

# The Future of Retail

by

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Submitted to the Integrated Design and Management Program  
in Partial Fulfillment of the Requirements for the Degree of

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## **Abstract**

The retail environment in the United States has passed through several massive changes since the 1880's. From its beginnings, retail has connected buyers to suppliers; even today, that basic premise has not changed. This paper will walk through the various eras of retail highlighting innovations and trends that have carried forward to the present. It will analyze how retailers have survived or failed, and discuss the potential opportunities and disruptions currently occurring in the retail sector. We will discuss the effect of the world pandemic on businesses in the United States, asking questions such as: what gaps the pandemic has exposed in the industry and which retailers will be the ones to survive the pandemic. Finally, we will look at projections and trends for the next five to ten years in the future of retail. We will take a deep dive into new technologies, tools and business models that are helping retailers achieve growth and success. We will look at the winners and losers, the change in consumer buying behavior, and the types of disruptions, innovations and changes we expect in the future. The aim of this paper is to provide basic guidelines for retailers to plan for likely trends in the future; to showcase retailers that are successful and retailers that are failing; and to uncover new technologies, processes and tools used today to prepare for the rapid changes that will come in the future.

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# Acknowledgments

Writing a thesis can be a daunting process, especially for first timers. Personally, this thesis has been a challenge that has shown me the importance of facing one's fears. Nothing is too frightening or too impossible to achieve, because in the end *you* decide whether you can or can't accomplish it. As long as you push forward, you'll get it done. As Dory from Finding Nemo once said, "Just keep swimming, swimming, swimming, what do you do, you swim". Simple. Finally, there is no such thing as perfection. Everything and anything can always be improved, hence, it is our job as people and researchers to push ourselves harder, become better investigators, better writers & most importantly, better thinkers.

This experience of writing and researching has been a fulfilling one, and one that I would only have been able to complete with the help of dedicated, encouraging and very patient people.

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These past two years I've grown a lot. I've learned that if we have the chance, we need to make a positive impact in the world. We also need to make sure that we take care of those we love. We need to continue learning until we're old and grey. Our minds are only as powerful as what we feed them, so reading, learning and educating ourselves is essential. Like my dad likes to say, "each day you learn something new, and if you haven't yet, it is a great opportunity to start". We should always strive for integrity, so as to not look back with regret. And finally, life should be enjoyed to the fullest, while always doing our best!

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# 1. Introduction

The retail environment in the United States has passed through several massive changes since the 1880's. From its beginnings, retail has been connected buyers to suppliers; even today, that basic premise has not changed. Throughout each century as technology, transportation and connectivity improved throughout the world, retailers faced various different challenges to stay afloat. The most impactful of those were the Industrial Revolution, the Digital Revolution, and now the world Pandemic with COVID-19 putting a stop to the world as we know it. This paper will describe the challenges retailers have faced throughout history, how retailers have survived or failed, and discuss the potential opportunities, new types of business models and shifts in buying behavior and consumer mindset of the future. The aim is to provide basic guidelines for retailers to plan for likely trends in the future; to showcase retailers that are successful and retailers that are failing; and to uncover new technologies, processes and tools occurring today to prepare for the rapid changes that will come in the future.

## 1.1. History of Retail

Retail began as small-scale businesses selling products to local communities and has expanded now to become global, mass-production enterprises selling all over the world, to an almost infinite pool of customers. In the beginning, retail pushed products to potential customers; for example, a pig farmer sold his products to locals at a market. The Industrial Revolution brought innovations in machinery, production, communication and transportation. These innovations drove increases in cross-border trade, access to a larger population of new potential customers and lower costs of production. Business opportunities felt unlimited. Revolutions in production techniques, logistics and a wave of data collection from end-to-end, allowed the retail industry to become more efficient, drive results based on data, and become digital pioneers. Retail today is nothing like it was in the past. Especially in the US, retail has become a business of not only selling products, but also of technological innovation, efficiency, and lifestyle and aspirational businesses.

## 1.2. Pre-Pandemic

For the past two decades, critics of the retail world have firmly believed in a retail apocalypse. Conventional brick-and-mortar retailers were seeing less foot traffic in their stores, their ability to pay high rental prices was suffocating them, and customers were beginning to be unhappy with their experience and turning away to other ways of buying. Store closures became headlines in

the news, and it seemed like the closure of an important industry was looming ahead. Regardless of these negative outcomes, many experts saw this “retail apocalypse” to be part of an extreme transformation with an impact similar to that of the Industrial Revolution, and a continuation of the Digital Revolution. Retail as we know it may be dying, but it is transforming into something that hopefully will bring about better experiences and outcomes. This transformation is focused on seamless fluidity between brand, product and customer. Everything is driven not only by being digital first, but improving accessibility, including automation, and improving actions based on better data analysis.

Customers are becoming ever more demanding. Their power to bring success or ruin to a retailer is undeniable. Customers will demand increased transparency in everything a retailer is doing. They will require a balance between value and price. They will need to connect with retailers on a more emotional level in order to stay loyal. Retailers will have to focus on honesty, authenticity and value. This, however, will prove to be a difficult task. Retailers on the other hand may not have the sufficient investment capabilities to implement new technologies, will have a hard time changing their mindset to be dynamic and open to fast changes, and will need to rethink their entire business model. Retailers will have to act quickly, be open to change, get creative, look inwards to give an authentic value proposition to their customers, otherwise risk becoming obsolete.

### **1.3. Pandemic**

The Pandemic swept the nation without warning in the beginning of 2020. It had already made major impacts in Asia and Europe, where people were forced to stay home, and businesses forced to close. However, these early warning signs were originally overlooked when they landed in the US. The immediate and shocking shut down of businesses and institutions, combined with the shelter-in-place orders, caused mass-scale panic across the United States. It didn't help that there seemed to be a fog of uncertainty surrounding the world, which had been forced to come to a sudden halt. The first two weeks were the most impactful, with panic setting in, food and essential products out of stock, hundreds of people getting sick and dying, it seemed the end of the world was near. Now, a month in, there is still fear, panic and death, but the spreading of the virus has subsided with strict social distancing, cleaning and shelter-in-place guidelines. There still isn't a clear answer on when the world will reopen, but in the meantime, businesses need to figure out ways to survive through the pandemic with a lack of physical presence.

This pandemic has caused changes in the retail industry to be hyper accelerated. It has exposed gaps in the industry, and is forcing the losers into extinction, and the winners into a position of absolute strength. Companies that have a strong online presence, cash liquidity, as well as, a

robust supply chain, are more prepared to handle the storms that lie ahead. The difficulty is not only staying alive through the pandemic but staying alive through the immediate opening of the world and through the next twelve months. The hardest hit sectors seem to be the small independent retailers without an online presence, discount stores, department stores and malls that rely heavily on in-person purchasing. Not only is the physical store experiencing a total shutdown, but also, retailers have to deal with too much inventory stacking up, lack of stock coming in, cancellations and returns of products. They're having to change how they reach customers if they want any cash coming in. They have to look at what to do with their high quantities of inventory, the economic stall, employee layoffs and high unemployment rate which drives the amount of discretionary spending. Not only do they have to figure out their business problem, but also, their out-facing customer presence. Are they encouraging customers to stay healthy and safe? Are they treating their employees the best that they can? The way companies act now will forever impact their reputation going forward. For example, how they handle employee unemployment, deliveries, accessibility, aid to the medical community, or help to those individuals and families with low resources. In addition, many companies that we know, that have been alive for decades, will close their doors and disappear because they weren't ready for such a harsh shift in reality. In fact, many retailers were already in trouble coming into the pandemic, it is only a matter of time before they close their doors forever. On the other hand, some retailers will outshine in this time of trouble, new businesses will emerge, and a completely different buying behavior will become the norm<sup>1</sup>(‘A Brief History of Retailing Co-authored With James Naylor’, 2016) .

#### **1.4. Future of Retail**

No one can fully predict the immediate future of retail after the strict restrictions of the pandemic are lifted, however, it is clear that the pandemic only accelerated the changes that had been predicted and discussed in the past decade. There was, and is, no mercy, for the retailers that were not prepared, had not invested sufficiently in their logistics, customers or in future proofing their businesses. As for the future much further ahead, in the next five to ten years, that is another prediction that will be hard to make, however, by looking at the retail and customer trends in the past, the massive changes occurring during the pandemic, and technological innovations happening around the world and in different industries, we can begin to form theories and ideas on what that future may look like. What is clear, however, is that the future of retail will be completely different to what it is now. By looking at different industries, and analyzing retailers that are moving ahead

successfully, we can spot some new trends, and buying behaviors. Some of those trends and innovations will be in data collection and data analysis, automation and customization, efficiency and improvements in logistics, from manufacturing, shipping, warehousing to delivery and customer care. The power balance between companies and customers will have a heavy weight with the customers, where when customers demand, companies should deliver or risk failing. Retailers will need to focus on the customer, who they are and what they want. They will need to understand their customer better than they ever have before, and they no longer will be simply retailers, but have a more human personification and meaning to customers. Physical stores will no longer be a place for shopping and buying, but a place to experience, increase customer loyalty, promote the brand and showcase innovation. There will be less mass assistance, and more automated kiosks, and smart assistances. Check out and payment methods will be streamlined into the full experience of shopping and seem painless. The new era of retailing will be digital first and multi-present. All of the movements will be dependent on data collected from customers, and production, to data storage capacity, and the speed and ease of accessing this data. The rules of the game will change dramatically. There will be an accelerated transformation, which has already started, and the retail terrain will become much different from what we are used to now.

