



# RETAIL 2025

**THE FUTURE IS NOW**

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**CHINATOWN  
BUREAU**

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**RETAIL LEADERS IN 2025 WILL EXPERIENCE MASSIVE GROWTH BY DELIVERING A HOLISTIC, PROGRESSIVE EXPERIENCE FOR EACH OF THEIR CONSUMERS BY ADDING VALUE THROUGH CREATING ENVIRONMENTS OF **EASE OR EXCITEMENT** BY LEVERAGING EMERGING TECHNOLOGIES LIKE NEVER BEFORE.**

- PAUL MISER

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## SYNOPSIS

**Retail 2025** may sound like a strategy for the future. But in retail, the future is happening right now. Retail 2025 is an exploration across industry, consumer behavior and technology to identify and understand the trends effecting the growth of retail today - and tomorrow. Together, we'll define the new retail landscape, identify the key behavioral trends to lean into and craft a new perspective and approach for your retail strategy.

Ultimately, we'll show how Retail Leaders are winning in the marketplace.

### What's inside:

- The New Retail Landscape
- 5 Behaviors Changing the Face of Retail
- Enabled by Technology
- Retail 2025 Strategy
- Retail Leader Action Plan

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## THE NEW RETAIL LANDSCAPE

Over the last year, we've finally hit retail convergence in our society. It's no longer an e-commerce versus brick & mortar world. It's a world where they seamlessly interact creating a better experience for the end consumer – requiring companies to move beyond a transaction mindset towards consumer stewardship. As consumer expectations continue to rise, this 'experience' quickly becomes the most valuable asset your company has for retail success. However, it only works at the intersection of strategy and technology.

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**Online retail has grown 300 percent between 2000 and 2018. During the same time period, department store sales have dropped almost 50 percent.**

— US COMMERCE DEPARTMENT

**“Increasing customer retention rates by 5 percent could increase profits from 25 percent to 95 percent.”**

- Harvard Business Review

**“By 2020, 30 percent of web browsing sessions will be done without a screen.”**

- Gartner

**“In retail, CX leaders outperform the laggards by 26%.”**

- Forrester

**“80% of data is dark and untouched meaning it's never actually used to make improvements or changes deemed necessary by the customer.”**

- Forbes

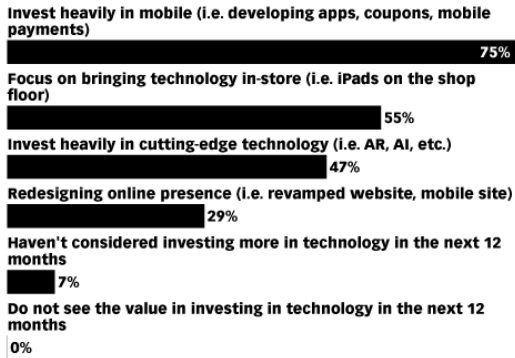
**“53% of customers will abandon a mobile site that takes over 3 seconds to load and for every second delay in mobile page load, conversions can fall by up to 20%.”**

- Think with Google

# THE NEW RETAIL LANDSCAPE: HOW COMPANIES ARE REACTING

## What Are the Tech Investment Plans of Senior Retail Executives in France and the UK for the Next 12 Months?

% of respondents, Q2 2018



Source: VoucherCodes, part of RetailMeNot, "Retail perspectives and innovation: Payments, personalization and the phigital" conducted by WBR Insights, Sep 5, 2018

242941

www.eMarketer.com

## What Technologies Are US Retail Industry Professionals Currently Using?

% of respondents, Oct 2018



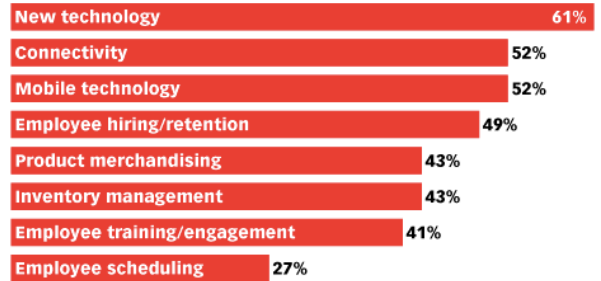
Note: n=235; more than 80% of respondents were retailers  
Source: Total Retail, Radial and NAPCO Media, "The 2018-2019 Retail Technology Report," Dec 13, 2018

