head of retail at law firm RPC. "I talk to MPs, the regulators and companies going through administration or buying what's left of them and it's clear something bold is needed. It's astonishing a company like Thomas Cook can be in trouble for years and there's no apparent intervention," says Mr Drew.

One answer would lie in encouraging regulators to act before a meltdown. "A potential solution is to ensure regulators have effective powers, resources and focus to step in when they have reasonable cause to be concerned, perhaps for example in the face of consecutive profit warnings or an emergency refinancing," he says.

> Prevention would be much better than an unsatisfactory cure

"They need clear powers to ask directors and advisers difficult questions about the health of the business and any recovery plans. If they're satisfied there's no problem, they can leave well alone. But if they think there is a serious problem, they need to be able to hold directors to account, encourage a turnaround, where possible, before the business drifts into administration, and ensure stakeholders are treated fairly in all cases."

There are precedents. "The Pensions Regulator and Panel on Takeovers and Mergers already have broad powers to ask questions early. The model seems to be effective and can significantly influence the outcome of transactions," says Mr Drew.

Such a scheme would encourage regulators, such as the Financial Conduct Authority and Financial Reporting Council, to adopt similar approaches.

This is attractive for several reasons. First, auditors may not be willing nor able to do this job; their primary duty is ensuring the material accuracy of financial statements.

Second, a muscular regulator may focus minds. Sometimes it may just be a friendly chat to identify shortcomings. In extreme cases, rogue directors can be stopped or deterred. The prospect of an energetic regulator turning up to inspect the books might prompt them to rethink their actions.

And third, there are working examples of regulators with broader powers making a difference. "In Australia, the financial regulator has a corporate governance remit," says Mr Drew.

Responsible capitalism is now mainstream. The Financial Times recently declared: "There is a growing acceptance... of the need to broaden the pursuit of shareholder value to one... based on inclusivity, sustainability and purpose." Allowing large enterprises to stumble towards collapse without intervention is needless. Ultimately, it may be demands from investors, creditors and employee groups that accelerate the acceptance of something like Mr Drew's proposals.

"When you talk to regulators about the retail landscape they seem sympathetic," he says. "This enhanced role could provide extra protection before opportunists begin to circle troubled businesses.

"In some cases, it appears financial institutions have used distressed retailers' secured debt positions to gain ownership at the expense of shareholders, employees and other stakeholders, which may be seen as unfair. An empowered proactive regulator should be able to make relevant inquiries in real time and take action, before companies wind up in administration."

The system is not currently working to protect all stakeholders. A fresh look at the regulatory powers and an enhanced appetite to review failing businesses should help reduce this gap.

"It's a plan which could restore investor confidence," says Mr Drew. "And it's borne of our experience of decades of working with these issues. Prevention would be much better than an unsatisfactory cure."

BLACK FRIDAY

Five reasons to rethink Black Friday

An export from America, Black Friday has become an accepted part of the festive shopping season – a chance to get Christmas presents at a bargain price

Sophie Benson

Shoppers scramble to get their hands on Samsung TVs at a Black Friday event in São Paulo, Brazil

Once the calendar turns to November, you can expect to see Black Friday ads and shopping features everywhere, encouraging us to buy, buy, buy at slashed prices. But with scenes of stampedes through shop doors highlighting the consumer frenzy that the shopping event engenders, maybe it's time to take a step back and rethink the whole thing. Here are five reasons why, if you are able, we should rethink Black Friday altogether.

1 It promotes over-consumption

Not only are Black Friday sales centred upon drastically slashed prices but, importantly, they're also a "limited time only" event. Black Friday draws us in with the promise of great deals then adds the implicit threat that they'll only be around for a short time.

It's a tried-and-tested method that those in the know call scarcity marketing. It works because when shoppers consider something to be rare or limited, they place more value on it and therefore feel more competitive with others who might get in there first and take the toy, Amazon device or jumper they suddenly so desperately want. Lines such as "while stocks last", "hurry!", "don't miss out" and "limited stock" are intended to create a false sense of urgency which prompts consumers to make impulse purchases.

A day or even a few hours after clicking buy or handing over your card, however, you might well realise that you've bought something you didn't really need or even want, all because brands do their utmost to prod at your fear of missing out, or FOMO. By avoiding the sales in the first place, you can sidestep any scarcity-induced, ill-thought-out impulse buys.

2 It skews perception of value

Many retailers have entered into a race to the bottom, offering the cheapest possible prices to outdo their competitors and maximise sales. As a result, we've become used to being able to buy a T-shirt for less than the price of a coffee.

