RETAIL
TRENDS
OF 2018

RESEARCH AMERICA
MARKET RESEARCH · CONSUMER INSIGHT

TABLE OF CONTENTS

INTRODUCTION

The retail industry faced many challenges in 2017, and it is likely to face many more in 2018. While some experts are warning of a coming retail "apocalypse", others are projecting a retail "renaissance." It's possible we'll see a little of both in the coming years, depending on the retailer.

Several macro-trends will significantly impact what happens in the next few years. The growth of global ecommerce continues at breakneck speed. In the US alone, ecommerce represents almost 10 percent of retail sales — and it's growing by 15% every year. In the coming decade, the US will see even stronger polarization of income, age, and ethnicity. The speed of technological advancement has increased radically in the past few decades, and will likely accelerate. Advanced information systems tools are available to glean quality information from vast quantities of data. The result will be greater transparency and faster answers to both business and consumer questions, transforming the ways in which retailers and consumers interact and conduct business.

The following review offers a snapshot of how this may play out in the future retail marketplace. Some of these trends are updates to projections reported in 2017, while some are new. Information presented is a compilation of learnings from a long list of published sources (see References section). This report is not meant to be all-inclusive, but rather, to provide an overview of some key trends in the forecast for the retail sector.

PERSONALIZATION

This year is all about "me." Consumers will go with brands they feel know them best as individuals. According to recent Epsilon research, 80% of consumers are more likely to do business with a company if it offers a personalized experience. Forrester Research predicts retailers will invest more in personalization efforts this year than any other area of retail.

Personalization is more than just sending targeted emails - it involves the entire customer experience. Expanding the sales associate/customer experience beyond the store visit via Mobile apps, chat tools and personalized pages allow companies and associates to engage more deeply with customers in personalized ways. Innovative companies are starting to use predictive modeling, machine learning and artificial intelligence to predict customer behavior and generate right-on-target messaging and product recommendations.

Luxury online retailer YOOX NET-A-PORTER, for example, is using artificial intelligence and machine learning to hyper-personalize a customer's mobile shopping experience. The tool selects clothing items based on a shopper's future plans — whether it's a wedding, a vacation, a party, or starting a new job. The online service Stitch Fix is a personal styling concept that uses an algorithm to deliver personalized packages of pre-assorted, curated clothing for men and women on a monthly basis. Lowe's Holoroom, Starbucks' payment app and Sephora's beauty stations are all good examples of retailers who are investing in personalizing the physical store, not just the online experience.

Terry Lundgren, executive chairman at Macy's, tells Forbes, "The whole concept of personalization is simply on steroids right now. It's all about the consumer in that one moment in time," he adds. "We're doing anything we can do to connect directly with consumers and make shopping convenient for them."
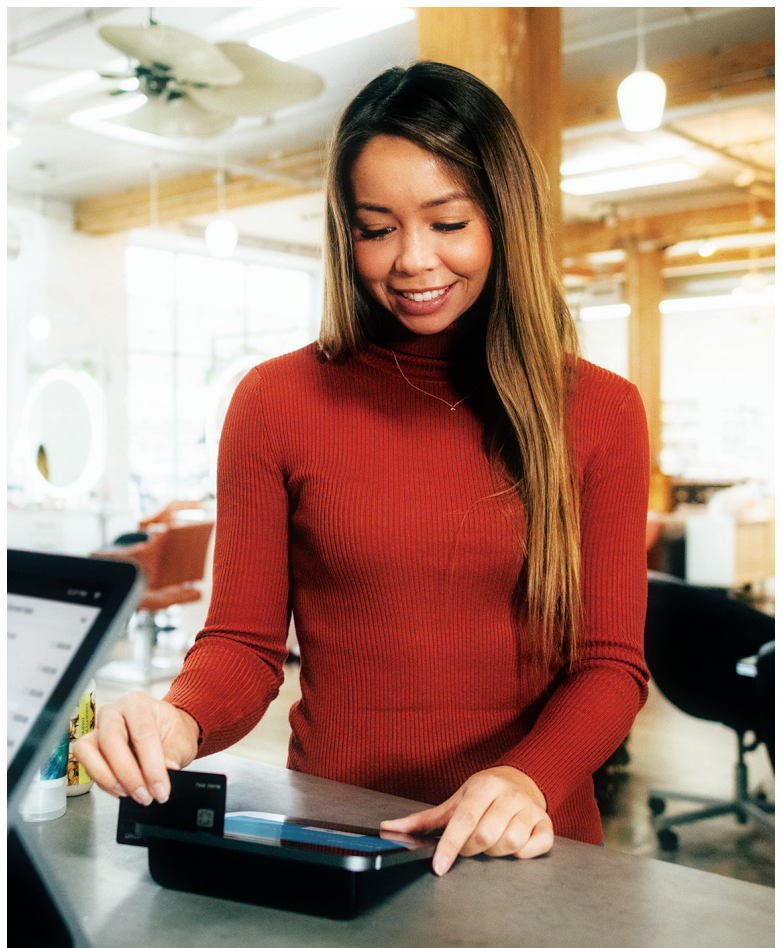
ARTIFICIAL INTELLIGENCE

