



The future of retailing

A Futurizon Report

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Well, I'm off to Australia soon, to see a new futuristic global retailing concept, so retail trends are at the forefront of my mind again. I've written about them frequently but there is always something new coming over the horizon. Looking at recent trends, of course the headlines this year were the launch of new mobile phones and the iPad, which make mobile internet access more useful and accessible. People can now access the net to compare products and prices, or get information. But the underlying, less conspicuous trend here is that people are getting much more used to accessing all kinds of data all the time, and that ultimately is what will drive retail futures.

With mobile access increasing in power, speed and scope, the incentives to create sites aimed at mobile people is increasing, and the tools for doing so are getting better. This will be accelerated by the arrival of head-up displays - video visors and eventually active contact lenses. The progress in 3d TV over the next few years will result in convergence of computer games and broadcast media, and this will eventually converge nicely into retailing too, especially if we add in things like store positioning systems, gesture recognition and artificial intelligence (AI) based profile and context engines. Add all this in to augmented reality, and we have a highly versatile and powerfully immersive environment merged with the real world.

It will take years for marketers and customers to work out the full scope of the resultant opportunities. Think of it this way: when computing and telecoms converged, we got the whole of the web, fixed and mobile. This time it isn't just two industries converging - it is the whole of cyberspace converging with the whole of the real world. So we should expect decades of fruitful development, it won't all happen overnight. Lots of companies will emerge, lots of fortunes will be made, and lost, and there will also be lots of opportunities for sluggish companies to be wiped out by new ones or those more willing and able to adapt. The greatest certainty is that every company in every industry will face new challenges, balanced by new opportunities. Never has there been a better time for a good vision, backed up by energy and enthusiasm.

All companies can use the web and any company can use high street outlets if they so desire. It is a free choice of business model. Nevertheless, not all parts of the playing field are equal. Occupying different parts requires different business models. If a store has good service but high prices and no reason someone should not just buy the product on-line after getting all the good advice, then many shoppers will do just that. An obvious response is to make good use of exclusive designs, a better and longer lasting response is to captivate the customer by ongoing good service, not just pre-sale but after-sale too. A well cared for customer is more likely to buy from the company providing the good care. If staff build personal relationships and get to know their customers, those customers are highly unlikely to buy elsewhere after using their services. Augmented reality provides a service platform where companies can have an ongoing relationship with the customer.

As we go further down the road of automation, the physical costs of materials and manufacturing will generally fall for any particular specification. Of course, better materials will emerge and these will certainly cost more at first, but that doesn't alter the general cost-reduction trend. As costs fall, more and more of the product value will move into the world of intangibles. Brand image, trust, care, loyalty, quality of service and so on - these will account for an increasing proportion of the sale price. So when this is factored in, the threat of customers going elsewhere lessens.

AI will play a big role in customer support in future retail, extending the scope of every transaction. Recognising when a customer wants attention, understanding who they are and offering them appropriate service will all fall within the scope of future AI. While that might at first seem to compete with humans, it will actually augment the overall experience, enabling humans to concentrate on the emotional side of the service. Computers will deal with some of the routine everyday stuff and the information intensive stuff, while humans look after the human aspects. When staff are no longer just cogs in a machine, they will be happier, and of course customers get the best of both worlds too. So everyone wins.

Retailing stores have adopted many strategies to get customers in the doors. Adding coffee shops and restaurants works well, but the next decade will have to be a bit more imaginative.

Adding gaming will be one of the more fun improvements. If a customer's companions don't want to just stand idly and get bored while the customer is served, playing games in the shop might be a pleasant distraction for them. But actually games technology presents the kind of interface that will work well too for customers wanting to explore how products will look or work in the various environments in which they are likely to be used. They can do so with a high degree of realism. All the AI, positioning, augmented reality and so on all add together, making the store IT systems a very powerful part of the sales experience for shopper and staff alike.

Clothes and accessories stores will obviously benefit greatly from such technology, allowing customers to choose more easily. But technology can also add to the product itself. Some customers will be uninterested in adding technology whereas for others it will be a big bonus having the extra features. Today, social networking is just starting to make the transition to mobile devices. In a few years' time, many items of accessories or clothes will have built in IT functionality, enabling them to play a leading role in the wearer's social networking, broadcasting personal data into surrounding space or coming with a virtual aura, loaded with avatars that appear differently to each viewer. Glasses can do this, and also provide displays, change colour using thin film coatings, and even record what the wearer sees and hears. They might even recognise some emotional reactions via pupil dilation, identifying people that the user appears interested in, for example. Health is another area obviously suited to jewellery and accessories, many of which are in direct contact with skin. Accessories can monitor health, act as a communications device to a clinic, even control the release of medicines in smart capsules.

But the biggest change in retailing is certainly the human one, adding human-based customer service. Technology is quickly available to everyone and eventually ceases to be a big differentiator, whereas human needs will persist, and always offer a means to genuine value add. This effect will run throughout every sector and will bring in the care economy, where human skills dominate and computers look after routine transactions at low cost. Robots and computers will play an important part in the future, but humans will dominate in adding value, simply because people will always value people above machines - or indeed any other organic species. Focusing on human value-add is therefore a good strategy to future proof businesses. The more value that can be derived from the human element, the less vulnerable a business will be from technology development. The key here is to distinguish between genuine human skills and those where the human is really just acting as part of a machine.

Putting all this together, we can see a more pleasant future of retailing. As we recover from the often sterile harshness of web shopping and start to concentrate more on our quality of life, value will shift from the actual physical product itself towards the whole value of the role it plays in our lives, and the value of associated services provided by the retailer. As the relationship grows and extends outside the store, retailing will regain the importance it used to have as a full human experience. Retailers used to be the hub of a community and they can be again if the human side is balanced with technology.

Sure, we will still shop on-line much of the time, but even here, the ease and quality of that will depend to some degree on the relationship we already have with the retailer. Companies will be more responsive to the needs of the community and more integrated into them. And when we once again know the staff and know they care about us, shopping can resume its place as a fun and emotionally rewarding part of our lives.

In the end it is all about engaging with the customer, making them excited, empowering them and showing them you care. When you look after them, they will keep coming back. And it is quite nice to think that the more advanced the technology becomes, the more it humanises us.

ABOUT THE AUTHOR

Ian Pearson is a futurologist, tracking and predicting new developments throughout information technology, considering both technological and social implications. He graduated in Maths and Physics and was later awarded a Doctor of Science degree. After a decade working in most engineering disciplines, he worked as BT's futurologist for 17 years, but now works for Futurizon, a small futures institute. He writes, lectures and consults globally on all aspects of the technology-driven future. He has written several books and made well over 400 TV and radio appearances. He is a Chartered Fellow of the British Computer Society, the World Academy of Art and Science, the Royal Society of Arts, the Institute of Nanotechnology and the World Innovation Foundation.