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Emerging trends from NRF 2019



Every January, New York City becomes the place to be if you are a retailer looking for the latest digital innovation or snippet of information to save your stores from becoming obsolete. The National Retail Federation's Big Show – aka NRF 2019 – saw 37,000 attendees descend on the Javits Center next to the freezing Hudson River, eager to hear from a few of the 517 speakers and see the technology on offer from the 792 vendors taking up 265,000 square feet of space in the gigantic exhibition hall.

After a difficult year in both politics and business, it's understandable that many retailers attended the show concerned for the future of their industry. But CEO of BJ's Wholesale Club and chairman of the NRF, Christopher Baldwin, kicked off the conference with a much more positive message:

*"Rumours of our demise are greatly exaggerated," he said. "I'd love to say retail is back, but I'd be wrong – retail never went away."*

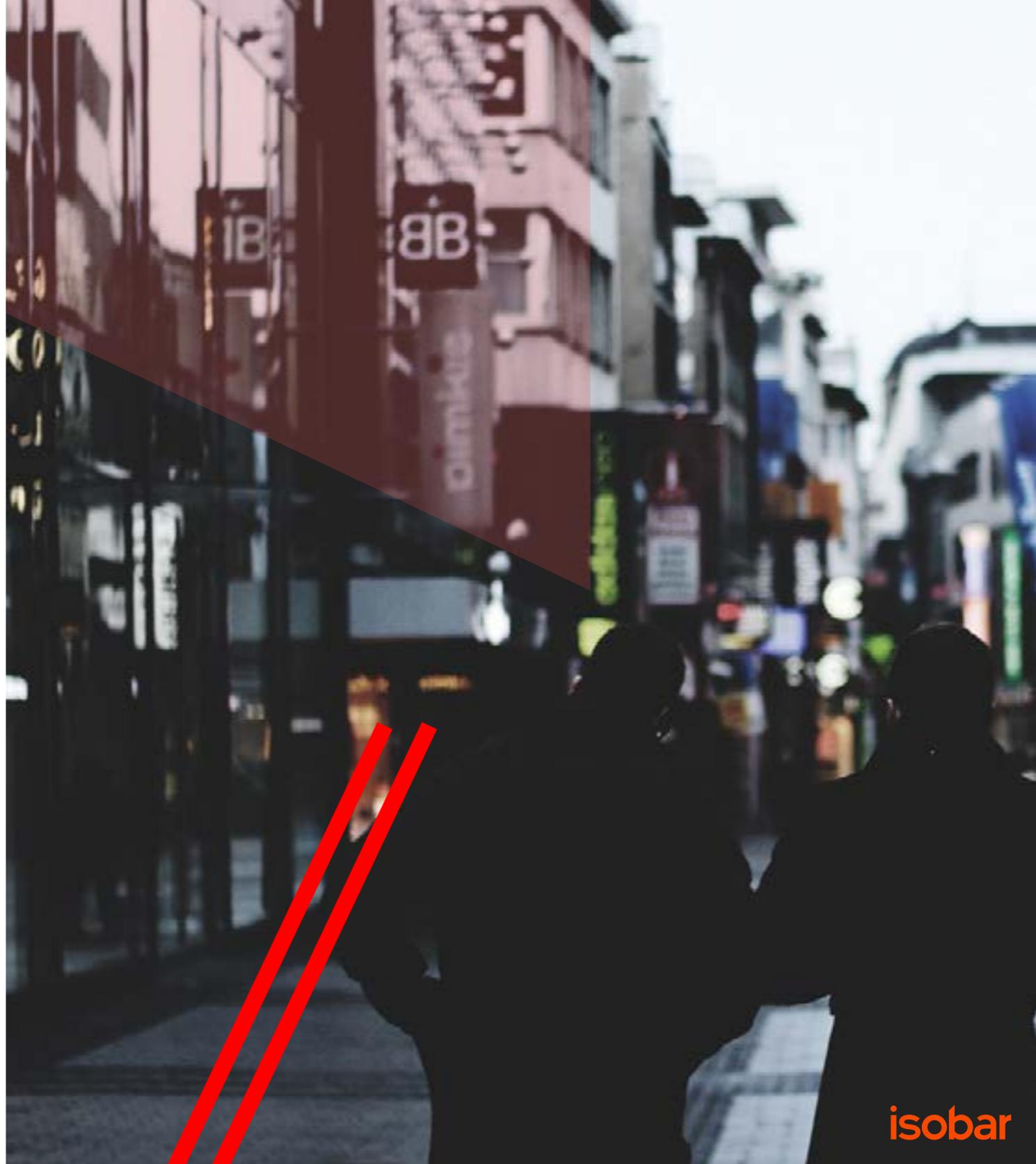
Baldwin insisted retail is "*more healthy and vibrant than ever*," listing Macy's, Target and Walmart as retail leaders and industry innovators.

