

FUTURE OF RETAIL

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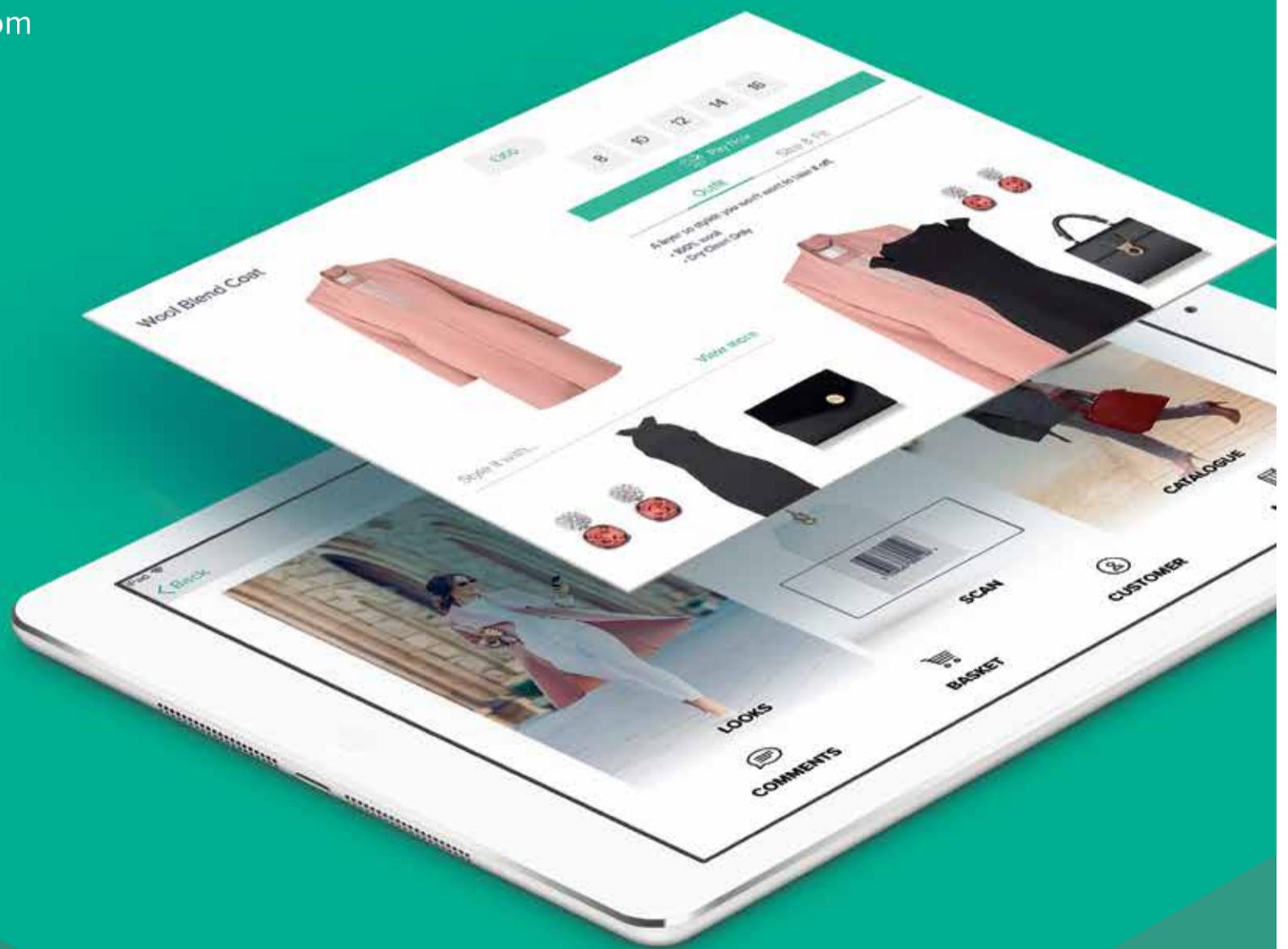
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KAREN MILLEN

FUTURE OF RETAIL

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RETAIL CAREERS

Making retail more than 'just a job'

In a sector known for high turnover, some brands are realising the benefits of nurturing and investing in employees to develop long careers

Ana Santi

Most of us, at some point, have worked in retail on the shop floor. During school holidays, in-between jobs, while trying to work out what career to pursue. Perhaps it is, in part, this attitude of a temporary, passing endeavour that leads to a high turnover of store staff in the retail industry.

Latest official figures show that the average staff turnover in the UK was 16.5 per cent in 2016, a figure which includes sectors with very high turnover, such as construction and retail.

"Some people are attracted to retail because it's flexible. It offers part-time hours, for example, so quite often, people do move on, and that's OK. It's pointless to fight it," says Peter Ruis, managing director, international, at lifestyle retailer Anthropologie. "Others, like graduates, see it as a way in to the brand. At Anthropologie, we've had retail staff move into buying, merchandising, public relations, at junior level."

The key is to identify the retail assistants with a passion for customer service and nurture them from the very beginning. "If you get them on to a management training programme straightaway, they're more likely to stay in the business," says Mr Ruis. "The issue is how much they're engaged in the business as a whole and how much the brand invests in them. If you create opportunities for them, you create loyalty."

At Karen Millen, the womenswear retailer has invested in a new in-store app through a partnership with Mercaux aimed at equipping employees with the technology needed to deliver a better customer experience.

The app is an end-to-end solution that brings digital and in-store together to better equip shop staff, providing them with practical, real-time information on stock and deliveries. It also combines with more creative functions, such as outfit building and styling, with inspiration from marketing lookbooks and social media. After successful trials, it was rolled out to all stores last month.

With the app available on each store's multiple iPads, shop assistants can engage customers with outfit suggestions and check availability across the Karen Millen retail portfolio and online, and place orders. Crucially, the app connects all retail employees in Karen Millen's UK stores, so they can communicate and share ideas across the country.

"We looked at the tools we could provide that would give retail staff



Artificial Photography/Unsplash

the confidence and knowledge to sell," says Karen Millen's global retail director Louise Mitchell. "We're looking to launch the app internationally this year. We're also looking at how we can bring online and in-store together even more. For example, you see a dress online, but you're not sure about the fit. So, we connect you to a stylist at store level, either by phone or video."

Over the last year, Karen Millen's approach to recruiting store staff has evolved beyond simply filling a shop-floor vacancy. "We hire people who

really want to have a conversation with the customer, who want to sell, who love being with the product," says Ms Mitchell. "They have their own blogs and strong following on social media."

And flexibility, which has previously contributed to retail's high turnover, is now becoming an attractive proposition for longevity. "The future of work is about being flexible; people are not having life jobs anymore," Ms Mitchell adds. "For example, we have a great store stylist with her own Instagram following and who

only works on Saturdays. Those customers know that, so that's when they visit the store."

How retailers choose to engage with, and thus retain, retail staff depends on their size and type of business. Mr Ruis says: "At the premium end, you talk more to customers, you engage in conversation. John Lewis is a great example because of its pension and bonus schemes. If you're a Tesco or M&S, the environment is more about productivity, so the opportunities are different."

Indeed, Marks & Spencer has pledged to support its staff by providing one million hours of work-time community volunteering between 2017 and 2025. The retailer's focus is firmly on employee wellbeing, pledging to launch an independently benchmarked health and wellbeing framework to support M&S staff on physical and mental health issues. There are plans for health and wellbeing learning and support to be included in all employability programmes by 2022, together with mental health training.

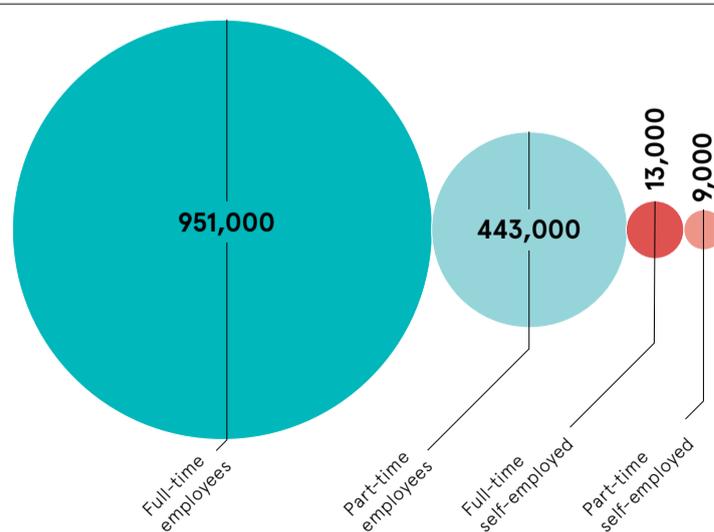
"M&S has always taken employee wellbeing seriously and we have an established wellbeing programme," says Beth Rochford, M&S wellbeing manager. "It includes a dedicated online mental wellbeing area on our wellbeing portal with tools and materials from mental health experts designed to support M&S employees and line managers alike in both prevention and support."

Research by the Chartered Institute of Personnel and Development and consultancy firm Lane Clark & Peacock, published in November, says employers are increasingly prioritising development and wellbeing of staff, with 97 per cent of employers planning to maintain or increase spending on employee benefits over the next two years; the main internal drivers being to attract, recruit and retain employees.

M&S has also set up an employee-led group called the Buddy Network so colleagues can support each other's wellbeing through face-to-face chats in London and Manchester, or with conference calls, as more than half the network's members are based in stores.

Clearly, smart retailers have not placed all their eggs in a digital basket, but instead have found new ways to empower the people who engage with their customers face to face. Through technology, flexible working and a holistic approach to employees, retailers have given store staff something of true value, a career. ●

EMPLOYMENT OF RETAIL ASSISTANTS IN THE UK



Office for National Statistics 2018

HIGH STREET

Looking back to the future high street

As large chain stores struggle to compete with the rise of online sales, independent and artisan retailers are stepping up to take their place on the high street



Buchanan Street in Glasgow

Joel Clark

Take a walk down any high street and there is a clear distinction between shops that have existed in some form for centuries and newcomers. You may see a traditional butchers, bakers or barbers, but then there are those shops that have sprung up much more recently, responding to changing consumer demands and the evolution of technology.

Vape Emporium in Hampstead, north London, can certainly be classed in the latter category. Driven by the ban on smoking in public places and the proliferation of healthier alternatives, vape shops have sprung up everywhere in recent years, but Vape Emporium was one of the first. Former smoker Andy Logan established the business online in 2013 and opened the shop the following year when he realised that the newness of vaping called for a more personalised sales experience.

“We were pretty much the first designated shop in London selling vape products, but there was some nervousness and anxiety among customers at that time, so it made sense to open a store where we could explain the concept of vaping, answer questions and reassure buyers,” Mr Logan explains.

The success of Vape Emporium – its turnover grew from £200,000 in its first year to £940,000 in year three, with a second shop opened in Richmond in 2015 – may be a subtle sign of a larger change taking hold on the high street. Independent, artisan retailers offering a personalised service that cannot be found online have a chance to thrive.

It’s not a trend that gets much air-time these days, as the news is filled with the many well-known high street stores struggling for survival. Marks & Spencer plans to close 100 stores by 2022. Tesco is closing its fresh food counters at 90 stores. Even the John Lewis Partnership has seen a slump in profits amid challenging trading conditions.

Concentrate only on the household names and it would be easy to conclude that the high street’s days are numbered. But successful independent businesses may have a brighter future than their larger brethren and the high street could ultimately look more like it did a generation ago, with independent shops stepping up to fill the gaps left by the large chain stores.

“I don’t believe our high streets are dying; I believe they are evolving,” says Martin Newman, retail expert and founder of the Customer First Group. “The big town centres have become very homogenous with the same national chains. Consumers invest time and money to visit the high street, but much of what is offered by the large chains can now be bought online.”

As the large chain stores struggle to compete with the growth of online retailing, independents could take their place, from toy shops, book shops and jewellers to butchers, fishmongers and bakeries.

“It is the independent retailers and the artisans that will fill the gap by offering a more personalised experience,” says Mr Newman. “We already see this in the more successful town centres that are mainly populated by independent businesses.”

It is not quite as straightforward as reverting to times gone by, of course. High street retailers must overcome a maelstrom of challenges

“**If you’re going to have a lease and pay rent and business rates, there has to be a reason to have that physical presence, and that is all about people**

to succeed, from managing punitive leases and rental costs to creating a digital presence that puts them on the map without cannibalising the in-person sales experience.

Retail commentator Michael Weedon believes the successful independent retailers are those that can find an effective way to bring customers into their shops and retain them. Book shops with in-house coffee counters are an obvious example, but this model can extend to other sectors as well, such as chocolate shops offering liquor-making experiences or liquor shops providing tasting sessions.

“If you’re going to have a lease and pay rent and business rates, there has to be a reason to have that physical presence and that is all about people. Shops need to be able to draw customers in and keep them there; it’s all about stickiness,” says Mr Weedon.