Such low prices are often only possible due to cheap labour and don't reflect the time and resources that have gone into making the products we buy. When we focus on getting the cheapest possible price for a fancy new iron or a pair of leggings, we don't consider whether it reflects the true value of the minerals that have been mined, the water that has been used, the impact of global shipping or the input and skill of many workers along the supply chain.

Black Friday, and similar events such as Amazon's Prime Day, encourage consumers to wait until prices drop even further than the norm before they buy, emphasising ever-cheaper prices over real value. For some, this is an opportunity to buy what they otherwise couldn't afford, but if those who can were to turn away from bargain culture, we could re-evaluate our perceptions and begin to appreciate the real value of what we buy.

3 It generates huge amounts of waste

When we use Black Friday as an opportunity to do our big Christmas shop, we will, thanks to scarcity marketing and other enticing offers such as free shipping, be tempted to buy more than what's on our list. It's easy, normal even, to get carried away in showering loved ones with gifts.

However, in the UK alone, more than 60 million unwanted gifts are received annually, according to a YouGov survey, and one in ten will end up in landfill, says Ziffit. Even gifts returned to retailers can end up as waste too, with five billion pounds in weight of them ending up in landfill alongside the rest.

Of course, on top of the waste caused by the gifts themselves, is the other waste. Plastic mailing bags, polystyrene packing materials, boxes within boxes, cellophane wrap, shopping bags; it all adds up when millions upon millions of products are being bought across the globe.

Keep conscious consumption in mind when you're shopping this year. Do you really need that extra stocking filler or those few extra items in your basket? Can you source it locally and do away with the packaging? Consider the alternatives and avoid adding to the pile of Black Friday waste.

4 It undercuts independents

Increasingly, smaller, independent brands and shops are turning away from Black Friday sales. Many are doing so to take a stand. They want to promote conscious consumerism, distance themselves from bargain basement sales and encourage people to buy only what they really need or at least what they truly love and will treasure for a long time.

However, many independents simply can't take the financial hit of trying to compete with such low prices. Big brands with big buying power to match can place enormous bulk orders which cost them less per unit than a smaller brand would pay when placing a smaller order. In the same manner, they can acquire the raw materials it takes to manufacture products more cheaply too.

When profit margins are tight, cutting prices by 30, 50 or even 70 per cent can be financially devastating for small businesses. Often independent brands and shops just can't match the discounts and find themselves undercut by the bigger names. Rather than buying someone three cheap presents this year, why not buy them one special gift from an independent retailer or give a gift card and let them choose the perfect present for themselves?

57%

of Britons who celebrate Christmas receive at least one unwanted gift on average

YouGov 2018

5 It doesn't always mean lowest prices

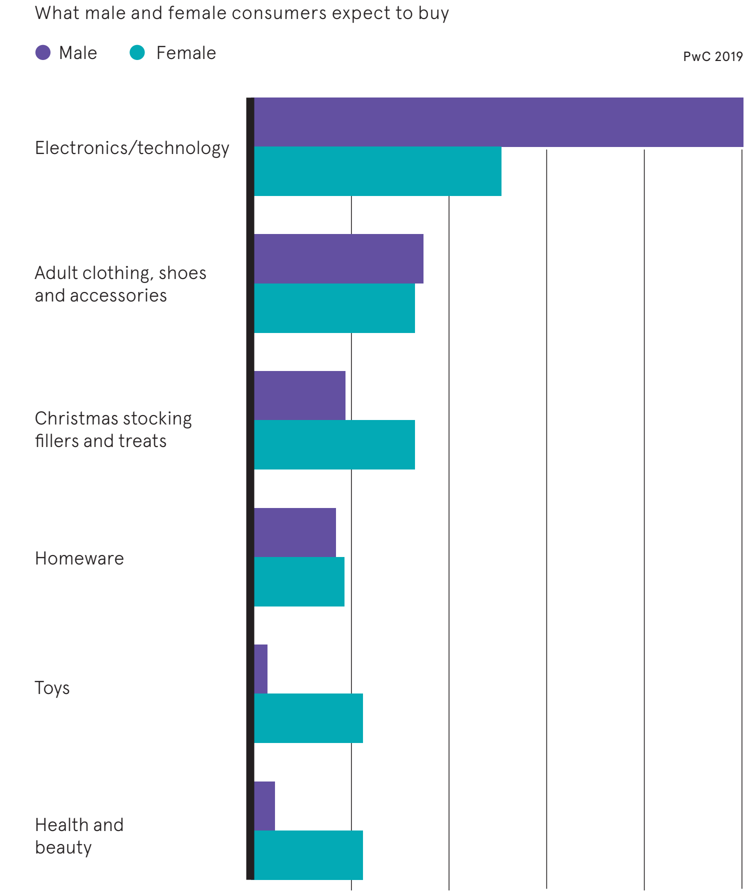
Most of us have seen the videos: people breaking down shops' shutters, the infamous Walmart Black Friday stampedes, people fighting over televisions. They're shown on the news and shared across social media every year and yet still people risk injury, and in extreme cases death, to grab a bargain.