AI is a growing trend across most industries at the moment, and it's easy to see why. It can process data far more efficiently than any human ever could, and when this is combined with machine learning and other emerging technologies, it can allow retailers to access much deeper insights than were previously possible. In 2018, more retailers will leverage Artificial Intelligence (AI) to interact with customers in a personalized, customized and localized way through tailored shopping recommendations, email, e-commerce and m-commerce portal layouts, marketing messages (including video), and promotions.

Machine learning algorithms are already being applied to e-commerce search engines to show customers product recommendations that are closely tailored to their personal preferences, rather than based on other shoppers' purchase behavior.

The North Face has already adopted IBM's Watson solution to match customers to their perfect outdoor jacket. By asking customers' questions, allowing vocal input, and even incorporating regional weather conditions, it's matching products to consumer needs – quickly, and from a customer's perspective, easily.

Similarly, Pinterest's recent chrome extension update enables users to select a photo and ask Pinterest to find similar items using an image recognition software.

Facial recognition, a technology that is embedded in the new iPhone X, will provide retailers with new means of authenticating, understanding, identifying, and communicating with shoppers.

Recommendations and marketing communications will not just change from shopper to shopper; they will flex based on consumers' locations and by daypart, delivering messages that are designed to resonate with consumers at specific moments, in real time.
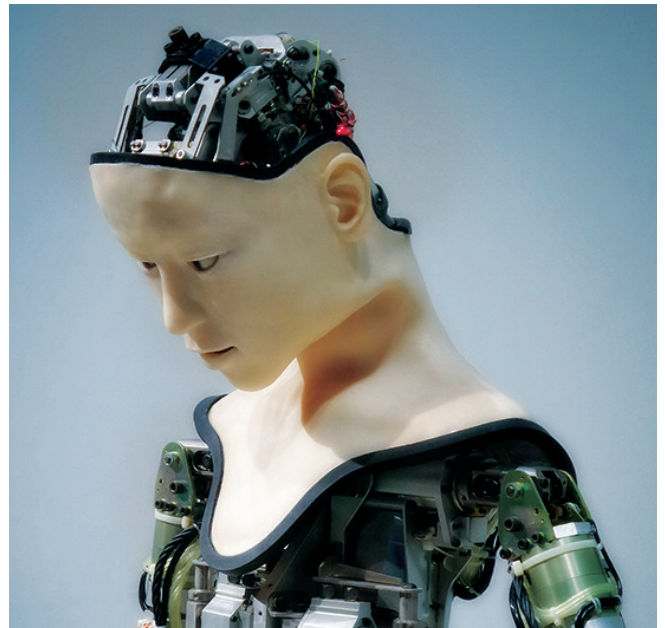
CHATBOTS

Chatbots are a blend of artificial intelligence, natural language processing, a data set, and a human interface. They allow for two-way communication between a "bot" and a retail shopper, and they have varying degrees of intelligence when communicating with a user (from scripted and programmed to moderately intelligent). More than 45% of consumers prefer chatbots as the primary mode of communication for customer service inquiries. Chatbots give brands the chance to interact quickly with their audience in a way that feels personal.
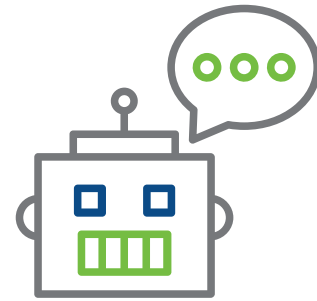
An assortment of retailers have implemented chatbots. Beauty Brands' chatbot gives shoppers a curated experience in finding holiday gift ideas. It asks compelling questions to gather information on the gift recipient, provides an almost natural discussion while conversing, and recommends a collection of gifts depending on the answers provided by the shopper.

