RETAIL 2025
Predictions on Innovation.
ARE YOU READY?
RETAIL 2025
Predictions on Innovation.
Are You Ready?

Demographics
This research was conducted in February 2017 with 1,000 consumers across the United States. Independent business market research agency, Technomic, conducted the survey which examines consumer attitudes towards the role of emerging technology throughout the retail experience. This report is based on the results of this study.

Gender
52% female
48% male

Age
6% 18-21
35% 22-40
19% 41-52
34% 53-71
6% 72+
Demographics CONTINUED

Consumer Shopping Frequency

<table>
<thead>
<tr>
<th>Frequency</th>
<th>In-store</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple times per week</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Once a week</td>
<td>22%</td>
<td>15%</td>
</tr>
<tr>
<td>Two to three times a month</td>
<td>28%</td>
<td>25%</td>
</tr>
<tr>
<td>Once a month</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>Once every 2 to 3 months</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Once every 4 to 6 months</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Less frequently than every 6 months</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Never</td>
<td>1%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Technology Adoption Curve

- Take a while to start using new technologies: 37%
- Use new technologies when I see other people using them: 26%
- Use new technologies somewhat before others do: 23%
- Use new technologies before anyone else does: 12%
- Avoid using new technologies: 2%
INTRODUCTION

Although prediction is a tough thing to nail, anticipating consumer trends and deploying innovations that enhance customer experience (CX) and in parallel simplify operations, is vital to the long-term health and wellness of your business.

Innovation is not linear or scheduled; you can’t schedule an innovation day and expect a holistic shift in your business—it’s a constantly evolving and iterative process which not only requires ingenuity but discipline to apply data to validate assumptions and continuously improve. Innovation happens because of consumers, dreamers and doers. Innovation listens more than it speaks.

Oracle Retail’s annual consumer research examines consumer sentiments toward a variety of retail technologies—from wearables and virtual reality (VR) to drones and driverless cars. What we found is although consumers are interested in new technologies throughout their shopping experience, just because you’re offering the tech doesn’t mean it will drive an increase in shopping frequency.

Before we look ahead, it’s important to level set on retail today.

1 Peak Trading was up 4.4% globally for calendar year 2016. Generally speaking, this is a positive trend for the industry. Although online and other non-store sales make up the lion’s share of growth (12.6% unadjusted year-over-year), we are continuing to see strong performance from retail sectors that have invested in customer experience and seamless omnichannel execution. Brands like Sephora, ULTA Beauty, adidas, Dick’s Sporting Goods, TJX, L Brands, Aerie and Old Navy are executing against winning strategies and their revenue, store growth and customer satisfaction ratings prove the point.

2 The Stay at Home Economy, as defined by CNBC’s Jim Cramer, flourished in 2016. This trend is fueled by individuals aiming to save money and millennials who essentially hate talking on the phone and dealing with cash. Companies like Domino’s, Amazon, Etsy, and Netflix are beating forecasts compared to Wal-Mart, Target, and McDonald’s who are slipping.

3 Amazon’s self-service grocery store opens for employees in Seattle, misses early 2017 deadline for public. On the surface, this is not new. Self-checkout has been around since 1978 and retail has had self sensors since the 1980s. However, regardless of whether Amazon hits their targets for Amazon Go go-live, they have made it clear that their business is built upon the margins of traditional retail and their business model has forever changed the consumer perception of convenience.

With that backdrop, let’s take a look at what consumers said about the role of technology in the retail consumer experience.
Retail 2025
Results

The Retail 2025 study explored a variety of emerging technology including 3D printing, artificial intelligence, driverless transportation, robotics, wearable technology and virtual reality. The findings fall nicely into three key categories which illustrate the consumer sentiment and potential impact on retail operations:

Smart Gets Smarter

Artificial Intelligence (AI), Virtual Reality (VR) and Augmented Reality (AR) all present an opportunity to better anticipate the consumer’s next move. Establishing a strong foundation of trust is critical to success when incorporating this technology to offer new experiences to your consumers. If you overstep; the reaction can be visceral. Our research findings clearly indicate that consumers have a conservative appetite for retail technology that requires deep personal data and makes decisions on their behalf. On the contrary, warm attitudes toward helpful recommendations and convenience point to consumers’ willingness to adopt new technologies if they are in control.

Fast Gets Fierce

Personalization Gets Perfected

Smart Gets Smarter
AI technology varies greatly in sophistication—from automation and reactive machines that can analyze options and select optimal ones, to limited-memory devices (as found in autonomous vehicles), which can use past experiences to shape future decisions. The recent surge in AI research coincides with the deluge of big data. AI’s ability to identify patterns and glean insights from data—now available faster and in greater quantity and variety—yields advantages for retailers when applied properly.

Oracle’s planning and optimization suite leverages embedded science including machine learning to help planners create targeted assortments by incorporating not only customer data but also environmental and market analytics to offer further localization and specialization of assortments. Through the availability of new data and AI the traditional definition of ‘like item’ has changed to ‘like circumstances’ in forecasting demand. By breaking this traditional model Oracle Retail has in some cases achieved forecast accuracy of greater than 90% across categories.

As we look to the future, AI and cognitive computing will add even more agility for retailers. Oracle is investing significantly in this space to build a transformational startup within the company. In addition, Oracle Retail is working with MIT Labs to anticipate rapid changes in customer preference in order to simplify the selection of optimal price and promotion across what is an increasing number of combinations available to retailers and their customers.
58% of consumers indicated a positive attitude toward the idea of having their grocer suggest a shopping list for their approval based on purchase history, social and environmental data.