## **1.5. Closing Remarks**

This paper will explore how the retail terrain has evolved throughout the years, due to cultural changes, technological improvements, economic shifts and now a world pandemic. It will bring out the business practices, buying behaviors and business models that emerged during each era that will help to determine trends for the future. It will have a section on the major disruption the pandemic has had on retailers, exploring retailers from department stores, discount stores, legacy companies, online stores, brick-and-mortar, and more. Retailers that are succeeding in the current environment, as well as, retailers that are failing, will be further analyzed to understand what they are doing, or implementing in order to fall one way or the other. There will also be a section dedicated to describing the accelerated changes and confusion the pandemic has brought to the retail industry at the present time. We will look at the gaps the pandemic has exposed in the retail industry and which retailers will disappear, or fare through the storm. Finally, this paper will look at projections and trends for the future of retail. We will take a deep dive into new technologies, tools, business models that are helping towards growth and success and highlight retailers already implementing those tools. We will ask questions like who the big winners and losers will be, what type of new business models will appear, what kind of disruptions, innovations and changes to expect in the future and how consumers will change their buying behavior. Finally, a

recommendation based on these tools and behaviors will be given for retailers looking to future proof their businesses.

It is clear that there is a digital transformation happening in retail. The question is, if and how will retailers be able to catch up and change dynamically with the cultural change in buying behavior and needs. From research, I expect the future of retail, whether it's the experience or the product to improve both for the retailers and customers. We will just have to wait and see how.

## 2. History of Retail

### 2.1. Introduction to the History of Retail

Retail has not always been the way we experience it today. Before the time of retailers, goods, mainly food, was exchanged between people in a bartering system and locally within their communities. There was no sense of retailers, as people were self-sufficient within their own communities, they grew their own crops, had their own animals, or exchanged them for something their neighbor might have or need. Then, throughout the Roman Empire and the Medieval Times, commerce grew to be a larger part of human life. People were no longer selling the fundamental necessities like food found in the area, but they began selling silks, cloths, art, jewelry, and homeware that came from different parts of the world. There came a desire to purchase goods from other parts of the world. As goods began to slowly flow via individual sellers throughout different countries, and the overall livelihood of people began to improve, machinery improved as well. In the 18th Century, the Industrial Revolution changed the course of history and life. Mass-production, reduction in costs and consumerism came to play and people began having more income. As more people were able to make more money, a new middle class emerged that had some ability for discretionary spending and so, new retailers began to emerge. Then there came another favorable impact, the Internet. This began to change the landscape once again. Access to millions of potential customers could be achieved with a click of a button. Online retailers began to emerge. Brick-and-Mortar stores began competing with online retailers. Retailers had to change their businesses to be omnipresent. Data began to be gathered on customers and sales. This information started to give companies a power that deeply tapped into the buying behaviors of their customers. Some retailers took advantage of this new information and massively improved their businesses, reducing costs and improving buying experiences for their customers. Other businesses fell behind and were not open to using the new tools that were at their disposal. Today, this digital, data-driven retail environment has become the norm. If you're not online, omnipresent, gathering and analyzing data, then you can't play in the same league, in fact, you can't play at all. Retailers either conform and take advantage of these new changes or are left behind. But it is not only a digital revolution that is happening, it is also the expectations of the consumer that is changing, and a heightened level of customer centricity that is demanded. Customers want transparency, meaning, high quality products, and fair prices. Retailers have revisit some of their antiquated business models and adapt dynamically to the changes that are here now and will keep coming in the future. As Sandy Stein, a retail industry expert stated in an interview, "Retailers will need to be revolutionary, not evolutionary in order to survive."

## **2.2 Division of the History of Retail: The Mercantile, Modern and Digital Eras**

We look to the history of retail to see what has survived the test of time, and what has not. That way we can try and see whether or not some trends, cultural actions and thoughts can be taken into account when we try and predict what the future of retail could hold. When looking back through history, Niemeier, Zocchi and Catena divided the “timeline of retailing into three eras: the mercantile, the modern, and the digital era.”(‘A Brief History of Retailing Co-authored With James Naylor’, 2016) The Mercantile Era spans the time of the Medieval Times; the Modern Era from the Industrial Revolution up to the late 20th Century; and the Digital Era, encompassing everything from the end of the Industrial Era up until today. These three clear divisions in history allow us to clearly analyze and take away key traits to gain a better understanding of where the future of retail could go.

Today, we are still in the digital era, however, far advanced into it. We’re at a tipping point where we are already seeing dramatic shifts in the retail environment. There will be winners and losers. Brands that we’ve held dear to our hearts will vanish, but new brands will appear, hopefully with an improved product, streamlined back-ends and a more customer centered focus. In this next chapter of the paper, we will be looking at the history of retail through a generalized lens, pinpointing certain retailers that have been evolving successfully, some which have failed, and what characteristics succeeded into the newer eras.

### **2.3. The Mercantile Era**

If we go back to the “Mercantile Era” as Niemeier, Zocchi and Catena refer to it. This began around the 13th Century. The world was not a globally connected environment. Communities were largely closed off to themselves and self-sufficient. They bought goods that were produced locally and were necessities, they participated and contributed to their local economies. The overall income of people was too low to spend on things that were not needed. As money supply began to increase, merchants that travelled around the globe emerged. These merchants would buy goods from their travels and sell them to different people during their journeys. They began bringing in goods such as porcelain from China, silks and spices from India, and other unique goods to different parts of Europe. This was the first-time goods that were not deemed necessary and were not sourced locally were getting sold in different parts of the world (mainly in Europe). Certain cities like Paris or London began to be known for their unique shops which sold items from around the world. These shops were mainly small boutiques with minimal merchandise. Much of the merchandise was made-to-order (‘A Brief History of Retailing Co-authored With James Naylor’, 2016). As Niemeier,

Zocchi and Catena pointed out there was still no notion of mass production, items were made in small quantities and usually by hand.

The Mercantile Era began with the selling of local goods that were necessities, but soon, a demand for global discretionary goods came into play. This is carried through the Modern Era, the Digital Era and into today. In today's world, there is a mixture of both, with products being outsourced and sold globally, and products being custom made mainly for luxury fashion or with local food grocers. These two characteristics will play an important role in the future of retail, roles which will change from what they currently are today, and which will be detailed further in the paper.

## **2.4. The Modern Era**

The Industrial Revolution came around the 18th Century and brought with its new forms of manufacturing and technology. It brought with it a wave of technological innovation which would set the stage in preparation for the Digital Revolution in the 21st Century. The main changes it brought was the building of factories for mass manufacturing, and the cultural changes from people working and living in rural areas, migrating into cities and working in factories. It also brought with its new sources of energy, new ways of working and improved transportation systems and communication systems (*Industrial Revolution | Definition, Facts, & Summary, 2019*). Retail changed from the small-scale shops to mass production and a rapid expansion of potentially new customers previously unreachable due to easier access to more locations. In addition, because factories employed more people, a new more powerful consumer class in the cities emerged which led to more discretionary spending. Transportation also improved dramatically, which allowed for better and faster distribution of goods across areas that were further from each other. Communication improved with the radio and telegraph emerging. This also sped up processes for retailers (*Industrial Revolution | Definition, Facts, & Summary, 2019*). The overall way of life of people was changing as well. It was improving, which meant that there was more income and a higher probability of spending money. In general, societies were becoming more consumer-oriented and retailers were taking various different forms in order to reach the right type of customer. Retailers began creating products that consumers demanded. It was an environment where retailers pushed the products at customers. Production went from a made-to-order to production of hundreds of a single version of a product being made at an accelerated pace (Niemeier et al., 2013). In general, up until now, the retailers that existed in London and Paris served a small group of elite people who had enough income to spend. Then progressively, as more members of society were able to support themselves at a higher income level, they became consumers who also contributed to discretionary spending.

So, with the advent of the Industrial Revolution, better machinery allowed for mass production, improved transportation and communication allowed for selling across borders, and an increase of income level within members of society, created a larger percentage of the population able to purchase discretionary goods. As demand and supply increased, specialty retailers began to emerge.

#### **2.4.1. Types of Retailers that Began to Emerge**

As explained in this paper, originally there were individual merchants that would produce made to order products usually locally. With the Industrial Revolution, this changed completely, and merchants were no longer the dominant “retailers” around. “City authorities and private developers alike [realized] that the construction of specialist shopping areas served their economic interests’ and so supported the development of these stores”(Niemeier et al., 2013). The first large scale retail businesses that emerged during the Industrial Revolution were department stores. Department stores changed the name of the game. They purchased high volumes of a variety of products. They had a high success selling rate which would then attract new suppliers willing to sign lengthy contracts to be able to be placed in these stores. Essentially, they became a one-stop-shop for customers selling everything from apparel, kitchenware, household goods, to toiletries and other gifts. They also were the first to advertise themselves, something which in the past had only been achieved through word of mouth. They advertised in magazines, something which hadn’t been done before, and they became known around the world. This planted the seeds of advertising and marketing which occurs almost to an extreme today. However, we have to note that this advertising was not highly targeted or the way it is today.

While the department stores were gaining traction, another variety of retailers emerged from mail-order catalog retailers, specialized retailers, price competitive retailers, self-service grocers, a crossbreed of supermarket and all product-selling retailers, vertical retailers and online retailers(Niemeier et al., 2013). They each flourished and impacted each other's businesses in ways that forced them to keep evolving and improving in order to survive. Each retailer competed in a different manner and had a value proposition that would propel them into success or not. These retailers were the first to emerge, and the first to plant the seeds for the future of the Digital Era.

The first department store that was successful and set the expectations for other department stores and retailers was Le Bon Marché in Paris (Niemeier et al., 2013). It was the first time a retailer decided to purchase a variety of products, with multiple quantities of each product and held in one location. They were an establishment, that because of the high volume of product they sold, they could be competitive and consistent with pricing. This made them reliable and suppliers rushed to be a part of their business, seeing that they could sell a constant stream of items

for a longer time period. It was also one of the first times that a retailer used print advertising to showcase their products and their store. Le Bon Marché focused heavily on advertising themselves in magazines and in newspapers, spreading the word of their offerings and their name around the world. Finally, they were also seen as a beacon for modernity. They were the first to have created this type of business and the first to try out new processes and tools to improve sales, employee training and inventory management. Many other retailers looked to them for inspiration. Due to the high volumes of items and variety of items, they were also the first to come up with new ways to be more efficient with their inventory processes and internal structures, “they were also the first to use mechanical data-processing equipment to analyze sales”(Niemeier et al., 2013). They were revolutionary, and in fact they still stand as a strong and successful department store in Paris after nearly 200 years since they were founded.