For those on a budget, it may seem like a risk worth taking; the only chance to buy gifts at an affordable price. But a recent investigation by *Which?* found that 95 per cent of products discounted as Black Friday deals weren't listed at their cheapest-ever price. Some 61 per cent of items were cheaper or the same price at least once before Black Friday and 48 per cent were actually sold at lower prices after Black Friday.

Even in less extreme scenarios, consumers have to battle with crowded aisles and impossibly long queues. It's an unpleasant experience all round, but we collectively decided it was worth it for the low prices. However, as it turns out, the idea that we can't get a better price is a fallacy. Perhaps it's best to simply sit the whole thing out and wait until the prices inevitably dip again, without all the added frenzy.

MOST POPULAR ITEMS TO BUY ON BLACK FRIDAY/CYBER MONDAY

What male and female consumers expect to buy



Commercial feature

Connectivity at the heart of retail transformation

As retailers try to keep up with ever-evolving consumer demands, those that use application programming interfaces to enable an omnichannel experience are growing faster. But adoption and refining the ways of working, as well as technology, hold the key to true digital and business transformation

Retail is going through a time of great transience. While heightened pressures continue to pile on to the high street, there are also enormous opportunities for retailers to transform their operations and stay ahead of the competition.

At the heart of this transformation is delivering an omnichannel customer experience. As online and offline worlds converge in ways not seen before, retailers must deliver a consistent experience across every customer touchpoint. This means going beyond traditional selling methods, adopting new technologies and intentionally focusing on digitally transforming their businesses.

According to an independent study carried out by MuleSoft, consumers expect a connected, seamless experience from retail brands, with seven in ten consumers saying they'd consider shopping elsewhere if they don't get it.

However, retailers typically have data distributed across multiple back-end systems, making it difficult for them to interact consistently with customers across all channels. To satisfy heightening customer demands, they must centre their efforts around connectivity to unlock data at scale.

Companies that use application programming interfaces (APIs), the software intermediaries that allow applications to talk to each other, are nearly three times more likely to grow revenue by 15 per cent or more, according to analyst firm Forrester. APIs allow retailers to adapt quickly, drive intimacy with customers and pull together various sources of information to enhance their services, which should not be limited to the traditional buying cycle, but encompass partners, employees and the whole supply chain.

The numbers speak for themselves in digital transformation programmes. ASICS launched a new ecommerce platform in just two-and-a-half months, leveraging reusable APIs to deliver IT projects 2.5 times faster. Unilever unified its ecommerce experience across its global portfolio of brands with reusable APIs, launching new digital initiatives three to four times faster. And Dixons Carphone leveraged reusable APIs to bring digital tools to bricks-and-mortar storers, increasing sales by 36 per cent.

APIs underpin successful digital transformation, says Rehan Urfi, regional vice president services, UK and Ireland, at MuleSoft, whose API-led approach to connectivity helps organisations to change and innovate faster.

However, they're more than just a technology project; they're a lifestyle choice, a conscious decision to adopt more agile and dynamic ways of working for businesses, and therefore require a mindset shift with trust engendered across all stakeholders. Declaring a strategy, and refining the operating model to execute against it, is crucial to realising the business outcomes organisations want to achieve.

"MuleSoft doesn't just look at developing APIs, we provide the full life cycle in terms of watering, feeding, reusing, driving consumption, managing, monitoring and can even support monitising them in a meaningful way," says Mr Urfi. "Guiding adoption of the platform and approach is crucial to embedding the mindset that companies need to succeed."

At the heart of MuleSoft's delivery model is a Centre for Enablement that supports adoption by enabling teams to work in a federated way with local autonomy, but centralised values, assets and control. Thought leadership is also central to adoption, particularly when it comes to agility and supporting consumption both internally and externally.

MuleSoft centres its thought leadership on API-led connectivity, an approach that talks about system, process and experience API layers as part of a continually scalable and highly reusable architecture

For retailers that have specific IT needs, multi-cloud adoption is essential, but brings with it added complexity. APIs help unlock the data and unique functionalities of applications residing in multiple cloud environments, providing the foundation for an omnichannel experience.

Changing the operating model in this way to focus on scalable API-led connectivity means building mobile applications and web interfaces, and connecting consumers in-store becomes a reality. As the number of touchpoints grows, specific and intentional API layers ensure the user experience remains consistent across all the touchpoints.

