



The Future of Retailing

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Abstract

For the retail industry, this is a time of serious contemplation. Following the widespread interruption witnessed by the sector in 2020 and the positive signs of a variety of vaccines now starting to emerge, retailers must begin to look ahead to the 'new reality that will follow. The only certitude is that many aspects of retailing will never be the same as they were before the words "COVID-19" sent shivers through the global economy. It is worth noting that most of the latest changes to purchasing behaviours, workforce models, channel mixes, and business models are trends that have been discussed for the last decade. COVID-19 has accelerated its progress in many cases by 5–10 years. It will be difficult to transition from today to tomorrow. To chart their path forward, retailers will need to take a fresh look at the trends influencing the future, their long-term ambitions, and their current capabilities. It will be necessary to have a clear understanding of how current trends are accelerating future business models. And it will necessitate a clear and practical implementation strategy. Hence, this paper is discussed about the future of retailing.

Keywords: Retailing, Covid 19, Progress, Global Economy, Business Models, Strategy

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I. Introduction

The retail market as we know it today is undergoing massive disruption, which will profoundly alter the way the industry, works. The latest technological knowledge purchaser and the new image of competitive rivalry are the two main industry factors that have already fundamentally changed and will continue to redefine the entire industry. Aside from existing competitors, unique and modern players are having a huge impact upon those retail outlets as we know them today. Rapid technological advancements, universal access to information, increasing venture capital fund size, and more relaxed government regulations are all contributing to lower barriers to entry into retail markets. Previously, establishing a retail business required significant amounts of time, money, and human capital; however, an online shop selling a third party's products can now be developed in a matter of days. The forthcoming competitive pressure will emerge not only about their old adversaries, as well as from a flood of, especially the small and medium players who are going to be introduced in increasing numbers. Such entrants take a people are willing to buy, putting the customer at the heart of everything that they do, and prioritizing consumer benefit over one-time revenue. Sharing-rather-than-owning frameworks (e.g., Rent the Runway, Car to Go), personalized customer and tailor-made services rather than cliched products and services (e.g., Outfittery), and separate points of purchase (e.g., Amazon, Zalando) are all revolutionizing the fashion retail industry. Customers want to continue living lean, have had the newest freebies or at a reduced initial fee, be tailored to the specific, and have their buying completed as quickly and easily as possible. The smaller entrants mentioned above have had the Genetic code to change their business model, procedures, and processes instantaneously, allowing them to respond to changing needs of customers quickly.

II. The future of Retailing

Disruption

Long before COVID-19 has become a significant threat, the retail sector was having undergone a radical shift. The latest incident had also attracted a clear line under any ambivalence: the decisions retail stores make inside the months ahead will have an impact on its performance during the next 5 years more than. The present upheaval has only speeded up the current scenario. Matter of fact, which was before the shift can be easily demonstrated in a few statistics. Between 2010 and 2024, the e-commerce retail market is expected to

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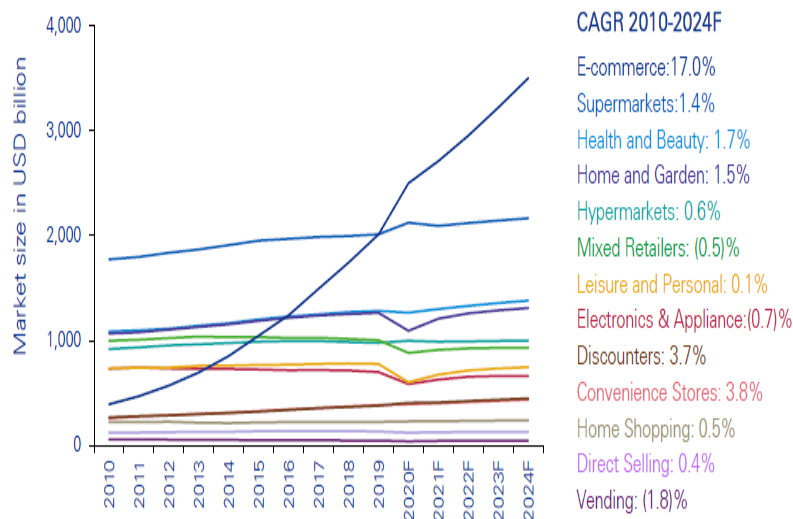
grow by nearly 17 percent (in CAGR terms). The very next quickest increasing channel (Discount stores) would only grow at a rate of 3.4 percent during that time. Consider that, before the pandemic, non-store retailing accounted for nearly 16 percent of total sales. The transition to digital and online channels was well underway. The pandemic accelerated the pace of disruption. Throughout lockdowns, customers in some marketplaces have been effectively forced to restrict themselves to shopping online. The in-store retail sector has been placed on hold. Some business practices flourished, while others have been well almost suffocated to death. Nevertheless, whereas global real GDP is expected to fall by 3.1 percent in 2020, some economists predict a 5.7 percent increase in 2021. Inflation will also begin to rise once more. And, as the pandemic ends, we anticipate that consumers will begin to re-evolve their purchasing habits and priorities to reflect their new reality. In this age of accelerated disruption, retailers who can quickly embrace new consumer and workforce trends will almost certainly have a competitive advantage. *(The KPMG International entities 2021)*