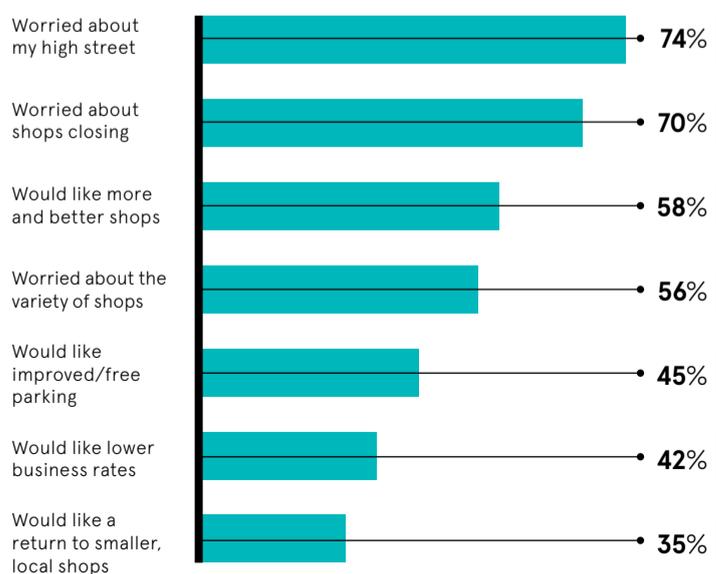
It was the personalised experience that gave Mr Logan an edge in the early days of the Vape Emporium, but now that vapes have become more widely available and better understood, he has had to evolve. With the recent surge of interest in cannabidiol (CBD) as a healing therapy, he converted part of the Hampstead store into a CBD shop in December 2018.

The new venture is underpinned by the same philosophy that he applied to vaping of supporting consumers and providing a personalised environment for them to explore a new concept. “This is still a relatively new treatment in the UK and people need a space where they can have their questions answered, just as they did with vapes,” he says.

Willingness to adapt to changing market conditions and provide a positive customer experience are among the traits required for an independent retailer to be successful. Others include the creation of a digital experience that complements the physical presence and the ability to connect positively with the local community.

HOW BRITONS FEEL ABOUT THEIR HIGH STREET

Survey of 300,000 members of the public



Maybe 2018

61%

of UK consumers are concerned that their high street will disappear over the next ten years

KIS Finance 2019

“This is the most transformative era in the history of high street retailing and those shops that are doubling down, investing in their businesses and evolving with the times are thriving,” says Alex Schlagman, co-founder of SaveTheHighStreet.org.

SaveTheHighStreet has conducted extensive research into how independent retailers can



Emilie Holmes, founder of Good & Proper Tea in Clerkenwell

Good & Proper Tea

Like many successful businesses, Good & Proper Tea was born out of personal experience. Founder Emilie Holmes, a lifelong tea drinker, became frustrated with the endless proliferation of trendy coffee shops and the apparent neglect of tea.

In 2012, she bought a 1974 Citroën-H van and put it on crowdfunding platform Kickstarter where her plan to convert it into a mobile tea bar attracted 372 backers. More than six years after the first cup was brewed from the van in December 2012, Good & Proper Tea now sells its wide range of teas to businesses and individuals through both its website and flagship tea bar in London's Clerkenwell.

From the earliest days of the tea van, affectionately known as Watson, to the bustling tea bar that opened in 2016, the business has always placed a premium on the physical presence, recognising that while many customers might choose to buy tea online, a physical space is an indispensable companion to the online portal.

"We sell tea online to cafés and restaurants, as well as directly to customers, and it is important for both those channels that we have a tea bar as well. Tea is very sensorial, so we invite customers in to taste and experience the tea and understand the brand, everything from the cups to the furniture, decor and atmosphere is all a big part of what makes us who we are," says Mrs Holmes.

As an ambitious artisan business, Good & Proper Tea does a great deal more than simply selling tea. From tasting evenings and author interviews to gift sets, recipes and educational resources, the business offers a one-stop shop for tea lovers, showing the value of a hybrid model that combines online sales with offline experiences.

"The physical outlet is not a profit centre where you can expect to get thousands of people through the door each day, but it exists as part of the wider fabric of the brand. In the online world we are invisible, but by having a physical presence we can deliver a much more personal experience," says Mrs Holmes.

be successful. The group estimates that across roughly 5,000 high street communities in the UK, there are around 500,000 outlets of which up to 300,000 are independents.

The proportion of independents may well rise as the high street evolves in coming years. This will rely not only on businesses getting their strategy right, from developing a clear business model to embracing digital, while striking the right balance between online and offline sales, but also on landlords being more flexible with leases.

Having worked in the corporate world before founding Vape Emporium, Mr Logan had savings that he was able to invest to fund startup costs, but exorbitant rental costs and demands for large upfront payments can create insurmountable obstacles for independent businesses.

"Rental costs are a huge problem and made it difficult for us to raise money at the start," says Mr Logan. "Landlords have become greedy over the years because the big chains had deep pockets and could afford to pay, but it means many smaller businesses are crippled before they have even started." ●

Commercial feature



Keep tags on products and customer service

NFC and RFID tags make products smart, and enable retailers to identify, authenticate and track stock, as well as add value for customers

It's nearly 50 years since the first adidas FIFA World Cup match ball, the Telstar, was unveiled at the 1970 tournament in Mexico.

For last year's World Cup, the iconic ball was transformed using technology that is changing the face of retail across the globe. Embedded in the Telstar 18 was a near-field communication (NFC) tag through which consumers with a smartphone could gain access to a whole range of exclusive content.

It's an example of how product digitisation is transforming retail. Technology's benefits are no longer confined to the back office, though improving inventory management and operational efficiency are still important.

But nowadays, product digitisation can be used to change customer experience to build a much closer relationship and broader understanding of the consumer. It's time for brand owners and retailers to dive deeper, enhancing customer engagement.

The key is creating a secure, unique ID for each piece of merchandise, using radio-frequency identification (RFID) technology to embed digital tags that can benefit retailer and consumer alike. Brands such as adidas, Mammut and many others are using NFC tags already to interact with customers; one tap with a smartphone can open up a world of added value for the consumer.

Embedding NFC tags in products enables the retailer to continue a relationship that otherwise can be broken once the consumer walks out of a store. One tap can provide access to inspirational videos, for example, or can allow the purchaser to authenticate a product or trigger a warranty.

It can unlock exclusive and dynamic content such as snow reports or connect the buyer to cool games and challenges. It can also provide information about manufacturing processes or materials, enabling consumers to see the quality of the goods being purchased. Embedded tags offer the consumer so much more than just the physical item purchased.

For high-value luxury brands, NFC tags can authenticate a product for both manufacturer and consumer. The tags cannot be cloned or removed, helping to protect a brand owner from counterfeits, grey and diversion markets or reassure the customer that they are purchasing the real deal. Given that the global impacts of counterfeiting and piracy are expected to reach \$4.2 trillion by 2022, that's a significant value.

But the process works both ways as NFC tags offer the retailer an unprecedented level of customer



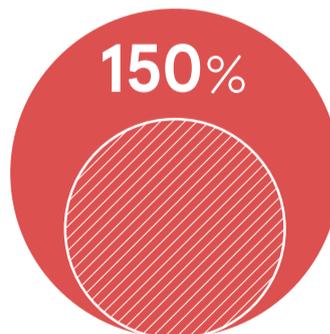
It's time for brand owners and retailers to dive deeper, enhancing customer engagement

engagement on a large scale. Behind the scenes in the office, the factory and the shop floor, product digitisation using RFID technology brings further margin-boosting benefits.

Inventory can be accurate to 98 per cent, with a 50 per cent reduction in out-of-stocks. Sales can be boosted by up to 20 per cent, as products are directed to exactly the right place at the right time. Online purchases can be fulfilled with confidence, supply chain errors are reduced and merchandise made available across a network of stores. Shop assistants have quick and easy access to product information, providing more time to help customers with purchases. Tags can also guard against losses from theft and speed up checkout procedures.

It's an impressive list of benefits. Product digitisation turns offline products into online platforms, enabling retailers to deepen a relationship with existing customers, reducing the need to spend time and money chasing new buyers. It's the future of retail.

The cost of counterfeiting has grown...



in less than a decade

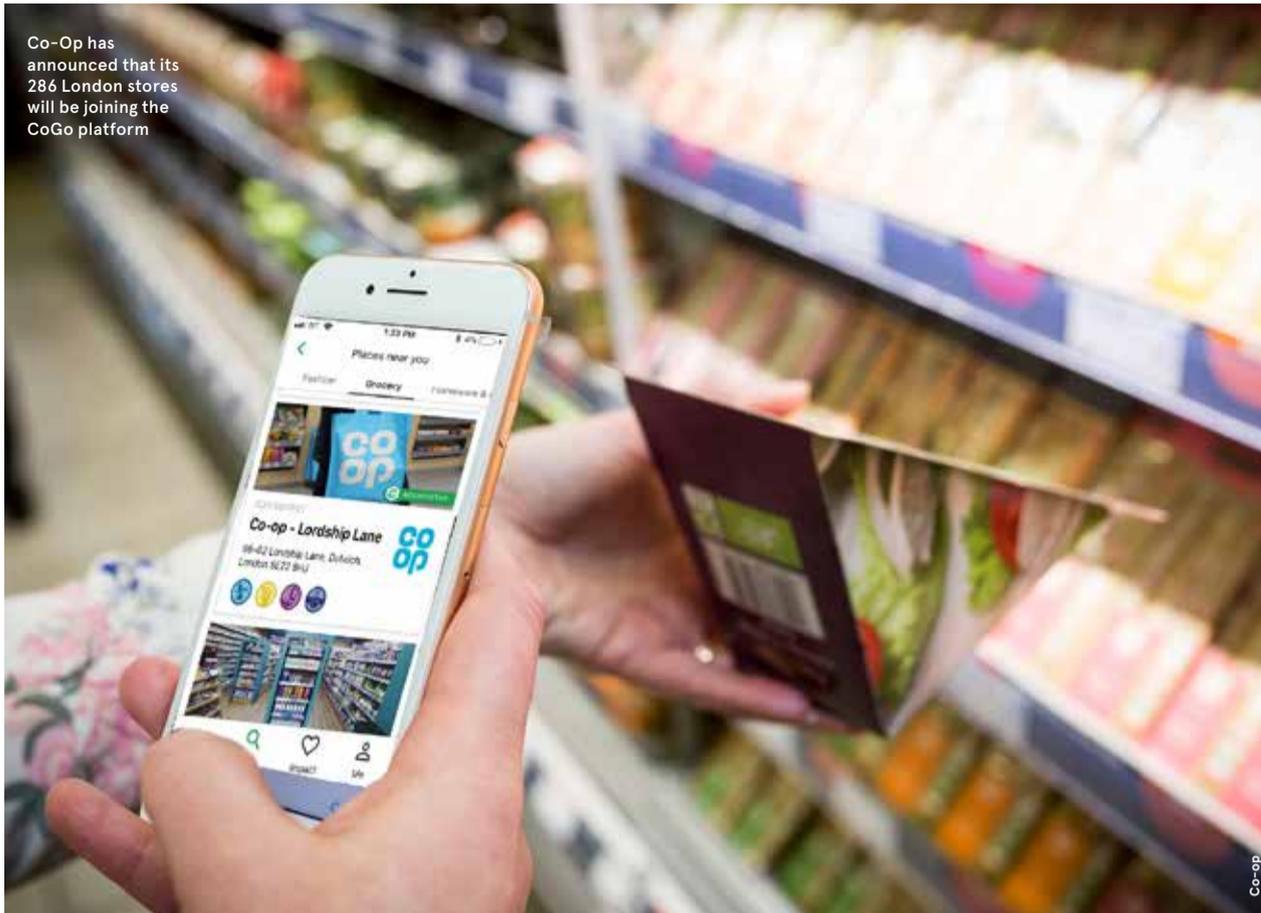
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connect things

Co-Op has announced that its 286 London stores will be joining the CoGo platform



ETHICAL SHOPPING

Ethical retail made easier with new tech

The rise of the conscious consumer has pushed retailers to be more transparent and aware of where their goods come from

Oliver Balch

Shopping with your conscience presents a perpetual dilemma. On the one hand, no one wants to feel like a hypocrite. On the other, who realistically has the time to audit their weekly shopping basket?

The result is often a practical, yet uneasy, compromise: we'll avoid the stuff we think is "bad" (battery chickens, farmed salmon, palm oil) and cross our fingers about the rest.

Enter CoGo. Originally from New Zealand, this app-based service launched in London earlier this year with the promise of "making ethical living easy".

As co-founder Ben Gleisner explains, the basic premise is simple: consumers just need to plug in their ethical preferences, and the app points them to products and services that best fit their values.

Participating shop-owners also stand to benefit. Mr Gleisner adds:

"We've seen a doubling of spending by existing stores because of the ethical and sustainable business practices they have."

This win-win proposition has won the ear of Co-op, announcing that its 286 London stores will be joining the platform. The move sees the UK supermarket join high street brands Wahaca and Caravan on CoGo's network, which now extends to well over 100 participating retailers.

So does the app's pledge to make ethical shopping easier stack up? And, either way, what does the emergence of smart, data-driven services signal for the future of retail?

CoGo's simple interface unquestionably reduces the hassle factor of ethically conscious shopping. The days of searching for certification labels and reading through the small print could be behind us.