Levi's partnered with a retail chatbot platform to create Levi's Virtual Stylist. This bot's goal is to help shoppers find the perfect pair of jeans, without having to waste time browsing the website or trying on a bunch of pairs in the store that don't fit. The Levi's bot asks users what they desire in their jeans' fit, rise, stretch, and wash, and even asks what size they are in other brands.

Starbucks' newest release, the My Starbucks Barista app, allows customers to speak to a chatbot and place their coffee order, asking contextual follow up questions, so that it gets even the most complicated order correct. Taco Bell's chatbot - Tacobot - is currently in private beta mode and requires a quick install. However, as soon as it is installed, you can start chatting and ask it questions about the menu, recommendations, special offers and dietary requirements, and even ask how Tacobot is feeling. Tacobot is connected to your ta.co account, so that all your favorites, including locations, are stored and transferred over. You can place your order for pickup or through their partnership with DoorDash, and have it delivered straight to your location.

Brands are using their chatbots as part of a comprehensive retail mobile messaging strategy. This approach enhances the shopping experience and allows a brand's followers to experience the brand in more intimate, personalized ways. Research by Oracle indicates that 80% of businesses already use or intend to implement chatbots by 2020.

DIGITAL VOICE ASSISTANTS

AI for retail is not just about chatbots – it also includes smart machines that extend human capabilities by sensing, comprehending, acting, and learning, allowing people to achieve much more. Many consumers now routinely use AI-driven technology features, such as digital voice assistants. The big three AI assistants – Amazon's Alexa, Google's Assistant, and Apple's Siri – are primarily accessible through smartphones and their respective hardware hubs: Echo, Home, and HomePod. Amazon is storming ahead in the 'home smart speaker' market with almost a 70% share. While Amazon rules the 'home smart speaker' market, Google owns the 'smartphone voice assistant' market with almost a 50% share—something in which Amazon has almost no presence.

Mintel's research has found that nearly half of US consumers feel that digital voice assistants are useful. More than 80% of 14-to-17 year olds currently use or are interested in using the voice-enabled digital assistant in their smartphones. Interest is not limited to younger generations - about one-third of consumers in every age group are interested in these features. Over 40% of millennials have used voice search before making a purchase online, and GenZ is likely to largely consist of voice-activated shopping natives.

Personal assistant devices are expected to reach a 10% penetration rate by May 2018. Nearly 36 million Americans use a voice-activated assistant at least once a month already - that's a jump of almost 130% over last year. Voice is now being extensively used for search, says Google, with 20% of mobile search queries being made via voice. Google estimates more than 50% of searches will happen via voice by 2020.

There are many benefits to interacting with computer-based applications rather than human advisors. They are available any time, demonstrate less bias, are faster to engage and provide service (limited wait time), and can be counted on to communicate politely. In the US, Target has already partnered with Google Home. Walmart and Google recently announced a partnership to allow shopping through Google's voice assistant, Google Assistant. Incorporating digital assistants in dressing rooms or in retail displays on store floors can improve customer service (such as having apparel in a different size dropped off at the dressing room thanks to commands that associates receive). Or, a voice interaction may allow a customer to get more information about a product and its availability.

VISUAL SEARCH

Visual search involves using an image reference to find similar products, and it's changing the way that consumers shop for products. More and more consumer journeys are starting with an image or a photograph. Visual search technology uses machine learning to find and recommend products online based on matching attributes like shape, color, pattern, or even texture.

Rather than a word-based search query, a shopper just has to snap a photo of the desired product to generate relevant search results. The result is a faster discovery of relevant products in which the customer is likely to be interested.

Visual Search can be used in many ways. For retailers, this may mean having a camera button, similar to a text-search button, whereas consumers can either take a photo or upload a photo of an item for which they want to shop.

Retailers that already offer a visual search option have noted a 8-13% higher conversion to purchase compared to text-searches. Additionally, a retailer then has the opportunity to up-sell to the consumer by displaying additional items and accessories, enticing consumers to buy more than initially intended.

In May 2017, Google introduced Google Lens, an AI-driven visual search app that reads and translates visual information. Point Google Lens at a restaurant sign, and it will show you reviews, which hours it's open, and then let you make a reservation for a table.