And after three days racking up our step count at the Javits, it is clear that retail isn't dead. Innovation was bursting out of the expo hall, while the conference sessions were brimming with case studies from retailers leveraging technology to create excellent customer experience and at the end of the day, improve their bottom line. And the biggest trend from NRF 2019 was that the store isn't going anywhere – in his opening keynote, Baldwin pointed to the 2,000 net store openings seen in the US last year. But the

overarching message from the conference sessions warned that stores have to change to remain relevant and keep up with the digitally-savvy consumer.

Reflecting this sentiment, Isobar's Head of Innovation Projects, Alex Hamilton, believes that the store is a retailer's most significant sales channel, with the majority of retail sales taking place in physical locations despite the rise of online. But, Alex warns that stores are increasingly becoming a cost centre that brands are struggling to bear. Retailers need to make their physical spaces work harder, in order to drive sales per square foot.

**Here are the  
five big trends that  
caught our attention  
at NRF 2019.**



# 1. Customer centricity

Putting the customer at the heart of retail was, unsurprisingly, a big trend at this year's NRF Big Show, with the buzzword 'customer experience', yet again, being the topic of choice for many of the conference sessions.

Hema kicked off proceedings on the first day of the conference, describing how it has created a "customer centric and mobile-first grocery concept" which enables a Chinese shopper to order their groceries online while travelling home from work and have their shopping bags waiting for them on their doorstep. This 30-minute fulfilment leverages the store network while also using AI technology to forecast product demand.

Dubbed "new retail", Yi Hou, CEO of Shanghai Hema Network Technology Co – a subsidiary of Alibaba – said its approach is to be customer centric by redesigning all aspects of the business around the shopper.

*"We've been rearranging supply chain, marketing efforts, configuring IP systems, all for the benefit of the customer."*

Kroger's Chairman and CEO Rodney McMullen, also described how his grocery business does not think the silver bullet is either digital or physical retail, but using a blend of both to give customers choice to shop online, have products delivered or pick-up from store – "We'll solve problems for customers, but it will be purpose driven," he said.



## 2. Shiny technology



The need to focus on your customers can be difficult at a show like NRF, and with so much jaw-dropping technology on display, a retailer with a technology budget to burn can be overwhelmed like a kid in a candy store.

During an afternoon spent roaming the endless aisles of technology demos at the expo, we saw flying drones from Pensa Systems which navigate supermarket aisles in search of out-of-stock items, scarily accurate facial recognition from Panasonic, automated vending machines from JD.com, interactive fitting room technology from American Eagle and Adore Me, and mesmerising 3D holographic displays from Hypervsn. And not forgetting what felt like a robot roaming around every other booth.

But Kantar's SVP of Strategic Advisory Services, David Marcotte, pointed out that it won't be the IT departments to decide when an army of robots will descend on retail stores, but insurance companies who will need to assess the liability issues surrounding customers sharing the shopping aisles with autonomous machines.

But ultimately, retailers need to remember that technology needs to co-exist, not compete, with humans.

Hammitt Founder and CEO, Tony Drockton, said technologies like AI or chatbots aren't going to improve customer experience if management hasn't actually spent time on the shop floor with the associates that have to sell the product: "*No technology is going to improve that part of your brand or experience.*"

Meanwhile, Target's CEO, Brian Cornell, added: "We're spending a lot of time exploring everything from AI to VR, but also realising there's still no substitute for that human connection – we have 350,000 people whose job it is to take care of our guests."