So too is the need to lobby your favourite brands. Thanks to CoGo's platform, participating retailers now have visibility of their consumers' ethical preferences, in aggregated

form, and so can target their improvements accordingly.

This feedback loop was another driver for Co-op to get involved. As a spokesperson says: "CoGo links businesses to consumers' payment cards, providing insight on how spending is benefiting them and their communities."

The system isn't perfect. Getting Co-op on board marks a big coup, but CoGo's network of participating retailers is still too small to light the whole high street with an ethical hew. Also there's the issue of trust. Apps like CoGo can point you easily enough towards a vegan café or a fairtrade florist, but can you be sure the retailer isn't fibbing?

It marks a legitimate concern. The requirement for participating retailers to meet credible, independent certification standards lies at the heart and soul of CoGo's model.

"I wouldn't have given up my job to set up this company if I didn't feel it was creating real impact in the world," says Mr Gleisner, a former economist at the New Zealand Treasury.

Veterans of ethical certification are a little more cautious. One fear centres on the proliferation of different standards. As Mike Barry, director of sustainable business at Marks & Spencer, notes: "At some stage, you're literally going to have to compare apples with apples."

New technologies may help bring some clarity. Environmental charity WWF, for example, recently launched a service in Australia called OpenSC that uses blockchain technology to track products from source to shelf.

The genius of blockchain is that information cannot be tampered with. So assuming the initial data about a product's origins are bona fide, they will remain that way forever and a day.

WWF Australia's chief executive Dermot O'Gorman gives the example of buying wild-caught Patagonian

salmon. Prospective shoppers just need to click on the QR code and their smartphone screens light up with details about where, when and how the fish was caught.

Mr O'Gorman echoes the belief that data-driven disclosure could be a win for retailers.

By embracing transparency, brand-owners can increase consumer loyalty while also giving their products a personalised edge, he says.

"There's a demand for connection and authentic stories out there in the market. Embracing innovations such as OpenSC gives every product an individual identity and an individual story," says Mr O'Gorman.

From a business perspective, this is where ethical shopping starts to get super interesting. In the marketplace of the future, retailers must not only know the likes and dislikes of their individual customers, they must tailor their offer in a way that reflect this.

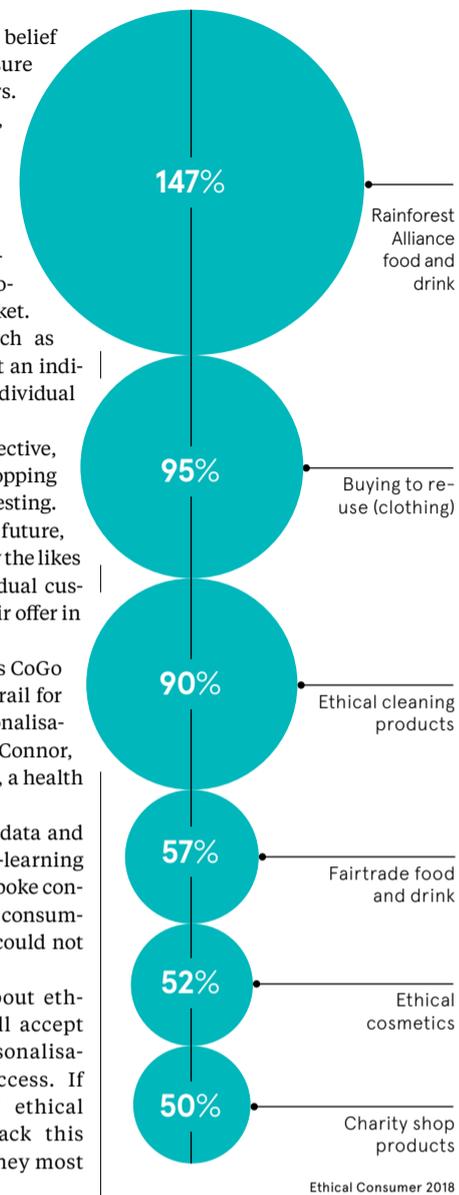
Ethical innovators such as CoGo and OpenSC are blazing a trail for this kind of hyper-personalisation, according to Will O'Connor, co-founder of The iO Group, a health and retail consultancy.

"The web, digitisation of data and the march of machine-learning make possible a level of bespoke consumer focus that the mass consumerism of the 20th century could not achieve," he says.

Not all retailers care about ethics, by any means. But all accept the importance of personalisation for their future success. If responding to shoppers' ethical preferences can help crack this challenge, then respond they most certainly should. ●

ETHICAL SPENDING IN THE UK

Sales growth in selected categories (2010-2017)



Becoming a conscious retailer

Will O'Connor, co-founder of retail and health advisory company The iO Group, offers his thoughts on conscious retailing

Retailing is changing fast. Two centuries of analogue-only retail are now in their twilight hour. The future for retailing will require the twin issues of sustainability and technology-enabled personalisation to be front and centre in retailers' strategies.

Consumers are demanding more than ever that the effect retailers have on people is positive, from the farm to the fork or from the cotton plantation to the clothing store. With climate change seen as the defining existential threat of our time, consumers will increasingly insist that businesses must steward the environment wisely.

Retailers also need to be aware how technology is shaping the new retail epoch that awaits. Consumers relish the speed, convenience and value that the web and technology have delivered. The marriage of data and increasingly sophisticated artificial intelligence will deliver hyper-personalisation. This will enable brands finally to get close to the fabled single-customer view, permitting them to fine-tune their goods and services.

Retailers can future-proof themselves by engaging with these two trends of sustainability and customer-centric technology. The triple bottom line – people, planet and profit – and tech-enabled new possibilities, such as hyper-personalisation, are two areas that all retailers must address in their strategies going forward.

Agility: the number-one requirement for success in the digital age

As the retail landscape becomes increasingly complex, and the number of shopping and marketing channels grow, how can businesses stay agile, relevant and ahead of the competition?

In 1995, the retail landscape looked very different. Reaching potential customers was easy. Product manufacturers signed agreements with distributors and consumers headed to shops to make purchases.

But 1995 was a year in which a revolution began. Shoppers driving to their local superstores had no idea that two American entrepreneurs were laying the foundations for a new retail world, with the launch of Amazon and eBay.

More than two decades later, there have been many casualties from this digital revolution. The victors in the battle for survival haven't taken their stores online, they have built their entire kingdoms online from the get-go.

In 2018, research by consulting group Forrester found that digital touch points are now likely to affect more than half of all US retail sales. Forrester says corporate ecommerce teams should invest in technology, merchandising fulfilment and marketing to compete in this new digital world.

The battle to stand out is certainly becoming more difficult. The latest *Magna Advertising Forecast* report, published in December, shows that digital advertising spend increased globally for the ninth consecutive year in 2018.

UNDERSTANDING THE CHALLENGE

The ingredients to retail success in today's digital landscape are the same as they always were: visibility and agility.

However, the shop window is now very different. Customers making their purchasing decisions do so through all sorts of digital shop windows, ranging from search and social channels to marketplaces and price comparison sites.

Brands, manufacturers and distributors are all at the mercy of these digital gatekeepers that stand between them and the final customer. For their product data to be accepted by these channels, they need to ensure their product data feed has been customised for each and every channel.

Whether it's Amazon, Bing, Facebook or Google, channels have built up digital walls around themselves, by defining their own set of rules and requirements for how product information should be delivered. In order to ensure their product content is accepted, companies must adjust and structure their feed accordingly for every individual channel.

To remain competitive, they also need to do it at speed.

"Brands and retailers must deliver targeted content to an ever-growing set of direct, social and marketplace channels," says Forrester analyst Bruce Eppinger. "To win, serve and retain customers, sellers must provide content that's unique to a buyer's locale, need, occasion, persona and channel at every step of the customer journey."

The greater a company's inventory and the more channels they partner with, the harder it becomes to ensure

the product information displayed is accurate and unified, albeit not uniform, across all touch points. Missing, mismatching and incorrect product information will decrease trust and reliability, negatively impact the shopping experience and ultimately decrease conversion opportunities.

It is becoming increasingly difficult for businesses to keep up with the rate of change and development. Brands and retailers are battling a growing number of channels, growing complexity within those channels, constantly changing channel requirements and completely new technologies. To survive they need to stay agile.

IMPROVING AGILITY

Agility is the key to success in the digital era. As online competition increases, it will become increasingly important for companies to stay on top of the updates for feed specifications for each channel, in order to increase product visibility and unlock the revenue generating potential of both major and niche platforms.

In its *2018 Global Retail Trends* report, consultancy group KPMG warns that digital advances had now fed through

“Brands, manufacturers and distributors are all at the mercy of these digital gatekeepers that stand between them and the final customer

to customer expectations and retailers that don't respond will be vulnerable.

It says: "New technologies have put customers in the driver's seat. We are quickly moving towards a reality in which everything happens in real time. The natural outcome is that people want that instant gratification. This has had a deep impact on customer expectation.

"The need for speed will only increase as technology enables and advances. The point of engagement and the point of transaction are converging, meaning brands that can offer immediacy, instant gratification, personalisation, authenticity and accessibility will win."

Some businesses are still behind on their digital transformation journey. Others were born there, but their process of integrating to new channels is slow, inefficient and resource intensive. For them, it is particularly crucial to find a feed management solution that will allow their business to scale and streamline.

While you can secure an external agency to manage your product data feeds, it is best practice to keep the feed management process in-house. This gives your marketers full control and understanding over their product data and shopping feeds, enabling them to transform it as needed and ultimately leverage the revenue generating potential of their channels.

WINNING THE BATTLE

Productsup provides an award-winning software solution that helps ecommerce players break through the digital walls that have emerged. It seamlessly connects brands and retailers to the global network of shopping and marketing channels.

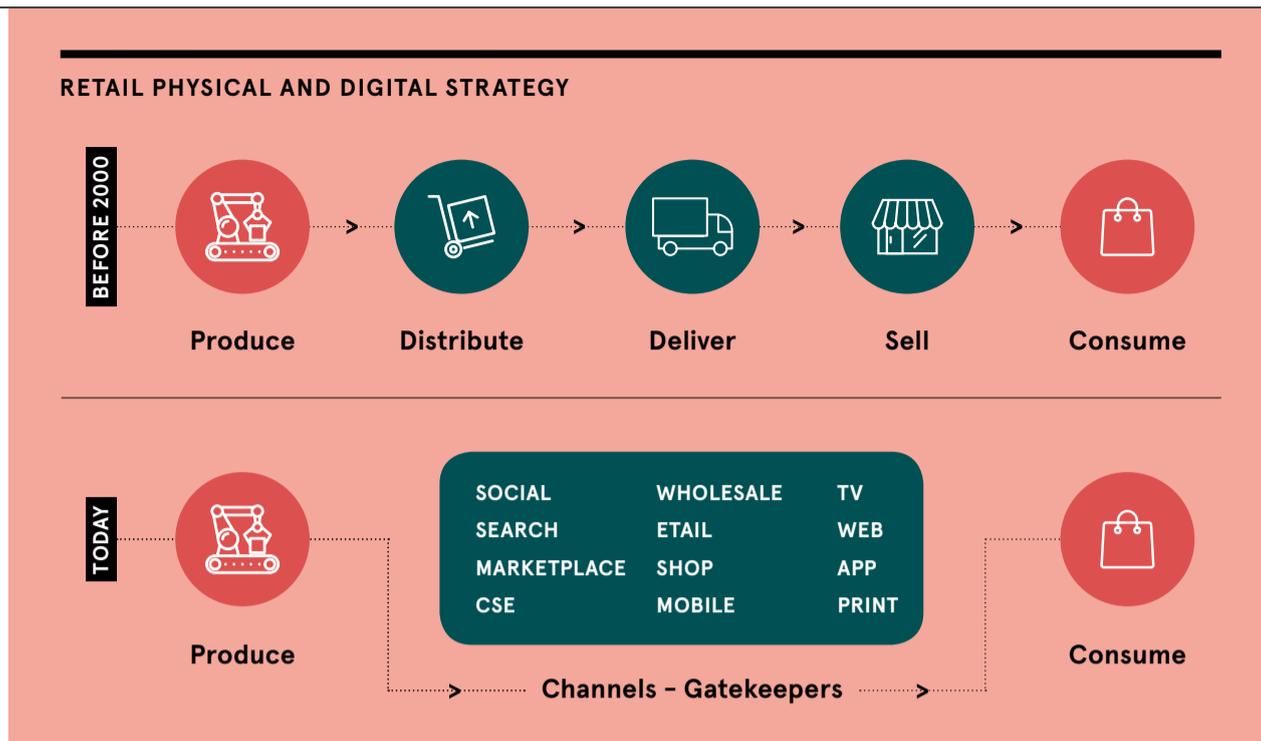
Using the cloud-based software, businesses can automate manual processes, validate their data and structure their feed to distribute high-quality, enriched, contextualised product data to all their channels partners.

Productsup has enabled more than 800 businesses around the world connect to more channels, scale their business and reach more customers. It is used by some of the most reputable retail brands in the world. Major corporations which have recognised the power of the software include super-market giant Walmart, Swedish home furnishings brand IKEA and fashion chain Superdry.