243948

www.eMarketer.com

## Which Areas of US Retailers' In-Store Budget Increased in 2018?

% of respondents



Note: vs. 2017

Source: Retail Touchpoints, "2018 Store Operations Survey" sponsored by Esri, Intouch Insight, Kronos and Nudge, Oct 11, 2018

242460

www.eMarketer.com

## US Internet Users' Attitudes Toward Select Retail Technologies, May 2018

% of respondents



Note: numbers may not add up to 100% due to rounding

Source: RichRelevance, "Creepy or Cool 2018: 4th Annual RichRelevance Study," June 20, 2018

239129

www.eMarketer.com

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## 5 BEHAVIORS CHANGING THE FACE OF RETAIL

When we think about retail transformation, or as some people say ‘Retail Apocalypse,’ we tend attribute the cause to technology alone. However, the biggest force is how technology has enabled consumer behaviors to completely transform. Consumers are not only looking for new, easier ways to shop and purchase, but also new products and services to enhance and ease their lifestyle.

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**79% of US consumers only consider brands that understand and care about ‘me’.**

— WUNDERMAN

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### I STILL WANT THE OLD, BUT IN A NEW WAY

Brick and mortar isn’t dead, it’s just different. In a recent survey by Poshly, 72% of Millennials and 77% of Gen Zers still prefer to make beauty purchases in a physical store. However, these shoppers want the store experience to build off their digital behaviors, then carry the store experience back to the digital world. There is still a lot to be said by touching and feeling a product before purchase.

### I SHOP WHEN I SHOP - AT THE NEGATIVE MOMENT OF TRUTH

The convergence of mobile connectivity and shopping is finally making an impact. In fact, one-third of all Black Friday purchases in 2018 were done on a mobile device. More and more consumers are in an always on shopping and purchasing loop via their mobile devices. Who knows when the trigger will hit.

### I’VE GOT 99 PROBLEMS AND SHOPPING IS ONE

More often, consumers are putting more value on their time and convenience - which makes shopping a big pain point in their lives. To solve this, consumers are not only leveraging their on-the-go downtime shopping on mobile, they’re also looking for the most efficient ‘delivery’ solution that fits their routine. Many innovations we’re seeing are finding ways to expedite the shopping process – buy online, pickup in-store, laneless stores, short-range delivery. In fact, in 2018 73% of shoppers preferred to buy online and pick up in store, skipping the store altogether.

### I WANT YOU TO WANT ‘ME’

Consumers are starting to demand a company to know who they are and how they’ve interacted with you as they go through the shopping and purchase process. They expect you to know what they’ve looked at and what they’ve purchased to truly understand their tastes as they enter a store or a website. 79% of US consumers only consider buying brands that care about them as an individual.

### I LIVE IN AN OMNICHANNEL WORLD

To build off the above trend, consumers expect these relationships to extend across channel and build progressively. In fact, 89% of customers get frustrated having to repeat their issues to multiple representatives.

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## ENABLED BY TECHNOLOGY

We can't talk about the future of retail without discussing the technology that is transforming it. Technology is a driving force for much of the transformation in the retail industry. Over the last 5 years, it has reduced barriers to entry for new entrants, created new business models for value creation and shifted consumer behaviors. The next 5 years will become something we can't imagine today. Leveraging the emerging technologies, Retail Leaders will create a value exchange that not only completely serves their customers, but will create new shopping, transaction and distribution models that will drive the growth of their business.



**“Chore” shopping will become easier, but the demand for “cherish” retail will be stronger than ever.**

— VEND

### MOBILE

Mobile will continue to become a driver of change in retail. Not only will more consumers shop and transact on the go, but the evolving role of mobile and new interfaces will make these interactions more seamless and impactful. The rise of contactless payments will only continue for shifting consumer behaviors and environments ripe for disruption.

### EMERGING INTERFACES

Voice and Augmented Reality (AR) will quickly become the norm for consumer behaviors as they explore, shop or transact. Voice bypasses the physical world by offering up a seamless experience to purchase by a simple request, usually leveraging a default versus branded solution (toothpaste versus Colgate). AR through wearable technology will give shoppers super human abilities to experience products and services in a new way, giving those experiential brands more leverage than those less so.