"Having the ability to integrate across those clouds and move workloads and data seamlessly is crucial," says Mr Urfi. "That's where MuleSoft makes a huge difference, not just because we can work in multiple environments and serve those purposes and scale accordingly, but because our APIs work regardless of where that information or the solutions reside, allowing retailers to work independently and cohesively across them to drive tangible business results."

REUSABLE APIs BRINGING GREATER EFFICIENCY AND PRODUCTIVITY TO A RANGE OF COMPANIES

2.5x

ASICS launched a new ecommerce platform in just 2.5 months, leveraging reusable APIs to delivery IT projects 2.5x faster

3–4x

Unilever unified its eCommerce experience across its global portfolio of brands with reusable APIs – launching new digital initiatives 3–4x faster

36%

Dixons Carphone leveraged reusable APIs to bring digital tools to brick-and-mortar experiences – increasing sales by 36%

Download the *Top 7 digital transformation trends shaping 2020* at www.mulesoft.com/2020trends

MuleSoft

DEMOGRAPHICS

Cashing in on a lucrative online market

The over-65s are thriving with online retail, so how can ecommerce brands ensure they are catering to several generations at once, each with their own characteristics and shopping habits?

Oliver Pickup

As the number of older consumers shopping online continues to swell, savvy ecommerce retailers would be wise to rethink how they are serving this demographic to cash in on the silver pound.

Little wonder, after the latest Office for National Statistics figures, published in August, revealed that for the first time more than half (54 per cent) of adults aged 65 and over are shopping online. This represents a stunning rise as a decade ago only one in five UK pensioners purchased goods and services on the internet.

There are myriad reasons why the baby-boomer generation, and above, are switching over to online shopping. The crux is that the same combination of convenience and lower prices offered by online stores, which has decimated the high street, is becoming increasingly irresistible.

"The rate of online shoppers aged 65 or older will only grow," says Linda Zou, principal at Boston Consulting Group. "Younger baby boomers have been using the internet at work as long as, or longer than, younger generations. Although slower to adopt shopping digitally, they have long used technology to connect with family members. It was only a matter of time before that confidence transferred to browsing and buying online."

> To capitalise, retailers need to think about how they communicate with older shoppers

Mike Webster, senior vice president and general manager of Oracle Retail, agrees. "As the proliferation of accessible online shopping and dwindling storefronts on the high street continues, it will attract greater numbers from all demographics," he says. "To capitalise, retailers need to think about how they communicate with older shoppers."

Oracle Retail's Setting the Bar report, released in October, provides tips for those targeting older consumers. "Our research shows 72 per cent of more senior consumers expect retailers to communicate immediately following issues with products they have bought," says Mr Webster. "Brands that provide real-time service to their customers will have greater success with this demographic. Retailers have to decide what communication channels to focus on, from chatbots to call centres."

Moira Clark, professor of strategic marketing at Henley Business School, recommends easy-to-use and low-effort experiences when targeting older consumers. "Less information per page is helpful," she says. "Trying to cram in too much information results in a cluttered, confusing experience for older users."

Similarly, Justin Smith, managing consultant at Capgemini Invent, warns ecommerce retailers not to overcomplicate things for pensioners. "Delivering a first-class experience also comes down to simplicity," he says. "In the age of limitless choice at the click of a button, the online world can seem overwhelming for an older generation. Retailers that can help break down this barrier will have a much easier time attracting and converting these customers."

Professor Clark stresses that targeting older consumers is worthwhile because they splash out. To convert sales, however, generating trust is imperative. "Those aged 65 and above have proportionally more money to spend, but are more careful about how they spend it. User reviews are essential to building confidence in the purchase process, from searching for products to simple and effective return and refund options."

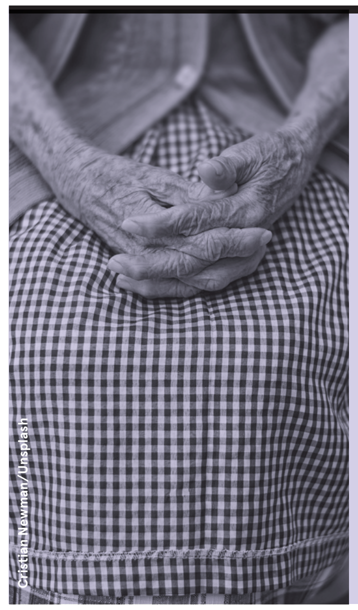
Targeting older consumers, through personalised offerings, made possible thanks to advances in data analytics and artificial intelligence, will provide a competitive advantage, says Vincent Reboul, managing director of Hitachi Capital Consumer Finance. Bricks-and-mortar stores remain important, though.