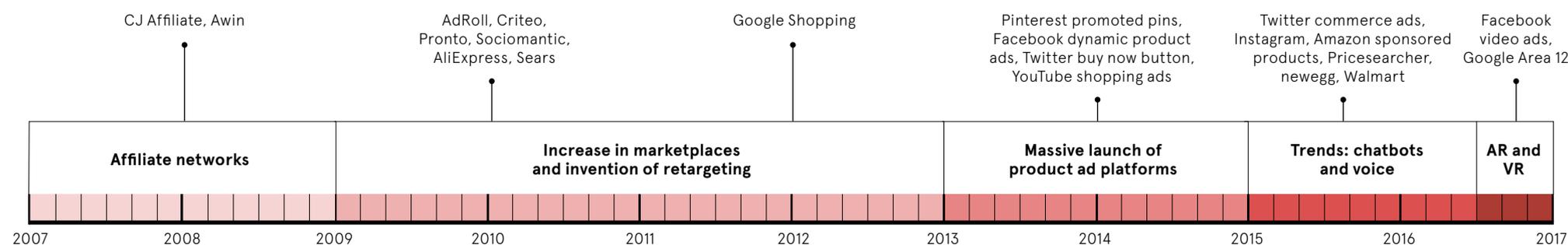
"Productsup is a great platform for feed management that allows us to control the selling of our wide range of products," says Victoria Eugenia del Hoyo, digital specialist for search engine optimisation (SEO) and analytics at IKEA. Her comments are echoed by dozens of customers.

"It used to be a challenge to update some of the responses and keep up with the changes that Google would make, but now it's a lot easier," says Adam Miller, marketing technology and SEO manager at Hostelworld. "We can concentrate on testing, onboarding new partners and maintaining the existing feeds."

For further information please email cloudinfo@productsup.com or visit productsup.com



HISTORICAL CHANNEL DEVELOPMENT IN MARKETING AND MARKETPLACES



DIRECT TO CONSUMER

Subscription sales are revamping retail

Direct-to-consumer offerings, such as subscription boxes and buyer's clubs, are shaking up traditional retail market dynamics by giving consumers a more personalised service

Daniela Morosini

The chance to control your brand voice, no jostling with competitors for shelf space and real-time feedback from customers on what they like and what they're indifferent to. The benefits of the direct-to-consumer (D2C) model are varied and very tempting.

It seems like every other day we hear of another old high street bulwark shuttering stores or see a virtual retailer with a super-streamlined website announcing eye-watering profits, so it's no surprise that D2C is considered the modern option by many.

Industry newcomers and veterans alike are increasingly choosing to shake off the shackles of the middleman and go it alone, with new innovations such as subscription boxes and buyer's clubs giving the consumer more choice. But how far can the movement go? And what limits exist?

Much of the appeal of D2C has to do with a desire for knowledge on



the part of consumers and a desire to stand out on the part of brands. The entrepreneur behind Fit Flop, Bliss and Soap & Glory, Marcia Kilgore launched Beauty Pie in 2016. Its luxury beauty products can be purchased from their website for a luxury price tag or instead customers can pay £10 a month membership and buy the products at cost price. An otherwise £100 night cream is just £11.33 for members, while a £20 mascara comes in at £3.36.

According to Ms Kilgore: "Consumers want so much information these days, there's nowhere for brands to hide, and you shouldn't have to. If you execute your ideas well and don't cut corners, retail isn't hard."

Transparency is Beauty Pie's bread and butter, and their website lists the full breakdown of every price, including packaging, development and raw ingredients. There's no way Beauty Pie could offer their super-low members' prices if they had to factor in the costs of a department store outlet.

"High tech skincare does have some expensive ingredients, but by the time you get to retail, the cost could be ten times that, easily," she says. "The markups are huge and the retailer often takes up to 60 per cent of the price, so you have to inflate your price to break even. You end up compromising on the quality of the product somewhere and that's not good for consumers or for the brand."

One thing that helped ease consumer anxiety about buying direct from a brand has been low-cost shipping and painless returns, something subscriptions specialist Steve Price warns isn't sustainable. "There's a ceiling to how long brands will be able to continue offering free shipping without ending up in financial or logistical trouble," he says.

Another factor that may give brands pause for thought is that many large retailers invest heavily in their own brands. "If you search for batteries on Amazon, the first thing that will come up is their own Amazon Basics line," says Mr Price.

Ms Kilgore adds: "If you're stocked someplace else, that retailer will get all of your sales data in real time. They'll know exactly what's selling and why, while you're scrambling to stay on top of things. Sometimes, they will even copy whatever's working from your brand; why wouldn't they, when they have all that sales data?"

Another way that D2C brands are making a splash is through subscription boxes and plans. "The subscription box industry is projected to be

Shaving subscription service Harry's says because of its close relationships with customers, subscriber feedback has enabled them to make improvements to its products

worth \$1 billion by 2021," says Mr Price. "I keep a personal list of all the new boxes I see launching and about 50 per cent of my list launched just last year."

The boxes largely fall into two categories: "surprise and delight" is a tailored treat delivered every month, such as Craft Gin Club, The Cheese Geek or Birchbox, which sends a selection of curated beauty products. Then there's everyday essentials, such as pet food, coffee beans and, most notably, razors.

"Gillette had something like a 74 per cent share of the shaving market in 2012. Just four years later, that was down to 50 per cent," says Mr Price. What resulted in such a drop? The arrival of brands such as Harry's, a D2C offering founded by Andy Katz-Mayfield and Jeff Raider, which enables customers to sign up for a shaving plan. You'll get premium German-made blades and other shaving paraphernalia delivered to your door, with a Harry's blade costing £1.88 to a competitor's £3.05.

UK general manager Matt Hiscock explains their personal touch. "Because of our close relationships, we receive tons of feedback from customers that helps us make improvements to our products," he says. "For example, we added a trimmer blade to our second generation razors because we received so many

requests from customers saying how much more beneficial it would be to their shave."

The conglomerates have been taking notice, with Unilever acquiring similar brand Dollar Shave Club for \$1 billion in 2016. Colgate-Palmolive taking a minority stake in contact lens subscription service Hubble and Nestlé taking a majority stake in Tails.com, the tailored dog food delivery service.

In many ways, it's an extension of culture we already choose with many of us having Spotify, Netflix or Amazon Prime subscriptions. D2C enables brands to immerse customers in their ecosystem and control their messaging from the point of purchase right through to customer service. The experience feels more personalised for the customer, as well as being cheaper per product and more streamlined. The model is yet another threat to the traditional retail landscape. As Mr Price puts it: "There are a lot of ghosts on the high street."

Of course, that's not to say that going D2C is a magic bullet. As Mr Price notes, consumers aren't loyal in the same way to FMCG. "No one feels an affinity to the company that delivers them fish food. It's a service," he explained. "These brands need to offer something extra, like a magazine or some kind of treat to make the experience feel special and exciting, and really make the most of what's in that box."

Dollar Shave Club, for example, sends out the non-shave-related *MEL Magazine*, while D2C beauty brand Glossier include stickers and free samples. Free shipping isn't enough – nor will it last forever – so to keep people buying, customer service is incredibly important. And there's no shortcut for that. ●

D2C OPPORTUNITIES FOR RETAILERS

Opportunities and benefits vary depending on the type and maturity of the brand

| Traditional distribution channels | | D2C |
|-----------------------------------|---------------------|--------------------------|
| Finite | Customer reach | Unlimited |
| Mass market | Personalisation | Personalised |
| Basic | Customer loyalty | Advanced |
| Limited, periodic | Access to customers | Comprehensive, real-time |
| Partial control | Pricing | Full control |
| Slow | Speed to market | Fast |
| Limited control | Merchandising | Full control |
| Limited | Product assortment | Full |
| High | Capital expenditure | Low |
| High | Overheads | Low |

Deloitte



The markups are huge and the retailer often takes up to 60 per cent of the price, so you have to inflate your price to break even

OPINION

'CEOs need to invest more in shops, but our broken business rates system means they are punished for doing so'

It's been a tough few years for retail. Well known brands such as Toys R Us and Maplin no longer grace our high streets and retail parks. Journalists do not ask me if there will be more to come, but who they are likely to be.

A seismic shift is taking place in retail. New technologies are both driving and reinforcing a change in the way we buy things. The internet is liberating us. It enables us to shop at home, at work and a million places in between. It lets us compare prices while we stand on the shop floor and access product reviews even as we get advice from the in-store experts.

Internet shopping now accounts for around 30 per cent of all non-food purchases and the proportion of food bought online is also growing. And there are many other technologies changing how we shop. Self-scan machines have become a ubiquitous part of our grocery shop. Apps provide help in finding, sizing and buying products, and the use of augmented reality will only make this easier for customers. Social media lets us share advice, experiences and reviews with thousands of other people.

The difference between the brands that thrive, those that survive and those that ultimately fail can usually be found in their ability to embrace these changes in consumer habits. Successful retailers are blurring the lines between the digital and physical experience. Consumers may browse online before purchasing in-store or choose to test a product in-store before making a final purchase online. All this helps to explain why eight of the top ten internet retailers also have a physical presence on the high street.

But responding to the biggest shift in consumer behaviour in a generation takes investment. As the role of physical and digital stores change, retailers must roll out new technology, bring in new expertise, retrain staff and all while maintaining the competitive prices we are used to.

Many high streets across the country are working towards this reinvention, making themselves "places to be". Others continue to struggle with 2018 seeing a slew of large retailers going into administration. The public want more than

a retail destination, they want a location to meet, to eat and drink, a place for services and experiences, as well as shop. Retailers that can successfully reinvent themselves will reap the rewards through more customers and higher sales.

Yet a rising tide of public policy costs emanating from government make an investment in our high streets almost impossible. Business rates, which fall disproportionately on retail, continue to skyrocket. The apprenticeship levy is so inflexible as to become little more than a tax on employment. Even initiatives supported by retailers, such as the new living wage, can impose significant costs on struggling businesses. These costs add up; ask House of Fraser, ask HMV, ask Patisserie Valerie.

Chief executives of leading businesses tell me they need to invest more in their shops, but our broken business rates system means they are punished for doing so. While politicians decry the empty shop fronts on many of their local high streets, they have also created a tax system which discourages retailers from taking them over.

Britain is a leader in retail. Tourists travel from around the world to take advantage of our shopping. But we cannot take this for granted. We are at a fork in the road. Do we leave businesses and brands, high streets and shopping centres to stumble on? Or, supported by sensible government policies, do we help retail and its three million employees thrive, creating a future of better jobs, innovative technologies and world-leading retail? That is the future I want to see. ●



Helen Dickinson
Chief executive
British Retail Consortium

How technology is reshaping the shopping experience

As an increasingly omnichannel industry, retail has undergone a significant shift to connect the digital and physical worlds seamlessly

The efficiency and immediacy of online shopping has cultivated a desire among consumers for the same experience in-store, with the added value of human interaction. This combination of digitisation and growing customer expectation has reshaped the shopping experience, and transformed the role of physical retail stores.

Changing role of the store

The ability to switch rapidly between online and offline shopping means stores have evolved beyond simply being a sales channel.

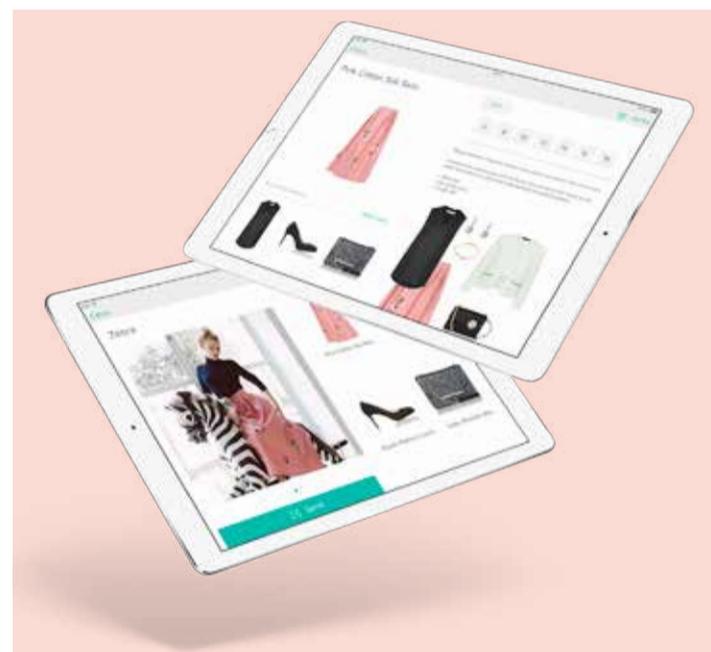
Olga Kotsur, co-founder and chief executive of leading retail technology platform Mercaux, says: "Stores now serve as a showroom and marketing channel, becoming a destination for consumers to experience, explore and engage with products, and connect with a brand regardless of where the transaction ultimately takes place.

"Stores have become a hub for brands to cultivate loyalty among customers via a personalised in-store experience. They also need to fulfil orders across all channels, and serve as a data collection and insight centre."

To adapt to recent changes and be successful, Mercaux advocates that retailers should look towards empowering their most valuable resource, their salespeople in stores.