### INTERNET OF THINGS (IOT)

IoT in the retail environment is just starting to make an impact. IoT will allow retailers to build more robust profiles on their shoppers through in-store interactions including facial recognition. These profiles will power real-time communications and incentives for the shopper using data from what is in their cart and on their shopping list. Not to mention, it will give the retailer the ability to enable flexible, data-driven pricing through electronic shelf tags.

### ARTIFICIAL INTELLIGENCE (AI)

Now to the elephant in the room, AI. AI will become the lifeblood of everything in and around the retail environment. Personalization of experiences, products and services for consumers will become commonplace based on consumer preferences and data. Customer service will be automated based on the consumer preference and where they are in the shopper journey. Retail operations will become more efficient and flexible offering the ability to engage flexible pricing in-store and online, create seamless logistics experiences and manage waste and product turnover.

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# EXPERIENCE: THE NEW RETAIL STRATEGY

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**By 2020, the business experience will become the number one driver in consumer purchase decisions - surpassing both product efficacy and price.**

— WALKER

Growth in retail will look a lot different in 2025 than it does today. The role of retail will shift from moments of shopping and transaction to a more robust value exchange – where consumers expect more than just a product at a good price and towards the entirety of the experience. They’ll no longer go through poor experiences to purchase products that don’t offer more for them. To capitalize on this transformation, Retail Leaders will deliver experiences that are lead by strategy and enabled by technology.

## **LEAD WITH THE CONSUMER EXPERIENCE**

As the strategic value exchange goes beyond products and services and into the entire consumer experience, personalization will become the fuel that powers everything. Understanding the consumer at an individual level, then crafting bespoke experiences (shopping, buying, delivery, service, etc) to satisfy their wants and needs will give Retail Leaders a leg up on their competition and expand their growth.

## **MAKE DECISIONS WITH AI**

The successes of direct-to-consumer startups like Casper and Warby Parker have been driven by a lot of trends, but none more foundational than data-driven decision making. As Retail Leaders are crossing the chasm from e-commerce to brick and mortar and vice versa, they are making their location, product mix, pricing, messaging and partnership strategies with a deliberate use of data - increasing their probability for success in their endeavors.

## **CONNECT & CONVERGE CHANNELS**

The consumer goes in and out of channel and conversation more often than ever before. They expect a consistent and progressive relationship with the companies they purchase from. Retail Leaders will build consumer journeys for their most valuable segments and use their data and touch points to connect into a single experience. Brick and mortar will be more digitally connected and e-commerce will react to the consumer’s location for the best inventory and delivery options.

## **TEST NEW BUSINESS MODELS**

Retail startups aren’t disrupting the industry by taking massive amounts of market share, they are disrupting by changing the expectations and behaviors of consumers. This is largely due to the evolution and innovation of retail business models. Dollar Shave Club didn’t have better razors, but a better business model to purchase razors. Retail Leaders will test new business models to find ways to make the consumer’s life better while driving incremental revenue for the business.



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## **RETAIL 2025 STRATEGY**

The future of retail is happening right now. Consumers are ushering in new behaviors and expectations that are changing the face of how retail is viewed for business. Technologies are creating competitive landscapes like we've never experienced before. Experience is quickly becoming the most valuable asset for a retailer.

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### **RETAIL 2025 LEADERS WILL:**

**DEVELOP A HOLISTIC & ENCOMPASSING RETAIL STRATEGY**

**LEAD WITH THE CONSUMER EXPERIENCE;  
TACTICS & CHANNELS FOLLOW**

**MAKE BUSINESS DECISIONS BASED ON  
CONSUMER & PREFERENCE DATA**

**CONNECT & CONVERGE CHANNELS TO BUILD  
SEAMLESS AND PROGRESSIVE  
RELATIONSHIPS**

**TEST NEW BUSINESS MODELS**

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## TAKE ACTION

The consumer behaviors and technologies that we explored throughout **Retail 2025** is just the beginning of the transformation of retail. The convergence of channels and speed of change will only continue to explode.

Understanding and defining a Retail 2025 strategy now will give Retail Leaders the power to succeed – today and tomorrow.

Let's go.

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## Point of view. **PREPARING FOR RETAIL 2025. THE FUTURE IS NOW.**

### Notes:

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## About us. **CHINATOWN BUREAU**

Chinatown Bureau is a global strategy consulting firm – laser-focused on creating business growth.

We help companies reach their full potential by solving their biggest growth challenges.

Chinatown Bureau powers the new economy by building digitally-powered businesses.