"The growth opportunity for retailers comes from adopting a truly omnichannel approach by balancing online and in-store services, including point-of-sale finance, at every stage of the customer journey. Matching demand is essential to create a seamless experience," he says.

Ryan Deluchi, managing director of MOFILM, which works with Diageo and Unilever on creating targeted content, points out that Airbnb's fastest-growing segment is the over-60s, with guest numbers growing 66 per cent between 2017 and 2018. Additionally, since January 2015, almost a third of Amazon Echo sales (31 per cent) have been driven by baby boomers, which is more than their millennial counterparts.

"These two brands are often labelled as millennial focused. In reality, they appeal to a certain mindset around convenience and freedom that is just as likely to be found in the over-60s as it is the under-35s," he says.

Mr Deluchi believes that focusing on attitudes rather than age allows brands to remain relevant across generations. "The key for brands," he adds, "is to look for a common emotional need that is shared across the generations, rather than trying to identify what makes them different." ●



Brand trust

Brand trustworthiness is paramount for pensioners looking to make an online purchase, according to Kathryn Wright, chief executive of DiscountVouchers.co.uk.

"In the past, those aged 65 and older might have been more inclined to trust larger, well-known businesses, which have a high street presence," she says. "However, with the decline of the high street and the rapid closure of big-brand retailers, this trust in bricks-and-mortar may have also declined over the last decade, driving the once tech-reluctant generation to shop online."

Data and Marketing Association research shows older consumers are becoming increasingly likely to seek extra assurances over trusting online purchases, says the organisation's head of insight Tim Bond. "This can come from a range of places, but the most popular methods are referrals from friends or family, which 50 per cent of respondents stated, as well as ratings by an independent body, customer reviews or simply the brand having a good reputation," he says.

For Gavin Mee, vice president, Northern Europe, Middle East and Africa, at Adobe, being opaque about data usage and poorly targeted emails and text messages are big turnoffs. He says: "Across all generations, and especially with older age groups, brands need to build trust by being open about how they use personal data and clear about the added value it enables them to deliver."

OPINION

'Backing the right technology might well be our best way out of this mess'

Retail, to say the least, is in need of rejuvenation. The problems on the high street are well documented: vacant shops, slowing footfall, big names showing poor results. But this is not just a physical retail problem; online is struggling too. At the start of the year, IMRG, the UK's industry association for online retail, put out a 2019 estimate for online sales growth of 9 per cent, our lowest-ever forecast. Ten months into 2019, actual sales are tracking at barely half that.

So is retail in some kind of terminal decline? I don't believe so. The fundamental issue is that general demand is subdued. There are many developments that could push it up again: greater stability in the political-economic sphere, notable improvements in environmental performance, a better understanding of customer behaviour.

Or, possibly the most significant of all, technological innovation. While there are currently many vying for supremacy, identifying which customers will ultimately respond to and use in their shopping behaviour is more complex. And, sometimes, it can take quite a while to reach that level of adoption.

The answer is strongly linked to demand. When shoppers prove unresponsive to retailer marketing campaigns, a common tactic is to resort to discounting to stimulate that activity. A major factor here is the number of household-name retailers that have been in the news for all the wrong reasons of store closures, redundancies, profit warnings and so on.

House of Fraser falling into administration was a big deal, as there were stories of customers losing their money on purchases made because they couldn't be delivered or collected. That served to spook people from buying higher-cost items from retailers, as they have doubts over whether the business will still be around to fulfil those orders.

As a direct consequence, retailers generally speaking have developed a reliance on discounting. There is nothing unique about this; the industry was stuck in it in 2011 and 2015 as well. The difference this time is how long it has been going on. On those prior occasions, it lasted for around six months; this time it's been over a year.

Backing the right technology might well be our best way out of this mess. Shifts in technology can boost sales for retailers. Sometimes this is because it optimises processes, such as the way personalised product recommendations work better than generic ones.

Use of new devices can also be significant. Following a few years of gradually declining sales growth rates, tablets introduced a new shopping peak in the late evening as people used them in front of the TV, which pushed growth up again in 2013. Smartphones did the same for the morning commute; in a very similar fashion, growth declined for a few years then in 2016 shot up again, as these devices started to account for a significant share of online sales.

What's the next big thing then? The smart money seemed to be on voice but, from a retail perspective at least, people do not seem to have found the use-case. Which is not to say they won't, simply that they haven't yet.

