

3 Key themes will define retail going forward

At the 2023 NRF Big Show in NYC, everybody was talking about the three themes that will define retail over the next few years

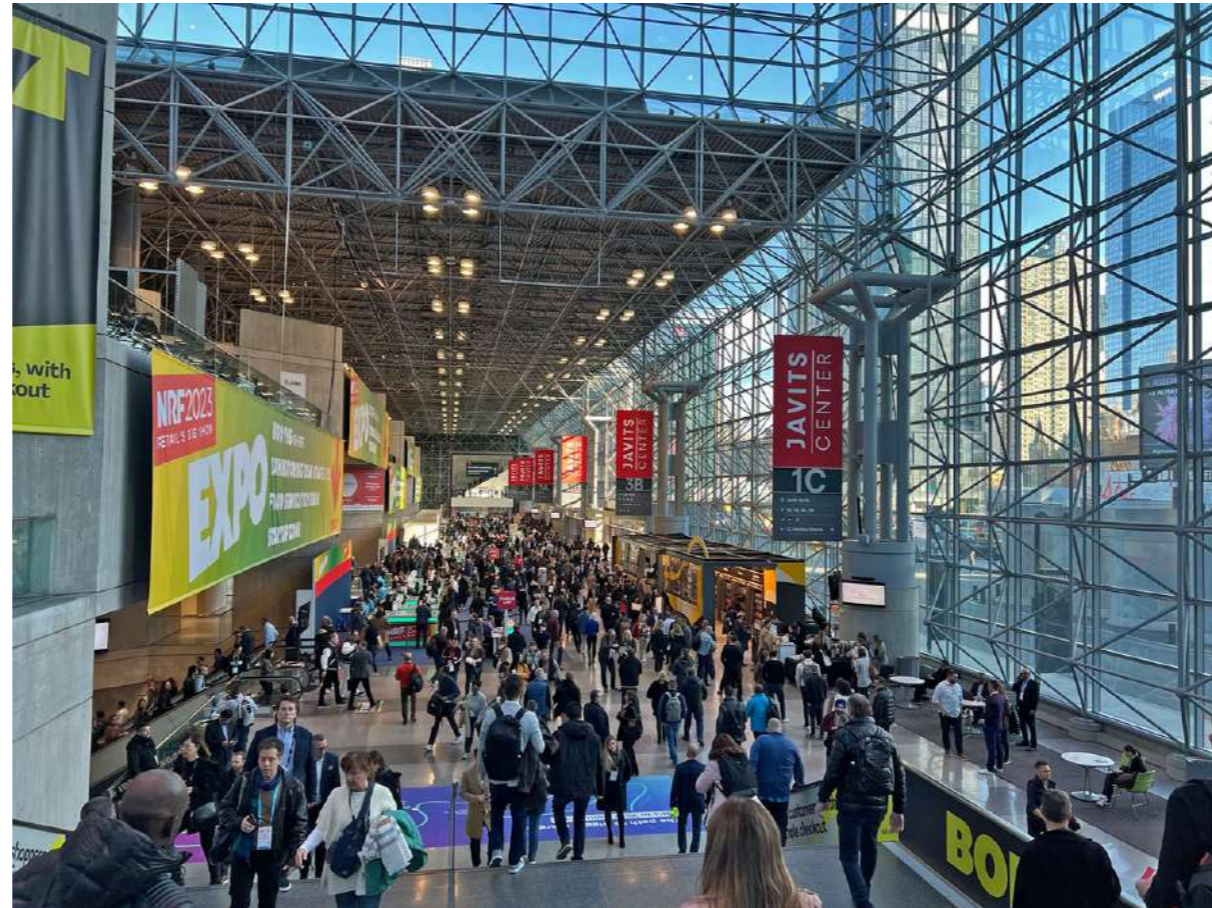
The NRF (National Retail Foundation) Annual Convention and Show is held in New York City, and is widely recognised as the place where the global retail industry goes to hear the latest thinking and view the latest retail technology solutions. As an exhibitor, I was well placed to speak to a huge range of people, and I kept on hearing these three themes coming through what retailers are talking about:

Retail media networks

Retail media networks are the outcome of retail's massive move online. In many ways, they are the online version of the in-store promotions, specials and cap-end displays we are so familiar with. Now, instead of leveraging the visibility the store can offer, brands are taking advantage of the traffic on the retailer's website to engage with consumers.

