The Future of Retail Marketing

By Timothy C. Mack

ABSTRACT: Retailers globally are facing a range of challenges: new competition, new consumers with new values and demands, and new technologies that both simplify and complicate business operations. Success in the future retail landscape will require creativity, flexibility, and a laser-focus attention to what current and prospective customers want.

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The Changing Consumer

Retail marketing is in the midst of a radical revolution, driven by technology, demographics, and cultural shifts, but one of these changes is not the baby boom fading away. Many may soon retire, but none are likely to stop spending; they will thus continue to attract market and cultural attention. The total size of the boomer age cohort was 77 million babies, and that period of increased fertility lasted 18 years: 1946 to 1964. Compared with the relatively quiet period after the First World War, the Second was followed by a nearly 50 percent increase in birthrates. And now, boomers over 55 years of age continue to meet a wide range of social obligations toward living parents, siblings, children, and grandchildren. The last U.S. boomer turns 65 in 2030, and some fear that the end of the boomer period may precipitate a slowdown of U.S. economic growth. Time will tell.

A significant element in the continuing economic relevance of the boomer cohort is

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that it mirrors aging patterns worldwide. While there was only one country in 2012 (Japan) with 30 percent or more of its citizens over 55 years of age, by 2030 there will be 64 countries in that category, including the United States, with 34 percent. Europe will be the oldest region, with 36 percent of its population over age 55. This global pattern is already proving a boon for health and medical markets, as uninsured medical costs are the greatest worry for 46 percent of the over-55 demographic, according to Age Wave. The average retirement-age worker is now staying on the job 4.2 years past full retirement age (66 years), with almost 70 percent considering some employment after retirement (or flex-retirement). Accordingly, the boomer generation will continue to be a player in the profile of the global consumer.

The ongoing transformation of other cohorts within the shopping public continues across demographic lines. While 28 percent of all U.S. households have children under the age of 18 and only 22 percent of primary shoppers are mothers with children under 18 at home, the harried shoppers in this cohort most value hassle-free reliable experiences. The fact that almost four in ten household food shoppers today are men has led to a retooling of target marketing by manufacturers.

The growth of *prosumers* (hybrids of producers and consumers) continues: New technologies enable a range of co-creation partnerships between customers and marketers, which are much more ad hoc and varied than previously and result in more user-generated content.

Some prosumer value shifts are reactions to social developments while others are self-enabling. Examples include:

- Increased surveillance by both government and commercial institutions, as well as by growing numbers of tech-savvy individuals, means there will be more demand for products to protect privacy.
- The widening income gap will compel wealthier people to seek services to protect their assets, leading to a larger security industry.
- An abundance of identical products is leading to the increased social value of handcrafts.

- New technology is driving augmented reality, wearable computing, and personalized learning.
- Information overload will lead to more desire for solitude and simplicity.
- Sleep psychology is creating a new industry: sleep enhancing products.
- Digital agents and buyer bots are coming to shoppers' aid.
- Consumers no longer worry about not being able to try clothes on before buying online, so long as returns are easy and hassle-free.
- Digital technologies accelerate product customization. For example, an art framing shop can receive a scan of a customer's painting and suggest ranges in the size, color, and style of possible frames. Once the customer chooses the frame, she sends her artwork to the company, which then ships the framed art back to the customer.

But if one wants to have a full picture of where the future of the shopping customer is heading, one should look at developing as well as developed countries, as they can more easily leapfrog over 20th century legacy protocols for getting things done. Africa, which has long been a poster child for poverty and low economic power, is likely to be propelled into the leading regional ranks over the next 15 years, in part because of its demographic potential. The most dramatic of these population increases will be in the sub-Saharan countries, with Nigeria in the lead, along with Tanzania (which by 2100 is expected to be as populous as the present United States) and with Ethiopia and the Democratic Republic of the Congo on comparable growth tracks. What has previously brought the highest levels of economic return in these countries has been privatization and the smart growth of sub-Saharan cities, where Internet connectivity is already well past 50 percent.

