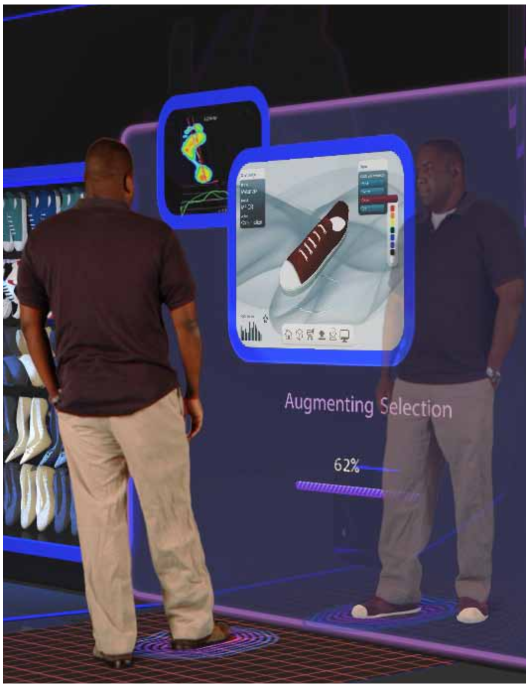
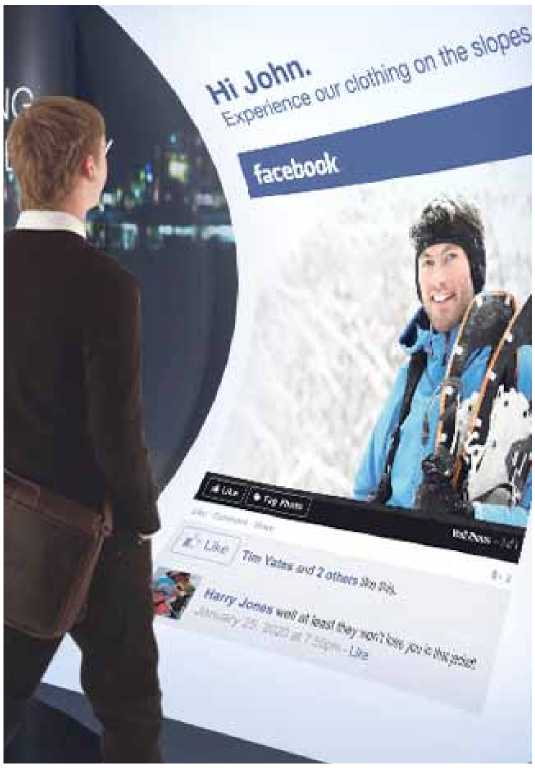
A Vision for ‘Retailtopia’

A report of an open panel discussion, convened by BT, on how technology can enable UK retailers to meet the needs of customers in 2020 and deliver the best multichannel shopping experience in the world





Foreword

The UK is a global leader in multichannel retailing with the highest proportion of online sales of any major economy[1]. In February 2012, BT invited me to chair a discussion by a diverse panel of experts to sketch a vision of retailing in 2020 and the strategic implications for retailers. The result is this report: *A Vision for Retailtopia.*

The focus was on practical developments that would significantly improve the shopping experience for consumers. This was not a fanciful, crystal ball-gazing exercise although, of necessity, it entailed a certain amount of educated guesswork. Only a fool would claim to predict with certainty all the repercussions of the rapid and seemingly endless march of technology.

I hope this report will prove useful in helping retailers address the strategic investment, recruitment and training decisions they need to take in order to exploit the opportunities, stay competitive, and ensure that the UK is still a global leader in multichannel retailing in 2020.

Patrick Barwise
Emeritus Professor, London Business School
Chairman, *Which?*

[1]Boston Consulting Group, *The Connected Kingdom*, October 2010.

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During their discussion, the panel identified ten aspects most likely to shape Retailtopia in 2020:

1. Stores are here to stay: Although the proportion of online shopping will continue to grow strongly, many customers will still want to visit stores as part of a rich retail experience.

2. What's in it for me? The customer experience both online and in-store will become more customised, personal and interactive to keep pace with consumer expectations.

3. Seamless success: Successful retailers will offer customers a seamless multi-channel experience, with the store, online and mobile aspects of their operations merging to become more of a complete brand experience.

4. Anytime, anyplace, anywhere: There will be few physical, technological or geographical boundaries for shopping. Customers will look more actively to shop online beyond the UK. This also presents opportunities for British retailers to attract new customers in foreign markets.