Global store versus non-store



Source: Euromonitor, accessed 19 November 2020

Global channel overview



Source: Euromonitor, accessed 19 November 2020

III. Business Models and Partnerships

As the store-based retail sector reaches its peak, the rise of starting point and universal are fuelling the very next rising tide of the contest and business model advancement. The apex of store-based retailing had already passed. The pandemic put even more strain on non-digital business models. Whereas many physical retailers are expected to flourish in the next years, those who rely solely on physical stores to develop will

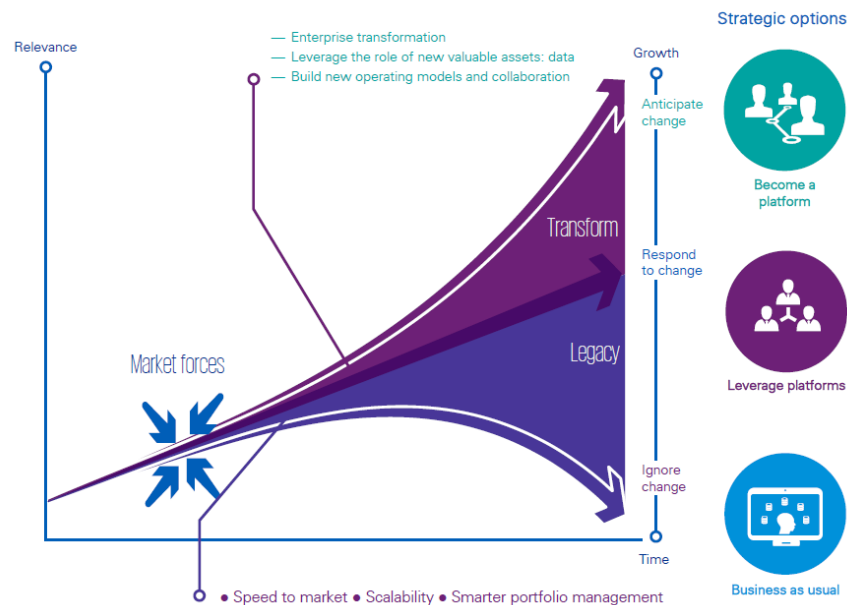
undoubtedly struggle. This raises doubts about the retail business model's long-term viability. The retail business model has stayed mostly intact for decades, if not millennia, until around ten years ago. The most successful retailers were those who excelled at locating requested products, shipping them, and selling them in stores. This recipe for success has altered as the routes to market have evolved. The traditional retail business paradigm has been shattered. Retailers will need to develop quickly in the future to become platform ecosystems, full omnichannel businesses, or smaller niche-focused specialists. This change will necessitate speed, capital, and capabilities, all of which are in short supply for most businesses.