Today, department stores are not so much seen as such revolutionary businesses, in fact, they didn't catch onto the digital revolution that was happening early enough or at all, and you can see that they are struggling to survive, in fact, with many going bankrupt and closing down all their stores. This was happening even before the pandemic hit, and those that were struggling before the pandemic have no chance of surviving once the social distancing restrictions are lifted. These companies used to be established legacy companies that everyone relied on to bring in the new, innovative cutting edge. They were the ones who would have everything you needed, were convenient and forward thinking with customer centric missions. But now, due to several reasons we will discuss further down in the paper, they are being left behind in this new era of technology and innovation in retail, and the pandemic has only further highlighted their weaknesses and accelerated their demise.

During the same time, another category of retail emerged. They were the mail-order catalog retailers. The importance of these businesses was that they were the first to hold a centralized inventory of goods that would then be distributed across a wide range of stores(Niemeier et al., 2013). This was revolutionary because up until this point, merchants were ordering enough products that would be able to fit in their physical stores and balance out the demand of those products. Now, retailers could order more than the stores could fit, and store it in a different location. These were some of the business ideas that would be brought forward to the digital era with the Amazons and Walmart's of our time.

For innovation in supply chain and new efficient product handling we have to look at food retailers. With the condition that food is perishable and is fragile, retailers had to be quick footed and develop new ways in order to preserve, transport, store and display food that has a short lifespan. There are a few grocery stores that were pioneers in one way or another during this time,

however, one of the food retailers most frequently discussed and analyzed is Piggly Wiggly. They were said to be one of the first self-service supermarkets. This meant that it was the first-time customers could pick out for themselves what they wanted, and the store could put more focus on their displays, pricing, stock, storage, transportation and suppliers. Their goal was to figure out how to have a distribution and storage process that would be more efficient, that would be optimized for space, and would also be price competitive. The innovations that happened in the grocery retail business became fundamental pillars that would cross over to other types of retailers. In general, it was such a big task to figure out how to streamline the supply chain and logistic process that ‘Over time, the central role of fresh foods in supermarkets required regional - and then national - operators to become increasingly sophisticated in the management of integrated chill-chain distribution (Niemeier et al., 2013)’.

One of the most unique and powerful retailers that emerged were ones that combined retailing methods from grocery retailers, as well as, characteristics of specialty retailers. This type of retailer offered the widest range of goods possible at the most competitive prices because of their hyper efficient methods. One of the most successful companies in this category is Wal-Mart, which still is in business today, and in fact, a behemoth of a retailer, showing its strength during this pandemic. They were smart and took the efficient processes of storage, scale and clean supply chain management, with the self-service idea from the grocery store retailers and combined it with intensive low-price competition from retailers that were focused in one vertical and could only compete in pricing. They scoured the environment for all the efficiency tools and technologies that others used. They took the technology that department stores were using to gather data and make efficient inventory management. They took ideas for sales forecasting that would allow them to base their orders on future demand. They had systems in place for their employees, and for as many aspects of their business as possible. They used the idea of the centralized logistics of the mail-order category and became a true revolution in the retail space (Niemeier et al., 2013). Even to this day, and throughout the pandemic, Walmart has shown to be resilient, innovative and have a robust business in place.

In the later years of the Modern Era, another drastic change occurred which impacted retailers dramatically. This was the idea of “vertical retailers”. Up until this point, retailers only handled the order of products, storage, showcasing, and selling. They took care of only one silo of their business. They didn’t handle any of the manufacturing. Vertical retailers took control of all aspects of their business from design, to manufacturing, from shipping to warehousing, to distribution and selling. They became almost like a self-sufficient enterprise, which allowed them to be more dynamic in their changes and implementation of processes. They had control therefore

they made their own rules. This revolution mainly occurred with fashion retailers looking to produce in mass scale, in shorter time frames and personalized for their demand needs. One of the first and largest vertical retailers was Zara, part of a collection of companies under the Spanish conglomerates Inditex. Zara broke the traditional retailing rules and became a front runner in vertical retailing and fast fashion. Because they owned the whole chain of events, they were able to become more efficient, focused and deliver on the needs of their customers. In fact, Zara focused solely on their customers' needs and demands, one of the first retailers to put a large emphasis on the customer (Roll, 2019).

Zara, a fast-fashion retailer, was the first to be able to produce in a mass scale and have the products in their stores within two weeks. Because of their vertical retail system, they were able to reduce prices and adapt quickly to new trends in the fashion world. To put this into perspective, non-vertical retailers would take maybe months, would not be able to order precisely what they needed in the quantity that they needed. Zara, however, could, because everything was under their control. They also revolutionized the industry because they saw the opportunity to copy designs of luxury brands at cheaper prices. They were a money-making machine, bringing in new designs into their stores every week, in fact from the moment they designed a new item to the time the item came to the store it took between 10-15 days (Roll, 2019). Their stores were innovative, with large aisles, good lighting, and fashionable clothing. They also changed the buyer behavior. Instead of coming into the store once every season, Zara was able to entice shoppers to come in several times a month because of the new designs that they would bring into the stores every two weeks. But, besides changing the frequency in which customers bought, their revolution was that they were "selling in production" (Niemeier et al., 2013). They started to gather data in all aspects of their supply chain, and even on their customers. If their data showed that some product was more popular than others, they could quickly re-order from their own manufacturers and have that product delivered within weeks. They also had so much success that they were opening stores everywhere. Where some retailers such as groceries were having trouble expanding across other countries, Zara, with a lot of support and work was able to set up shops not only in their home country but also outside in the UK, France, Italy to name a few. Cross border trading was becoming a different beast, it was clear globalization was happening at a rapid speed, and other retailers needed to catch up. As the expansion across countries, streamlining from manufacturing a product to getting it into the hands of the customer became what retailers were striving for, data collection and incorporating a digital aspect to their business model started to be slowly integrated into the retail sphere.

The different types of retailers that emerged during the Modern Era gave way to what we have today. They showed characteristics that are still vital today and which retailers are still trying to improve upon. It is clear that in the Modern Era, accessibility, mass production, ease of transportation and communication, advertising, efficiency in supply chain and investment in technology and innovation were determining factors for which retailer would succeed or not. This has changed much in today's world. It is the same ingredients in a different recipe.

## **2.5. The Digital Era**

The Digital Era already came with strength and power from the Industrial Revolution and the innovations occurring due to competition in the retail sector. New technologies, ways of working, data-gathering, data-sharing, and accessibility online to the entire world started to become key opportunities for success to certain retailers. E-commerce came into full force as retailers understood the global power of online selling. There were no geographic limitations, anyone with a computer, phone, table and an internet sign could be accessed. Initially, the infrastructure supporting online was underdeveloped, there wasn't enough support, and there was a lot of fear and mistrust surrounding the online domain. But early retail adopters who began experimenting with the power of being online saw potential in gaining more information on their customers and accessing a larger market segment of potentially new customers. Online tore down the walls of the physical realm. Initially, when websites were created for retailers, they had minimal information, mainly what they were about, maybe an address or a phone number. They were more like the yellow pages, except online. Thereafter, functionality for online payments and product showcasing led to the production of ecommerce websites. Some retailers created their own ecommerce stores and saw the potential. Although they were taking initiative and creating these stores, it was difficult, it incurred a massive investment and expertise in ecommerce was hard to come by. The infrastructure to support the ecommerce stores wasn't fully developed yet. But as more and more retailers began to see the power of online, the more that there was a need to develop the surrounding support, and the more that saw the transformative nature of this new technology.

### **2.5.1. The Impact of Ecommerce**

E-commerce was revolutionary because it expanded reach to more customers, it gave birth to creating customer profiles for gathering data, and most importantly, it allowed customers to view and purchase products without ever having to go to the physical store. This changed the purchasing landscape dramatically expanding it from not only being a physical in-store environment, but to an

online environment that could accomplish the same thing, at a lower cost. As Sandy Stein said “The nature of retail changed dramatically from shopping vs. buying. You didn’t need to go to a physical store anymore to buy; online changed this.” As the surrounding infrastructure caught up with this new wave of retailing, retailers were able to use this new technology and build meaningful businesses that were online. Early adopter consumers were now seeing the power and ease of ordering things online. Originally, the items ordered were of low value, but later, and now during the pandemic, we have seen a massive change, with the ability to order anything from toiletries worth a few dollars, technology, apparel to a car that costs thousands of dollars. Customers now living in areas where they may not have had access to certain retailers, now had access to almost all retailers. The next problem for retailers now was that they needed to find a way to differentiate themselves from each other. This online transition saw new types of businesses appear, and a force to improve supply chain management, warehousing, and shipping. Retailers changed their roles from just selling to becoming investors in technology that helped to improve their products, lower costs, streamline supply chain and gain more information on their customers.

### **2.5.2. Changing Consumer Behaviors**

We need to look at the Digital Era not only as a large flow of retailers transitioning to online, and the emergence of new technologies and businesses but also as a change of mindset and consumer behavior. From the Modern Era, discretionary spending increased, and vertical and fast-fashion retailers began to focus more on their customers. In the Digital Era, e-commerce forced companies to question the traditional values that retail was built on, to change old business models, and become more dynamic in adapting to the new technologies. The traditional model of the customer having to come to the physical store to purchase was changing. The ability for customers to view and purchase online was forcing a more streamlined business, and the power of customers to review products and leave comments became the most powerful voice heard around the world for retailers. It was no longer a business of order supply for the projected demand. This time around, business had to become more consumer centric, and listen to what their customers wanted and needed.