More determinative of economic growth than raw population rates is the dependency ratio, or the ratio of people under 15 and over 64 years, when compared with those between age 15 and 64 years of age. At present, only 25 percent of Africans overall are connected to the Internet, and the dependency ratio of the African continent is now 80 percent, due to its high birthrates (130 million children projected to be born between 2010 and 2025, and 40 million in 2030 alone). But the front end of that youth cohort will soon age into a robust working-age bloc (above 15 years old), leaving Africa with the largest working-age population in the world by 2035. What remains critical, of course, is education and skill building for this massive workforce.

An argument against a robust economic projection for Africa is often that sub-Saharan Africa is going to stay poor, now and forever. In clear contrast to that view is a 2013 McKinsey Global Institute in Africa report on the impact of Internet and e-commerce technologies, which strongly suggests that Africa is now approaching tipping points in its financial systems, education structures, health systems, retail infrastructure, agriculture, and governmental effectiveness, with these sectors on the edge of exponential positive change. IBM's Africa Research Lab in Lagos, Nigeria, established an innovation center in 2014 as part of IBM's Smarter Cities Challenge, with goals such as untangling the city's deadlocked transportation system. And most interesting globally, sub-Saharan Africa is one of the areas experiencing a very rapid development of its mobile commerce and banking systems. However, these African projections remain largely speculative, open to being altered by unforeseen shifts in the present direction.

Economic transformations driving retail innovation are already emerging in China, where transformative approaches are rapidly moving a formerly cash-only and in-person system into a massive e-tailing network projected at $650 billion in annual sales by 2020 (driven by innovations such as retail payment escrows until the customer declares himself or herself satisfied with the delivered product). In addition, payment systems are continuing to morph into mobile money market and small business loan services, and over 50 percent of all digital transactions are now done on mobile devices. In fact, Alipay, the most robust of these Chinese financial systems, handled as many as 2.85 million transactions per minute during the annual Singles Day sale in 2014, the busiest shopping day of the year.

Changing Retail Approaches

While all consumer profiles in the exploding world of big data are supposedly guaranteed to be off limits to unwanted marketing in the new bottom-up economy, it is still likely that black markets and common work-around of lists of what consumers will not permit means personal information can still be easily accessed. Accordingly, such retailer maxims as "All businesses will allow all consumers to be participants in the process of creating what they want" and "All commercial messages to consumers will be purely informational, with no marketing hype" will prove to be examples of keeping the policy language but ignoring its practice.

The primary reason for these work-around tactics is often the profit motive and its basic principle of acceleration: More profit is better than the same level of profit each year, and this acceleration requires techniques that increase consumption, especially since corporate stockholders are consistently dissatisfied with steady earnings versus escalating ones.

Mega-brands—brands that span multiple product categories and market segments with endless variations (e.g., Tide Dry Cleaners and Mr. Clean Car Wash)—are growing beyond their ability to differentiate, and mega-malls and box stores are in intensive care. Consumers want personal purchases enabled by new channels of distribution (how products get from manufacturer to purchaser). Responsibility for maintaining stock and delivering it in a timely fashion has made Amazon a global giant, using third-party distribution. Previously, retailers' search for the lowest manufacturing costs led offshore. Now, their focus is on supplier relationships and improving the process to help suppliers succeed—for example, by obtaining raw materials at better discounts. The overall goal here is increased mutual trust, reverence, and loyalty between merchandizers and suppliers. The rise of brands with fewer items and higher prices per item (as part of premium lifestyle statements) is in contrast with heritage brands (like Burberry) that have been challenged by the label of "old-fashioned," or stuffy and boring, versus the agile identities of 21st century

"Mega-brands ... are growing beyond their ability to differentiate, and mega-malls and box stores are in intensive care."

branding. Of course, Burberry reversed its slow decline by bridging old and new—keeping quality while adding endorsements across a range of cultures.