As a result, many will need to seek partnerships ahead of time. Many consumer-focused industries are already dominated by platform business models. Indeed, all ten of the world's largest corporations (by market capitalization) are platform players. Platforms dominate several markets: Alibaba, the Chinese e-commerce market, is obtaining a larger market share, while Baidu dominates the search industry and Paytm moves to take India's payments sector. Platform business models appear to be dominating the future corporate landscape, according to investors. Platform players, according to a 2019 study, have average revenue multiples of nearly 9, compared to classic linear enterprises, which have multiples of 2 to 4. The market valuation of the top seven platform businesses has increased by more than 1,000 percent in the last decade. Platform businesses will likely take their models a step further in the future by selling their competencies 'as services' to other merchants. Essentially, these agreements function as ready-made 'white label' platforms that give merchants a rapid, proven off-the-shelf solution that allows them to evolve and scale without having to invest a lot of money in building the competencies in-house. Retailers will need to establish their company's future route to compete effectively in this market. Many who opt to adapt to new reality must consider what role platforms will play in their future business models. Those who choose to reject change and go about their business as usual, on the other hand, will find it increasingly difficult to stay relevant over time, in our opinion.

IV. Customer

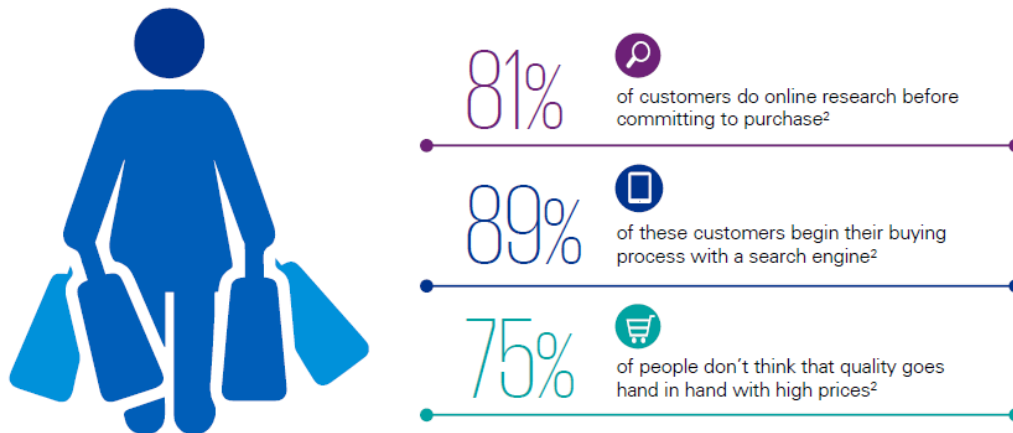
As retail shifts from a 'push' (i.e. B2C) to a 'pull' (C2B) paradigm, customer expectations and demands are fast shifting. Customers have the last say. In the face of lockdowns, visa restrictions, and economic uncertainty, consumers retain power in the retail relationship. Consumer choice is developing dramatically as consumers rush to internet channels and platforms, making it extremely challenging for merchants to keep their customers. Consumer purchasing decisions will be shaped by the following primary consumption drivers: 1. Value 2. Convenience 3. Experience 4. Choice 5. Privacy and Security 6. Purpose

What's next? — Alternative Strategic Paths:



Source: KMPG International entities (2021)

Shoppers want to pay less for more and will search until they find a suitable solution



Source: Nielsen, Retailer Market Share, Nielsen Homescan

V. Cost of doing business

Despite retail margins under pressure and costs rising throughout numerous elements of the value chain, most companies acknowledge that traditional cost-cutting methods are no longer sufficient to protect margins and preserve the business's long-term viability. Customers are increasingly looking for differentiated experiences across numerous channels while preferring low cost, which has put pressure on margins for years. The economic uncertainty and volatility that has accompanied COVID-19 are simply adding to the strain. Retail profits have been dramatically eroded by rising expenses to manage new e-commerce supply chains, increasing pressure from suppliers to pass on raw material costs, climbing labor costs, pandemic-related safety measures, and the need for new investments in digital capabilities. Retailers know that if they intend to return to profitable growth in the years ahead, they will need to go much further with cost optimization. During lockdowns, retailers deemed non-essential may have to slash expenditures by 20 to 50 percent. Even those deemed critical in the event of a pandemic will have to cut costs by 10% to 20% from current levels (Source: home. KPMG/ future of retail)

VI. Customized products and services

Customers will feel more connected to the brand as a contributor and co-creator as products and services become tailored to their specific demands. Everyone will be a customer, and we all know how much we appreciate it when products and services are tailored to our requirements and desires. The desire to be one-of-a-kind is growing in popularity, which creates an essential question for retailers: where is customization conceivable, and does it genuinely bring value to the customer? Retailers must make thoughtful, unique decisions about their personalization approach, as even minor changes can have a significant influence on customers.