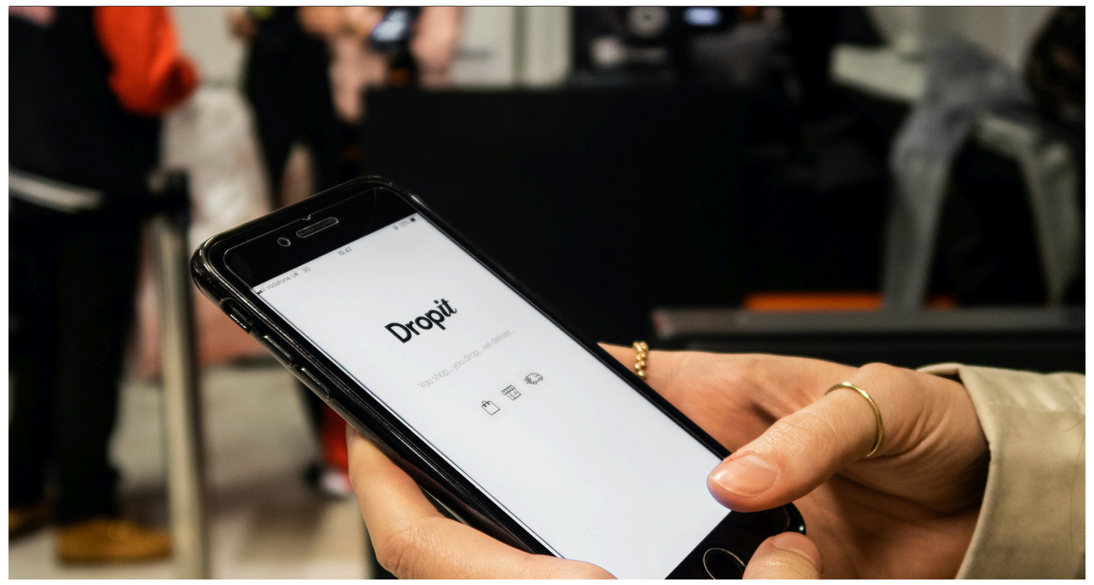
Is it a new, seamless payment method? Perhaps, but we tend to be creatures of habit, especially when it comes to making a payment. Some of the alternative methods may well come to dominate, but adoption might take a while.

Or is it something like artificial intelligence (AI)? The trouble is it probably doesn't exist yet. Many companies market their solutions as "AI", when in fact they would probably have been labelled "software" ten years ago. When it arrives, it will be transformational, but how close we are is a moot point.

So many technologies show promise, but finding the one that will gain traction among shoppers is a serious challenge. ●

Andy Mulcahy
Strategy and insight director
IMRG

Commercial feature



Reinvigorating physical retail through tech and co-operation

Retailers and malls need to work together to meet consumers' rising expectations of convenience and experience

Journey through any prime retail location and you'll find yourself on the frontline of an experiential onslaught targeting your time, spend and Instagram feed.

Recently adidas launched a gigantic store on London's Oxford Street, bristling with immersive and interactive tech. L'Occitane en Provence has created a series of concept stores in major cities, each designed to caress your senses and get you posting.

Flagship malls around the world are trimming the allocation of space for retail in favour of footfall-drawing experiences such as cinemas, destination food courts or even theme parks and wildlife gardens.

The principle of experiential retail has been around since Harry Gordon Selfridge opened his eponymous store in 1909. Selfridge's innovations – welcoming stores, accessible merchandise interspersed with cafés, spectacular displays and live events – are a cultural and social phenomenon that has stood the test of time.

According to PSFK, a company that tracks consumer trends, 55 per cent of retail executives will make in-store experience their second-largest area of investment by 2020. So will doubling down on "retailtainment" be the solution for an embattled industry?

> Dropit gathers and groups all the bags, either for collection on-site or into a single, insured delivery to a home or hotel

Despite the hype about online shopping, there's no denying that consumers continue to prefer the experience of shopping in stores. Online shopping captures only a fraction of spend for fashion: less than 20 per cent in the UK, according to the office of National Statistics, and just 10 per cent in the US, according to the Department of Commerce.

The real impact has been on consumer expectations. All of us now expect immediacy, convenience and flexibility, no matter what the channel. The entire industry is struggling to keep pace sustainably with this fundamental shift.

A wave of store openings by online-first brands, such as Bonobos and Warby Parker, hints at the way forward. These retailers have integrated attributes of physical stores into a digital business model. Traditional bricks-and-mortar stores and landlords can do the same, using technology to leverage investments in experiential retail and the inherent features of physical shopping environments like tactility, immediacy, community and proximity to places people inhabit or congregate.

Leading mall owners, including Simon Property Group and Brookfield Properties in America, and Realm in the UK, are taking this approach by partnering with Dropit, a tech company that combines app-enabled hands-free shopping with store-to-door delivery.

