

Australian Retail Outlook

2013 Edition



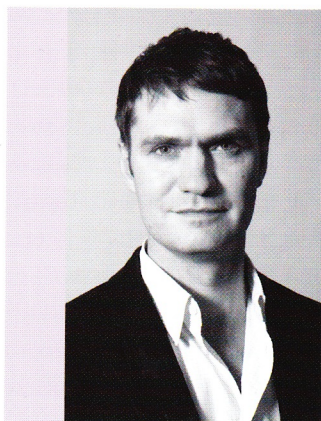
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THE FUTURE IS TODAY AS RETAIL SPEEDS UP

TOMORROW IS TODAY WHEN IT COMES TO RETAIL IN 2013. ONLINE, MAJOR TECHNOLOGY ADVANCEMENTS, AND STIFF COMPETITION HAVE MADE THE PACE OF CHANGE FASTER THAN EVER, WITH THIS YEAR SET TO SEPARATE INNOVATIVE WINNERS FROM SLUGGISH LOSERS. TO HELP RETAILERS STAY ONE STEP AHEAD, THE AUSTRALIAN RETAIL OUTLOOK HAS ENLISTED TWO FORECASTERS, LOCAL EXPERT THE BUSINESS FUTURIST AND INTERNATIONAL FIRM, THE FUTURE LABORATORY. HERE'S WHAT THEIR MANY CRYSTAL BALLS ARE SHOWING FOR THE YEAR AHEAD.



THE : FUTURE : LABORATORY

Tomorrow is today when it comes to retail in 2013. Online, major technology advancements, and stiff competition have made the pace of change faster than ever, with this year set to separate innovative winners from sluggish losers. To help retailers stay one step ahead, the Australian Retail Outlook has enlisted two forecasters, local expert The Business Futurist and international firm, The Future

Laboratory. Here's what their many crystal balls are showing for the year ahead.

How do you expect the 2013 consumer to be different to that of previous years?

THE FUTURE LABORATORY: We're predicting a continued push towards value on one end of the market, and premium, prestige purchases on the other. The so called hourglass model of retail.

In the middle, the squeeze will continue and more retailers will go out of business. In Australia, we're predicting 500 retailers and small businesses closing nationally as the real impact of the Internet hits. People blame the Internet's effect on things like differences in GST, but really it's about the fact that service is better online, product is better online, fashion is better online, even the overall shopping experience. Until retailers wake up, and stop referring to competition online as "unfair" (as if competition is fair in the first place) and do something about it, then closures will continue.

THE BUSINESS FUTURIST: The 2013 consumer is retail agnostic and has no hangups about where and when they purchase. The answer to where to buy and from whom is situational and best answered by what satisfies them most at that precise moment. Consumers are evolving to become omni-surfers. Each time they search, selection and procurement may be done completely differently. Where once the customer was king, they are now demi-gods. The customer in 2013 is now truly central and paramount to the product offering. They are less willing than ever to take it or leave it and far more interested in hyper-personalised and bespoke offerings.

What will early adopter consumers expect from their retailers in 2013?

FL: A superlative catalogue of offers online, and easy access to these via mobiles, tablets, and laptops, but mainly mobile. M-commerce is the new way to go (by 2014, more of us will access the Internet on mobiles than laptops and desktops) and if you don't have an app via which a consumer can get your products, you risk becoming irrelevant very



quickly. We're also predicting and expecting to see the rise of ultra convenient delivery cycles for consumers - products purchased online delivered within 24 hours of purchase at the very least, and same day delivery by a growing minority of consumers. And for retailers that want to get it right, deliveries within a specified hour.

For Australian consumers, stores will also follow the BOLCIS model, as we've dubbed it: book online, collect instore. This allows the shopper to collect at their convenience, but it also brings them into the store so that retailers can target them with more specialist offers and improved customer service, like premium packaging, carry to car service, and loyalty discounts for regular orders, and a more premium instore experience, like shopping lounges, dedicated collection suites, and an on hand maitre d' to ramp up levels of service.

BF: This year early adopters will be looking for physical retail spaces to come digitally alive as two newer

tech trends converge. The first of these is the internet of things, a world where every object is digitally connected to each other and us. The second technology, near field communication (NFC), is increasingly found hardwired into our mobile phones. It will set up mini short range networks between us and our objects, and begin a new march towards data gathering and product intimacy.

Buzz words aside, this points to the overall trend that we want to become more intimate with what we buy. We want to be able to readily find answers to questions, check contents and provenance, and confer with our digital friends with as little effort as possible. The savvy consumer will therefore begin to demand greater retailer assisted insight and foresight, and the retailers who do this will profit. On another note, the earliest of early adopters in 2013 are also searching for 3D printing retailers, where they can have bespoke and custom made items 3D printed for them and ready for immediate use.



What categories are set to explode with consumers this year?

FL: One big trend is 3D printers, which will initially be seen with small ticket items like toys, accessories, and household products. Phablets (as in phone tablets), mini iPads and Android equivalents, and 4G phones are also big. In the food sector, we expect gourmet junk food to take off: where fast food meets exotic, premium, and organic meats. Sublimity culture, like urban spas, mindfulness training, hotel retreats, will also be a trend, with a focus on public and private spaces that invite and encourage contemplation. And then there's a bike/cycling trend. Global café culture cities, like Melbourne, Seattle, London, Paris, and Berlin, are rejecting the car and embracing peddle power; the new badge of cool, urbanity, intelligence, and sensible living.