Mercaux's customers, including brands such as Karen Millen, Nike and French Connection, agree. They have invested in arming salespeople with digital tools that not only help their staff stay effective and knowledgeable in the increasingly complex retail environment, but also help them provide a totally new level of customer experience.

On the one hand, Mercaux delivers all the product recommendations and stock information online and offline, allowing salespeople to sell effectively across all channels without leaving a customer. On the other hand, it brings digital content, styling suggestions



and clientelling capabilities to the shop floor for a truly personalised customer experience.

Human factor

Indeed, the leading differentiator between online and offline shopping is the human aspect. Research by PwC found that 71 per cent of consumers said store associates have a significant impact on their shopping experience.

Ms Kotsur says: "Sales personnel are not only expected to sell products, but are also increasingly viewed by retailers as valued brand ambassadors, personal stylists and product experts. They must display a combination of hard skills with softer, service-orientated skills to serve these increasing expectations."

For Mercaux, the answer lies in empowering sales assistants through cutting-edge technology. The company's modular platform features a sales assistant application consisting of a suite of solutions that cover the customer journey in-store from discovery of products through to personal styling and the ability to check out straight from the shop floor.

The app empowers staff with real-time product and stock information, artificial intelligence-driven alternative products and styling suggestions, an in-app looks creation tool, as well as inspirational marketing content. Mercaux also enables salespeople to access customer profiles featuring purchase history and preferences to personalise the interaction.

Ms Kotsur says: "Currently retailers' IT systems possess powerful information about products and customers, but retailers do not use it in-store. All this information available on the app does not only help sales people in their daily activities, but also vastly improve the experience for customers."

Testament to Mercaux's success, Karen Millen experienced a 7 per cent uplift in sales following the adoption of the app that is used by salespeople approximately 2,000 times per store per week.

Not only does Mercaux's solution empower sales associates, it also provides retailers with vital information about in-store activity, providing real-time visibility of customer behaviour and enabling retailers to develop a single customer view across channels: a "golden record" previously reserved for online.

With Mercaux in stores, retailers are able to digitise the actions of sales personnel, enabling them to know which are the most popular products, which sizes are in greatest demand or how many customers made inquiries. It paints a full picture and builds communication between headquarters and the sales force.

There is undoubtedly more change yet to come, but for those who adopt the right technology and invest in their staff, the future of retail looks positive.

For more information please visit
www.mercaux.com

MERCAUX

2k+

interactions per store
per week

+7%

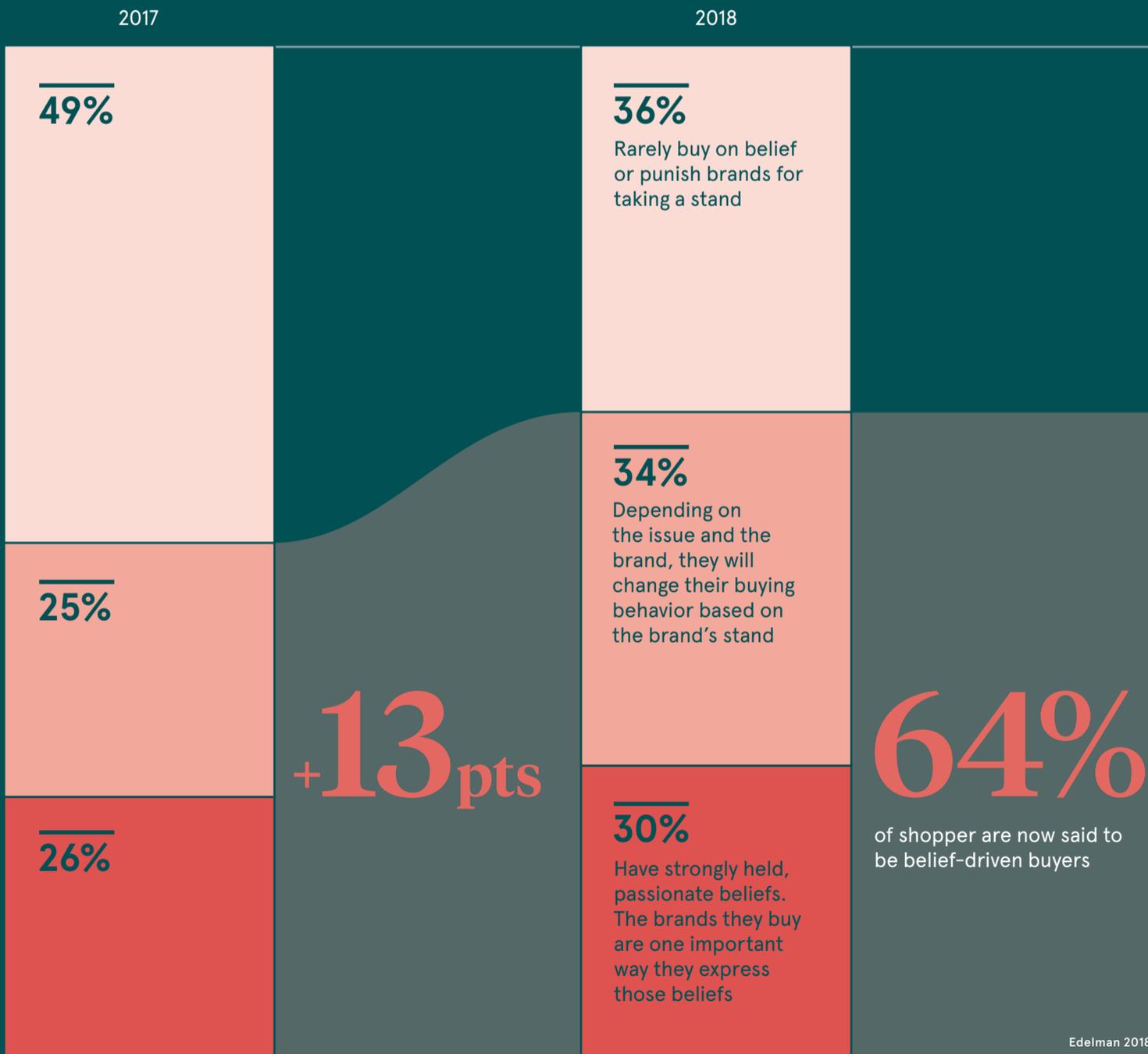
sales uplift

CONSCIOUS CONSUMERISM

Customers these days are a passionate bunch: they're passionate about the products they buy and passionate about the brands they buy from. And with two out of every three shoppers now considered to be a 'belief-driven buyer', companies would be wise to take notice, as ignoring the reasons behind conscious consumerism could damage sales and reputations. However, with a large numbers of customers still ranking price as the single biggest factor in their purchase decisions, retailers are being pressured to be more ethical and sustainable in their practices...for the same amount of money

THE RISE OF BELIEF-DRIVEN BUYERS

Whether consumers would choose, switch, avoid or boycott a brand based on its stand on societal issues



MOST ATTRACTIVE QUALITIES

Percentage of consumers who said

- Great culture – it does what it says
- Transparency with issues such wh
- Treats its employees well
- Believes in reducing plastics and
- Ethical values and authenticity in
- Passion about the products/serv
- Stands for something bigger than
- Stands for societal and cultural is
- Supports and acts upon causes w
- Connects me to others like me ar
- Takes a political stance on issues

YOUNGER CONSUMERS

Percentage of different generations who buy ethical products



EY 2018

ETHICAL PLEDGES BY BRAND

Commitments to sustainable and ethical practices



Will use 100 per cent recycled or sustainably sourced materials by 2030, up from 35 per cent in 2017

ATTRIBUTES IN A BRAND

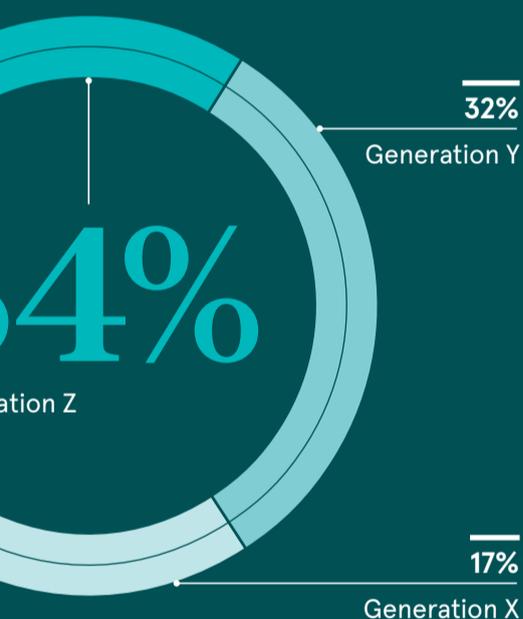
What the following attracts them to buy from certain brands over others, beyond price and quality; based on a survey of nearly 30,000 consumers worldwide



EY 2018

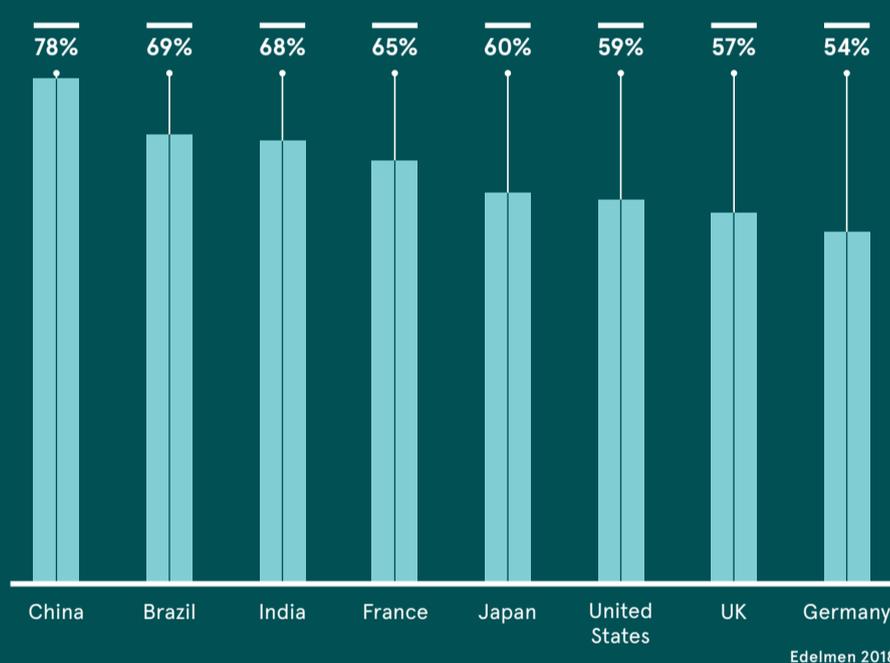
GENERATIONS WILLING TO PAY MORE

Percentage of consumers willing to pay at least 20 per cent more for



BELIEF-DRIVEN BUYING BY COUNTRY

Percentage of consumers who would choose, switch, avoid or boycott a brand based on its stand on societal issues



68%

of consumers rate ethical behaviour as important when shopping, but only...

53%

say they are willing to pay more for an ethically sourced product

77%

cite price as the biggest single factor affecting their shopping behaviour, ahead of quality and functionality

EY 2018

RETAIL BRANDS

Initiatives on ethical causes in recent years



Will stop using single-use straws by 2020; plans to develop 100 per cent recyclable and disposable cups



Targeting zero emissions for home delivery globally by 2025



Offering free recycling of its toys and games

BURBERRY

Will stop burning unsaleable stock; historically it destroyed unsold clothes, accessories and perfume "to protect its brand"



Launched its first shampoo bottle made of 25 per cent recycled plastic in 2018; will be rolled out to 500 million bottles per year.



Launched a new collection of apparel and footwear made from recycled ocean plastic

STELLA MCCARTNEY

Known for its cruelty-free ethos, the brand is currently working with a biotechnology company to create vegan silk

MODEST FASHION

Modest fashion goes global as big brands take notice



Ben Gabbe/Getty Images for Sherri Hill

The future remains bright for modest fashion as Western retailers realise the huge potential of this growing and lucrative market

Gouri Sharma

It's no wonder modest fashion has been turning heads of late. An untapped global billion-dollar market combined with a host of social media influencers, has pushed styles into catwalks, catalogues and ad campaigns. As more major fashion brands get on board and it attracts more fashion-conscious women, the modest fashion industry looks set to only get bigger.

What then, is modest fashion? There are many definitions, but essentially it describes clothes that cover much of the body, without skimping on style. For modest fashionistas, it's not what you show, it's what you don't show and, crucially, the way in which you don't show it. The array of styles include dresses with high necklines and long sleeves, kimonos, head scarves, no-cleavage garments and looser fittings.

UK-based designer Saleha Bagas has been running her online modest fashion brand for the past five years. She says: "Everybody

has their own version or level of modesty, but it attracts women who don't want to show flesh just because it's being advertised. Modest fashion gives the modern modest woman something she wants to wear, without her having to compromise on style."

While it maybe emerging in the West, the industry has been catering to Muslim women in places like the Gulf, Indonesia and Malaysia for years, and sales figures suggest an increasingly lucrative global market.