5. No time to wait: The most successful retailers will slash customer waiting times to a minimum. This will mean instant online content, constant stock availability, no queues and same day fulfilment without the need to pre-book.

6. Wireless world: Retail environments will be completely wireless enabled. Retailers will connect in helpful ways with customers before they reach the store. Contactless payment will release staff from tills to focus on service and the customer experience. Retailers will also enable customers to bring their own devices into store to help with their shopping or share what excites them.

7. Payment protection: With increasing online and contactless payment, providers will give customers complete confidence that they won't fall victim to cyber-crime.

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8. Cloud revolution: Retailers will use on-demand cloud based services to provide instant access and richer content throughout their multi-channel operations. These services will be used equally to reduce operating costs, enable staff to be more effective and delight customers.

9. No more delivery dilemma: The fulfilment of online retail purchases will be more cost-effective and efficient thanks to automated, high density distribution centres and greater cooperation between retailers.

10. The ‘social’ storefront: Social media platforms will enable customers to experiment and collaborate in new ways to enrich their shopping experience. The success of retailer’s social media activities could challenge advertising as the lead tool in shaping consumer brand perceptions.

The panel also proposed a number of priorities for retailers to consider in thinking about their future strategies and plans that will help make Retailtopia a reality:

1. Wireless connectivity throughout the retail landscape will be essential if the benefits of widespread mobile, location-based technology are to be enjoyed by customers and retailers alike.

2. Retailers need to increase the integration of existing platforms with mobile shopping and deliver more fulfilling experiences online which empower customers and represent their brand accurately in every way.

3. Retailers should improve analytics to drive meaningful innovation in the shopping experience and help tailor the shopping experience to customers more precisely.

4. New technology must deliver tangible benefits that help consumers make more informed choices, save time or money, access new products or services and get greater enjoyment from the shopping experience.

5. Retailers should harness the power of new technology to reduce the environmental footprint of shopping through increasing efficiency, reducing waste and helping consumers make wiser choices.

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6. Although retail is a highly competitive sector, greater collaboration is likely to be an effective way to increase efficiency and maintain profitability.

7. There is a need to invest further in new marketing, commercial and supply chain skills so that UK retailers understand the new business models required to succeed in the multi-channel world.

8. Investments need to balance being in-tune with local market knowledge and needs, whilst also capitalising on big company efficiencies.

What is Retailtopia?

Retailtopia is the name being given to a vision created by a thought leadership discussion panel focussed on the potential for technology to improve the customer experience and deliver benefits to retailers.

It looks beyond the significant short-term challenges facing the retail sector to create a positive view of the potential British shopping experience in 2020. BT is the enabler of this group.

Panel contributors from the retail and associated sectors met for the first time in February 2012 to discuss trends likely to shape British retailing and form a vision of what Retailtopia might look like in 2020.

The discussion was led by Patrick Barwise, Emeritus Professor at London Business School and Chairman of Which? Key out-takes have been captured in this vision paper and a series of video interviews with contributors who attended the session. In order to bring it to life, the vision paper also includes some visualisations showing how networked technology might empower customers and staff.

This first Retailtopia vision paper was launched to media at a roundtable in March 2012, attended by the chair and some of the contributors. BT aims to make Retailtopia a sustained thought leadership campaign. Following the initial vision paper, further aspects will be explored in more depth, introducing new contributor viewpoints, research or innovation.

To find out more about Retailtopia, visit: www.bt.com/retailtopia

This vision paper was written by Jonathan Rush, a freelance writer who attended the Retailtopia panel discussion as an observer.

Who is involved?

The initial Retailtopia panel was assembled from a variety of fields: retail, consumer group, not-for-profit, payment provider; market analyst and technology enabler.

Their diverse backgrounds illustrate the importance and ubiquitous nature of multichannel retailing in the UK. Most importantly the panel's complementary skills and experience provided a rare collective ability to provide insightful opinions on the major issues, challenges and opportunities that face the UK's retail sector.

In alphabetical order the panel members were:

- Patrick Barwise, Panel Chair, Emeritus Professor of Management and Marketing, London Business School and Chairman of Which?
- Ralph Hengstenberg, Marketing Director, BT Global Services UK Markets
- Peter Madden, Chief Executive, Forum for the Future
- Andy Mantis, Group Head, Merchant Information Services, Mastercard
- Julia Margo, Director of Consumer Insight, Which?
- Carol Popplewell, former Retail Operations Director at Topshop
- JJ Van Oosten, former Worldwide CIO at Tesco.com
- Stephen Robertson, Director General, British Retail Consortium
- Emer Timmons, President, BT Global Services
- Mike Watkins, Head of Retailer and Business Insight, Nielsen

What do the customers want?