Kim Kardashian West launched ScreenShop late in 2017; the app uses any screenshot on your phone to find similar, shoppable items at prices you can afford. This year eBay announced two new visual search features ('Image Search' and 'Find it on eBay'), which use AI to draw on the company's vast bank of image listings data, surfacing relevant products from photo searches. Other companies testing the visual search feature are Target, which announced a partnership with Pinterest's Lens technology in September, and American Eagle, which integrated it into a recent chatbot messenger campaign. Tommy Hilfiger launched visual search at a fashion show in February, 2018. Other big retailers, including The Home Depot, Neiman Marcus, Amazon, and Wayfair have also launched visual search features. It seems likely that more will follow suit.

BROWSE AND BUY VIA MOBILE

In 2018, expect to see more shoppers complete purchases straight from their mobile device. Euromonitor International reported US mobile internet retail sales were 25% of total internet retail sales in 2017, and this is expected to grow to 27.4% in 2018. Globally, mobile retail sales are expected to reach 50% of all online sales. Mobile will become increasingly important to shoppers' engagement with retailers at all points - from browsing, to getting customer service, to paying. Shoppers are getting more and more comfortable with transactions over their mobile devices. This is not just about shoppers moving from desktop to mobile browsing and buying – retailers will engage more heavily with mobile shoppers through a number of services:

In-Store: Expect that brands will begin to leverage smartphones to better blend physical and digital experiences. A retailer with large floor space and a geofence can leverage phones to guide customers to the products they are shopping for – while providing additional services, like item details and comparison shopping.

Pre-Store: Smart retailers will invest in mobile platforms as a conduit to all other customer touch points; for example, allowing shoppers to use mobile devices to check for real-time inventory, set pickup and delivery times, and get notifications for deliveries or in-stock items.

Mobile payments: One-step checkout will be used throughout more sites: Amazon Pay, Google Pay and Apple Pay will account for the majority of checkouts, due to not having to enter all customer information and credit card information online. However, new mobile pay options are being introduced every day; for example, Walmart Pay, Shopify Pay, Target Wallet, Glance Pay (for restaurants) and even Starbuck's Order & Pay app.

Mobile-first loyalty programs: Those retailers that still offer only physical loyalty cards and coupons will need to follow shoppers to mobile. As Macy's and other retailers roll out new loyalty programs, expect them to take a mobile-centered approach.

Messaging and social media: More retailers will follow consumers to the channels where they are having conversations, offering service through communication and social media apps, such as WeChat, WhatsApp and Facebook Messenger.

AI-enabled personalized home pages: Small mobile screens make it even more important for retailers to showcase relevant products on personalized home pages, and they will use AI to achieve this.

THE CONTINUED EVOLUTION OF RETAIL SPACES

In 2018, the act of buying commodities (i.e. buying things because we HAVE to) will become less of a chore, thanks in part to auto-replenishing, one-tap purchases and auto-delivery. On the other hand, the demand for "cherish" retail – the experiential side of retail that involves discovering great products and socializing with others – will be stronger than ever. People will continue to visit physical stores, not because they want to "buy stuff," but because they want to get experiences that they won't find anywhere else.

Brands are continuing to redefine what it means to have a physical location – they are investing in brick-and-mortar businesses that focus on unique experiential moments. The Hershey Company launched a new, brand-immersive experience in Times Square in December of 2017. Hershey's offers an array of new experiences, including an in-store bakery offering freshly-made, baked treats and beverages and a display that allows customers to mix and match up to 12 of their favorite Hershey's candies. They can also personalize the wrapper of the brand's iconic chocolate bar. The store also features what it calls the "largest s'mores experience," with made-to-order s'mores served from an on-site, authentic camper. The goal of the Chocolate World experience is to "celebrate Hershey's heritage while emphasizing the brand's ongoing focus on innovation, imagination, and originality." The store is "a journey of discovery – a multi-sensorial experience that brings the sweetest place on earth to Times Square through sight, sound, taste, touch, and smell" (Monica Gerhardt, senior VP and principal, FRCH, which served as the project's design firm and architect of record).

According to a survey conducted by the consultancy firm, PwC, 52% of millennials and 39% of older consumers advised that they would be spending more on experience-related purchases in 2018.