According to a 2018 report by DinarStandard and Reuters, Muslim consumers spent an estimated \$270 billion on modest fashion in 2017, compared with \$243 billion in 2015. Sales are expected to reach \$361 billion by 2023.

Shifts are occurring across the industry. For the first time in its 102-year history, last year *British Vogue* put Somali-American model Halima Aden, its first woman wearing a hijab, on the cover. In 2017, modest fashion became the newest kid on the runway block with the first London Modest Fashion Week, where 40 designers from across the globe showcased their designs of turbans, hijabs, full-length dresses and burkinis.

Some of the biggest brands have also started to incorporate modest fashion into their collections, including DKNY and Mango, which have both launched Ramadan lines. H&M, Nike and Gap have also launched campaigns

Halima Aden on the runway for Sherri Hill show during New York Fashion Week in February

with models wearing a hijab, and the Net-a-Porter website features a modest fashion section.

Kulsum Patel, director and co-founder of Ayah, a UK modest fashion consultancy service, says: "One thing that will always attract interest from businesses, brands and then in turn consumers is when you see large figures like this attached to an industry. Small businesses have been doing this kind of work for years, but it's only now that big brands in the West are recognising there's this whole catchment of women they haven't tapped into yet. Now they are wanting a piece of the pie."

Much of the push has come from social media influencers including British-Egyptian Instagrammer and YouTuber Dina Torkia. The 29 year old has spoken about the challenges she faced trying to balance her faith with her fashion, and in 2011 started her fashion blog. She quickly grew in popularity and now has more than two million Instagram followers and YouTube subscribers combined. Her tutorial on 20 different ways to tie a hijab has been viewed 1.2 million times and late last year she released her debut book *Modestly* on being a modern Muslim Brit.

Ms Patel says: "What you're finding now is big brands like Amazon and John Lewis teaming up with these influencers to promote their products. These brands pay these influencers and then there's a whole campaign that dominates their social media posts. The brands know there is a following out there and this is the best way to attract the industry and the modest woman client."

“Modest fashion is to compliment the diverse lifestyles of all types of women, no matter what their faith or culture

But, as designer Ms Bagas says, modest fashion doesn't just appeal to Muslim women. She says her designs – vintage gowns, long and baggy top-and-trouser sets and bridal wear – are popular with a range of women.

"My clients include Jewish, Arab women and non-Muslims," she says. "Modest fashion is not just for Muslim women, it's to complement the diverse lifestyles of all types of women, no matter their faith or culture, who want to implement modesty into their dress code."

And it's this wide appeal that's putting modest fashion in style for all seasons.

Ms Patel concludes: "Choices for the modest women have always been there, but it's never been created in a way where it is easily accessible for women in the West. It's great to see big brands being more inclusive, but I think it's going to take some time before they get the balance right. It is currently being identified with Islam, but the more attention it gets and the more mainstream it becomes, the more people will realise it's not an alien concept. All I see is this industry growing." ●

HOW MUSLIM WOMEN FEEL ABOUT THE UK HIGH STREET

Survey of 500 Muslim women nationwide

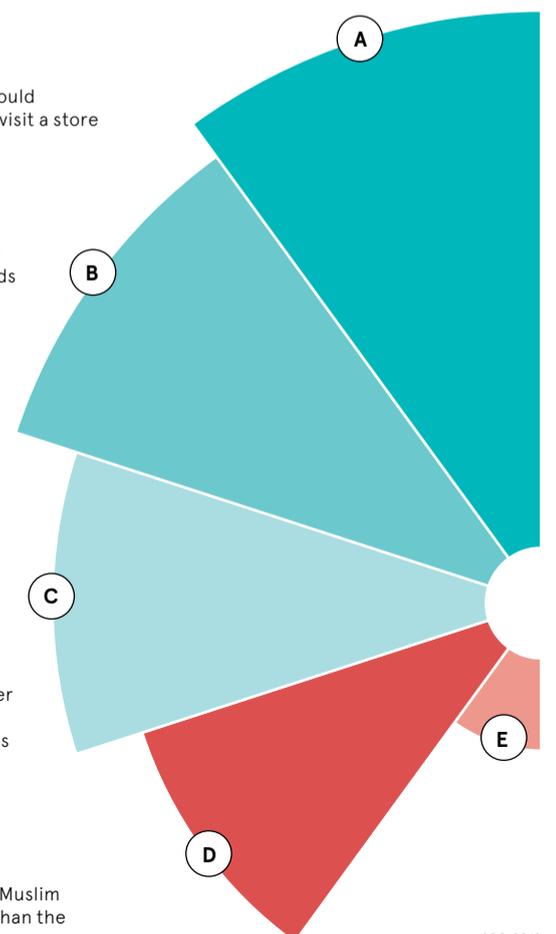
A
93%
say a modest line would encourage them to visit a store

B
86%
feel ignored by high street fashion brands

C
75%
put products back when shopping because they do not meet their requirements

D
63%
believe high street brands appropriate cultural dress, rather than catering to actual fashion needs

E
16%
higher spending by Muslim women on fashion than the average British consumer



Visual search is the next battlefield in retail

AI-powered visual search is gaining rapid adoption among retailers, helping customers find the products that inspire them. Retailers that have adopted the technology report a significant increase in conversion rates and average order value. Meet the company making it a reality

Farfetch is an online retailer selling luxury menswear and womenswear, a sector with ferocious competition. So, to distinguish itself from rivals, Farfetch offers customers a radical new technology known as visual search.

It works like this. Customers use the Farfetch app to upload a photograph of an item of clothing. It could be a photo of a friend or a screen grab of a celebrity they've seen on Instagram. An artificial intelligence (AI) engine then decodes the image, identifying the colour, style and fabric of items of clothing in the frame. Then Farfetch publishes similar items for the customer to browse.

It's quick and intuitive. Finding the shoe Emma Watson wore to the Oscars or something similar to that cute sarong your bestie wore to the beach is astonishingly simple.

Young customers adore it. It fits their way of shopping, putting images at the heart of the experience, natural for the Instagram generation. It also encourages spontaneous purchases. As Accenture found: "Gen Z consumers place a greater emphasis than millennials on turning to social media for inspiration. And nearly 60 per cent more say they made a purchase just because they wanted to buy something or because they randomly saw an item they liked." Someone admiring a friend's outfit can instantly find something similar online using only an image.

The arrival of visual search in retail is in a large part due to Syte, a visual AI company with offices in Tel Aviv, London and Geneva. "Syte connects consumers' inspiration and the real world with retailers' inventory, no translation needed," says Lihí Pinto Fryman, Syte's chief marketing officer and co-founder.

Syte provides visual search for some of the world's largest retailers and marketplaces including Argos, Tommy

Hilfiger, Marks & Spencer, Bonprix, PrettyLittleThing and many more. It is renowned for the high accuracy of its search results, speed, and ease of implementation, making it the leader in the field.

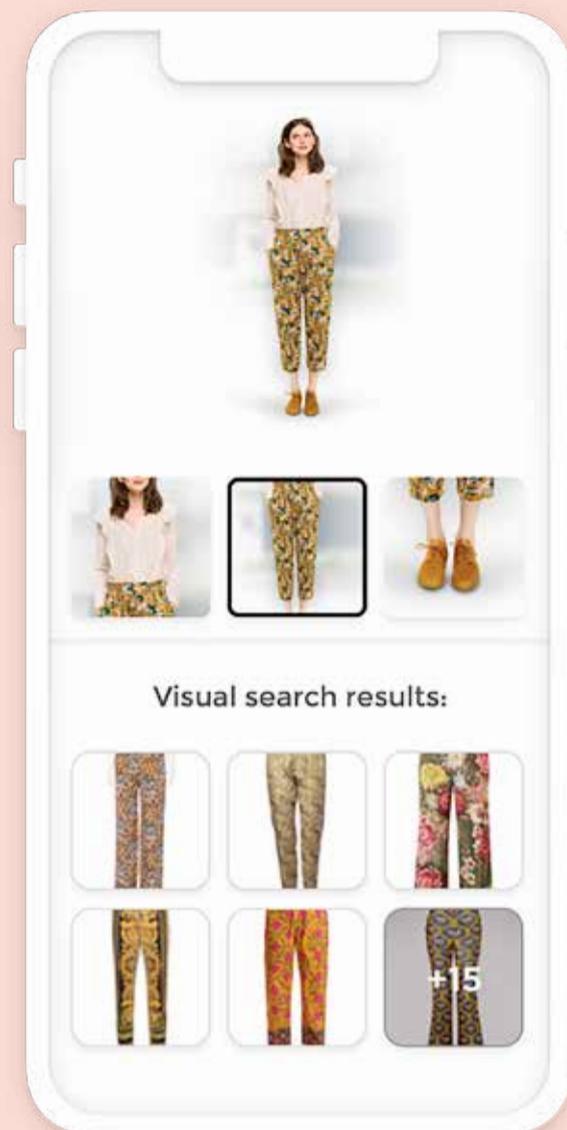
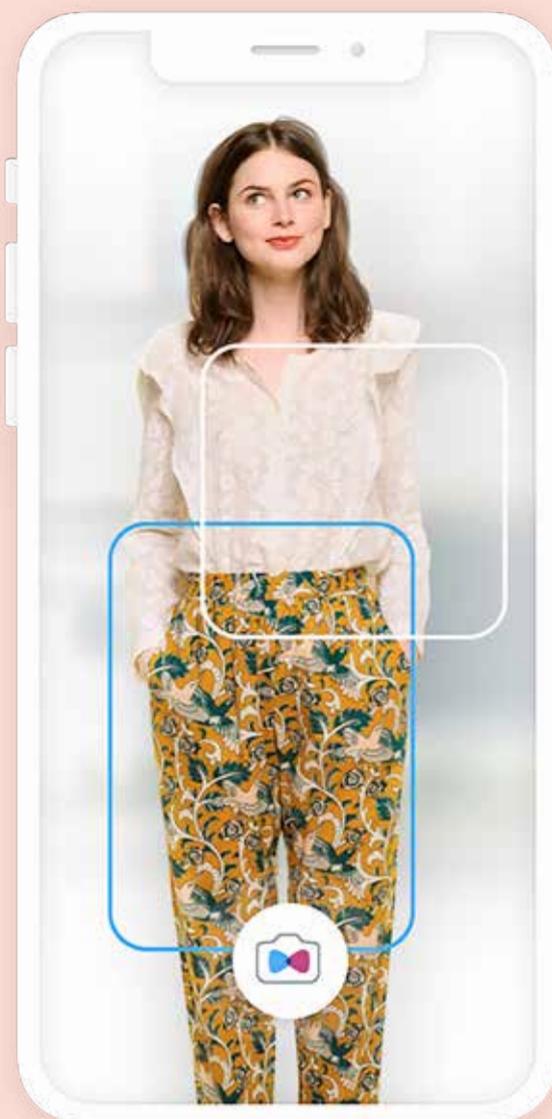
For a brand such as Marks & Spencer, partnering with Syte is an opportunity to help consumers take control of the way they discover products, enhancing their consumer experience.

Jim Cruickshank, head of digital product and user experience at Marks & Spencer, says: "We know our customers are busier than ever and are often most inspired when they're out and about. Style Finder [a Syte-powered tool] helps customers instantly find what they're looking for, without the need to manually search and filter through our products."

Image search is just one of the ways Syte can help retailers. A parallel offering is the "view similar" function. Customers find an item they like in the retailer's store, then click an icon to view a range of similar products also offered by the retailer. Some may be cheaper or offer a twist on the style. It's a fun and practical way to explore an online store.

Product tagging can be done automatically by Syte. The traditional method is labour intensive, with manual operatives entering terms such as "polka dot", "skirt", "maxi", "women's", "high waisted", "satin" and so on. Syte can automate the entire tagging process. This slashes back-office costs. Retailers can do predictions and analytics. And consumers have an alternative way to search the store, increasing basket sizes and engagement.

Perhaps the biggest impact is the way retailers can harness the power of social media influencers. Consumers rely on Instagram, Pinterest and Facebook influencers for tips and trends. Syte creates a direct connection between key influencers, the store and consumers.



For example, consumers can use visual search to locate clothes similar to those worn by their heroes and heroines. Or Syte offers an AI stylist platform that discovers products in Instagram images of social media influencers posing in a particular style. Seeing how a fashion icon looks in a slate-grey Astrakhan coat may convince the consumer to press the buy button.

The impact of Syte on revenues is measurable. An ecommerce executive at Boohoo.com, which enthusiastically embraces Syte's visual search, says: "We see increases in engagement compared to visitors who don't use search. Conversion rates are 85 per cent higher and pages per session more than 125 per cent higher. Visitors who engage with a 'view similar' on the product page have a conversion rate over 100 per cent higher. And the average order value is 12 per cent higher. Lastly, pages per session are 135 per cent higher."

Naturally, Syte isn't the only provider of visual search AI. But according to Gartner, it is an outstanding performer, named a Cool Vendor in retail in 2018.

The biggest proof is Syte being chosen by Samsung to power visual search on its smartphone AI, called Bixby.

