

AVISON YOUNG EDMONTON | MARCH 2020

Future of Retail

Adapting to a changing landscape

To oversimplify a bit of evolutionary theory, if a species cannot adapt to environmental changes, they will go extinct. There are distinct parallels happening in the retail world right now as consumer demands have evolved over the past several years. One pivotal moment that disrupted the traditional retail model was the advent of online shopping, primarily spearheaded by Amazon. This gave consumers access to a huge catalogue of products at potentially discounted rates, topped off by having those items shipped directly to their doorsteps. It introduced a new level of convenience never seen before in the retail space.

This newfound convenience increased the standards and expectations consumers had with their retail experiences. Instead of having to settle for a full priced product in one store, consumers have the option to check online for better deals with minimal extra effort. Initially, this led to speculation that brick & mortar retail would become obsolete because of e-commerce. However, e-commerce has brought a new element to the retail space and has started being used to enhance traditional brick & mortar businesses. This has led to experimental ideas permeating the market, all in an attempt to find what things work for the always-connected generation.

By looking at some retailers who are implementing cutting edge ideas today, it will become evident just how much the retail space will evolve as players look to experiment and find what works with new-age consumers. And while not all retailers will be innovating on the same level, there are core themes that can be mapped to a variety of business plans which will help establish the retail identity in the future.



(Canada Goose)





Canada Goose: Experiential, Quasi-ecomm

An experience. That is what Canada Goose created with their experimental Toronto-based store called "The Journey: A Canada Goose Experience." Customers are transported out of the mall and into an arctic landscape via a narrow corridor lined with digital panels which simulate cracking ice once stepped on. After that are several themed rooms simulating arctic conditions, such as snow and low temperatures, where customers can try out a selection of tester jackets. After the experience, customers can browse a comprehensive digital catalogue and place a customized online order.

Notably absent is an in-store product inventory, which has been replaced with the ability to order online while in-store. While the concept of an inventory-less store isn't new, as it's frequently used by high-end luxury brands, what is new is the focus on customer experience. The purpose of this totally unique retail concept is to create a social buzz, with visitors wanting to share their experiences with friends and through social media. In doing so, the Canada Goose brand receives more exposure, thereby boosting the sales done both online and in their other existing locations.

Toys R' Us: Memorable experience

Looking to enhance the traditional shopping experience, Toys R'Us employed the use of augmented reality (AR) in their Canadian locations. Toys R'Us partnered with Snapchat to utilize their AR Portal Lens, an in-app program which overlays products with animations. Upon opening the lens, an animal guide gives a tutorial on how the app works. Users then walk around the store, pointing their phones at various products, and watch as they become animated and provide product details. By swiping up on the app when pointed at a product, users are brought to the Toys R'Us website to make online purchases.

This is a case where a traditional retail space was given new life using technology without needing to physically alter the existing space. The result is an enhanced customer experience which makes once stagnant products more engaging and memorable. Rather than walking through aisles and glancing at hundreds of products, the AR lens gets consumers to slow down and take a closer look. Further, by incorporating and embracing e-commerce, yet another avenue for making purchases is offered to consumers, which is crucial when trying to seize every opportunity to make a sale.

Amazon Cashierless Grocer

"Amazon Go Grocery," a totally cashier-less grocery store in Seattle, aims to continue Amazon's trend of offering ultimate convenience by eliminating check-out lines entirely. Customers simply scan a phone app to enter the store, then cameras and sensors track what they take off the shelves and charge it to their Amazon accounts. Families are also able to shop together, with items grabbed by other non-account members being charged to the main account. Adding to the viability and convenience is the fact that produce is not weighed, and instead has a set price.

Customer convenience is the primary focus for this type of retail. To that end, it does (Canada Goose) make some sacrifices, most notably by not having a butcher, fishmonger, or deli counter. Instead, pre-packaged fish fillets and steaks are found in refrigerated shelves. For many, the tradeoff is likely worth it, as they may do their shopping around peak hours, perhaps after work, and being able to skip the check-out line would save a substantial amount of time. The seamless walk-in walk-out experience mimics grabbing something from a personal pantry, if your pantry was 10,400 square-feet in size anyway.



Summary

While the above concepts aren't applicable to every retailer, there are several themes that stand out which provide insight as to what attributes retailers should consider when looking to adapt their businesses to the next generation.

1) Customer Experience

In order to differentiate from competition, retailers should constantly look for ways to connect with customers beyond the transactional level in unique and memorable ways. By offering a quality, interesting experience, customers are more likely to develop a deeper connection to the brand. When that bond is established, there is a greater chance at not only having repeat customers, but also acquiring new customers via word of mouth.





2) Convenience

As the retail space continues to innovate, there is a growing expectation on the side of consumers to be able to get what they want, when they want, wherever they want. From the retailer perspective, ensuring the product can reach as many people as possible with the least hassle possible is key. If there is red tape in the way of getting a product from retailer to consumer, other retailers marketing the same product will be able to scoop up business while everyone else is catching up.

3) Integration with Technology

Technology has the capability to enhance every type of retail endeavor; from making the checkout process slightly faster to giving established traditional retailers an online presence for the first time. Retailers will need to be aware of the constant advances in technology in order to prevent getting left behind the competition by not appealing to the always connected population. This is particularly true with Gen Z, who will be some of the first to have not known an unconnected world, and will eventually be the target demographic spending money.



Resources

There are numerous examples of businesses who are on the cutting edge of the retail space. Check out the full press releases for those mentioned in our article as well as some other notable mentions:

Canada Goose

<u>https://business.financialpost.com/news/retail-marketing/by-no-means-an-inexpensive-experiment-inside-canada-gooses-new-inventory-</u> <u>free-store</u>

Toys R U: experiential, memorable experience, relays more info to consumer, helps move more product <u>https://www.newswire.ca/news-releases/toys-r-us-canada-partners-with-snapchat-in-first-to-market-augmented-reality-experience-par</u> of company s saminal 2010 holiday toy hook 820030808 html

Amazon Cashierless Grocer:

https://www.ctvnews.ca/business/no-checkout-needed-amazon-opens-cashier-less-grocery-store-1.4826504

Suspended Wooden Skateboard Bowl inside Supreme Store https://www.dezeen.com/2020/02/18/supreme-store-san-francisco-brinkworth/

Canadian Tire Expands Online Order System with Lockers

https://www.theglobeandmail.com/business/article-canadian-tire-revenue-gains-on-better-holiday-sales-period/

Should you wish to discuss any details within this report please get in touch.

Spencer Schulze Research Manager 780 429 7555 spencer.schulze@avisonyoung.com

Charlotte Phillips Senior Marketing Manager 780 429 7574 charlotte.phillips@avisonyoung.com

Visit us online avisonyoung.ca

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