Dropit operates a digital hands-free shopping network spanning hundreds of stores at prime retail locations worldwide. Available in London, Brussels and throughout Las Vegas, Dropit is expanding to dozens more locations during 2020. The experience is new for most consumers, but Dropit makes the service as easy and familiar as hailing an Uber. Shoppers shop in-store as usual, then use the Dropit app or in-store device to deposit their bags securely at each store they visit. Dropit gathers and groups all the bags, either for collection on-site or into a single, insured delivery to a home or hotel.

Hands-free shopping makes it easier to blend a trip to the shops with other activities, whether that means making a day of it, dashing to buy a gift between meetings or before an evening out. By joining the Dropit network, malls and retailers become part of a joined-up approach to convenience and experience that is relevant to consumers on their own terms.

This ingenious yet simple enhancement to a customer's day delivers measurable gains in conversion and spend. Dropit users have a propensity to buy and spend 4.5 times more than the average shopper. They also spend longer on-site and derive more enjoyment from non-retail attractions.

Dropit has benefits that extend beyond the typical retail metrics. By digitising the customer journey, the company is opening a new seam of data about consumer behaviour, bringing online-style insights to the offline world.

For more information please visit www.dropit.shop

Dropit

Commercial feature

Payments are at the heart of successful retail evolution

We are in the throes of a retail evolution. The way people shop has never been more complex, or more demanding, and integrated payments sit right at the heart of success

With an influx of new technology, the retail landscape's complexity lies solely on the side of the merchant and has developed to ensure the customer has the simplest and most secure shopping experience possible. A frictionless payments process underpins all this, according to Sage Pay's director of marketing and product Martin Pitcock and director of ecommerce product Tali Scott.

From shopping through Amazon's Alexa, to the increasing opportunities for personalisation offered by artificial intelligence, there is an ever-growing range of platforms merchants must get to grips with.

"5G will give people access to bigger, faster data streams," explains Mr Pitcock. "This will in turn mean the use of augmented and virtual reality will become more prevalent in the customer experience, and all the while smartphones will get smarter." Great news for consumers, but such an omnichannel approach to shopping is not without its challenges.

"Omnichannel is a buzzword everyone uses, but people are beginning to get a bit jaded about it," says Ms Scott. So what does it really mean? The idea is simple: present customers with the same offer and service across all platforms, and this includes payment methods.

Payments' role in creating a more personalised customer journey can be seen perhaps most clearly in circumstances such as customers buying items online and wanting to return them in-store. In the case of processing refunds, payments providers must be sure the transaction has been captured securely and all the card information hidden, so when a customer returns an item in-store they do not have to provide card details again.

Indeed, without the right payments systems in place, unified commerce can leave both merchants and consumers vulnerable to fraud. For the merchant, there are few protections against someone coming in to claim a refund and using a different card from the one on which the payment was made. Likewise for shoppers, giving out card information verbally means having no control over who gains access to your details.

"Say you ring up to claim a refund while somewhere public, like on a train," explains Ms Scott. "Giving out your full card details, including security code, means someone can take note of that on your end or at the merchant's end."

Helping minimise the likelihood of fraud for the customer goes hand in hand with understanding what they want at every stage of the buying journey. "Retailers need to know not only what shopper preferences are today, but also what they will be tomorrow," says Mr Pitcock. An integrated payments system can ensure great customer experience is delivered at every step of the buyer cycle.

This could mean ensuring the website is easy to navigate, with elements such as the discount field being easy to find on every device. Or it could mean having a wide range of delivery options, including click and collect or a locker service.

"You need to consider how the customer wants a transaction to be fulfilled," says Mr Pitcock. "Royal Mail might charge £5.99 for delivery, which many customers find very expensive. You need to have a range of options and services throughout the buying cycle."

New software has made this integrated approach just as possible for small and medium-sized enterprises as for large corporations, from on and offline inventory tracking to rota systems and enterprise resource planning.

What is crucial, however, is to remember that payments lies at the heart of each of these steps. Stock management, the ecosystem of the website, the payment systems, all these elements must be considered together, holistically. Looking at the comprehensive whole of the retail cycle is the only way a seamless omnichannel experience can be delivered.

In the future of retail, payment systems will play a fundamental role in consistently delivering excellent shopping experiences across any purchasing channel, while also helping merchants to maintain the quality of that experience from purchase to fulfilment and beyond.

As Ms Scott concludes: "Payment systems are supporting this retail evolution by ensuring payments can be made simply and securely, wherever they happen to be."

> "Payment systems are supporting this retail evolution by ensuring payments can be made simply and securely, wherever they happen to be

For more information please visit www.sagepay.co.uk

sage Pay

PAYMENTS

Are voice payments all hype?

Big tech believes voice will revolutionise the way we pay for goods and services. So are Amazon and its rivals right or are voice-activated payments just another Silicon Valley fad?