"Consumers just have to open their camera and point it at something they like. Syte immediately provides them

The benefits of AI-powered visual search:

3.5x
uplift in average conversion

8-13%
typical conversion rates

2-11%
uplift in total online sales

with similar looking items and delivers quality, organic traffic to retailers," says Ms Pinto Fryman. Retailers can showcase their products on Bixby by signing up to the database via Syte and have access to millions of gen Z and millennial shoppers.

Visual search is a technology retailers must embrace. It removes language barriers, perfect for attracting international buyers. It eliminates the need for

customers to know technical fashion terms. How many men know the difference between a pea coat and duster jacket? Visual search means they don't need to.

Major retailers are all moving towards visual search. Amazon adopted visual search in 2014, followed by Target, Macy's, Pinterest and eBay. Visual search delivers 48 per cent more product views, according to research by BloomReach. Customers are 57 per cent more likely to return to a site with visual search.

Adding Syte to a retail website is simple. It takes as little as one line of code, depending on the personalisation of the user experience and interface. A software-as-a-service business model, based on traffic and expected volume of users, means the technology is available to retailers and app-makers alike.

"I believe this is the new experience. I see something I like, I simply point at it and I get it," Ms Pinto Fryman sums up. Visual search is set to change retail, forever. Syte is helping retailers take full advantage of this revolutionary new concept.

To find out more please visit [Syte.ai](https://www.syte.ai)



CUSTOMER EXPERIENCE

A day in the life of the future customer

Exploring how one shopper of the future goes about her day reveals exciting possibilities for what's in store for omni-channel retailing

Rich McEachran

M eet Alice. She's 32, works in corporate events and is by all accounts your average young professional who enjoys spending a portion of her disposable income on clothes. She also has a busy social life outside of work and so, when it comes to shopping, wants smooth omni-channel retailing. This includes convenient delivery and collection options, fast and frictionless payments, and better in-store experiences.

According to a 2018 survey of more than 3,500 shoppers by digital commerce consultancy Salmon, 43 per cent and 49 per cent of UK and US total spend is online. Just over half (51 per cent) of consumers start their journey on Amazon, while 55 per cent end their journey on the e-commerce site.

While digital shopping will continue to grow, this isn't to say that brick-and-mortar stores will disappear completely. Instead they will be reinventing themselves and co-existing alongside e-commerce stores in an omni-channel retailing environment.

In the future, our shopper Alice wakes up on a Saturday morning and realises she needs to buy a dress for a work function that's taking place in a few weeks' time. She opens up her laptop, enters her details and customises the style, colour and fabric of her desired dress. It's then delivered to her apartment 14 days later.

This is exactly the type of service that London-based start-up Flair Atelier is promising to offer. Each order made through the platform is sent to its tailors in Italy. And because each dress is made to order, it means there's no mass production and no material going to waste.

"Customisation is going to be a key trend [in fashion]. We are going to see a shift from traditional to on-demand manufacturing [of bespoke, tailored dresses and suits]," says co-founder Marianna Ferro. "Flair Atelier is putting the consumer at the heart of the process."

Alice decides that she wants a new pair of jeans. Even though she is able to use 3D visualisation tools before purchasing online to imagine what the jeans will look like on her, saving her time and a trip to the shops, she would prefer to know whether they're going to be a comfortable fit.

She heads to a brick-and-mortar store, which is being operated by just one member of staff, who offers customers a drink when they arrive. Once there, Alice uses a tablet to select any items of clothing, which are then delivered straight into a double-door wardrobe in a changing room. If she wants to try on a different size, she requests it via another tablet, places the item that doesn't fit her back into the wardrobe, and the clothes are

then replenished. This means she doesn't have to fumble about trying to get a shop assistant's attention. Once she's happy with her choice, she's able to pay for the item in the changing room and go on her way, avoiding the need to queue.

The American women's clothing brand Reformation has been

experimenting with innovation in this way since 2017. The technology featured in its store in Noho, Manhattan, includes some of what is described above and also customisable lighting and music to create ambience. Malena Finguerut, who works at click and collect services company HubBox – it has partnered with Boohoo and Jack Wills – recently visited the store in New York.

"The whole experience is providing a solution to the human awkwardness of trying to get clothes in different sizes once in a changing room," says Ms Finguerut. "This will shape future retail habits. I try on a lot more sizes and styles that I might not otherwise, increasing the likelihood of me making a purchase. I'm also more likely to



“**Customisation is going to be a key trend. We are going to see a shift from traditional to on-demand manufacturing**”

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01 Smartphones In the immediate future at least, bricks-and-mortar stores won't remove human staff altogether. They might not be stocking shelves – that will be left to robots – but they will be walking around with smartphones in their hands that shoppers will simply tap with their own device to complete their purchase.

02 Rewards While it might be harder to attract new customers than it is to retain them, consumers prefer not to have to wait to receive meaningful benefits. A way around this will be to offer mobile scan-and-go payment technology that enables customers to pay with a mixture of credit or debit cards and loyalty points or vouchers. Some supermarkets already allow their customers to exchange points for vouchers that can be spent at self-service checkouts.

03 Checkout free Thanks to a combination of artificial intelligence, cameras and sensors, retailers can identify customers upon arrival, who scan products as they pick them up, and then charge a credit card on file once the customers leave the store. Amazon opened its first checkout-free grocery store last year. To begin shopping, customers have to scan a smartphone app and pass through a turnstile. The number of Amazon Go stores has since grown to ten across Chicago, Seattle and San Francisco.

Three payment innovations

Last impressions count. A bricks-and-mortar store can be set up to make it easy for consumers to select the items they want and even try them on. But if customers are unable to pay quickly and smartly, they could walk away without completing their purchasing journey. Here are three ways payments in bricks-and-mortar stores are likely to change in the future of omnichannel retailing.

buy into the brand and even make future purchases online.”

Ms Finguerut believes another omni-channel retailing trend that we will see emerge is the ability to book a slot in such a changing room to try on a wishlist of clothes. “Kind of like click and collect, but without the upfront payment and being able to try before you buy,” she says.

On her way home, our shopper Alice needs some groceries, so she heads to the local supermarket. Before she arrives, she checks her phone to see if the items she requires are in stock. An app is able to give her this real-time information thanks to robots going up and down aisles, monitoring stock levels, on a regular basis.

Bossa Nova Robotics has introduced such automated robots into Walmart in the US and, soon, supermarkets across the UK. Its robots can keep a tally of stock at twice the efficiency of a human staff member, according to Red McKay, the company's European managing director.

“The result of incorporating this technology into future brick-and-mortar stores is simple,” says Mr McKay. “For retailers, sales and profit margins will increase with better availability of products. For customers, the shopping experience will improve with the hope that they will always be able to purchase what they're looking for without delay, whenever they need it.”

Robots operating on shop floors is a contentious issue. Margiotta, an independent grocery chain in Edinburgh, was the first Scottish retailer to hire a robot into one of its stores at the start of last year. Fabio was tasked with welcoming

customers, providing directions, answering queries and even handing out samples of pulled pork. It was sacked within its first week after giving poor directions and being over-generous with the portions of pork.

Alice doesn't have to worry about interacting with robots like Fabio, though. Once she knows that her products are in stock, she adds them to her virtual shopping basket on the app and then her groceries are ready for her to pick up from the supermarket and pay for within quarter of an hour.

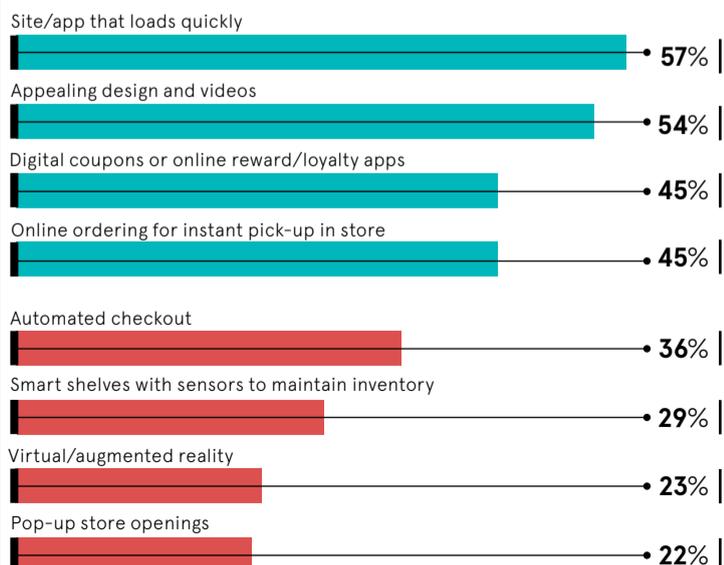
Alice returns home content that her omni-channel retailing trip has been hassle-free and seamless. ●

“**For customers, the shopping experience will improve with the hope that they will always be able to purchase what they're looking for without delay, whenever they need it**”

DIGITAL SHOPPING WISH LIST

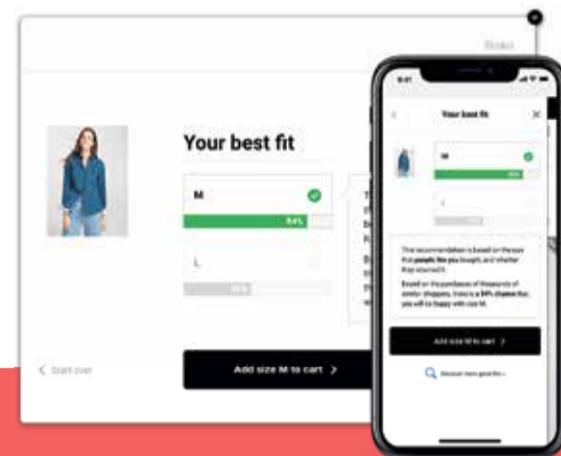
What consumers want from technology in store and online

● Online ● In store



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TURNAROUNDS

Four beacons of hope amid retail gloom

From luxury retailers to discount stores, retail business failures are strewn throughout the sector, but despite the gloom there is a handful of businesses offering hope to the strugglers

Joe McGrath

In the world of retail, business failures are easy to find. Identifying successful turnarounds, on the other hand, is far more difficult. Even the professionals paid to inject new life into troubled businesses admit that the high street is not the place to hunt.

"The general consensus is that the high street will see many more failures in the year ahead," says Simon Thomas, partner at corporate recovery group Moorfields.

"People know there has to be a correction on the high street. Retailers cannot afford the current level of rents, valuations are coming under pressure from

institutional investors and lenders are looking for assurances that the loans they have made [to landlords] are safe."

The issue of property rents is the number-one recurring issue in the failure of retail businesses during the past decade. While turnaround practitioners are urging the use of rents that are linked to a retailer's income, landlords are reluctant to accept such terms as their lenders want certainty of their ability to repay loans.

"The tide is going out and we are starting to see who doesn't have bathing shorts on," says Tony Murphy, director at Harrisons. "Landlords are vehemently against company voluntary arrangements,

but we are in a perfect storm, with rising rates, falling footfall and a fragile labour market."

Mr Murphy's sentiments are shared by many in the industry. In fact, of six insolvency and turnaround practitioners, only two could offer what they believe to be genuine success stories. However, while the successes may be few and far between, there are a handful which act as a beacon of hope to strugglers. The key, it seems, could be to cut back significantly on fixed costs, change the management team and completely revamp the revenue model.

Here are four businesses that managed to turn around their fortunes:



Music Room Direct

Specialist mail order group Music Room Direct brought in turnaround practitioners when their fixed costs began to erode the business's viability. The company, which specialises in music-themed arts and craft gifts, was struggling with the financial burden of maintaining a large warehouse.

When turnaround practitioners looked at the figures, the big warehouse was deemed to be a fixed cost that could no longer be justified. Instead, the business was restructured into a digital retailer with a smaller stock. Items that could not be accommodated in the new, smaller, storage space were ordered directly from the manufacturer.

"What we did was remove all the fixed costs," explains turnaround practitioner Tony Groom of K2 Partners. "The business had been operating for around a decade as a catalogue business and what we did was turn it into an online retailer. Every sale now makes money for the company and the stock sits on the balance sheet."

Jessops

When photographic retailer Jessops went into administration in January 2013, 187 branches closed their doors. The business failure of a company, which had been trading for 78 years, came as a result of competition from digital alternatives and the burden of high property rents.

But all was far from lost. A few weeks later, celebrity entrepreneur Peter Jones, of BBC TV's *Dragons' Den* fame, stepped in to revitalise the business. Having initially started again with just two stores in London and Birmingham, he would go on to rebuild the Jessops portfolio, through the strategic reopening of stores in profitable locations and partnerships with other retailers, including opening branches within Sainsbury's supermarkets. Crucially, the digital offering of the company was also overhauled.

In-store things were different too. The newly revamped shops weren't



2

just selling cameras in glass display cases. These new, modern outlets offered express photographic processing in 25 minutes, and employed experts to advise on equipment and techniques.

K2 Partners' Tony Groom says Jessops is a prime example of where the fundamental business model was changed and customers

responded. "Those creditors who lost money or the landlords who lost tenants, or were forced to rent at a lower yield, might not see it as a turnaround, but the business was rescued. Jobs were saved and the business has become profitable," he says. "You could argue that a camera is just a commodity, until you realise you might need some advice."