BF: The preference for organic, local, and close to home is set to continue for a few more years, with customers wanting something less generic and corporate, and more

individualised and home spun. Products, merchandise, and fitouts that incorporate this are sure to win consumer favour. Baby boomer products is a category set to grow over the next decade with a growing ageing population: one that has more money than its predecessors and is more used to buying their needs and wants. Wellness and health is also a big trend as we begin the cultural and technological shift from curative medicine to prevention and wellness. Expect to see this category increase in importance and profitability as we add products, services, technology, and new retail opportunities into this space.

What categories have been over exposed and may face re-evaluation?

FL: Fast fashion, mid range retailers, cars, car culture, and suburban pick-ups. Even in Australia, 20 to 30-something urbanites are no longer seeing the car as culturally relevant, defining in terms of personal achievement, or a badge of status.

BF: Sales of 3D televisions will fall away in 2013, as 3D continues to disappoint on the homefront. Television sales in general will decline as the mandatory changeover from analogue to digital comes to an end this December, and inexpensive television sets have now flooded the market. As we march deeper into the post-PC era, we will also continue to see the rapid decline in sales of games, music, DVDs, and anything else that is stored and sold in a physical format, however, new innovations will bring new opportunities to these sectors.

What trends are you seeing across the globe for retail store design and overall branding?

FL: Augmented retail (with a 3D twist!) is one trend, with apps like Viewa allowing customers to shop magazines like they shop instore. The social media boom is still going, with two big trends of social commerce and social service, where you allow customers to answer the problems, issues and complaints of other customers. Reverse popups are growing, where online retailers create offline stores, as is game-tailing, where retailers use game to sell and market products. Scrapbooking sites like Nuji and Pinterest are driving a curated retail trend, where consumers are becoming retailers themselves. And then on the flip side, there's the trend of renaissance retail, where new brands are investing in old buildings or districts to elevate their credentials and appeal.

BF: The small format compact store appears to be the new kid on the retail block. Many big box retailers are now trialling the smaller format. They are paring back their many offerings to the most profitable, and

re-imagining what their stores might be. This is also true of a number of previously online retailers who are now moving into physical spaces. Pop up shops still abound and this will become more the norm as we accustom ourselves to more short term retailers, or changing offerings within the one retail space. There also is a growing trend towards more collaborative spaces where several disparate retailers or providers may collectively take one retail space.

Store fit-outs are becoming quirkier and more comfortable spaces. Retailers are taking more care before they build in regards to the science and art involved in ensuring the store maximises its ROI. They're looking at a lot of facets, including traffic flows, layouts, merchandising, lighting, and ventilation. In store computer technology is also a big trend, including magic mirrors, phablets, and interactive walls, and windows are also starting to evolve out of the kitsch and geek into the serious and purposeful.

How and why are retailers and brands space-sharing and collaborating in 2013?

FL: Symbiotic branding is a term we have coined to describe how and why brands are sharing space,

mixing retail offers, and generally being counter-intuitive in terms of their sales and marketing. Consider how value chain, Aldi, has teamed up with upmarket competitor Rewe; how mass market Uniqlo has created a store with the ultra niche Dover Street market, or why Starbucks sells unbranded coffee in a local library in London. All see the benefit of appealing to diverse customers bases, as well as the halo effect one brand will have on the other in terms of customer perception. It also means they can reduce rent costs, pool logistics, and, more importantly, offer the customer a unique and new experience. And for 2013 experience is the thing.

BF: Collaboration and co-creation are the business buzzwords of tomorrow. The attitude that you don't have to provide, offer, and be everything to everybody is finding its way into the high street. We have long seen department stores cohabit with manufacturers and suppliers, but now this trend is pushing into smaller retailers and retail spaces. Online co-creation websites, like Etsy and Merjuri, which involve the enthusiast and consumer to become involved in the ideation and selection of

products, are growing. There is also a strong move away from the old flat manufacturer, wholesalers, and retailer model, to a much more inclusive model where each person remains connected to that product regardless of where it is in the chain of ownership.

What are three key investments that retailers should make this year to stay ahead with consumers?

FL: Reduce skews, as in put all basic ones online, and ramp up instore experiences, in the way of Mecca Cosmetics, Aesop, Sportsgirl, and Topshop. Finally, make sure you have a proactive social media strategy not just for conversation, but for offers, co-selling initiatives, live customer service, and real time feedback. But above all else, retailers in 2013 should invest in online stores, mobile apps, and omni-channel engagement. Anything less is simply prolonging the inevitable and welcoming a slow death by discounting.

BF: The top three are people, technology, and foresight through analytics. Well trained, well resourced, empowered, confident, and happy staff are imperative to the success of every retail business. In regards to technology, retailers need to get over trying to decide if they're physical, mobile, or online, and just work to the reality that product can be bought in a multitude of ways. We need to turn smartphones into sales aids. Analytics and big data are another of the key trends ahead. Stay tuned though for the avalanche of new real time information we are soon going to be able to get our hands on. This data will not only be collected by us, but with the permission of the consumer through their own technologies and devices.