Advertising can appear on the retailer's home page, category pages, the search page and even checkout page. It tends to work well because the consumer is already 'hot' – he or she is on the site looking to buy, after all.

For retailers, this is an opportunity to get a foothold in the massive advertising market; it's worth \$758.8 billion currently and is expected to reach US \$1 trillion by 2026. Although it's a relatively new area, brands spent \$31 billion in



2021, with spending expected to exceed US \$52 billion by this year.

This income has been a lifesaver for many retailers, hard hit by COVID and now growing inflation and recession fears. In time, this extra revenue could make them more resilient and fund innovation.

One could argue that this extra revenue stream is helping retailers contain price rises, thus helping consumers too.

Automation and hyper-personalisation

Automation is playing an ever greater role in further streamlining an already slick value chain. Robots stocking shelves in store and picking orders in warehouses, smart cameras monitoring shelf stocking, even drones being used for local delivery – all of these are already happening and we will see more of it.

The name of the game is reducing delivery time and delivery costs at

the same time – retail engagements are being driven by rising customer expectations combined with soaring fuel costs.

Essentially, we are talking here about the growing role of technology in retail. Artificial Intelligence (AI) is another technology already making a big impact in retail. AI is making demand forecasting much quicker and more accurate, but it's also transforming the purchasing experience, essentially by making push marketing increasingly



Overall cart abandonment constitutes an US\$18 billion loss to retailers annually. AI will also be used to refine customer relationship management technologies, specifically to improve responses to customer churn.

An important strategic use of AI will be to improve the overall customer experience, especially across online and offline channels. Brick-and-mortar shops all have online presences but there is a trend for online retailers like Amazon to

sophisticated. It can respond to search requests with intelligent suggestions to prompt purchases but it can also develop expert knowledge of individual customers because to shop online one needs to log in.

For example, I tend to buy aftershave once every four months – now the system could prompt me when the time for the next purchase is coming round. Building on that, it will increasingly be possible to predict when, what and how much of a certain product or brand consumers will purchase – and they will come to expect it.

This capability will become more important as cookies are phased out, at least in the developed world.

AI's multiple uses in retail will include analysing how to reduce the high rate (70%) of cart abandonment, which is a shade under 70%, with over 80% of mobile shoppers abandoning their carts.

open shops. It's vital that the customer experience is consistent across both channels, and AI can facilitate getting this difficult balancing act right. It will also pave the way for "concierge shopping", where an online shopper is conducted round a store by somebody who knows what they like and want to see.

Sustainability and social impact

ESG (environmental, social and governance) issues have traditionally been seen as an investor issue, but they are now becoming a consumer one too. This is particularly true for younger consumers, and given that the majority of Africans are already Generation Z, African retailers should be alive to the need to communicate their ESG credentials to their consumers.

A key point here is that this information needs to be very accessible – a bulky Integrated report

is not suitable. Q-HOP is already building an ESG index into its app so that users have a ready way of distinguishing between brands.

In conclusion, retail is experiencing a golden age of innovation, perhaps in part driven by a hostile environment characterised by high inflation, fears of a global recession and a margin squeeze. Retailers will have to innovate intelligently or face extinction – and I believe that African retailers are dangerously behind the curve.

Amazon is coming! ^{SR}



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Ajay Lalu is a serial entrepreneur who has founded several successful companies including the Black Lite Group. He has showcased CIRT's innovative solutions at the world's largest IoT Conference, IoT Solutions World Congress – Barcelona, 2019. He is a guest lecturer at the Gordon School of Business (GIBS) on digital innovation and strategy. Ajay is greatly involved in initiatives aimed at developing SMMEs and tech start-ups.