Duncan Jefferies

For

Market analyst firm Canalys predicts the global total for smart speakers in use will grow from 114 million in 2018 to 207.9 million by the end of 2019. That's a huge pool of devices for voice-activated payments and it should only increase as virtual assistants become part of everyday life.

In fact, consulting firm OC&C estimates that $40 billion in the United States and $5 billion in the UK will be spent through voice commerce by 2022, representing 6 per cent and 3 per cent respectively of all online spending.

"Voice-activated payments should be viewed as a vision of the future of ecommerce, not a fad," says Daniel Kornitzer, chief business development officer at Paysafe Group, which released a report in July on consumer attitudes towards voice-activated payments.

"There are a number of reasons for this on top of the proliferation of smart home technology. Firstly, our research found that 18 to 24 year olds are the group most likely to embrace this new way to pay, with over half (57 per cent) already saying they would use the technology to pay for low-valued goods and services.

"Secondly, the oncoming advent of 5G dramatically increases the scope for IoT [internet of things] technology, such as smart fridges and internet-connected vehicles, that could be used to make voice-activated payments.

"Thirdly, one impact of the incoming strong customer authentication legislation is that biometrics generally will become much more ubiquitous and potentially replace passwords as the central component of consumer card-not-present payment authentication. This may ease the concerns of those who don't believe their financial data remains safe when it isn't protected by a password."

Naji El-Arifi, head of innovation at ecommerce consultancy Wunderman Thompson Commerce, agrees that voice commerce is unlikely to be a fad, primarily as it's easier and faster for consumers. "For smaller, lower-cost items and repeat purchases, voice is going to really shine," he says. "Particularly as these products do not require customers to see the product before purchasing."

However, Mr El-Arifi adds that voice will likely be another way we choose to pay, not the be-all and end-all. "When it comes to exploration and the purchase of expensive goods, it is unlikely that voice will be the go-to choice," he explains. "This does not mean voice won't have a role to play though. People get attached to the transactional part of the shopping journey, however voice can enable shoppers to begin a search."

In future, intelligent voice assistants may even make purchases or schedule payments on our behalf, says Daniel Cohen, director of the Fraud & Risk Intelligence Suite at RSA Security. "It's that 'on your behalf' element that is really going to challenge the payments industry," he says. "How do you authenticate those payments and prevent fraud?"

> "For smaller, lower-cost items and repeat purchases, voice is going to really shine

Andres Urena/Unsplash/Getty Images

Against

According to *The Information*, only 2 per cent of people who own Alexa-enabled devices had used the voice option to make a purchase during the first half of 2018. Of the 2 per cent who bought something using Alexa voice shopping, some 90 per cent declined to use it to make a second purchase, it was claimed. So have things improved since then?

"Right now, people are not transacting via voice assistants," says James Dye, UK business director for commercetools. "It might be useful in adding items to a shopping list, but even then it's at best a reminder."

Mr Dye claims that errors are likely even in the case of very simple transactions, which would then require shoppers to edit their orders via a traditional smartphone or web-based interface.

"So even for a 'find it, get it' mission, voice commerce for now is not fit for purpose," says Mr Dye.

"In my opinion, contextual commerce is the future of retail but voice commerce, although a great playground to test and improve a retailer's agility, is all hype for now. Few buy Alexa for its transactional functions. Instead, they are buying for the benefit of its basic skills for weather [forecasts], task management, kitchen timers and so on, within a home speaker, at a cost seemingly subsidised by Amazon."

Mike Callender, executive chairman of REPL Group, also feels that while there's been a lot of hype around voice-activated payments, it's not a trend about to hit the mainstream. "Amazon and other major retailers in the UK, for example Argos and ASOS, have been offering voice payment for some time now and it hasn't had much impact on the payments landscape."

He believes there are many obstacles to user adoption that need to be overcome before the penetration of voice-activated payments matches the forecasts of some commentators. "People are concerned about their privacy, data security and passive listening. This indicates a trust issue, which is a major barrier for voice-assisted shopping," says Mr Callender.

Simon Hathaway, managing director, Europe, Middle East and Africa, at Outform, thinks voice shopping is still something of a novelty and tends to only be used for convenience purchases, such as replenishing toiletries or refilling the fridge and kitchen cupboards. "Ultimately, voice-based payments will only be adopted at scale for larger ticket items when consumers are comfortable that the chances of being hacked are minimal and when they have grown accustomed to using their voice in physical retail transactions," he concludes.

> "It might be useful in adding items to a shopping list, but even then it's at best a reminder

31% of US consumers own a voice assistant device, up from 27 per cent in 2018

21% of those use them to make purchases

30% would like the device to send items to their mobile devices for viewing products/services to buy

Visa/Pymnts.com 2019