You can see that consumers are now asking for something different than what is given to them, with a decrease of foot traffic in certain legacy retailers, increase in reviews, and higher demand for better service. Just before the pandemic, customers were dissatisfied with the offerings from different retailers, so much so, that retailers were being forced to change their businesses or risk dissolving. Customers are now active contributors to the changing improvements for retailers. They want better customer service, convenience and streamlined payment and check outs, fair

prices for the value and quality of the product, speed and ease in shipping, delivery and returns, and a transparency and authenticity to the retailer to name a few. This even expands into grocery retailers, not just apparel, or specialty.

### **2.5.3. Adapting to Change**

With this change in consumer behavior, brands needed to adapt as well. This created a massive divide in retailers that were accepting of the changes and others that feared or disapproved of the changes. Several of the successful legacy companies that originally had had much success, were refusing to change their business models and mindsets. They weren't getting themselves set up online, so they started to fall behind. Some retailers thought that it wasn't important to be in the online space because people wouldn't buy certain products online due to price, security or privacy. It was also an uncertain environment to step into and their mindset was averse to risk. In Silicon Valley, which was becoming the hub of innovation and technology, their motto was to "fail fast". However, this contradicted the mindset of the large traditional retailer. 'The early digital convention of "Fail Fast" which came out of Silicon Valley was the complete opposite way of thinking for the legacy retailers' according to Sandy Stein. The Legacy retailers had a different mindset and were not open to the revolution that was happening online, and today one can see how they are one by one closing their doors for example JC Penney.

On the other hand, there were new businesses springing up. Some brick-and-mortar retailers used online to complement their physical stores. Target and Walmart were stores that moved quickly online. Other retailers that were emerging were based just online, without a physical store to their name. This was a massive shift, as it cut down costs of paying rent, but on the other hand their supply chain had to be robust and their warehousing and shipping needed to be well thought out. An infamous example here would be Amazon. From this online movement, a company that started to lead a powerful online revolution was Amazon. They offered a huge selection of products without any curation. They sold their own products, products from other sellers, and there was a healthy competition of options and prices. Initially, they mainly sold books and products of low value, but fast forward to 2020, and they sell everything at any price range from thousands of different sellers. There are two main things that Amazon changed in the world we live in today. The first was all the backend, warehousing, shipping, packaging etc. The other side was how people thought about buying. Nowadays, we expect Amazon to carry anything and everything, and we expect it to be delivered as fast as possible, even to the point of expecting things to be delivered two hours after we've ordered them. There were also companies like Asos and Boohoo which only were based online and had massive success when they initially started, and even are having success now

with their easy access to online, their good customer service, and positive return policies. Customers were demanding higher quality care and things like shipping, speed, and quality were high on their list of priorities. At the end of the day, customers want a positive experience that is convenient and fruitful, and online purchasing was beginning to be just that. The retailers that caught onto the power of being online were the ones that were setting themselves up for success in the future. The ones that didn't take advantage of this online revolution were only hindering their potential performance, as can be seen now with several closures and companies filing for bankruptcy.

#### **2.5.4. Role of Data and Other Tools for Growth in Retail**

The Digital Era also brought in a new mindset specifically on data. Retailers began investing in technology that would be able to gather important pieces of data across the value chain. This meant that they could better understand where inefficiencies lied in their supply chain management, transportation management, warehousing, etc. They could also now better understand their customers behaviors and profiles. They gathered data on who their customer was, their likes, dislikes, age, habits, location etc. Since customers now could access the retailers online, retailers could gather data on where customers were buying, from what device, what advertising triggered the purchase etc. They could build out extensive profiles to better target marketing, and tailor their products or selection of products to their customers. As time has passed, this has only improved and with the likes of Google, Amazon, PayPal, gathering data on your habits, purchasing history, location, everything can be controlled, and it becomes very easy to create a realistic image of your customer and their needs.

#### **2.5.5. Pre-Pandemic Retail Conditions**

The Digital Era not only has brought about new ways of retailing, and a change in consumer behavior, but also, it has emphasized the importance of being connected all the time everywhere to consumers. Nowadays, anyone can purchase anything from anywhere. It doesn't matter if they are walking, in the car, at home, at work, they are able to use their phones, their tablets, computers, voice-controlled devices to order whatever they need for now, or later. Technology has evolved so much that convenience and personalization is what people are looking for. This in turn gives retailers new data points to understand their customer and change their way of business. There seems to be a theme that retailers need to be omnipresent, highly differentiated with a strong purpose, and need to understand their customers on the deepest emotional level possible(Niemeier et al., 2013).



## 3. The World Unexpectedly on Hold

### 3.1. Introduction to The Covid-19 Pandemic

The Corona Virus started in the end of 2019 in Wuhan, China. As it silently spread around the country, retailers who were manufacturing their products in China were the first to get hit by the realization of what difficulties this virus would bring to their businesses with closures of many of their factories. As the pandemic spread, more businesses closed, more people were working from home from what seemed one day to the next. Then, China was in full quarantine. No one left their homes, and if they had any symptoms they were sent to hospitals and isolated from the rest of the population. Soon, this virus spread to Europe. Italy was struck the first and hardest, then other countries like Spain, and France followed suit. Government's took harsh measures of quarantining millions of people. The United States followed closely, just a couple weeks after some European countries issued a state of emergency. The United States quickly began sounding their alarms, encouraging people to stay at home and partake in social distancing. Then different states began issuing "shelter-in-place" and forcing "non-essential" businesses to close their doors to the public. These few steps altered daily life in America, and around the world. In the span of a few weeks, everything came to a complete stop. Shops closed, the economy took a toll, with companies gaining no revenue and unemployment began to soar. Even before the virus landed in the US, factories and manufacturing sources in China and Asia were shut down, and retailers were trying to figure out how to keep orders fulfilled, and shipments arriving. If before the virus, the retail industry was already struggling to move as fast as technology and buying behavior was changing, then now, the pandemic has intensified their struggles. The pandemic accelerated everything, as no one was going outside anymore, department stores, fast fashion stores, malls, and other brick-and-mortar retailers saw their revenues ground to a halt. The only retailers which seemed to be doing well, were those selling essential items, such as grocery stores, or the Amazons, Costco's, Target and Walmart's of the world which were also selling online and delivering.

We are currently in the midst of the pandemic, there is yet no clear answer when things will go back to normal and uncertainty surrounds us about the present and future waiting for us. Governments and leaders are frantically trying to find a vaccine or understand the implications this virus will have in our future and trying to understand how to bring everything back to normality. Something that is true for retailers is that online shopping has soared and is becoming the norm. People who were unsure about ecommerce due to privacy issues or not understanding how to use the technology have now been forced to shop in a different manner, and these habits will not change once the pandemic is over. Retailers who are not online now or moving to online will have

no chance in this new environment. The Pandemic has also forced retailers to furlough workers, put reductions in pay, and stop paying rent for their stores. Some even have filed for bankruptcy even if they had enough cash on hand to place themselves in a better position when we come out of the pandemic(Kapner, 2020). As time passes and we get more accustomed to our new normality, we are seeing retailers forced to adopt new technologies to help them survive the lack of customers. Customers will have to recondition to new routines by shopping online for everything from apparel, food, to alcohol and medical products(Jansen, 2020b).

In the next section of this paper, we will explore how the pandemic has affected different retailers. In the research conducted thus far, we saw that in February, when initial measures of quarantining were rolled out, consumers increased their spending by 94% compared to past spending. Much of this expenditure went to air travel, groceries, restaurants and other goods and services, however, a week after the first alarms sounded by the government, expenditure fell by more than 75% from the peak in February. These declines in shopping occurred most distinctively in air travel, public transport, and non-essential goods('How the Covid-19 Pandemic Is Changing Americans' Spending Habits', 2020). As people began to stay home, restaurants saw their spaces empty. This in turn led to a surge in demand in grocery sales. In a 7-day period that ended on March 18, grocery sales were up by 79% from the previous year. Household staples including pasta, flour, toilet paper and soap were running low in the store shelves as people stocked up and prepared for uncertainty(Leatherby & Gelles, 2020). Overall, as closures for non-essential retailers were enforced, there has been a clarity that retailers with limited cash, a lack of an online presence, and a weak logistic and supply chain system are struggling, and may never reopen their doors, according a report by Coresight CEO Deborah Weinswig (Unglesbee, 2020). When the quarantining restrictions loosen, companies and consumers will be faced with a new reality. Life will not go back to how it was before. Customers will feel uneasy and unsafe visiting public places, and retailers will be hit with a "stop-start rhythm that [will] inhibit efficiency and will have to work alongside new health protocols('The Coronavirus Crisis Will Change the World of Commerce', 2020). Below we will take a look at the retailers that are surviving the pandemic, the ones that are closing and the new projections for post lockdown.

### **3.2. Grocery Retailers**

The global pandemic has majorly disrupted the grocery retail business. When the virus hit the United States, many states issued forced closures of "non-essential businesses" which include apparel stores, home goods stores and other specialty retailers. The "essential" businesses that were allowed to stay open, were those like grocery stores, liquor stores and pharmacies. When the

restrictions were put in place, panic pursued, and many of these essential stores were left with products out-of-stock for example toilet paper, Tylenol, vitamins, rice, pasta's and other non-perishable goods that could withstand the period of uncertainty that came with the virus. As we now are getting more accustomed to our new normality, new grocery shopping behaviors have emerged from the customer side, and retailers have had to change their business procedures to adapt to these changes.

With shoppers forced to stay in-doors and to practice social distancing, there came a massive forced change in the way they shopped for groceries. Partially driven by fear of contracting the virus, and by restrictions put in place by the government, there was a massive surge in purchasing groceries through ecommerce, or food delivery apps. This is due to the fact that it is easier, and safer for customers to order online, a buying habit that most likely will be irrevocable once restrictions are loosened. In the span of six weeks, ecommerce activity for groceries has risen from its 3-4% to almost over 10% today (Stern, 2020). In fact, online grocery shopping has never been higher these past 30 days, going from 3.9% in early March, to 14.3% in April (*Gaining Mindshare in the Virtual Grocery Aisles*, 2020). Even grocery delivery applications like "Instacart, Walmart Grocery and Shipt have seen respectively 218%, 160%, and 124% increases in average daily downloads compared to the previous month, according to research from Apptopia" (Walk-Morris, 2020).