However, the high-end enabled customer is only part of the retail story. Globally, the middle class is still in early stages of development in many countries, and the lengthy worldwide recession has re-sorted who is in the middle class, teaching many formerly middle-class shoppers to “shop poor.” This continues to drive the discount sector, especially cross-category stores that try to offer one-stop shopping for all their customers’ needs. This is especially true in the grocery industry, where profit margins have always been low. Accordingly, grocery chains in the developed world have gone out of business at brisk rates, while discounters (like Walmart) and specialty foods players (like healthy, local, and organic Whole Foods in the United States) continue to survive, and even thrive.

Shopping Centers: The Former Giants of the Retail Industry

“Overstored and overstuffed” is how the retail landscape was described in the first decade of the 21st century. By 2010, there was 42 square feet of total shopping center space for every person in the United States. The closest competitor was Sweden, with 3 square feet per capita, and this translated into competitive congestion and market saturation.

At the same time, production and distribution improvements in the retail industry began to empower consumers in terms of their ability to demand higher quality, more choice, and greater differentiation—compelling reasons to choose specific brands. Market strategies moved from product quality to emotional resonance and social status for wider lines of branded products. For example, there were already 800 brands of jeans in 2010 and 39 sub-brands of Tide laundry soap. And while some customers continued to shop at brick and mortar stores, many more migrated to the more than 50 billion Web sites already in existence.

Essentially, change is always an expected factor in future studies; in recent years, continuing growth appeared to lead to infinite brand expansion until the Great Recession brought economic growth to a halt and began to increase the opportunity costs of traditional shopping. Why drive across town to buy items you can buy online or at the local outlet, drug, or discount store? The Recession led to less discretionary spending and more planned buying in bulk from discount stores. Even Walmart began to move from cornfields at the edge of towns to Neighborhood Markets (*only* 45,000 square feet), with larger Supercenters (100,000–210,000 square feet) becoming an endangered species. At 180,000 square feet on average, these super stores were once 80 percent of Walmart's new construction.

No new enclosed malls have been built in the United States since 2006. Vacancy rates at existing malls almost doubled since 2006, and now some mall vacancy levels are above 40 percent. The globe is now everyone's back yard, which drives a whole new set of logistics, outreach, delivery, and values across a range of diverse cultures.

Real estate executive Rick Caruso, speaking at the 2014 National Retail Federation conference, said that "Within ten to fifteen years, the typical U.S. mall, unless it is completely reinvented, will be a historical anachronism—a sixty-year aberration that no longer meets the public's needs, the retailers' needs or the community's needs."

The Gap, long a U.S. mall anchor, launched nearly all its new 2014 stores not in North America or Europe, but in Asia, a "blue water" region offering new and little exploited markets. Other blue water markets include India, the Middle East, Western Asia, and North Africa.

In the United States, disruptive changes continue, including the growth of mobile points of sale and the disappearance of the teenage "mall rat." The Internet allows customers to search and select products, sales, and distribution options (for pick up or delivery to a store or right to your home), all from their armchairs or offices.

Overall, the three main drivers of recent mall failures were years of recession, technologies that changed the ways consumers shop, and real estate overexpansion during the housing boom. The strongest mall tenants continue to move to better locations, while the centers that are failing continue to lower their rents in an attempt to survive, although their owners will not escape the enormous embedded costs.

In addition, there are what are sometimes referred to as consumer pain points, such as finding a parking place at a mall, finding a salesperson in a big box store, and getting purchased items home. But pain points exist in the online process, too, including the inability to see or touch items before purchase (or try them on), as well as online registration requirements, the follow-up marketing blitz, and having to wait for delivery.

Some new locational strategies revolve around cultural rebranding, such as the Plaza Fiesta in Atlanta. That property was previously an Asian Night Market, but the numbers did not work. Atlanta's Hispanic population has tripled in recent years, and Atlanta now ranks among the top 20 U.S. cities in terms of Hispanic residents. Those mall buildings were acquired at a discount, with the initial development costs borne by previous owners.