VII. Rich content and social media

When producing and distributing content to make sales is no longer enough to keep customers loyal to a brand, retailers will be forced to think and act like media firms. In this environment, social media will become the most powerful sales influencer by allowing direct transactions at the point of inspiration. If customers are supposed to engage with a brand, content is now required. (Social) networks must be opened up to enable user-generated content that appeals to retail shoppers in particular. Customers must be given a voice by retailers for them to become brand ambassadors and drive sales. Customers enjoy hearing from their peers to relate, be motivated, and learn new ways to interact with the product.

VIII. Immediate availability

To meet their "nowhere, right now" retail expectations, customers would want shops to meet their demands promptly or even forecast them. Companies must evaluate their consumers' true demands as retailers are increasingly required to match changing customer expectations of product availability and delivery timeliness. This may not always be same-day delivery, but rather more accurate estimates of when delivery will take place. Customers want great, responsive service in situations where there is no room for uncertainty or

extended wait times. Successful players will stand out from the crowd by staying on top of things and going above and beyond to satisfy their customers.

Loyalty through convenience

Customers will be loyal to shops that provide the most convenience in their shopping experience, as time is one of the most valuable assets in our fast-paced and complex society. It takes time to go shopping. There's the kind of shopping that people enjoy because they're indulging themselves, and then there's the kind of buying that simply needs to be done. Customers in retail will progressively demand greater ease, even if it means not having to think about it and not having to do it themselves. Personalized concierge services and subscription models are just two examples of how shops can respond to this trend and provide customers with a simple and enjoyable shopping experience.

The ultimate brick-and-mortar experience

As the lines between physical and digital continue to blur, physical stores will be transformed into emotion-focused, experience-first spaces where brands may be explored and experienced through digital technology. To meet the demands of always-connected customers, retailers must rethink their store's purpose and layout. Because the physical and digital worlds will merge in the future, a holistic vision of the total customer experience across all channels must be developed and communicated to customers.

Death of checkout

A transaction will no longer be viewed as a separate event, but rather as an integral element of the overall shopping experience. Furthermore, store staff's roles will fundamentally shift to that of a trusted advisor, with a primary focus on assisting consumers in finding what they require. The use of cutting-edge technologies, particularly in the area of payment, will be critical in reimagining the retail shopping experience. What feels like stealing today, when customers can check out without having to deal with store workers, will become the norm in the future. When the transaction is no longer at the core of their everyday business operations, employees must be trained and equipped for their new roles and responsibilities.

Supply chain transparency and automation

Retailers' supply chains will become increasingly traceable and automated in the future, thanks to technological advancements. Customers will have complete clarity about what they're buying, and businesses will be able to fill orders more quickly. Consumers have become increasingly aware of what they will be consuming. Smart tags, for example, can make a product's complete supply chain visible to buyers, allowing them to learn where the product came from and how it was manufactured. Furthermore, blockchain technology can assist in the easy identification of counterfeit products via digital IDs and fraud-resistant databases, allowing buyers to be confident in their purchases. Robots, on the other hand, will operate side by side with people to execute warehousing tasks, making the total distribution process safer, faster, and more exact.

IX. Conclusion.

Retailers will undoubtedly notice that the expectations outlined above have already begun to materialize. However, if we anticipate what the retail industry will be like in a few years, these surprises will become the norm for future shoppers. Although no one can be great at everything, retailers must identify the areas in which they want to excel and beat their competition. Above all, a clear course of customer-centric activity must be established and navigated. All activities taken by organizations to convert their businesses into the digital age must generate value for their customers. To do so, businesses must first determine who their customers are, what they want and need now, what they might desire or need in the future, and through what touchpoints their message will be received at the appropriate time. Once the journey has been defined and the entire organization has signed on, the pace with which it is carried out becomes important. Because digital technologies are rapidly evolving and new ones are being deployed at an increasing rate, retailers must react swiftly and ensure that regular checkpoints are incorporated into their journey maps to track the genuine value they are providing to customers.

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