Under Armour's award-winning flagship Brand House store in Chicago offers an immersive brand experience; with each sport-themed zone surrounding shoppers in the experience of that sport. Ulta Beauty also has a deep understanding of what customers want from their shopping experience. It combines high-end and drug store products to create a beauty superstore for its customers. Apart from this mix of products and beauty support, Ulta's main differentiator is its in-store hair, skin and eyebrow treatments that keep customers in their stores longer.

More and more brands are opening smaller footprint stores in high-traffic locations within new markets for the purposes of brand education and awareness – customer acquisition – while using their online stores as a method of fulfilling orders and nurturing the long-term customer relationships. These types of next-generation real estate strategies give customers a reason to visit storefronts beyond just the products, and help forge a more emotional connection with brands.

THE "ASSET–LIGHT" BUSINESS MODEL

The chance to sell product to the consumer is becoming a spin-off, rather than the driving force, of retail. Services will continue to replace ownership of things in 2018. Expect to see accelerated movement toward an "asset-light" world in 2018, as companies and consumers alike look to shed assets and switch to "as-a-service" models. Expect retailers to enter more service markets and make acquisitions of existing service providers as they seek to offer services that respond to underlying shifts in how consumers live and what they expect.

In retail, this will be reflected in the continued ramping up of marketplace sites where operators do not hold the inventory. Nordstrom Local, opened in Los Angeles in November of 2017, sets the pace, with no merchandise stocked. The service-oriented store carries no merchandise. Instead, the store offers styling, tailoring, manicures, returns for online purchases, and a beverage bar. Instead of a point of sale, the Local aspires to become a physical manifestation of the Nordstrom brand, creating indulgent customer experiences that can be completed with purchases through any of the retailer's other channels. This new retail format can create more personalized visits with less friction — shorter waits, fewer returns, and lower levels of frustration on returns and pickups. It is designed to eliminate multiple customer pain points, while also providing the retailer with information on tastes, lifestyles, and specific Behavior — all of which can lead to improvement of merchandise assortment in its other stores, as well as overall customer experience with the Nordstrom brand.

A new flagship store of Nike is scheduled to open in early 2019 on New York's Fifth Avenue. The fifth floor of the 69,000 sq. ft. store will sell no product. Instead, it will treat members of the NikePlus customer club to an exceptional level of service, providing access to "unique products, experiences and customization opportunities", Nike said. Members will have access to Nike Expert sessions – one-on-one appointments with an expert for personal shopping and advice.

CONSUMERS' "ASSET–LIGHT" LIFESTYLE

An "asset-light" or "lightweight" lifestyle is one of the trademarks of the Millennial generation. As opposed to an "asset-heavy" lifestyle in which you pay to own physical goods, the asset-light lifestyle is based on paying for access to goods, experiences and services. This trend continues to evolve and spread, and it is now beginning to impact older generations as well. Previously materialistic Baby Boomers are looking to downsize and simplify their lives. More consumers want access to goods rather than ownership, whether through sharing, swapping, renting, or streaming. Affordability, convenience and sustainability are key factors in the growth of the sharing economy.

For consumers, the move toward an asset-light world will also mean switching more spending – from conventional purchases of physical products to alternatives, such as rental, resale and digital options. Expect more consumers to rent products ranging from cars to clothing in 2018, and to give greater consideration to reselling products rather than retaining them. In addition, shoppers will continue to switch from physical products to digital alternatives, such as movies, games and music.

AUGMENTED REALITY

Augmented reality blends a person's current reality with virtual elements shown in the physical world. AR has been on trend lists for a while, but brands are finding new, innovative ways to infuse the technology into the shopping experience across all channels. In the fall of 2017, online furniture retailer Wayfair launched a new augmented reality mobile app that lets customers see products in 3D. Users can look at how a couch or lamp would look within their space, and then make purchases straight from the app. Magnolia Market is another example of an app that helps consumers visualize home and lifestyle products in their home through augmented reality before they buy them. Other recent uses of AR at retail include:

Lowe's has integrated augmented reality into its mobile app as well, but as a way to help customers quickly find products in its massive brick-and-mortar business through turn-by-turn directions.

Saks Fifth Avenue is rolling out a new augmented reality concept called the Salon Project, which allows clients to "try on" different hairstyles and cosmetics with the help of augmented reality programs installed in mirrors and on iPads.

Similarly, the **Sephora Virtual Artist** program is offered on the store's mobile app and in-store kiosks; it has been described as "an AR tool that allows customers to try on thousands of shades of lipstick, eyeshadow, false lashes, and many other makeup products sold at Sephora." The program even boasts beauty tutorials to teach patrons how to achieve specific looks.