To provide impetus to the panel discussion, some research was carried out in February 2012 into what consumers feel are the most important considerations for improving UK shopping experiences over the next decade. The key findings were:

- 68 per cent felt online shopping was the most valuable retail innovation of the past ten years.
- 72 per cent said that online shopping was the aspect of retail technology they are most satisfied with now. The next most popular choice was the payment security experience (31 per cent).
- 69 per cent said queuing is the thing they most dislike about shopping today, followed by social media (16 per cent), customer service & returns (11 per cent), in-store service (8 per cent) and mobile shopping (8 per cent).
- Queuing (43 per cent) is the thing consumers would most like to see improved, followed by customer service / returns and in-store service (35 per cent).
- Consumers see online shopping and payment security (both 37 per cent) as areas where technology can have the greatest positive impact in the future.
- Online shopping emerged as the technology consumers use most now and expect to use most in the future. They are also expecting to shop more through their mobile devices in the future.
- Today, consumers describe themselves as using in-store and online shopping almost equally and expect to use online shopping almost 50 per cent more in the future. This may not mean that in reality online shopping is going to be bigger than in-store shopping in 2020 – more likely, it means that, although consumers are already using online shopping now, they expect to do so significantly more in the future.
- 43 per cent of consumers say nothing stops them from buying online from retailers outside of the UK. The few who did identify reasons for not wanting to shop online outside of the UK mentioned perceived risk about payment security, delivery times and quality of products.

What do the customers want?

- In practice, consumers like and are comfortable with online shopping. But in theory, 73 per cent said they are wary of payment security issues, demonstrating a difference in stated attitude and behaviour.

- 71 per cent of consumers believe using social media to help with shopping can save them time or make more informed purchasing decisions in the future. However, 38 per cent cannot currently identify what the greatest benefit of social media will be in the future of retail.

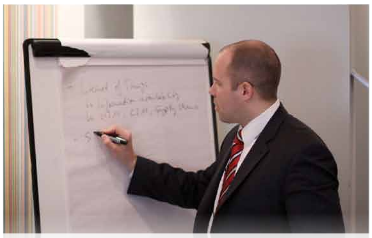
- 41 per cent of consumers said they would currently prefer not to be contacted by retailers on social media platforms. For those who were open to contact, Facebook was the most popular channel (28 per cent).

- Despite showing a clear dislike for queues, over half of the consumers surveyed prefer to make in-store payments at a staffed check-out with a debit or credit card (53 per cent), with cash listed as a close second option (38 per cent).

- In the future, debit and credit cards are the payment option consumers expect to use most (77 per cent), followed by cash (38 per cent), which they expect to use twice as much as payment via mobile device (18%).

These results were gathered using an online omnibus survey involving 2,000 consumers aged 18 years or older by ICM Research in February 2012 on behalf of BT.

What might Retailtopia look like?


Key features of the Retailtopia vision discussed by the panel are outlined below.

Leadership

Not everyone realises that the UK is a global leader in the online shopping segment of multichannel retailing. The panel thought it would not be surprising if the large US technology companies (e.g. Google, Amazon, Facebook, Microsoft) dominated the internet in 2020 and therefore had a significant role in shaping the UK online retail landscape. The UK currently leads with online shopping and advertising, so it is not surprising that consumers expressed satisfaction with this area of technology in the Retailtopia research.

Stores are here to stay

Shopping in either virtual or bricks and mortar stores will be significantly more personalised and interactive. Emer Timmons said: *"Basic shopping will be done online. But if people want the best shopping experience, they will come in to the store. You will be recognised when you enter and personalised information will be pushed at you so that everything feels more tailored to your needs."* The challenge for brick-and-mortar stores will be to provide benefits that online cannot.

Social media hype?

The panel was struck by how the Retailtopia research revealed low levels of satisfaction with social media and mobile shopping. The fact that confidence in payment security was relatively high is also interesting. Surprisingly, social media was listed as the second most disliked given all the 'digerati' are obsessed with social media and Facebook is allegedly worth $80 -100bn.

Death of the queue?

The panel felt we are still at a stage where few consumers see a connection between what they are currently experiencing and technological opportunities for reducing queuing.

What might Retailtopia look like?