### 3. Creating a culture of innovation

Anthony Marino, President of fashion resale website, [thredUP](#), said innovation shouldn't be something you think of separately from the business. He said retailers need to back innovation from the top to reassure employees that if they make mistakes while trialling technology, they won't lose their job – it is a conundrum summed up well in the phrase: 'Nobody gets fired for buying IBM'.

Marino said: "*You have to put people who are in charge of new ideas and put them in a safe space.*"

He suggested retailers should not place KPIs on the shoulders of innovators, placing more emphasis on the learnings from failed projects.

Isobar's Hamilton agreed, saying business units need to work more collaboratively and have "softer KPIs" for smaller-scale technology investments. "*Prototyping quickly, learning and moving forward is the approach we'd recommend. Learn by doing.*"

But Hamilton also pointed to challenges around costs, IT legacy systems and finding and retaining technology talent.

Another key trend from the show this year was a need for retail to take a long hard look at itself in the (fitting room) mirror and make the industry more inclusive in order to widen its pool of talented individuals. While retail in its nature has more women working in the industry than other areas of business, these women are still finding it difficult

to work their way up to board level. The very current topic of women and diversity was represented at the show's first networking and dedicated conference track at The [Girls' Lounge](#) discussing how to break that glass ceiling.

Sitting on one of these panels was the CIO of Nieman Marcus, Sarah Miller, who pointed out the disparity between the retailer's technology department and the rest of the business. "It's mostly male dominated within the technology division."

She described how the company is focusing on trying to drive talent in the technology department. "*In the US we have such a gap in technology skills and this is such a great area for women and all people to fill those skill gaps.*"



## 4. Customisation



Taking a morning to step away from the Big Show is always a challenge with such a jam-packed schedule, but the organisers encouraged delegates to go on a tour of the best stores in NYC. There were several tours to choose from including those curated by Accenture and the Retail Design Institute, which both highlighted retailers using technology to create the very best instore design and customer experience.

The key trend which emerged after visiting a number of stores was customisation. The majority of stores we visited had some degree of customisation from engraving perfume bottles in Sephora to designing your own Nike or Converse trainers.

Additionally, Nordstrom described how it now has the ability to provide customers with personalised recommendations direct to their mobile, while also offering customisation experiences in store – such as a virtual custom suit builder which reduces returns rates and free basic alterations for loyalty customers.

Rob Garf, VP of Industry Strategy and Insights at Salesforce, said retailers are finally “*rethinking their store footprint and strategy*”.

When it comes to the overwhelming trend of customisation, Garf said: “*Retailers are recognising it's not a one-size-fits-all business model anymore – retailers used to have all the control and visibility out of the supply chain by pushing products they hope customers would buy. But customers now have so much control and they're always connected, it forces brands to think it's not just about the transaction or generic products – it's an emotional connection.*”

But scaling the customisation experience across your store estate is not easy – At Nike's House of Innovation 000 the retailer dedicates the entire first floor to hosting workshops to build your own Nike sneaker, while downstairs in the basement of the Converse flagship store the retailer offers a similar interactive experience. “It puts a big strain on store operations if it happens in each store,” added Garf. “*And it's about process as much as technology – getting associates trained and excited is a big component.*”

## 5. The future of stores

This year's NRF exhibition had a significant amount of store-based grocery technologies with Alibaba's Hema store being a popular stand showcasing tech including robot waiters and a conveyer belt of shopping bags zipping around the ceiling.

Unsurprisingly, there was a multitude of seamless checkout solutions to rival Amazon Go, with Toshiba, NCR and many more offering their versions of the technology to remove the need for stores to be manned by humans. Meanwhile, electronic shelf labels (ESL) seemed to flash from every aisle and several sessions in the conference pointed to how this technology could save hundreds of man hours per week spent manually changing price labels.