In the new year, expect to see more augmented reality experiences like these to satisfy and delight the connected shopper. Technologies like AR are important for brands to provide personalized and seamless experiences for customers.

VIRTUAL REALITY

Virtual reality is "a computer-generated scenario that simulates a realistic experience." (Wikipedia) Using headsets or projected environments, users are present in imaginary environments and can look and move around, as well as interact with virtual features. VR is still in experimental stages, but it has obvious upsides for retail: removing the limitations of space and time, reducing marketing costs, etc. The downside is that it requires hardware and special headsets, which most retailers do not have and are unlikely to get because of high prices. Even so, expect retailers to create multisensory events as a form of immersive brand storytelling. These experiences will variously incorporate virtual reality (VR), sound, taste, scents, and temperatures. A number of recent initiatives and innovations are focused on enhanced experiences using AR/VR:

- In the summer of 2017, Topshop's flagship store in London offered a 10-day campaign during which customers donned a VR headset in order to experience a computer-generated waterslide journey through Oxford Street. Users slid down an actual slide in the store during the experience to enjoy the physical experience of momentum as they took their virtual journey.

- **Toms Shoes** is utilizing VR to give customers a first-hand look at how their purchases are affecting needy children in developing nations. When you buy a pair of Toms for yourself, another pair is sent to a person in need, absolutely free. Put on a headset and you're taken to one of these countries, where you can see children laughing and playing in their Toms shoes. The VR experience really helps customers make an emotional connection to their purchases and what those shoes enable, and its Toms' hope that this VR look will encourage customers to buy more shoes in the future.

- Sportswear retailer **Moosejaw**, owners of Patagonia and The North Face brands, is offering customers new 360-degree and virtual reality experiences designed to incite pre-shopping excitement. Individuals can download the Moosejaw VR app to virtually climb or camp in the Moab Desert, among other settings, while participating in mobile contests to win sportswear gear and gift cards. With virtual reality, not only can an online retailer replicate the in-store physical experience, but one can easily scale and expand the product experience by allowing the consumer to interact with the product in an entirely new, fun, and engaging setting.

According to Kantar Consulting, there are two ways that immersive technologies like VR can enhance the retail experience. First, retailers can use VR or AR as a tool that helps customers try and test products more easily, and in a more personalized way. Second, they can add an element of joy and surprise – completely new experiences that differentiate the brand from others. Stores are experimenting with virtual and augmented reality to engage customers. The technology will be one tool that retailers use to develop brand-building experiences that differentiate them from rivals and drive footfall.

CRYPTOCURRENCY, BITCOINS AND BLOCKCHAINS (Oh My!)

This trend will require some education for most people. Cryptocurrency is best thought of as digital currency (it only exists on computers). It is transferred between peers (there is no middleman like a financial institution). Transactions are recorded on a digital public ledger (called a blockchain). Transactions and the ledger are encrypted using cryptography, which is why it is called "crypto" currency. It is also decentralized, meaning it is controlled by users with a computer algorithm and not a central government. Bitcoin is one of many cryptocurrencies; other cryptocurrencies have names like "Ether," "Ripple," and "Litecoin." Cryptocurrency is roughly the equivalent of using PayPal or a Debit Card, except the numbers on the screen represent cryptocurrency instead of currency like a dollar. All a new user needs to do is set up a Coinbase account, also called a "wallet." With a Coinbase account, users can buy, sell and store cryptocurrencies like Bitcoin, and they can send and receive cryptocurrency.

When someone sends or receives cryptocurrency, that transaction is queued up to be added to the ledger. Many transactions are added to a ledger at once. These "blocks" of transactions are added sequentially. That is why the ledger and the technology behind it are called "blockchains" - it is a "chain" of "blocks" of transactions. Specific types of users called miners then try to solve a cryptographic puzzle (using software), which lets them add a "block" of transactions to the ledger. Whoever solves the puzzle first gets a few "newly mined" coins as a reward. Make sense?