Some on the panel questioned whether there was any merit in asking consumers to predict the future. The response to this was that asking consumers assisted in identifying patterns. Patrick Barwise felt: *"Digging into qualitative data is necessary to uncover latent needs, which is not easy… strategic innovation has to be mainly ideas-led."*

Innovation is not going to come out of asking consumers, it will come from innovative managers' and other experts' ideas, which can then be tested with consumers. Mike Watkins said: *"There is a tendency for technologists to develop ideas which are technically exciting but not always relevant to consumers. Customers engage with service and benefits, as well as innovative technology."*

From a consumer viewpoint, the 'queue' for online shoppers is the period of waiting for delivery. The rest of the shopping experience is well controlled, whereas delivery is affected by traffic and people and other factors. The panel saw click and collect emerging as significant in non-food areas. There had not been a lot of media coverage on this to-date because it was not regarded as 'sexy'.

Which channel will prevail?

The panel felt the idea suggested in the Retailtopia research that in-store shopping will reduce as much as 50 per cent by 2020 was greatly over-stated but directionally correct. The survey indicated online shopping would continue to increase, but use of social media hardly changed.

Looking at patterns of customer behaviour, it was important to be able to analyse results by age group because there is complexity which could be misleading if ignored. For instance, according to Julia Margo: *"Younger people value the shopping experience, particularly those under twenty-five."*

The survey results for social media might be ambiguous: some respondents might not consider it as 'shopping' per se. There have been social media campaigns over the last year which have been promising and indicate that social media can become a more important part of the shopping experience.

Ralph Hengstenberg added: *"Three quarters of younger people research online and check social media reviews with friends, but still over half of them prefer to go into the store to buy and get the shopping experience. That's where the multi-channel aspect comes in. You have to be present in all of them."*

What might Retailtopia look like?

Peter Madden said: *"Online technology enables shopping to become information-rich. You can dive down and ask questions - the technology enables you to make more considered purchase choices."*

Andy Mantis described the US pattern of online shopping: *"It peaks on Tuesdays and then drops over the weekend, when more traditional bricks and mortar shopping peaks. The corollary is that online mobile searches also peak at the weekend. People use technology as a piece of the shopping experience all week."*

The panel noted that the online shopping journey can involve more than one person. The consumer may do the research online and then it may be convenient to ask someone else to make the purchase, while others may be final consumers.

The panel believed bricks and mortar retailers could have an advantage over pure online retailers in putting together packages using their product knowledge. Some suppliers in some categories may look for ways to leap over retailers to access consumers directly through online channels, in the way that brands such as Dell or Nespresso have done. Retailers must prove their worth, but the value added by well-run retailers is massive.

Shifting investment priorities

Even though the trend towards online shopping is well established, some of the panel were surprised that retailers were still planning to open new stores, although grocers' convenience stores on the High Street could be a good opportunity. The amount of space that is optioned by retailers may not translate into space actually opened.

There appears to be a change in the retailer outlook on the amount of space they will need in future. Capital expenditure seems to be supporting online in a way that was very different from a few years ago. According to JJ Van Oosten: *"Capital expenditure for online by the top four retailers is about 20 times lower than for bricks and mortar. Retailers understand better how to communicate the benefits of the bricks and mortar economic model to the investment community."*

There was consensus that the profitability of online operations was low and some were loss-making. JJ Van Oosten believed: *"For the larger traditional retailers, distribution costs for their online operations are nearly twice that of online specialists such as Amazon."*

What might Retailtopia look like?

Online opportunity

The panel felt there might be a problem for traditional retailers because some directors “do not get online.” Carol Popplewell believed: *“There is an opportunity for online channels in being particularly valuable for researching and setting up in emerging countries where UK retailers are not currently trading.”*

The panel was aware of UK retailers who were surprised to receive increasing orders from countries such as Australia. This suggests retail could become a significant export sector from within the UK.

Online technology developments mean that virtual shopping will, over time, enable consumers to touch and feel products. The panel asked how hi-tech channels would minimise chores but maximise experience, for example with cameras.

The implementation of super-fast broadband (SFBB) will enhance websites, for example with the ability to stream video. Online and real life experience will become more blurred, as real life becomes overlaid with the online experience.

The online shopping experience is global, but there is also capacity for local and location-based services. For example, walking through a mall and being notified of your size availability. There could be information about products ‘pushed’ at customers throughout their retail trip.

Mike Watkins said: *“Shoppers will be looking for the ability to shop anytime, anywhere for anything. We’re already beginning to see this power being put into the hands of consumers with the uptake of smartphone technology as a key enabler.”*

Social media

The majority of Retailtopia survey respondents said they would prefer not to be contacted by retailers on social media. However Julia Margo said: *“When you look at actual consumer behaviour online, people say they like the Facebook pages of some companies. However, consumer attitudes don’t always reflect what they are doing.”*

What might Retailtopia look like?