Robotics were also prolific, with inventory management for grocery being the optimum use case. On Microsoft's stand, U.S retailer BevMo demonstrated SmartAisle, a digital shopping assistant which can scan the aisles looking for gaps and misplaced products on the shelves.

While we've already highlighted how retailers need to navigate insurance premiums before we see robots in our local supermarket, but it still seems like these robotic devices and ESL solutions are much more market ready than the unicorn-like technology of Amazon Go that grocery seems to be determined to try and replicate, without much success so far.

Looking even further into the future, Kantar SVP David Marcotte shared a vision of how a grocery store in 2030 would be able to identify a shopper walking through the door and offer them a tailored service. While the shopper browsed the store, their regular replenishment shop would be prepared, ready for them to collect at the end of the visit, or delivered to home. Meanwhile, as the shopper approaches the fruit and veg aisle the fixtures communicate with them using ESL based on their preferences and can even alert the store manager if the shopper seems to be spending more time than usual browsing, suggesting they might need assistance.

*"The entire store is interacting with shoppers, not just the employees," he said.*

This vision backs up the consensus from the show that the store will not be replaced by online shopping anytime soon. Instead the store is becoming smarter and be it interactive fitting rooms or shoppers communicating with shelving units, retailers must consider carefully which technology to invest from the myriad of choice if they wish to keep their stores alive and kicking.

# Five strategies

These strategies will help to keep you ahead of the curve for 2019 and beyond.



**Customer centricity:** As a result of changing consumer needs, retail must adapt towards an increasingly polarised landscape. Brands and retailers must identify which pole they wish to operate in, whether that's offering a frictionless, fast – some would say 'thoughtless' – service such as Amazon or a slower, more immersive experience – termed 'thoughtful' – that focuses on building emotional connection. Playing to either pole will help brands avoid the dreaded midmarket in 2019.

**Shiny technology:** Every year, new shiny technology is launched with promise of scalable solutions to retail problems. Cutting through the noise is understandably difficult for brands and retailers. Focus on technology that helps store staff respond to customer questions around product, stock and advice in 2019, especially as brands trim down the number of SKUs they sell in store to remain light on inventory.

**Creating a culture of innovation:** Placing tough KPI's, or high expectations, on 'test and learn' projects can suffocate innovation. Brands and retailers need to focus on prototyping quickly and the learnings from doing so. Allow enough room for mistakes with an emphasis on iteration. This will in turn foster a culture of innovation. Build relationships with those businesses that are defining our relationship with technology (Google, Facebook, Amazon etc.), as the insight they provide can help shape your innovation plans.

**Customisation:** Customisation, or personalisation if you want to call it, has been near the top of retailer's agendas for many years now. We're increasingly seeing this trend move into the customisation of product, which raises several considerations around supply chain that many brands are struggling to rationalise. Think of ways in which you can offer personalised services on a small scale, initially, learn from doing it and focus hard on how these initiatives can scale.

**The future of stores:** The store is generally speaking a retailer's most significant sales channel, with the majority of retail sales taking place in physical locations despite the rise of online. However, stores are increasingly becoming a cost centre that brands are struggling to bear. Retailers therefore need to make their physical spaces work harder, delivering an immersive experience that is smarter and more intuitive for the consumer. Technology plays a key role in delivering on this metric, but it's the technology that sits in the pockets of consumers that is key here. Retail stores need to better accommodate for smartphone usage, wearables and emerging new interfaces like voice and augmented reality.

## ABOUT ISOBAR

Isobar is a global digital agency that delivers experience-led transformation. Key clients include Coca-Cola, adidas, Enterprise, P&G, Philips and Huawei.

Forrester named Isobar a leader in commerce in its recent report:

*“Isobar is a good fit for firms that are looking for a strategic partner that has a global reach and the ability to support initiatives beyond commerce, especially in strategy, experience design and technology services.”*

The Forrester Wave™: Commerce Specialist Service Providers, Q4 2018.

We are part of the Dentsu Aegis Network. Dentsu Aegis Network innovate the way brands are built, and are the first digitally native, purpose built network for the modern world. Creating a digital society that works for all.

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