So what's all this got to do with retail? While bitcoins and blockchain will not revolutionize retail tomorrow, there are enough changes coming and enough real players involved in innovation and investment, that retailers need to pay attention to how it will impact their industry. A recent study by Cognizant suggests that blockchain could help retailers address a variety of pressing business issues, including improving inventory

DIRECT–TO–CONSUMER SELLING

Next year, more brands will look to bypass retailers and sell directly to consumers. So far, the big moves in direct-to-consumer selling have been in nonfood categories, such as apparel. Nike and Adidas are among the brands growing their direct sales quickly through flagship stores and e-commerce sites. In 2018, expect many more brands, and grocery brands in particular, to adopt the direct-to-consumer model. Other brands, such as Away in luggage, Birchbox in beauty and cosmetics, Casper in mattresses, Dollar Shave Club in men's grooming, Hubble in contact lenses, Madison Reed in hair coloring, and Warby Parker in eyeglasses, have had success with the DTC approach.
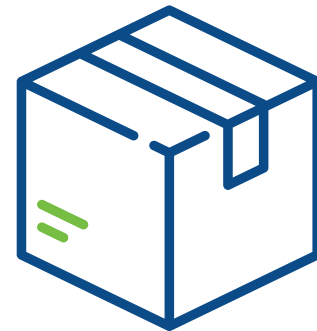
Campbell Soup Company recently announced that it would be testing its own online delivery service of its packaged soups, which suggests that even the longest-standing grocery brands are starting to look beyond conventional retail. The past month has also seen INS Ecosystem, a company that wants to cut retailers out of the grocery supply chain, launch its initial coin offering (an ICO is, effectively, a bitcoin-based version of an IPO). INS Ecosystem plans to launch its service in 2018, and it promises to deliver a decentralized system that directly connects grocery manufacturers and consumers.

There are several potential benefits of direct-to-consumer selling:

- Direct-to-consumer selling can help brands build a relationship with their customers that otherwise may not exist if the transaction takes place in a grocery store. With direct access to consumers and no distractions from competitors, brands can foster loyalty through carefully curated interactions.

- Direct-to-consumer selling gives brands access to the data that was previously only available to grocery retailers. This data gives brands valuable insight into consumer behavior. The data can be used to optimize the shopping experience, improve product selection and dictate marketing decisions.

- Direct-to-consumer selling enables brands to control every aspect of the shopping experience, from the initial search to delivery. Using data, brands can offer a more personalized experience to their customers, including relevant offers and customized content.

PARTNERSHIPS & COLLABORATIONS

Rapid industry change will prompt retailers to continue to collaborate with technology giants (including Amazon), logistics technology vendors and social media influencers. Brands are using strategic alliances to adapt in an ever-shifting retail landscape.

- Supermodel Heidi Klum has teamed up with supermarket chain Lidl to create a clothing line. The collection - 18 core pieces priced in line with Lidl's value mindset – appeals to time-starved shoppers who jump at the chance to scoop up a fashion item along with a quart of ice cream.

- Last fall, Ace Hardware announced it had acquired a majority stake in e-commerce startup The Grommet, the creator of products such as Fitbit, OtterBox and SodaStream. A collaborative partnership was started in 2016, and in just a short time, Ace determined that Grommet customers visited its stores over 50 percent more often than the average Ace Rewards customer, and spent almost three times as much money.

- To expand access, online design company Laurel & Wolf is collaborating with The Home Depot. They have created an exclusive, multi-platform design consultation and installation service called Pro Referral, powered by The Home Depot. Home Depot customers can work with Laurel & Wolf designers to create custom interior design plans and in-person services using materials from The Home Depot.

- Rent the Runway members have better access to the brand via Neiman Marcus; members can pick up and drop off rented apparel, access a stocked Dream Closet, and schedule in-store stylist consultations.

In 2018, shoppers will continue to shift their spending away from middle-ground generalist retailers and toward more specialized retailers and channels. Today, everybody is unique and difference is celebrated, whereas homogeneity was valued more highly in the past. This cultural shift is a key threat to long-standing generalist retailers who built scale by occupying the middle ground. In 2018, specialist retailers will be offering even more choices to steal dollars away from mid-market giants.

In 2018, more consumer dollars are likely to flow to the following:

• Focused brick-and-mortar specialists that have established strong identities, from specialist beauty stores to convincing, fast-fashion retailers.

• Niche Internet pure plays that target specific customer segments and resonate with specific demographics. High-quality value retailers, such as off-price stores, warehouse clubs and dollar stores.

• Nontraditional channels, such as rental, resale, subscriptions and digital-media alternatives.

• Non-retail categories, as lifestyle shifts will continue to benefit leisure services.