Ralph Hengstenberg said: *"There is a lot of testing currently being done by retailers and consumers of latest technology choices, such as Apps, so it will take time for mainstream adoption of some social media and mobile innovations."*

The panel saw a potential privacy issue with social media. Retailers pretending to be a 'friend', when a customer has real-world friends and Facebook friends can be risky for corporate organisations. There is a challenge for retailers to introduce appropriate technology that provides consumers with a choice. Even though there were clear consumer benefits, there have already been cases of negative reaction against clumsily targeted advertisements on Facebook.

The panel believed a key challenge is to introduce technology that teaches consumers at the same time how to use it. For example, how many people actually notice the 'unsubscribe' box at the foot of eDM messages? Customers may not understand they have a choice. If they have a low understanding, they are unlikely to play or buy.

Payment confidence

Through the Retailtopia research, the panel perceived a gap between a somewhat concerned attitude and relatively behaviour towards payment security. There may be a generational dimension to this: younger online shoppers may not yet have had a bad experience to knock their confidence.

People dislike queuing at staffed check-outs. Although most also dislike self-service, many are beginning to use it. The headlines when ATMs, tube gates and self-service petrol were introduced were all negative, but in time they became accepted by consumers. The technology is already there for mobile shopping, but has not yet been fully brought to market. For example there are tests going on digital receipts and Apps to manage personal inventory.

Mobile will be the future

By 2020 the store will increasingly come to the consumer. This is a reverse in the current way of thinking. There will be no physical or technological or geographical boundaries: anything, anytime, anywhere. The consumer will hold all the cards.

The next decade will bring smarter, faster mobile devices that will enable personalisation. Google already ensures that every one of its new developments works well on mobile platforms. You will need a mobile identity that stays with you for life which, for example, will allow you to change phones.

What might Retailtopia look like?

Stephen Robertson predicted that there would be *"a more honest and trusted Internet by the reduction of online fraud".* Some retailers have reported that currently 30 per cent of its attempted orders were fraudulent.

Privacy concerns

Peter Madden thought: *"A major personal freedom issue is raised by so much data on people. Personal spending patterns are being analysed like never before and can be used to predict behaviour. There are real questions about personal freedom and how much information you should give up. In the Netherlands, an attempt to roll out a smart grid caused a backlash because consumers didn't want to give up personal data."*

Executive skills gap?

Few board directors go online and test their companies' shopping experience. JJ Van Oosten said:*"The bricks and mortar world has very shallow depth of expertise of the online world. It is difficult to integrate people from the bricks and mortar world into the online world."*

Peter Madden thought: *"Retailers are behind the curve on the 'internet of things', where information will be embedded into absolutely everything and will overlay all areas in our lives. Products will talk to products. This will influence everything from supply chains and shopping experience to post-consumer waste."*

Peter Madden said eBay has a community in which they let consumers trial, they will observe what works best and scale it up. Stephen Robertson said: *"Amazon runs thousands of tests a day whereas bricks and mortar may run a dozen or so per annum. This means they can evolve and adapt at unprecedented levels."*

Cloud revolution

The panel believes retailers will use on-demand cloud-based services to provide instant access and richer content throughout their multi-channel operations. These services will be used equally to reduce operating costs, enable staff to be more effective and delight customers.

One potential impact could be a democratisation of markets, which opens opportunities for independent retailers to set up shops because cloud-based technology brings down barriers to smaller players.

What might Retailtopia look like?

Collaboration

There were clear benefits in cooperation between retailers along the lines shown by the airline and automotive industries. For example, shared distribution centres and delivery fleets could be extremely efficient, although competition concerns, issues of governance and control, and industry politics could militate against this.

There may be smarter communities along the High Street, with retailers collaborating with information on parking, public transport, and security. There could also be shared infrastructure – for example in the US Pepsi and Coca Cola share the same delivery trucks in low-density areas.