On the grocery retailer side, things have been good because they're seeing massive surges in grocery sales, but equally so, the situation has been difficult. The unprecedented surge in demand led to a difficulty scaling delivery services, fulfilment rates carry on being mishandled, with many items being out-of-stock. Government restrictions on the amount of customers in-store at one time, as well as, social distancing rules are causing disruptions in-store. Retailers have also had to look towards having their employees checked for their health before starting their day at work, they've had to change or invest in contactless payments, as well as, train employees to pick, pack and deliver for online orders without raising prices for consumers (Park, 2020). All this has had a heavy cost burden and increased complications on the retailers. Even the thought of building out a more robust ecommerce site is hard and expensive. Another detriment to not having shoppers come to the store is a weakening of personal connection between the grocery store and the customers. Many grocery stores in order to strengthen that connection are having fun virtual events, updating their website with activities like virtual cooking with kids, how-to videos, garden activities and other family activities (Dumont, 2020). Grocery retailers have also had to invest in robots which are taking the burden of cleaning floors, checking shelves for low stock and delivering groceries (Bandoim, 2020). "They believe robots and AI offer solutions that can help them bring down costs and improve

store operations”(Meyersohn, 2020). In fact, these new robots will end up reducing costs because they’ll be able to do all the mundane, routine jobs at a faster, more efficient rate. It also brings more peace of mind to the customer, as products will no longer have such a high touch rate since the robots are picking and packing all the goods.

Before the pandemic many retailers were already beginning to think about how they could improve the checkout experience, appropriate inventory count and delivery challenges. They are difficult and costly tasks to improve, especially when the goods you’re selling are awkwardly shaped, and perishable. Some retailers already started to test self-checkout experiences, mini-warehousing, machine learning technologies and robots. Due to the pandemic many of these new processes and technologies have shown to be valuable especially with social distancing rules, hygiene and productivity.

For self-checkout, companies like Standard Cognition, Grabandgo, Sensei and Zippin are using computer-vision technologies that make the checkout experience cashier less, and more integrated into the whole shopping experience. There are carts enabled with computer-vision technology that automatically recognizes and tallies up products that a shopper puts in the cart. This of course also works with ceiling-mounted cameras, shelf weights and artificial intelligence-powered computing that tracks shoppers throughout the store(Wells, 2019). Even Decathlon, a French sports retailer, has been experimenting with checkout systems that automatically scan what’s in a customer’s basket improving the checkout experience dramatically.

For warehousing, there have already been many tests occurring where groceries are having “micro fulfilment centers” in the back of their own stores focusing on orders for online delivery and pickup, so as to not complicate things within the store(Wells, 2020). A company called Takeoff Technologies that creates these warehouses, has seen a double-digit increase in orders since the pandemic began. "Robots handle a majority of the leg-work when fulfilling orders, meaning there is limited contact with grocery items," said Jose Aguerrevere, CEO of Takeoff Technologies. The process is "well suited" for social distancing (Wells, 2020).

In machine learning, Amazon Go Grocery has been in the fore-front of testing these technologies that track and monitor shoppers to determine the types of purchases they make. In the store they opened in Seattle, customers can even walk straight through the exit door and get a receipt delivered through the Amazon Go App(Wells, 2020). Now that is a streamlined experience.

This pandemic has only hastened the changes that were bound to appear in the next five to ten years in the grocery retail industry. Today, while we’re still enduring this pandemic, customers' buying behaviors have been forced online, and health fears have forced grocery retailers to change their business processes. Once we come out of the pandemic, online grocery shopping will

continue, which means that fewer people will shop in store. “If 20% or more of grocery customers don’t show up in the store, physical stores will have less sense, which means more dark supermarkets will begin to appear(Kestenbaum, 2020).” Even with the fear of groceries being high-touch environments, companies such as Walmart have implemented curbside, contactless pickup, which is convenient for the customers and will grow significantly once retailers begin to open again. Many grocery retail owners say that automating the mundane tasks is the strongest solution to implement going forward. The problems they will face is that since grocery businesses have low profit margins, and investment in these new technologies is high, and uncertain (because many of these technologies are still in a testing phase). The retailers will have to think if they are willing to risk investment in these technologies in order to improve the customer experience.

### **3.3. Amazon, Walmart and Target**

There are few retailers that came into the pandemic standing strong, and since then have improved their position. In this section we will briefly mention some of the front-runners in this category and describe what initiatives they are taking that are making them dominate the sector. The main front-runners we will discuss below are Amazon and Walmart.

Amazon was already a powerful business to begin with. They sell everything, at competitive prices, to be delivered as fast as two hours after you’ve ordered. They have immense amounts of information on customers, and the best technology, software and warehousing and logistics in the country. With social distancing regulations, fear of public spaces and quarantining, the coronavirus has further enhanced Amazon’s position in the market, especially with Amazon Prime which allows for deliveries from Wholefoods, and Amazon Fresh. Amazon accounts for 40% of all US online retail sales, with the pandemic consumer spending on amazon overall has increased by 35% compared to the same period last year(Rey, 2020). In fact, Amazon Fresh and Whole Foods delivery sales rose more than 400 % year over year the week of March 16 of this year (Rey, 2020). In the past few weeks, Amazon has hired over 80,000 new employees in order to live up to the unprecedented demand for goods from customers. They also already were investing heavily in automating as much as possible, something which has helped with the disruptions the pandemic has caused with their human workforce(Rey, 2020). They have also prioritized items that are in higher demand, such as health products, hygiene products and masks. It is daunting to think how much power Amazon over what has is available to the market, and what suppliers they priorities over others. Although Amazon has been working hard to improve ease of delivery and convenience, they’ve had some troubles with making sure their employees feel safe. Although Amazon is a massive resource in getting what we

need, they need to be careful in how they handle their employees, as this is something customers will take into account in the future.

Walmart is another retailer that should be mentioned here. One of the closest competitors to Amazon, Walmart dominates the brick-and-mortar sector. It also invests massively on technology and has adapted to the unprecedented changes brought on by the virus, swiftly. In-store sales at Walmart increased dramatically in March, forcing them to hire 150,000 new workers by the end of May to meet demands(Rey, 2020). Their sales online rose over 30% in the past eight weeks, and their downloads of their grocery store app skyrocketed (Nassauer, 2020). They were smart and even before the pandemic invested in new technologies or processes. For example, they invested in online pick-up services, in technology that improves their infrastructure. They've invested in smart assistants to replace mundane, predictable tasks in stores and take pressure off of workers(Meyersohn, 2020). They've also opened several health centers offering medical and mental-health services, as well as, make their parking lots available for drive-thru testing in communities impacted by the virus (Boyle, 2020). Their efforts to help their surrounding community, and response to help Americans will gain them much favor with consumers in the future as well.

Target, the final retailer we will look in this section also came strong into the pandemic with previous investments in businesses that support their warehousing, shipping and in-store experiences. Their sales through March were up 20% over the past year (Rey, 2020). Before the pandemic Target opened various smaller footprint, stores and expanded its pick-up and delivery services by acquiring Shipt. This service offers delivery in as soon as an hour in some locations. Shipt alone added over 80,000 new shoppers when they introduced it; in April this number doubled(Garcia, 2020). These investments before the pandemic helped Target stay afloat so far during the pandemic. We have to wait and see what other businesses and technologies they invest in for the future.

### **3.4. Department Stores & Malls**

Department stores and malls were struggling even before the pandemic hit the United States, with projections of hundreds of store closures and projections of bankruptcies projected for their future. When the pandemic hit the United States, the situation worsened for these retailers as governments-imposed shelter-in-place restrictions, as well as, non-essential stores closure. With in-store visits coming to an absolute halt, and revenues dropping to zero, it is projected that more closures and bankruptcies are coming. Even once the restrictions are lifted, there is uncertainty on the number of consumers that will feel comfortable going shopping again. It is projected that the traffic to stores will be less than 50% which is not enough for these malls to stay afloat. In addition,

many retailers are forgoing paying rent, which puts more pressure on the malls with no cash flow for the retailer, and in turn, for the mall operator. The outlook for malls and department stores looks like one of the bleakest. Let's take a deeper look into a few retailers that are suffering, and some that will hopefully make it through the other side of the pandemic.

Malls will be hit the hardest according to research from Green Street Advisors. Out of the 1,000 malls that are still open in the United States, 60% of those have department store retailers that take up about 20% of the mall space. With department store retailers like JCPenney, Macy's, Nordstrom and Neiman Marcus struggling to keep afloat, many will not have stores that open back up again, which means that malls will see more and more vacancies. In addition, any other commercial tenant within a mall, for example Gap or Abercrombie, surrounded by empty spaces will demand rent relief or early lease breaks due to lack of foot-traffic in the mall. In addition, brands like Nike, and Coach are moving out of the department store and mall retail spaces and investing in their own stores and website, cutting out the middleman and selling directly to their customers(Thomas, 2020a). This would mean that malls will be left first, without department stores, and second, without other retail spaces(Lin et al., 2020). According to Jan Rogers, CEO of JRK Worldwide, "You can see the demise of the malls already, stores on the other side of malls are faring better than those stores inside the malls". Department stores are also seeing their genre begin to disappear. In the holiday season from November to December 2019, retailers saw sales decline of 1.8% despite the fact that overall holiday retail sales grew by 4.1% (Thomas, 2020a). In March less than half of retailers paid rent, in April almost none paid rent, which leaves mall operators with a lack of cash inflow from rent, putting even more stress on their situation. With sales that have completely plummeted, debt that is pushing many malls and department stores into bankruptcy, combined with a low demand for physical stores, malls are facing extreme hardships, and will have to reconsider if and how they should open back up(Thomas, 2020b). This pandemic may have brought us closer to the death of the department store with companies like Macy's furloughing almost 100,000 workers, Neiman Marcus filing of Chapter 11 and many other apparel retailers following swiftly to bankruptcy. With the department stores and apparel retailers closing, malls will be left like skeletons and pressured to close down(Thompson, 2020).