FGRT (Fung Global Retail & Technology) trends forecast that Internet-only retailers will capture an additional $45 billion in sales in the US in 2018, and that consumers will spend an additional $1.9 billion across the niche segments of apparel rental, beauty subscription services, online meal kit services and apparel resale sites. In total, that would strip an incremental $47 billion away from conventional US retailers this year.

At the same time, FGRT sees two types of generalist retailers winning shoppers and growing sales in 2018: those with a convincing, low-price specialization — think Walmart and Target — and major e-commerce platforms, notably, Amazon, which generates shopper loyalty through convenience and innovation.

A recent Coresight consumer survey confirmed that a fragmentation of spending is an overriding trend impacting long-standing US department stores. US consumers who now spend less of their apparel budget at Macy's than they used to were surveyed and asked where they are now directing that apparel spending. The survey showed that consumers took

As retail consultant Georganne Bender (Kizer & Bender) puts it, "Today's consumers want what they want, when they want it, the way they want it, and given all the shopping venues available to them, those wants are critically important." Here are some suggestions proposed by industry experts that might help retailers stay relevant in the continuously evolving retail marketplace.

Customer experience is the key to success. The commercial battleground is no longer just price, product or efficient supply chain. It is now customer experience. Make your in-store experience memorable. Provide both products and experiences in your store. Your customers need to experience the 'wow' factor that makes them feel like they're part of something special.

Ways you can make their experience worthwhile at your store:

• Send them a welcome message as soon as they enter your store.

• While in the queue, offer them a time waster – something to read, funny GIFs, memes or information about a new product.

• Speed the payment process by offering contactless payment.

• Offer rewards for completing tasks within the venue – for example, take a selfie with the latest technology or a new product display in the store, etc.

• Deploy beacons on mannequins. Push notifications about products displayed on the mannequins.

• Push recommendations based on shopping habits and preferences.

Put customer service, rather than price and promotions, back at the center of the shopping experience. Despite the numerous advances in technology, the need for great service will never go out of fashion, and services can set you apart from your competition. To determine the best services to provide to the customers, think about: What would make their shopping experience more convenient? What could make their lives simpler? What would complement existing products?

Examine the entire customer journey to identify areas of opportunity, including "brand-adjacent" moments where a strategic alliance could solve customers' needs and improve the overall brand experience. Recognize that customer expectations have changed, and retailers who don't meet expectations are no longer contenders. Stay up-to-date with consumers' changing expectations. Leverage customer feedback and connectivity on social media and messaging platforms to inform consumers of product and service strategies.

Focus on convenience and simplified consumer journeys using real-time insight about how customers interact with their mobile products and services to continuously improve each offering. Getting the right structures, processes, and practices in place to become genuinely customer-centric is key to every retailer's survival and success.

Don't give up on brick-and-mortar. Understand the balance of digital and e-commerce required in order to reach each customer. Understand how, when, and why customers are engaging with physical locations to identify opportunities that inform next-gen real estate, product, service, and traffic strategies. Give customers a compelling reason to visit stores by creating rich, experiential moments that go beyond the product and tap into the emotional elements of the brand.
Seek out partner alliances that increase customer traffic, or provide products and services that complement and extend access to a brand. Turn product and service customization moments into an experience that encourages customers to express their individuality and feel more connected to the brand.

Learn to navigate in a digital atmosphere that moves at a demanding speed. Brands and retailers create unique experiences with innovative approaches by incorporating technology to reach consumers at their exact moment of need. Pair that with the use of analytics to capture and act upon consumer insights in real-time, and these brands and retailers will succeed.

Look externally to help build unique and creative means of using technology. The best way for many companies to achieve successful implementation of technologies is to look outside their own four walls. Form a partnership with an expert in the field. Identify which devices consumers use most commonly, and integrate emerging technologies into moments and immersive experiences that complement and enhance day-to-day life. Test opportunities to pair various devices and technologies (think voice commerce applications, like Google Home and Alexa, RFID, beacons, mobile applications, the Internet of Things, wearable devices, etc.) to offer rich moments of connectivity that envelop the customer in real-life brand experiences.

Prepare for the future. Understand how artificial intelligence, augmented reality and virtual reality can help your business. Use these technologies to provide customers with an effective simulation of what using a specific product or service would be like. However, the use of reality technology should be aimed at effectively informing the customer's purchasing process and not simply be used as a "nice to have" technology to impress shoppers.

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