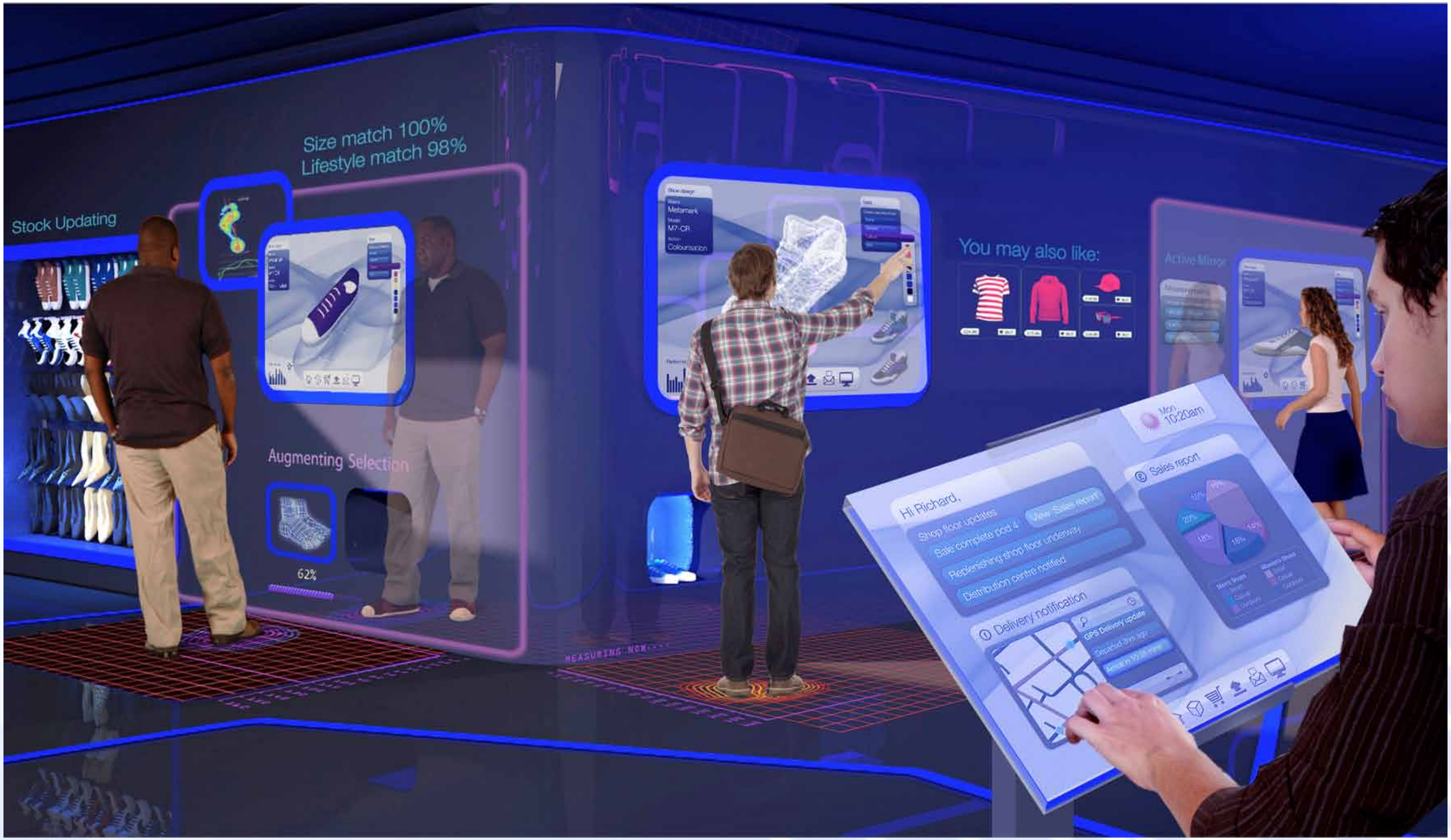
It is not just retailers that stand to benefit from greater collaboration. Platforms that have already begun to emerge will enable customers to experiment and collaborate in unpredictable ways and encourage peer to peer growth. For example, organisations such as Mumsnet could have the potential to play an effective role as an intermediary between manufacturers and consumers.

What might Retailtopia look like?

To bring aspects of the potential Retailtiopia customer experience to life, a series of visualisations have been created and are shown on the following pages. These are inspired by the panel's vision and highlight how networked technology could:

- Deliver richer, multi-media in-store experiences for customers in which they can try or test product attributes;
- Automate processes such as stock replenishment, measurement or payment to reduce waiting times in-store;
- Give staff greater freedom through wireless devices that provide real-time information on product availability and help answer customers' questions to maximise sales;
- Help customers make more informed choices by alerting them to important product information (e.g. the presence of allergens) or explore aspects of the supply chain to learn more about their purchases;
- Connect customers with retailers in meaningful ways before they get to the store, such as providing information on their journey into the town centre or alerting them to new products or offers;
- Create wireless enabled retail environments that allow customers to use their smart devices to research, seek out and share information whilst shopping to make their experience more enjoyable.