Another approach has been to transform the physical configuration of older shopping centers, such as University Village in Seattle, Washington, by converting brick and mortar formats into smaller physical footprints: The stores resemble a small town, with each shop like an attached row house building, but with more variety than traditional urban brownstone neighborhoods. Unfortunately for these efforts, malls in general are seen by many younger shoppers as too boring and spread out: instead, convenience is now almost a religion.

But another arising concern is the safety of large public spaces in general—in terms of crime and epidemiological risk in an era of Ebola and even measles—and in a world where political differences are increasingly expressed through acts of terrorism against noncombatants, far from any field of combat. The classic example to date is the 2013 attack at Westgate shopping mall in Nairobi, Kenya, in response to overseas deployment of the Kenyan military. More recent threats toward Western malls in general only add to the potential "pain points" of shopping offline.

The Big Store Counterattacks

Responses to these challenges include a range of new strategic directions that are leading malls and box stores back toward profitability—or so they hope. These include:

- Relying on single integrated supply chains and reduced cycle times for new lines, as opposed to the increased time consumption, compromise, and complexity generated by a multiplicity of vendors and suppliers. For example, Zara in Spain has responded to the proliferation of micromarkets by shifting its fashion offerings ("new and now") as often as weekly and by varying its product mix from store to store, even within different neighborhoods in the same city.
- Creating smaller (3,500 to 5,000 square feet) store configurations that are more intimate, casual, and thus more effective in connecting with customers. In addition, some companies are hiring sales associates from the most committed parts of their customer base; this tactic has proven essential in the face of the previous industry norm of 75 percent annual turnover in sales personnel.
- Going off-mall for small, flexible spaces that are more accessible. This includes short-term pop-up stores, flash Web sites, holiday vendor fairs (such as the annual Christmas event behind the New York City Public Library), public space fashion shows, etc.

"Fighting for their existence, malls and big box stores are following every new path that shows promise, using their imagination, new communities and networks, and new communications strategies."

Fighting for their existence, malls and big box stores are following every new path that shows promise, using their imagination, new communities and networks, and new communications strategies. Of course, this often means returning to tried and true tactics, but thinking more creatively. Examples include adding better lighting and reducing sales floor clutter to enable quick visual scanning of the store, dressing more mannequins for outfit suggestions, looping videos on appropriate sales area screens, and even staging cooking classes. Essentially, the motto here is to add experience and entertainment at brick and mortar locations, with live action shows to counter the Internet and the explosion of easy-shopping apps.

It should be clear by now that the crisis in retailing is not just a mall problem. Any urban specialty or department store is running scared in the face of the explosion in digital shopping. The challenge is turning the need to schlep to a brick and mortar location into a selling point. Peddling entertaining experiences, such as JCPenney's yoga sessions, is not selling, but rather building brand loyalty through learning experiences and just hanging out.

This is really building personality for a company and its products, through image branding and customization, commercial product decision democracy, and community building; in other words, selling lifestyles instead of products.

Using e-commerce to complement brick and mortar, Radio Shack attempted to reinvent itself as a neighborhood technology playground (before going into bankruptcy in February 2015), and Disney stores were transformed into Imagination Parks with interactive displays and a magic castle. These virtual and physical hybrids were attempts to allow commuters to shop online for an item, which is then dispatched from a nearby transport hub for quick delivery.

Bonobos' virtual tailor shop (or Guideshop) provides easy chairs and coffee, plus a virtual cut-color-fabric-style display to allow ordering, but not physical purchase. Termed a *show-rooming* approach with no shopping bags, it features personal shopping assistants but no sales staff, as the ordering and purchasing are done on the Internet after a fitting. These approaches are considered living Web sites that blur distinctions between physical and virtual shopping.

Other strategies include:

- Using digital kiosks to improve shipping time and ease of ordering (and for training salespeople).
- Recycling electronics for free at relevant stores.

