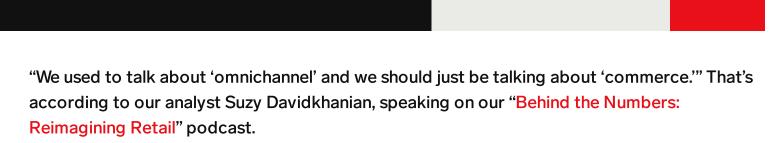
The future of shopping, retail tech, and returns, as explained by our analysts

Article



Davidkhanian and our analyst Carina Perkins broke down the driving forces behind some of our 2023 trends and predictions.





1. Consumers look for a "seamless experience" between digital and real life

"We've got an inflationary environment that's testing loyalty, but retailers can't always compete on price, so experience is going to become really, really key," Perkins said. "If retailers can find ways to reduce friction and make the in-store shopping experience and the digital shopping experience more enjoyable, then they're potentially going to have an edge over their rivals, even if they can't offer lower prices."

What to watch for: Stores will need to "pick a lane" and determine if they're focused on efficiency or on experience. In-store tech like mobile scanners, cashierless checkout, and QR codes offering information will become commonplace, especially for those focused on efficiency, while experiential stores will look to virtual reality (VR) and digital personalization kiosks.

2. Brands board the Web3 bandwagon

"Brands [that] didn't jump on the social media bandwagon early enough sort of got left in the dark," said Davidkhanian. They don't want that to happen again with VR and nonfungible tokens.

While these trends may feel overhyped, as digital perks become more normal, brands will want to cash in on any potential opportunities.

What to watch for: Brands will be sure to have some sort of metaverse, VR, or Web3 offering so they don't fall behind. Look out for features like offering digital versions of outfits to "twin" with virtual avatars, noted Davidkhanian.

3. Retailers disincentivize returns

"Retailers are looking for a way to protect their margin as best they can," Davidkhanian said. Returns take a huge chunk of potential profits, so retailers are looking to reel in ecommerce returns in particular.

For example, Zara charges for online returns, while J.Crew and other retailers have shortened the return window. These choices may make retailers less favorable for consumers, but at some point "the impact on margins from not charging for returns is potentially so big that retailers are going to be forced into it eventually," Perkins said.





What to watch for: Retailers will disincentivize returns through fees and shorter windows. They'll also look to VR and AI tech to offer more sizing and visualization of merchandise, that way consumers are less inclined to buy one product in multiple sizes and colors with the intention of returning items.

4. Click and collect gets even more streamlined

Click and collect is especially big in the UK, where 62.2% of the population will use the tech by year's end, according to our forecast. (It will be 52.7% in the US.) Expect consumers and retailers to embrace click and collect as a form of hybrid shopping even more this year.

"Since the end of pandemic-related restrictions, we've seen ecommerce sales start to dip back down because people have returned to stores at a much faster rate than we expected," said Perkins. "But click and collect continues to grow, and it's really outpacing ecommerce now."

What to watch for: Retailers will use click and collect to drive revenues through strategies like dark stores, where workers put click-and-collect orders together without getting in the way of in-store consumers. Retailers may also look to click-and-collect pickup as an opportunity to get consumers to buy even more at the "collect" stage.

5. Value rules all

The same words you've been hearing—inflation, recession, discounts, headwinds—will stick around for a bit. Middle-tier shoppers will keep trading down to less expensive options.

"Gone are the brands that could be a little bit of everything to everybody, and even those aspirational luxury brands like the Ralph Laurens or Coachs are really going to have to be careful [with] how they message," according to Davidkhanian.

What to watch for: Consumers will reach for less expensive and private label brands. Resale will continue to reign, fueled by both price and sustainability motivations.

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