### **3.5. Other Retailers**

In general, all retailers are struggling because there are no shoppers in the stores, the unemployment number is reaching above 30 million people which means consumers are less likely to spend money on apparel, or gifts, and are more likely to spend in groceries, pharmacies or household cleaning supplies. Even before the pandemic hit the United States, as "factories and

manufacturing sources in Asia were shut down, American importers and retailers were struggling to keep their shelves full” (Shoulberg, 2020). Off-price stores like TJ Maxx or Home Goods and other smaller companies that had avoided ecommerce saw themselves struggling, as all the shopping for their products shifted online, and were now seeing competition from Amazon and other online retailers. Many retailers also have to think about items being cancelled or returned, and warehousing. Especially for apparel brands, what will they do with the inventory for this season that will go unsold? Should they save it in a warehouse, or keep it for the next season to come? As retailers struggle with questions for the future, in the meantime, you’re seeing an escalation in virtual events and encouraging emails, newsletters, videos and social media from many brands. It seems that for them, now the key thing to do in terms of customer facing is to build loyalty and strengthen relationships with their customers. In addition, most small retailers have less than one month’s cash on hand, which means that many will not survive through the lockdown (Thompson, 2020).

It is hard to predict what will happen once the world starts to reopen. According to Mark Cohen, Director of Retail Studies in Columbia University, “Even though China has begun to open their doors again, the United States should not take their retail methods as a model because it is a completely different environment with completely different customers”.

### **3.6. Thoughts Today and Immediate Future**

The pandemic has radically changed people’s daily lives, is having a huge impact in the economy, and in the way people consume. Retailers that were suffering before the pandemic hit, will most likely not come out to see the other side. Companies that had enough cash flow and an online presence, might survive. But overall, retailers have to understand how this pandemic is changing the way they do business and the way that consumers purchase. They need to look internally and understand their value proposition. With a fine-tooth comb, they need to look at their business in its entirety and strengthen their supply chain systems and their warehousing and logistics. They need to become more efficient and have back up plans in case something like this occurs again. They need to see if they have to rely on just one source on the other side of the globe for all their products, or if they can focus on having both global and domestic sources and suppliers (*Coronavirus Will Change the World Permanently. Here’s How.*, 2020). There has been substantial pressure on retailers weighing the costs and benefits of having a global supply chain, versus a mixture of both. Dependence on one system has shown to be risky, and this way retailers would make sure to have the goods that they need, but they also need to consider how much would this increase costs. According to an article in The Economist, “Cross-border business investment could

drop by 30-40% this year. Global firms will become less profitable but more resilient” (‘The Coronavirus Crisis Will Change the World of Commerce’, 2020). On the other hand, retailers need to become omni-present, as consumers are expecting to be able to purchase goods anywhere, at any time, and especially as tendencies have been forced to change, they need to make sure that they are accessible online.

As we see ourselves coming out of this, with some states slowly opening back up, normality will still be far off. Stores can re-open, but the question is how consumers will react. Will they venture into public spaces? And what percentage of shoppers will actually do this? How about retailers? What kinds of hygiene and social distancing regulations will they put in place in order to make customers feel safe? An example of what may be to come comes from La Rinascente stores which are large and often multi-level. They have spoken of having staggering department hours with rigorous cleaning schedules, having to use masks within the stores and developing enough space in the physical store to allow for social distancing. Radice, whose La Rinascente stores are often multi-level, spoke of staggering department hours, implementing rigorous cleaning schedules, and using masks within stores, as potentials for the near future (Yotka, 2020). “Because they are very big stores, and they are developed over several floors, we are devising systems to allow people to have the social distancing that is required,” he continued. “It’s a new language for us that we will have to implement to face the situation.” In China, where stores have reopened, there have been many changes implemented in how a physical store operates. There are more hygiene measures, more separation between workers and health screenings. But in addition to those fundamental changes within a store, many retailers have invested in automation and remote operation. Anna Shedletsy, from Instrumental, a firm which uses machine learning to help manufacturers improve their processes, says that in electronics manufacturing “We’re going to do five years of innovating in the next 18 months” (‘How to Reopen Factories after Covid-19’, n.d.) Then there are stores that will also need to change their merchandising strategies. Beauty retailers like Sephora and Ulta that allow customers to try on makeup in the store, Apple and other consumer electronics retailers that allow customers to try on products, touch screens and keyboards (Cheng, 2020), will need to rethink how customers test products. They will have to focus more on hygiene and health. In addition to merchandising strategies and in store social distancing and cleanliness, the demand for contactless and curbside payments are remaining high if we look at the Chinese consumer behavior. Even home delivery or ordering online are staying high, so retailers should focus on investing in technologies that allow for this (Jansen, 2020b). Keval Desai, General Partner at InterWest Partners, envisions an Instacart model for brands and perhaps for department stores. Retailers that offer curbside pickup

or other creative fulfillment options will be able to salvage an important percentage of sales, noted Sucharita Kodali, VP and Principal Analyst, Forrester Research (Berns, 2020).

In terms of how the consumer will react once we come out of the pandemic, experts believe that there will be a “pent-up demand for goods and services, even indulgences, [however] the other, will be an equal and opposite “new sobriety” about needs versus wants” (Stein, 2020). Companies that have gone above and beyond for their communities, customers and employees will be rewarded with enduring loyalty (Stein, 2020). Andrea Szasz from Kearney says, "I believe that companies that have platforms and places where consumers can have communities with each other ... are brands that can succeed. It's where the consumers can really share how they feel, and the brands are listening. That's also a place where trust is built. That's very different than the one-direction brand marketing investment that many companies are doing, which is not what is needed right now"(Jansen, 2020a). Simeon Siegel, managing director at BMO Capital Markets, told Retail Dive that the longer the pandemic's impact lasts, "the more lingering the fear and the more evolution there will be of consumer processes" (Howland, 2020).

Retailers are in a difficult situation right now, but also a situation in which they can seek out new opportunities and are forced to make improvements in their businesses. They need to assess their long-term goals and focus on the new trends that have emerged during the pandemic, which will most likely not go away. They need to adopt new technologies and at a very fast pace. They need to think about front-end, back-end, value proposition and customers. They will have to think about how to unload excess inventory, cater to seniors due to health concerns of the virus, and deal with online pickups and deliveries. They need to invest in everything from ecommerce, cashier less checkouts and payment systems as well as automation. They need to rethink their supply chain management and logistics in terms of having a mix of global and domestic suppliers and warehousing. They will also have to think about their overall demand for physical stores, and if they open back up, what these stores will look like and what will be their purpose. They need to make sure that they can be prepared and have buffers to protect themselves in case another pandemic or world crisis comes our way.

## 4. The Future of Retail

### 4.1. Introduction to the Future of Retail

Retail has evolved dramatically, and this evolution has been dependent on people's needs, income level, disruptors in technology, and external events like the one we are living in today. Technology has played a major role in disrupting the retail environment; however, new business models are also having a profound impact across the retail value chain. We have seen that companies need to shift to become more unified commerce; retailers should be accessible anywhere, from any device, any location, at any time. The pandemic has highlighted the importance of being online, has raised questions about supply chain management, outsourcing and the purpose of physical retail spaces. It is clear that retailers need to be seamlessly integrating their offline experience with their online experience - there should no longer be a difference between the two. For the future of retail, companies need to create engaging, authentic and shareable experiences in the store. They need to focus not only on the products that they are creating and selling, but also, at the entirety of their value of their company. There needs to be transparency in the whole supply chain, manufacturing, customer service, their social and environmental impact. Customers will be looking for honesty and reliability from the retailers they choose to purchase from. This is further intensified with the current feeling of fear in consumers because of the pandemic. They will go for brands they trust and that make them feel safe. Consumers have a strength in that they are connected to an abundance of information. They will require a balance in price to value, speed in delivery, higher customization, and improved customer service. "The pandemic has brought an economic shock to the people. [Their personal finances will be affected,] there will be a spike in unemployment and there will be a re-calibration of 'what really matters' that will influence what we do, how we spend our time, what we buy, and where" (Stein, 2020).

Before the pandemic some retailers were already struggling with their businesses; in the pandemic, they are forced to rethink their business models. In the future many businesses will begin online and then move offline, testing their physical locations with pop-ups or other technology that allows for quick turnarounds in design and display of the physical store. They need to ask themselves the questions of what differentiates them? What is their value proposition? Do they wholly understand their customer on a deep emotional level? The competition is higher, and in order to get an edge and succeed retailers will have to put these types of questions into sharp focus. They will have to see how to create robust backends that support their customer facing infrastructures; they will have to look at what to do with physical stores. Will they shrink the number of stores they have? Will these stores convert into pick-up stores or dark stores? Will stores be

viewed as primary points of sales or customer engagement? Now more than ever, retailers need to change their mindset, their business plans, and have to do a cleaning internally in order to prepare themselves for the dramatic shift that will come sooner than expected.

The future of retail will show to be even more interconnected with other industries, retailers will transform to become innovators, creative experience creators, socially and environmentally conscious pioneers, community builders. They will be much more about the people than the product. Technology, innovation, creativity, ethics, and social conduct will seamlessly incorporate itself in the new retail. The overall environment will also be majorly focused on data-driven models. With more tracking capabilities integrated in products, smartphones, websites, wearables, smart tv, retailers will be able to create a better picture of who their customer is and how they shop. They'll increase customizability and personalization to make the experience unique for customers. However, on the other side, there will be tags on clothing's, items and produce which can tell retailers data on when they were manufactured, shipped, stored, sent etc. This in turn will allow for efficiency in all aspects of the retail business. Delivery will become low-cost or free, warehousing will take up less space because of efficient sales forecasting and new storage facilities. This data will also allow retailers to target their customer in the most focused way in a physical manner, for example, giving them discounts, or exclusive access to products and experiences only found or happening near their locations. This data will also cultivate the seeds for predicted and curated shopping. More than ever, will customers be able to have a sense of personalized shopping online and offline because of the data gathered by retailers.