- Creating exclusive buyers' clubs and invitation-only consumer groups. The goal is to focus on shopping as entertaining, educational, and fun.
- Encouraging suggestions for change from the organization's bottom (which is closest to customer), with staff being given more input on sales strategies and messaging.
- Recognizing the need for stores and sales staff to demonstrate social awareness and environmental responsibility to customers, as these values will continue to grow in importance to future consumers.

As a rule, grocery stores continue to serve as a bulwark against online driven vacancy growth in shopping centers (especially neighborhood centers), and Target and Walmart are good examples of that combination strategy. Also successful are retail centers that are heavily service-oriented, such as Best Buy's Geek Squad of repair technicians. Other continuing draws include wine and cheese stores, kitchen stores, children's museums, good restaurants, quality bakeries, spas, or high-end beauty salons. Children's indoor play areas, sports bars with ESPN, live music and entertainment venues, a good gym, a fresh food market, plus-size clothing stores, and, finally, comfortable seating in common areas are all becoming essential.

The new standard is offering customers a blend of goods and services, with services nearing two-thirds of total square footage and service-oriented tenants constituting a larger part of the mix in shopping centers.

One of the fastest growing service areas is walk-in medical clinics, like the Concentra urgent care chain (owned by health insurance company Humana Inc.). These clinics are growing at about 5 percent annually, with over 10,000 of them in the United States and upwards of 35 percent of that total located in strip malls and shopping centers. The advantage to customers is access to medical treatment on short notice without emergency room rates. It is proving a good match, as the mall setting offers a high-traffic and high-visibility setting with good signage capacity, while clinics as mall tenants usually pay higher than average rents and sign longer-term leases.

Although the most successful groups of stores during a recession are consignment stores and discount chains like Walmart, discovering the magic formula for a post-recession recovery is still in the works. But one important next step is virtual cross-border competition, involving global sourcing and selling. It is now clearer that social media is merely a communication tool in constant transformation (versus a silver bullet), where the customer profile and the utility of a specific media platform will change as the technology does.

Technology-Driven Product Innovation: Wearables

A growing trend in sportswear is the demand for improved performance, as well as for the rocketing innovations in wearable technologies that keep users informed about their larger environment in increasing detail. Clothing designers are now entering the new technology frontier, delivering medical monitoring and reporting, self-heating clothing, and magnetic (one-handed and self-closing) zippers. The focus will be to manufacture truly functional garments that help customers work, play, and live more efficiently.

Still in beta development are designs for fully flexible, stretchable, and deformable energy sources integrated into clothing, including lithium-ion batteries based on substrates such as fullerene-impregnated paper or other inexpensive materials, which are then compacted, using origami-folding techniques to increase energy density while keeping weight low and impact resistance high. This allows the manufacture of electrical devices on a larger, less expensive scale, followed by a final, very small-scale, folded product for use in a wide range of workplace settings. The only remaining challenge is finding an affordable way to get your new electronic clothing cleaned.

New Retail Analytics

The array of technology tools for marketing support continues to grow. For example, Google tools allow stores to analyze Internet and brick and mortar interface (store attribution transaction reporting) and link online ads with in-store sales (Google ad revenue is now more than $5 billion annually and growing). For example, Datalogix now tracks data on over $1 trillion worth of ongoing in-store transactions. On the privacy side, the standard practice is to scramble the encrypted data so that no specific individual is identifiable, using a matching algorithm to strip out identifiers. Google's policy is to match customer ad exposure to later store purchases, using anonymous cookies that do not reveal personal information.

One analytical concept that continues to expand is the *attention economy*—i.e., paying for customer attention to marketing. It is based on the fact that attention is becoming increasingly scarce, as digital citizens become increasingly distracted by the growing array of devices clamoring for that attention. Consumers are granting attention to merchants in exchange for immediacy, authenticity, accessibility, and/or findability. Each of those factors represents the sort of trade that is made in most working dialogic relationships.

Essentially, marketers and stores are looking for new tools to interweave thought and action in marketing messages. Ideally, passion results in commitment, and passion may be stirred in the beholder through successful visualization (e.g., interactive graphics and animation) and through translation (defined as restatement in terms that relate to the listener).