What might Retailtopia look like?



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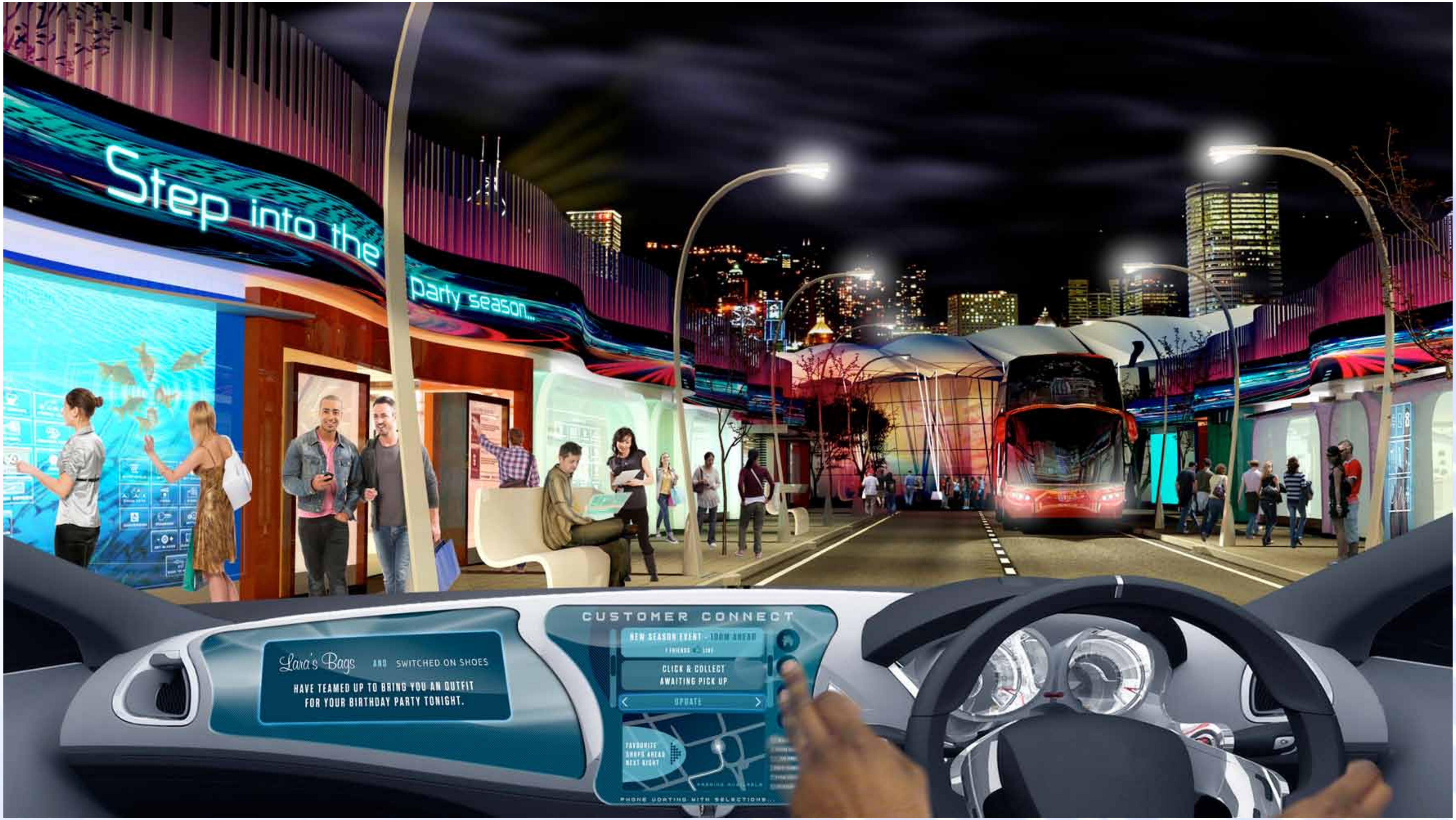
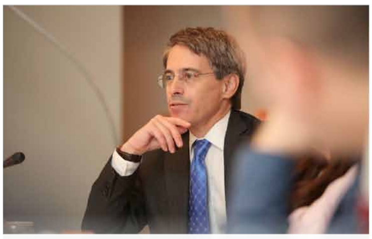


What should retailers do to move towards making Retailtopia a reality?


The panel also proposed seven priorities for retailers to consider in thinking about their strategies to make Retailtopia a reality:

Enabling the mobile shopper

Mobile, location-based technology needs to be underpinned by super-fast broadband (SFBB) and WiFi in hotspots in stores and homes. The UK retail landscape must not have significant ‘dark spaces’ by 2020.