## **4.2 Tools & Technology: AI, Data, Smart Assistants and Robots**

There will be various new tools and technologies developed to support retailers streamline operations, reduce costs, and offer prime products and services to their customers. Much of the improvement will come from using artificial intelligence (AI), machine learning, data analysis and smart assistants. These tools and technologies will dominate in replacing mundane tasks, automating as much as possible. They will also gather a lot of information on the customers' buying behaviors and on the other hand, help with forecasting demand, checking on inventory, and tracking logistics. This in turn will help to reduce costs and improve services across all aspects of retail. With the pandemic forcing changes in customers, delivery, hygiene standards, and more, retailers will be forced to invest in renovating their businesses and in new technology in order to survive into the next few years. Before the pandemic many technology and software companies were already developing and testing products to improve the retail industry, but for a further away future. Now, many of these products are in high demand due to the impact of the virus on society. There are

several retailers already experimenting with these technologies, and although, at the moment they require a large investment, in the long run, they may be what allows retailers to succeed.

#### **4.2.1. Artificial Intelligence**

**Artificial Intelligence** will have the largest impact on every stage of the retail journey. It will automate functions from the back end to the front end of a retail business for example inventory management, logistics, employee training to customer service. This will reduce the number of errors, increase the speed and most importantly reduce costs for retailers. By 2021, it is projected that 77% of retailers plan to deploy AI, with robotics for warehouse picking as the top use case (Hetu, 2020). AI will help retailers with increasing accuracy on demand forecasting, which would in turn help with inventory management. In addition, with more Internet of Things (IoT) technologies used in stores, such as RFIDs on products, smart carts and tracking cameras, there will be more data available for AI to use (Hetu, 2020). Having interconnected technology throughout the entire retailing process will allow for management of retailers to make better decisions and give improved services and products for their customers. An example of this is in a supply chain business called NFI that helps many large-scale US retailers. Jeff Brown, the CEO of NFI said that “AI is key for the future. In his company, he uses AI to see what trucking companies use the routes that he needs, at what times and at what price. This simplifies the process of picking appropriate carriers and reduces costs dramatically”. Another example was given by Geoff Watts, CEO of a retail technology firm, EDITED. He said “[His] technology uses AI to detect patterns in data, and adjust in real time, to alert retailers of new trends which human analysis might miss. He says that AI gives retailers time to change product mixes, merchandising, messaging, etc., to increase sales” (‘AI Holds Answers For Retail’s Post-COVID Future’, 2020). AI is also currently being used by ecommerce sites like Amazon, Asos and other apparel retailers. They use it to customize recommendations for customers by looking at their previous purchases, their wish lists, and their clicking history. Having a more personalized experience online has indicated to drive up sales.

#### **4.2.2. Data Collection and Analysis**

**Data collection** and analysis is not a new technology and is a large part of machine learning and artificial intelligence. Throughout the past few years, there have been massive improvements, and more and more retailers are using data in order to improve their businesses and better understand their customers. According to Marie Driscoll, a consultant in Coresight Research, “retailers haven’t nurtured their relationship with customers even though they have the data in their

hands". This of course is changing, especially due to the pandemic, because the data makes it easier to understand customers, and adapt to changes especially ones that are unprecedented. Data analytics, like artificial intelligence, is part of every department in a retail business, from predicting future demands, optimizing store layouts, and customizing offers for customers. According to a retail report from Bain, they believe that it is mandatory for retailers to become experts in data analytics to understand the ever more demanding customers. Data skills have proven to reduce cost in areas such as labor-cost management, supplier negotiations and reduction of inventory shrinkage. Analytics is also core to [retailers'] attempts to win and retain traffic, both online and in-store (Kamel et al., 2020). Many companies are already using data to improve their businesses for example shopping and payment platforms such as Shopify, Square and Stripe, who give real-time feedback on the success of campaigns, allowing for continuous testing, learning and scaling (Ayers, 2020). This real-time feedback helps also in other aspects of retailer's business and goes along with a future consumer trend of a demand for higher personalization. If there is a greater understanding of what your customer wants, and what their needs and desires are, then you'll be able to sell more. Collection, analyzing and acting on this data allows retailers to improve sales. Currently, there are various ways of gathering data, especially since the whole world is interconnected with phones, tablets, computers and almost all of the technology we use have identifiers and feedback loops. In fashion retailers gathering data on customers is important especially since apparel changes so quickly between seasons. Brad Klingenberg, Chief Algorithms Officer at Stitch Fix, said that "data isn't our product, but it's our business." The more data they collect on their customers' preferences, the higher their customer satisfaction and revenues(Matveeva, 2020). Stitch Fix gives customers incentives to return feedback through a digital game called Style Shuffle, where customers swipe right on items, they like (Matveeva, 2020). Data collection and analysis as well as artificial intelligence go hand in hand in automating processes, creating highly custom services for customers and reducing costs. These tools will help retailers massively and they should invest heavily in them for the future.

#### **4.2.3. Smart Assistants and Robots**

**Smart assistants and robots** will also form part of the retail experience. Many retailers are using robots and smart assistants through their warehousing contractors and suppliers; however, these smart assistants and robots will also infiltrate the customer facing aspect of retailing. For example, Walmart's uses robots to restock shelves, and for inventory management. This reduces operating costs and allows them to have lower priced goods, as they also have less employees to hire because the smart assistants are taking that pressure off (Stephens, 2020). With the pandemic

new restrictions on hygiene have been implemented, and the less human touch points there are the safer customers feel. With this, many retailers have started to use robots to do the mundane tasks of restocking shelves, cleaning stores, and encouraging contactless payment efforts. These technologies have existed. However, retailers didn't want to spend a substantial investment on technologies which were not sufficiently tested or proven, and which weren't necessary. The pandemic has changed this, and more and more retailers are investing in these technologies. Grocery technology companies are springing up, encouraged by local governments that have higher hygiene standards and are more convenient for social distancing between customers. There are companies that are smart retailers, and are testing out autonomous vehicles, similar to Instacart or Shipt, where customers can coordinate a pick up and the autonomous vehicle comes by your doorstep stocked up with the grocery store needs that a customer has, and leaves what you need on your doorstep (Walton, n.d.).

In general, there are new technologies emerging that will be able to reduce costs in the long run, and increase productivity for retailers, however, they will come at a cost. Not only will retailers have to invest large sums of money into new untested territories, but they will also see challenges with receiving support and training their employees. They will need to train in-store sales teams so they understand how the technology works, they will need to rethink their business models and processes, and they will have to adapt to new findings that the technology will give them through data gathering and analysis. Retailers will have to overcome these hurdles in order to be successful.

### **4.3 Online & Physical Experiences**

The physical retail environment is changing constantly, especially with the rise of online retailers and trust in delivery and online transactions increasing. At the same time, the online retail space is becoming overcrowded. This, however, does not mean that the physical experience of shopping will disappear. We are, by nature social beings and nothing can take away the experience of going to the store, touching the products and sharing the experiences with friends and family of buying new products. From the research, it seems that the future of retail will be a blend of online and physical experiences. There will be technologies that will be integrated to cover the basic shopping needs of consumers, but there will be others which speak more to the overall experience. VR, AR and AI will help with reviewing products in the safety of our own homes and allow us to order online. Physical retailers will be smaller, experiential showrooms with smaller quantities of products, kiosks, and higher quality experiences. Products will be delivered straight from the warehouse, and many times the middleman will be removed reducing the prices of the products. Many retailers have already begun to integrate these new technologies to adjust to the new consumer behavior, wants

and needs and have seen success. In this section we will discuss the future of the physical in-store experiences for retailers, how online shopping will change and the new experiential technologies that are flowing into the retail sector.

#### **4.3.1. Physical Stores**

**Physical stores** will take on a variety of forms depending on what sector they are in. If they are grocery, apparel, electronics, this will determine what type of technology they should invest in and what will be the purpose of the store. One thing that is clear is that if there will be a physical store, it cannot be separated from the online experience. Customers are demanding seamless experiences across online and offline. It is now the norm and retailers need to think about becoming available everywhere. According to Pete Nordstrom “The idea of brick-and-mortar as a standalone thing, particularly in the US, that’s a bit of an antiquated thought. People have pivoted to a dynamic over the last several years where you have the online and the physical working together, leveraging those assets to really be a seamless experience for customers” (Yotka, 2020). This integration of online and brick-and-mortar stores benefits both the retailer and the consumer. The consumer can pre-order goods which in turn allows retailers to forecast demands better. In addition, some customers can order online and collect from the stores, lessening the pressure of the sales assistant in the store (The Future of Retail, pg. 146). The physical store will no longer be able to be measured by how much they sell per square feet, but instead, by how well they develop the relationship with their customers. They strengthen their brand loyalty and they create shareable experiences within the store. Stores will be focused more on experiences, they will be points of contact that can enrich the consumer experience. As more consumers are connected with smart devices and are craving better in-store experiences, brick-and-mortar stores should use the physical store to showcase their brand, to get consumers to know them better. Developing this relationship in store ultimately helps them across all their buying channels.

If we look at the research on foot-traffic for malls, department stores and physical retailers, throughout the years, this number has been going down. This is due to experiences in the brick-and-mortar stores being messy, taking a long time, and not being convenient. Now, while we’re suffering through the pandemic, retailers have time to rethink what the purpose for their stores will be. Many stores will close, and brands will opt to have only purposeful stores open. If we look at major malls, most of them are closing, and their future looks bleak. However, people crave human interaction, and there is a lot of data showing Generation Z and millennials opting for experiences over products. According to some studies, more than three quarters of millennials prefer experiences with friends and family (Stephens, 2020). Physical retailers can now give their stores new meanings. If we look at

malls, they can become spaces with gardens, pop-up vendors and showrooms. They can become a place with more holistic experiences which will drive more people to visit them.