To be effective, these retail conversations need to involve listening to needs; communicating a compelling company story with confidence helps the target audience put themselves into that story and act in response.

"The concept surrounding reputation economics raises the question of how well a token economy based on reputation alone (rateocracy) actually works."

The concept surrounding *reputation economics* raises the question of how well a token economy based on reputation alone *(rateocracy)* actually works. Certainly the Yelp phenomenon and similar user-rating services have been very influential, but broader applications beyond crowd sharing of opinion have sometimes proved to be a bridge too far.

The Disney Merchandise Innovation project is a good example of how a marketer's self-image may not always match the consumer perception. Thus, Disney's idealization of childhood (as a desired bridge to the purchase of branded goods and services) may not match consumer values and realities. For example, how does the Disney idealized simplification of life approach fit a world that is often much more complex, ambiguous, uncertain, messy, and volatile?

Everywhere Marketing

Since a purchase impulse can now be acted upon almost anywhere, the goal of marketing apps is to quickly seize upon that impulse and convert it to action. This includes brands streaming product-related media, and especially video (which studies say increase purchase chances by as much as 80 percent). Marketing media now offer content that builds relationships, trust, and engagement with potential customers. Interactive media is the most dynamic, and *everywhere commerce* promises to occupy every communication device in every country for every product, from initial awareness through purchase to possible return. Many observers are concerned that such ubiquity will result in a fragmented, cluttered, and confusing marketing barrage. Of course, seamless and thoughtful applications remain possible, and one can hope.

Word of Mouth Approaches: Going Viral

Word of mouth marketing (WOM) is the art of building active networks of mutually beneficial consumer-to-consumer and consumer-to-marketer communications. Word of mouth can empower customers to share their retail experiences, and ethical WOM marketers reject all thought of manipulation, deception, infiltration, or dishonesty.

The basic elements of the ethical approach to WOM are:

- Educating consumers about products and services,
- Identifying existing customers most likely to share opinions,
- Providing them the tools to share information, and then
- Studying how, where, and when opinions are being shared.

Accordingly, an authentic and happy customer is the greatest endorsement. Word of mouth marketers believe WOM is the most honest form of marketing, building upon people's natural desire to share their experiences with family, friends, and colleagues, and that once you give people a voice, they will tell the true story of your company, whether it is good or bad. This is known as *viral marketing* in the digital world—e.g., creating a short video or ad campaign that sells a product in a way that encourages viewers to share it with their social networks. The difference is that viral pieces can reach saturation, while word of mouth may continue to travel as far as interlocking social networks extend, without the need to depend on a specific media format.

Organic versus amplified word of mouth highlights the difference between routine day-to-day interactions and the type that occur as part of a campaign to create or amplify that interaction. Organic WOM occurs naturally when people become advocates because they are happy with a product and have a natural desire to share their support and enthusiasm. Amplified WOM occurs when marketers launch campaigns designed to encourage or accelerate WOM in existing communities or ones that they have created.

A New Generation of Market Research

A revolution in market research is under way, drawing insights from fields ranging from business dynamics to anthropology. As a result, more traditional quantitative skills have been supplemented with value analysis and the use of social, technological, economic, environmental, and political (STEEP) factors. Survey research is becoming increasingly complicated by the realization that respondents often contradict themselves—both in how they respond to researchers and in their subsequent behavior. Market research online communities (MROCs) for both retailers and consumers are continuing to expand, using collaborative analytical approaches and co-creative tools to produce more authentic insights for these communities.

The holy grail of market research continues to be discovering "What do customers really want?" Accordingly, technologies such as face tracking and pupil dilation analysis have received increasing attention. Companies like Tobii show commercials to research subjects on computer screens, tracking viewers' eyes as they move across new ad copy. This eye-tracking technology is also being used to evaluate Web sites to determine the reading patterns of potential customers (especially identifying what gets read first). The computer's camera catches how long eyes linger on each Web page design element, then generates hot spot patterns to illustrate those interactions. Those digital lessons can also guide other advertising and marketing media. For example, the 51-second average reading time for each e-newsletter item reinforces the need to keep copy clear and the central message right up front.