Seamless multichannel shopping

Retailers need to build on the technology platforms already in place, but increase integration with mobile shopping and enhance the virtual store environment to give customers a more fulfilling experience. Investment in new forms of engagement, such as social media, needs to empower customers rather than intrude on their lives.

Enhanced data management and business intelligence

Retailers need to keep investing in analytics to enable them to improve the generic and personalised shopping experience and make sure that the right goods are in the right store at the right time.

Customer-focussed innovation

As retailers already know, a key to successful innovation is listening carefully to customer needs. In-store technology must deliver tangible benefits that help consumers make more informed choices, save time or money, access new products or services and get greater enjoyment from the shopping experience. Technology innovation where the consumer benefits are not well defined is unlikely to pay-off in the long run unless it allows significant cost reductions that can be shared with consumers through lower prices.

What should retailers do to move towards making Retailtopia a reality?

Collaboration

Although retail is fiercely competitive, greater collaboration is likely to be an effective way to increase efficiency and maintain profitability. Whether this is local retailers coming together to give shoppers a better high street experience, large national retailers sharing distribution infrastructure or multi-national companies developing global technical standards, there is potential for improvement through collaboration.

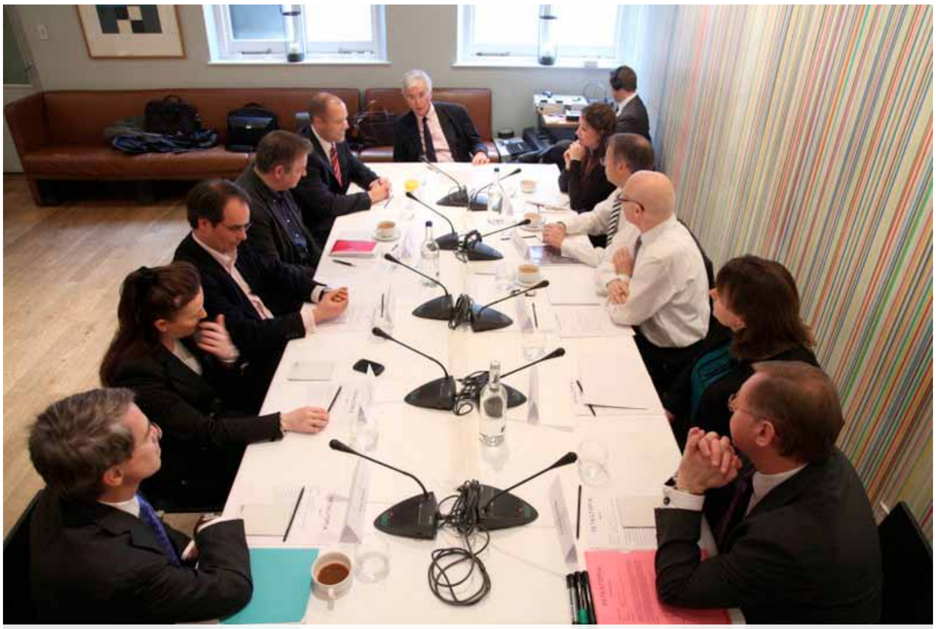
Sustainability

Retailers should harness the power of new technology to reduce the environmental footprint of shopping through increasing efficiency, reducing waste and helping consumers make wiser choices.

Culture

While the management culture in British retail has been evolving, the pace of competition and globalisation of the marketplace means there is a need to keep investing in new commercial skills. UK retailers need to make sure they refresh their board rooms to ensure there is good understanding of the new business models required to succeed in the multi-channel world. Their investments need to be balanced, in-tune with local market knowledge and needs whilst at the same time capitalising on big company efficiencies.

What next for Retailtopia?



If you would like to find out more about the vision for Retailtopia, please visit www.bt.com/retailtopia. Here you will find a collection of videos showing the panel contributors talking directly about their different perspectives on how technology can enable UK retailers meet the needs of customers in 2020 and deliver the best multichannel shopping experience in the world.

The panel would welcome views and comments on aspects of the vision presented in this first paper. You can share your thoughts by posting comments on any of the video interviews or Retailtopia blogs found at www.blog.bt.com/viewpoint.

BT aims to make Retailtopia a sustained thought leadership campaign. Based on the reaction and feedback to this initial vision paper, further aspects will be explored in more depth during the second half of 2012, introducing new contributor viewpoints, research or innovation.

Created in March 2012