Some retailers are thinking of becoming ecosystem players, where their physical stores are a one-stop shop, a blended mix of coffee house, product showcase, learning (through talks) and curated and personal shopping experiences. These ecosystems would allow for many vendors having access to more customers and maybe could share logistics, advertising and payments services since they would be all in one location (Kamel et al., 2020). Stores like these exist but are much smaller in size and don't incorporate advanced technologies that would allow for this experience. This blended model allows retailers to create a community hub, which brings new audiences together and taps into the community feel that a consumer looks for (Wyman, 2020).

Something that will see a massive improvement in retail is convenience and delivery. Groceries, specifically, have had to ramp up their investment and understanding of how to deliver goods quickly, cheaply and on time for a large number of consumers. With the pandemic this has been highlighted as one of the most important things a retailer is able to do. With this, new ideas have emerged for retailers. The futurists Doug Stephens predicts that "[Stores] will begin to behave more like large (or small) automated vending machines placed in the "somewhere" or "something" where people need them most, e.g. near their offices, outside their gyms, in the basements of their apartment buildings, etc. These installations can and will begin to take many forms, from reformatted stores a la Kroger above, to pick-up lockers, to porch safes, to large automated drive-up vending machines (yes, this last point is real) (Walton, 2020)". This not only goes hand in hand with what customers want, which is convenience and less human interaction due to the fear of the virus, but also, it will be beneficial in the long run for retailers because it reduces labor costs and shipping costs.

#### **4.3.2. Online Experiences**

As shown above, the online experience has gained popularity with consumers because of the ease of use and convenience. Even for the retailer, not spending money on the real estate of a store and sales assistants reduces costs and is beneficial. However, people like to have the experience of touching and seeing the product physically before purchasing, and online stores struggle with delivering this facility. Online retailers find that customers order various sizes and end up returning those items which don't fit or aren't to their liking. This increases costs for retailers and so they need to try and use technologies which can give the customer a better idea of sizing, but materials will always have to be something that has to be done in store.

The online experience shouldn't be limited to just online shopping. Since customers are evermore connected through various devices, whether that be a laptop, smartphone, tablet or smart tv there are various ways to make sure the customer has an extended experience throughout each device and touch point with the brand. For example, Nike is engaging with their consumers through their mobile app. Virtual participation in their games and training sessions is high especially when everyone is practicing social distancing and trying to stay healthy at home (Cheng, 2020). For apparel there have been many innovations, whether that with AR or VR. There are virtual assistants, virtual dressing rooms and avatars that can try on new clothes, scan your size, or create a highly personalized shopping experience for you. Although it hasn't gained too much traction right now with consumers, the technology is improving and will be something more accepted in the future.

#### **4.3.3. Checkout and Payments**

Another area that is seeing massive change, and which has always been a pain-point in physical stores is the **checkout and payment process**. Many times, the waiting times are long and unnecessary, and in-store assistants are unfamiliar or generally slow in processing goods. In addition, with new hygiene policies, stores have also encouraged contactless payment methods which will become the new reality as customers become adjusted to those changes. Currently, (or before the pandemic) customers used cash, had to wait for scanning, and bagging, or even encounter limitations in delivery due to location, or surges in demands for certain products. Now, in grocery stores, these checkout processes are changed. All over the country, contactless payments through Apple Pay, or Amazon payments are highly encouraged, no one wants to exchange cash in case the virus is transmitted. Although it seems that many checkout places are going cashless, Mark Cohen, from Columbia University said "It's sexy to think that the world will be cashless, but at least 18% of the population comes to pay with cash and unless you implement a machine that eats cash you have to think how to accommodate for those people". In general, technologies around payments are everywhere, through Amazon's Go Grocery where their carts are smart and everything is tracked through the Amazon Go app, to QR codes, mobile payments, NFC payments and other contactless payment technologies. It is just a matter of retailers using them, and customers feeling comfortable to use them.

#### **4.4. Customer Centricity & Buying Behavior**

The buying behavior of customers has been changing and adapting as new technologies and influencers promote easier and cheaper ways of purchasing products. Before the pandemic, customers were constantly receiving subpar customer service, stores were unorganized or boring,

and the checkout was painfully slow. Consumers began to turn to other retailers that were improving these services, and offering personal, immediate and reliable services. Today, as we go through the pandemic, people are fearful, and so they will look to shop for their necessities to brands they trust and give them peace of mind. When the world reopens from the pandemic, the immediate future will show a demand for increased hygienic processes, and customers will want to see retailers taking the best precautions to keep them safe. As we look forward five to ten years, convenience, immediacy, transparency, customization and personalization will be key factors that customers demand. Even today, the retailers that are successful are those that are focusing more on the customer's needs, desires and overarching deeper emotions. Those retailers will be able to create a deep emotional connection with customers promoting a stronger customer loyalty. This loyalty in the end is what will help brands throughout tougher times. The more support they get from customers because those customers have been treated well, the more likely these customers will stay to help in the future or will pick one brand over the other.

In the past, a pioneer of customer centricity was the department store Nordstrom's. According to Marie Driscoll from Coresight Research, "[Nordstrom] was a great example of focusing on the customers. They would go the extra mile to improve the customer relationship by taking in their old car tires. Of course, this wasn't a sustainable business practice, but their customers remained loyal throughout". In general, the newer generations are demanding authenticity and heightened personalization. Retailers have to use the data they gather to learn and deliver high quality personalization. More and more, with online retailers we're seeing how they're using data and AI to understand their customers, predict what they want and easily and conveniently deliver to them the products they want. This will be the new standards retailers will have to achieve especially in the future (*How Will COVID-19 Advance Innovation In Retail Tech?*, 2020). According to futurist Doug Stephens "Brands and retailers would be wiser to build their value proposition to address deeper, more universal human needs. The need for security, recognition, belonging, entertainment, inspiration, purpose and respect etc. — these are things every human wants and needs. If more retailers focused on mastering these... we'd have a much lower failure rate in retail" (Stephens, 2020).

#### **4.5. Sustainability & Circular Economy**

A focus on sustainability, re-commerce and the circular economy will see dramatic growth in the future. Already before the pandemic resale and rental platforms and stores were gaining popularity especially with millennials. Now, with the pandemic, they are struggling as there are heightened worries on hygiene. In the short run, these rental and resale retailers will suffer, but in

the long run, they will have one of the largest growths in the retail sector. In general, this is driven by a higher awareness of sustainability, and efforts to have a positive social and environmental impact. With growing concerns on what humans are doing to the planet, more customers are focusing their attention on retailers that are recycling, focusing on human working practices, reusing or simply taking into consideration the type of impact they have on the environment and on human life.

Research on the demand for sustainable practices used in the retail industry shows that millennials and Generation Z are prioritizing this. According to Nielsen, 73% of consumers would change a behavior to reduce their impact on the planet, and this is supported by the values in growth for the secondhand apparel market (Hetu, 2020). According to Global Data the resale market, worth \$24 billion today, will grow to \$51 billion by 2023. As these new generations become more vocal about environmental issues, and as they grow up and have more money to spend, sustainability will factor into what they buy (Matveeva, 2020). Before the pandemic retailers like Rent The Runway, ThredUp and Stitch Fix were gaining popularity. As consumers become more deliberate in rewarding retailers with sustainability initiatives that align with their own, re-commerce programs will attract new customers and increase brand loyalty (Hetu, 2020).

## 5. Final conclusions

### 5.1. Final Thoughts

Despite the tumultuous moments that retail has endured throughout history and even today, it is clear that retail is not dead. Instead, it is in a moment of pure disruption and revolution. What will come in the next five to ten years will be transformational. Shopping and buying will be completely different to how we know it to be today. It will have a far expanding interconnectivity with all aspects of life. Shopping for clothes, electronics, food will involve complex technologies in the back end to make the experience as smooth, exciting and convenient as possible. Consumers will be able to buy anytime, anywhere, on any smartphone, tv, tablet, platform or device. The shopping experience will become so integrated with our daily lives. Retail innovation will be one of the main drivers that will force improvements in how we live and have a better understanding of who we are as a human race. With the data that will be gathered on products, and consumers, they'll have the best understanding of our buying actions, of trends, likes and dislikes. Even on the side of consumers, we are already more demanding than ever, of our time, privacy, money, relationships, overall product or service quality, likes and dislikes. This means that retailers will have to be much more detail-oriented when it comes to developing a stronger relationship with customers. Retailers will no longer afford to be ubiquitous, but instead be highly customized. What they sell in one location may be exclusive for that location and nowhere else. Retailers will have to focus on improving experiences, creating authentic, intriguing and socially sharable. All aspects of retail will have to have higher transparency and authenticity. Consumers are demanding full clarity of how a product is made, the reason for existence of the brand, the treatment of their employees or the environment. The more clarity and the more ethical a company the better. Processes will need to be far more efficient, automated, data-driven, highly customized, and streamlined from production to delivery. Retailers will have to invest heavily in automating processes in order to manage waste, speed up time and reduce costs. There has to be synchronicity and alignment in every aspect of the retailer, from its mission, vision, to how it handles internal affairs, customers, and production. Stores will no longer be a place measured by how much they sell per square feet, but more about how much they, the customer, falls in love with the brand. The physical retailers will be more of entertainers and high points of developing relationships with customers. The main factors that will drive the future of retail will be data, automation, customization, security and hygiene, experiences and digital first.

Retail is an important factor in our lives, it allows us to connect with people and novelty, it builds communities and gives us a sense of unity. In the end we are social beings and it is a way of

social engagement. It also is a driver and investor for innovation. Whatever a retailer does to improve their business, has a domino effect on the demand and supply of new innovation in retail, data analytics, and security. Although the retail sector is going through challenging times right now, it will emerge from the pandemic with improved business models and outcomes. Some businesses that have been around for years will have disappeared, but new businesses that are aimed at making our lives better will come emerge. The pandemic was the catalyst for retailers to rethink their current status and to move forward to give improved experiences and products for their customers. Overall, the retail industry of the future will be more in tune with the needs of consumers. Things will be more convenient, clean, immediate and customized for each individual consumer.

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