Now, computers are beginning to identify patterns in human conversations, based on pitch, rhythm, and intensity, and are thus able to determine (within a margin of error) the relationship between parties, emotional state, and connectivity of the participants. Other research uses facial expression analysis software (through deformable and non-deformable facial points) to build broad lexicons of emotional indicators.

These tools can quickly distinguish genuine versus simulated emotions, and spontaneous versus merely social expressions. One technique is catching those facial micro-expressions that briefly reveal underlying attitudes, which are often counter to expressed vocal content. Businesses could use such technology to analyze videoconference recordings to judge participants' veracity. These studies of the interactivity of reason and emotion might also be used to promote emotional intelligence in humans and even in machines.

Advertising analysis traditionally relies on surveys or focus groups, which process reasoned reflections rather than the spontaneous or even unconscious responses that occur in dialogue. And focus group participants often tend toward politeness rather than providing authentic responses, especially on negative issues. Emotion tracking through facial analysis could help overcome this problem and increase accuracy by prioritizing specific areas of the face, such as the furrowing of brows.

Technology for reading emotions has also been making strides in the area of reading audience response in live commercial performances (leading to one

Spanish broadcaster's novel idea of charging audiences for comedic performances by the laugh).

Emotions are effective memory markers in consumer cognition mechanics, and the broadcasting industry commonly complains that a television doesn't know much about those who watch it. In discussion are TV-top boxes that can track the gender, age, weight, height, skin color, and language spoken by those watching, as well as the furnishings and pets in the viewing room.

Another development is in-the-moment analysis, made increasingly possible by mobile technologies: Consumers' reactions to marketing messages are captured and reported the instant they occur, thus avoiding data loss through user memory distortion and lost opportunities for capture. Real-time data entry (combined with more traditional consumer diaries) allows attitudes to be combined with actual behavior and context (e.g., surrounding factors such as companions, photos, GPS locations) for occasion-based analysis of the behavior-emotion-experience matrix that led to specific yes or no buying decisions. Another tool is Net Promoter Scores (NPS), which allow companies to measure consumer loyalty; the scores can range from overall −100 (all responders are detractors) to +100 (all are promoters), with +50 in the excellent range.

"In discussion are TV-top boxes that can track the gender, age, weight, height, skin color, and language spoken by those watching, as well as the furnishings and pets in the viewing room."

Coming Trends

- Radio-frequency identification (RFID) devices will soon be able to supply buyers with product origin and brand authenticity. One of the most critical issues for global business has been moving logistic networks to a worldwide network that works as effectively as they did in their nations of origin. Technology has been the enabler here, and as RFID goes chipless, it will become affordable and ubiquitous.

- Sustainable attributes will be listed for most products. The environmental aspects of products continue to grow in importance not only in the retail marketplace, but also to the world in general, as the negative impact of skyrocketing consumption without sustainability guidelines will only increase.
- Brick and mortar stores will focus increasingly on local and personal elements. The trend toward a fully digital world is one with a range of contradictory cultural consequences. The diminishing frequency of flesh and blood interaction offers the unsettling possibility that the social glue that builds cultural vitality will continue to diminish in its effectiveness.
- Growing numbers of consumers will aggregate their buying power through digital buying groups. This is part of the rather awesome power of digital technology to enable its users, and thus shift the long-held powers of retailers toward a more mutual balance with consumers. While the give and take here will continue to shift back and forth, the empowered consumer is here to stay.
- Retailers will establish global trading ecosystems, gaining an increased ability to quantify risk and cost. A large part of this process is global logistic controls, with real-time feedback on the cost and effectiveness of what has been the most challenging aspect of product production and delivery. However, the wild card here is the growth of additive manufacturing, also termed 3-D printing, which will allow on-site product design and redesign on short timelines relatively close to the point of sale.
- Big box stores will continue downsizing into localized neighborhood stores under the same brands. The growth of localized (and thus customized to local needs) facilities lowers overhead and availability of retail products. Again, it is technology that is enabling new levels of service and quality.
- Fixed-income shoppers (elderly or victims of the lengthy recession) will continue to grow. What is actually occurring here are sea changes of attitude and expectation among customers, who are coming to expect increasing product quality and retail service along with affordability. The critical question is whether all or only a few retailers will be able to make this new formula work economically.