3

Ryman

Another TV entrepreneur credited with a successful turnaround has also graced the panel of *Dragons' Den*. Theo Paphitis, who these days is better known as the chancellor of Solent University, took stationery retailer Ryman by the scruff of the neck when it

collapsed in 1995 under the burden of high rents.

Having operated his own concessions in larger Ryman stores prior to the firm's collapse, he used this relationship with the directors and snapped up the company's assets from the receivers.

Even way back in the mid-nineties, he recognised the power of direct

ordering and introduced a mail order service a year after the purchase, followed by a website two years' later. The company's marketing was overhauled, spearheaded by high-profile sponsorship of the English Football League, a deal that would run for 20 years. The company now has more than 200 stores nationwide and a successful digital platform.



4

Theo Fennell

In 2017, high-end jewellery group Theo Fennell, founded in 1982, called in administrators after the company was unable to escape a host of fixed costs.

While technically not a business failure, the company was juggling rent commitments at premium locations in London's Chelsea and in Harrods' department store, and employed around 50 people when it called in insolvency group BDO to discuss a rescue.

However, the jewellery designer himself would later play a key role in the rescue of the business, leading a management buyout of the group, having wooed private equity investors. Within a few weeks, Theo Fennell had secured a deal with smaller business investor Enact, which is managed by the better-known Endless private equity group. The company refocused on producing a greater number of bespoke pieces for customers and reducing its cost base. ●

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The real challenge for Starbucks and Luckin is not to steal customers from each other, but to expand the consumer base of coffee drinkers

The Chinese coffee chain that wants to take down Starbucks

A startup is on a mission to overtake the biggest coffee chain in the world through its stripped-back, streamlined approach

reducing operational costs, and customers order via a dedicated app rather than visiting a store.

"Food and beverage is getting seriously disrupted by digital in China," says Professor Jeffrey Towson of Peking University. "Delivery on demand is common." But until last year, Starbucks didn't offer delivery, which Professor Towson describes as "almost a crime in China".

Criminal or not, it meant Starbucks was missing out on a \$37-billion take-away industry until last August when it partnered with the Chinese tech giant Alibaba to offer delivery. Luckin is also beating Starbucks on price. A latte from the American chain costs \$4.28 compared with Luckin's \$3.54.

Luckin's sudden popularity has won it a spot on the fast-growing list of Chinese unicorns; despite recording a loss of \$116.34 million last year, it closed 2018 with a \$200-million funding round that took its valuation to \$2.2 billion.

According to chief marketing officer Yang Fei, the multi-million loss was in line with the company's expansion goals. "What we want at the moment is scale and speed," he says.

Rebecca Zhang, 34, a travel agent in Beijing, orders Luckin on a weekly basis with her colleagues; the coffee company offers discounts

Luckin employee preparing orders at a branch of the fast-growing chain in Beijing

for bulk orders, making it popular with office workers. For Ms Zhang, value is the main appeal. "The price is cheaper than Starbucks," she says. "If the quality is fairly similar, why wouldn't you choose something cheaper?" But she is also motivated by patriotism. "This is a local brand and we are supposed to support local brands," she adds.

Some analysts have speculated that Starbucks will be a victim of the fallout from the trade war between

China and the United States. Chinese consumers have a history of boycotting foreign companies; in 2017, the South Korean conglomerate Lotte was forced to close nearly all its supermarkets in China after outrage at the installation of a US missile-defence system on Lotte-owned land in South Korea. Although aimed at North Korea, China believed the move made Chinese military secrets vulnerable.

Starbucks has so far escaped such a fall from grace, but ongoing tensions could jeopardise the American coffee chain's second-biggest global market. Starbucks hopes to have 6,000 stores in China by 2022.

Professor Towson argues that the real challenge for Starbucks and Luckin is not to steal customers from each other, but to expand the consumer base of coffee drinkers. "Increasing consumption in China is the mother of all coffee opportunities," he says.

But most consumers do see there being a choice between the two. Despite Luckin's homegrown appeal, some remain unconvinced. Jasmine Xie, 23, runs a creative talent and production company in Beijing. She thinks the Starbucks brand is still more "cool" than Luckin. "We all know Starbucks coffee isn't great, but the cups have already become a kind of fashion accessory," she says. "It's cool to walk around with a cup of Starbucks; we also spot it in street-style shots of celebrities, models, fashionable people."

Ms Xie appreciates the atmosphere of Starbucks' drink-in branches. "The [Starbucks] store feels almost like home and you know the quality of the space is going to be good," she says.

While drink-in café culture lags behind ecommerce in coffee retail, there is a growing taste for boutique destinations, especially in China's metropolitan hubs. Starbucks opened its biggest branch in the world, styled as an artisan roastery, in Shanghai in late-2017.

But there has been some fallout from ecommerce's seemingly inexorable rise in China's food and beverage sector in its impact on the environment. According to *The Economist*, 65 million meal containers are discarded every day in China. A Luckin delivery comes with at least two layers of disposable packaging, whereas Starbucks sells reusable coffee cups. There is also the resource cost of sending deliverymen on mopeds around the city to deliver single coffees to thirsty customers.

Ms Zhang is among those who believe there should be a system of recycling the packaging. "It is a common problem with all *kuaidi* [delivery] services," she says. "On the one hand, you have to make your products look nice and professional, but on the other, it's hard to keep it environmentally friendly."

China is still a relatively coffee-light nation. Per capita consumption averages only three cups a year, compared with 250 cups in the UK and 363 cups in America. However, it is a market that is rapidly expanding; it has grown eight times faster than the world average, according to the International Coffee Organisation. With millennials accounting for 40 per cent of coffee-drinking, there are no signs of the taste for caffeine abating, and for most retailers environmental concerns will be secondary to cashing in on this golden opportunity. ●

Amy Hawkins

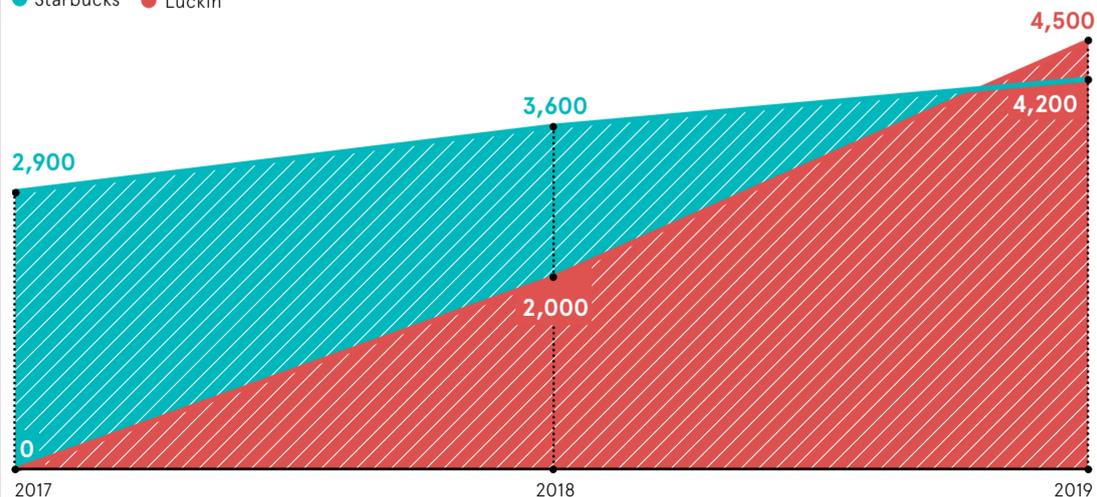
Chinese startup Luckin Coffee has a mission: "To defeat Starbucks in China," according to chief operating officer Qian Zhiya. It's already making good headway, last year opening its first 2,000 branches in China, while Starbucks has 3,600. The company has since announced plans to open a further 2,500 outlets in 2019.

Luckin's success lies in its innovative business model; most of its branches are take-away only,

STARBUCKS V LUCKIN, BY NUMBER OF OUTLETS

Approximate numbers of both company-owned and licensed stores to the nearest 100

● Starbucks ● Luckin



*Based on Starbucks' pledge for net new store growth of 600 per year

Starbucks/Luckin 2019

AI-based solutions help meet increasing customer expectations

Few industries have been as fundamentally impacted by the digital revolution as retail

Numerous high-street retailers have closed down and been replaced by once up-start ecommerce firms that have now become household names in their own right. There are many reasons behind this shift, including rising overheads and poor management, but a considerably improved customer experience is the key factor that is driving consumers to innovative online shopping platforms.

"When you consider what is making these companies successful, the fact that they are constantly looking for ways to create strong relationships with their customers, through making their experience personalised and unique, stands as a clear strength," says Ivan Mazour, founder and chief executive of Ometria, a retention marketing platform for retailers.

At a time of intense competition in the retail industry, it is vital for firms to offer a meaningful point of difference as it's no longer enough to compete on commonplace benefits such as free delivery and returns. The only meaningful differentiator left is the customer experience, with customers who feel they have received a truly special and unique experience being far more likely to come back and buy from that retailer again.

Customer expectations have significantly increased over the past few years, directly due to the personalised experiences provided by tech giants such as Netflix, Amazon and Google.

But the true power of technology has yet to be harnessed by the vast majority of retailers that are on the whole still using generic marketing campaigns lacking the precision of artificial intelligence or AI-based solutions. The gulf between the experience that people are getting from innovative companies and slow-moving retailers is clear to see.

"The biggest shift in the way retailers market to potential customers is that they are urgently realising the need to match these improving experiences seen in other sectors. Many retailers are now actively looking to create experiences unique to every customer to meet these demanding consumers needs," says Mr Mazour.

Machine-learning technologies and AI tools are playing a key role in the drive for more personalised customer communications. As the number of ecommerce customers around the world grows past two billion, the data points created by these shoppers will become even more difficult to manage and effectively analyse.

Processing all types of customer data, and using them to create a meaningful and predictive understanding of customer behaviour in real-time, is simply not something a human can do without AI.



"The marketers we work with are excited about the creative side of data-driven solutions; they are actively looking for ways to create experiences customers value. A perfect AI system won't be visible to the customer, but it will facilitate great experiences for shoppers," says Mr Mazour.

Over the next couple of years, AI will continue to improve how retailers understand their customers interests and work in unison with machines to ensure the most personalised messages are being promoted.

Mr Mazour knows first hand that this innovation is happening now. "We are already many steps along the journey. We work with more than 150 retailers that have received approval from over 100 million customers to use their data to improve their experiences," he adds.

Data-driven insights give retailers the power to understand deeply the communication preferences of each individual consumer, ensuring they remain engaged. Many of these preferences will shift over time, requiring retailers to update their customer profiles on an ongoing basis.

The end-goal is to get the customer profile to be as close as possible to the internal mindset of the consumer, as new customers are unlikely to become regular buyers if they have a bad experience with a brand.

With research commissioned by Ometria finding that 75 per cent of consumers do not feel brands fully

understand their interests, retailers need to utilise innovative AI technologies to bridge this gap. The same research also indicated that customers are happy to see what improvements AI can bring to their shopping experience, with 62 per cent of consumers comfortable with the prospect of brands using AI to make marketing better.

Ometria's customer intelligence layer applies AI technology to each individual customer and works out an individual's affinity towards a category, brand or message and then enables the marketer to send the message only to that audience, safe in the knowledge they will be engaged.

"The results of our pilot project led to a 40 per cent increase in revenue from the targeted message, illustrating that a predictive understanding of customers not only improves engagement levels, but also increases sales," says Mr Mazour.

The ability to personalise marketing messages is more than just valuable to retailers, it's essential to their survival in an increasingly competitive marketplace. The traditional way of marketing has always been focused on the concept of a campaign, but retailers are now able to change this outdated approach and create unique messages that resonate with customers.

As the interactions between customers and brands continue to evolve, Ometria can help retailers to become better equipped to meet increasing consumer expectations.

75%

of consumers do not feel that brands fully understand their interests

62%

of consumers are fine with the prospect of brands using AI to make marketing better

60%

of millennials would be willing to actively give away more data about themselves in return for better marketing experiences

"It all starts from understanding the customer. Without this, you can't create a great experience for them or establish a long-term relationship. Without unifying all the data relating to each customer, it's difficult to fully interpret what the customer wants," explains Mr Mazour.

A retail-specific solution that connects every possible customer touch point, predicts their future behaviour and then powers all the marketing experiences can be a game-changer for forward-thinking retailers. Ometria have become the experts at building unique cross-channel marketing experiences in this new AI-powered retail space.

"We are not just the technology provider, but also a key partner to the retail brands we work with and help them transition from the old world of ineffective campaign-based marketing to a perfect world of marketing experiences that customers will love," Mr Mazour concludes.

For more information please contact info@ometria.com or visit www.ometria.com

The research was conducted by Censuswide, with 1,006 general respondents in the UK between June 13-14, 2018. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles

OMETRIA

SENSORY EXPERIENCES DRIVE

9 OUT OF **10**

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*"Nine out of 10 consumers have decided to return to a store because they enjoyed its music, visuals and scent combination."
Elevating the Customer Experience: The Impact of Sensory Marketing, Mood Media 2019