Forecasts

Based on these trends and potential developments over the next five to 10 years, AAI Foresight envisions the following impacts in the retail and marketing landscape:

- Income polarization will increase, as bargain and premium markets grow while the middle shrinks. It is very likely that this trend will center in the developed countries, while the growth of a stronger middle class in developing countries will lead to a more balanced consumer base.
- More Amazon-type enterprises will move from online into brick and mortar showrooms. This is a variation of the balancing of digital and in-person sales, as the limitations of digital or even virtual reality sales become increasingly apparent.
- Hybrid stores with many stores will become integrated under one retail roof. This is an outgrowth of the Walmart/Target phenomenon at the discount end, with a full range of product types bearing one brand name, but is increasingly likely at the high end, as well, with Harrods in London as an example.
- Pop-up stores will grow, filling in vacant spaces around holidays and at target destinations, such as vacation areas during their high traffic seasons (e.g., resorts in high winter or summer). Pop-ups are a clear example of the online versus offline balancing now going on in retailing. The "show-rooming" side involves physical examination before buying online at the lowest price, and "web-rooming" involves extensive online research before entering a physical store with a specific choice already in mind. Pop-ups, especially in high traffic areas, reach and connect with customers not as active online, hopefully establishing ongoing relationships.
- Small, rapidly cycled brands will increasingly trump less-agile mega-brands. This is largely a reflection of the shifting nature of consumer taste and values, combined with global volatility in terms of economic, political, and even climatic dynamics.
- Many U.S. brands will soon be acquired by overseas manufacturers. Actually, this trend is already under way, with icons such as Smithfield Ham (now owned by a Chinese company, Shanghai International Holding) and Budweiser Beer (now owned by InBev, a Belgian-Brazilian conglomerate), and this trend will only accelerate as giants like the Anglo-Dutch Unilever step beyond Hellmann's Mayonnaise and Good Humor ice cream.

Conclusion

In the foresight arena, it is becoming essential to fully understand the systemic details of a trending sector, such as the global retail industry, before being able to forecast change effectively. The foresight consultant looks not just at where that sector wants to go, but also at where its previous goals have not been met and what obstacles have stood in the way.

One continuing challenge for the retail industry is a sea change in continually shifting consumer values. In a recent strategic foresight project on market maturity and saturation, Boston Consulting Group observed that consumers asking the social question "What is enough?" illustrates an increasing value for voluntary simplicity, collaborative purchasing, and providing for others.

Again, however, these are developed-country shifts, while developing countries are solidly on the track to middle-class values and middle-class consumption patterns, with their attendant ecological and economic consequences.

Concepts like authenticity and transparency are becoming ever more critical in retailing, partly because of consumers' increasing ability to see behind the shopping experience to clarify issues of suitability, quality, and availability through tools they can find on the Internet. Retailers are also using cell phone apps to track shopping patterns and preferences, helping customers build shopping lists via their purchasing history and reminder tools. Technologies like shopping apps are converging with consumers' willingness to share personal assessments and conclusions with others. The result is an explosion of new shopping behaviors, including the creation of open innovation design communities that allow customers to build products and establish their own commercial identities.

If any summary is appropriate in what is a continuously transformative retail environment, it is that global marketing will continue to become more sophisticated, insistent, intrusive, and ultimately persuasive. Each increase in consumer empowerment will be met with an uptick in retailing firepower. One is reminded of a recent *New Yorker* cartoon in which a shopper is challenged at the store exit by SWAT-level security, not for taking merchandise without paying, but for leaving the store without purchasing anything.

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