15% of respondents indicated that if their discount department store offered this option they would visit more frequently.

54% of respondents indicated that having a grocer automatically charge and ship items based on purchase history, social and environmental data was invasive.

19% of respondents indicated that if their discount department store could automatically charge and ship items based on purchase history, social and environmental data it would improve their experience and they would use the technology.
For nearly three decades, VR has been used for training, especially for dangerous or difficult tasks, but as the cost comes down consumer applications continue to rise. Virtual reality still may be most readily associated with video games and entertainment, but when we asked consumers how they felt about using it to preselect items for in-store pickup their reaction was very positive.

64% of respondents liked the option of using virtual reality to navigate a personalized in-store experience and having a hand-picked wardrobe to try on in-store.

21% indicated that if a retailer offered this option they would visit more frequently.

36% of consumers said the option of navigating a personalized store without ever having to leave their home would improve their experience and they would use the technology today.
Fast Gets Fierce

Velocity in retail is critical and it will only get faster. Being able to go from concept to customer in a matter of days compared to months is not that far off when we consider 3D printing and drone delivery. The Retail 2025 study found that consumers view behind-the-scenes order fulfillment by robots and near real-time delivery to their doorstep by drones favorably. They also view the notion of being able to procure custom-made accessories via 3D printing as an interesting option. However, it doesn’t mean they are ready to take advantage of the offer yet. And consumers are definitely not ready for robots to select their outfit.

3D printing

Over the past decade 3D printing has moved from being a technology that enables marketers and engineers to create prototypes, to one that is used to produce final consumable products.
International sporting and footwear retailer adidas recently unveiled their latest 3D printed shoe, Futurecraft 4D. TechCrunch marked this latest release as the tipping point for adidas to make mass production with 3D printing a near-term reality.

The impact of fast fashion is undeniable. Flagship brand of Spanish retail group Inditex, Zara, attributes their ability to get ahead of trends and push product to store shelves in record time to their store managers. According to their CEO, “This model relies less on formal marketing reports and sales figures to drive design decisions and instead relies on observational research. At the center of that strategy are Zara’s store managers, who listen to what customers are requesting and looking for on their racks—and relay that intel to the company’s headquarters.” Imagine what a brand like this, famous for taking a coat from design concept to store shelves in 25 days, will be able to deliver with 3D printing in stores.
Numerous auto manufacturers and technology companies are pursuing autonomous vehicle (AV) development, but Google’s 2010 test fleet of self-driving cars traveling more than 140,000 miles of California roads piqued the public’s interest. Fast forward to 2016 and Domino’s successfully delivering the first pizza ever by drone to a lucky couple in New Zealand. According to an article on CNBC.com, the pizza traveled 20 miles in 5 minutes.

The general consensus is that drones and driverless cars both promise efficiency and speed. And although some fear job losses, most companies looking at these technologies as part of their supply chain see new job growth for operators and fleet management. Based on our research, consumers are keen on the concept of drone delivery.
Personalization Gets Perfected

The interesting thing about personalization is that consumers want it, but they are still hesitant to give you the data you need to make it real for them. On the flip side, they expect retailers to make data available to them, and tailor information about product components, origin and recalls to their specific buying patterns. In our 2016 consumer research, we found the same expectations to be true.

wearable technology

Wearables are becoming as ubiquitous as smartphones. The terminology encompasses all forms of technology that can be incorporated into accessories or clothing and worn on the body. That makes an array of objects, from watches and jewelry to fabrics and footwear, potential candidates. Among their signature traits: providing users with data-input capabilities and real-time access to information—all in continuous, convenient, seamless fashion.
At the 2014 U.S. Open, Ralph Lauren outfitted the ball retrievers with athletic shirts that had conductive silver-coated thread woven discreetly into the fiber. Per the company, that shirt was the first item of tech apparel to be introduced by a mainstream fashion label. The shirts monitored heart rate, breathing and stress levels, collecting data for display on a dashboard, phone app or computer screen. The applications for professional sports are obvious but think about the opportunity for the athleisure market; every yogi, hiker, biker, swimmer, runner and weekend warrior from pre-millennial to boomer is a candidate for better health and wellness monitoring.

We asked consumers how they felt about tying their wearable tech (in this case a FitBit or Jawbone) to their preferred retailer for recommendations and here’s what they said:

- **54%** of respondents viewed the concept of linking their wearable activity tracker to their pharmacy so they can suggest products to meet specific health and wellness needs as favorable.

- **50%** of consumers favored applying this concept to their grocer but only 21% said they would use the technology today.

- **14%** of consumers said that receiving recommendations from their pharmacy or grocer for products based on their wearable tech device data would motivate them to visit the retailer more often.
The concept of personalization extends to the notion of how a retailer communicates with their customers. Having a one-to-one conversation with your customer isn’t new—it’s something marketers have been after for years—but in the specific case of customer care, that one-to-one conversation is increasingly important.

Regardless of the retail sub-vertical, product origin, source components, details about production and even workplace conditions are top of mind for most consumers. In our 2016 global research, *The Power and the Money*, 43.5% of consumers stated retailers should make it easier to find out where their food comes from, whether shopping online, in-store or on mobile; 42% wanted assurances that the food they buy was responsibly sourced and 40% of consumers expected in-store staff to be able to answer detailed questions about issues such as quality assurance, ethical sourcing and authenticity. In this year’s findings, the response rates were even higher in favor of receiving real-time information on purchases:

- 78% of consumers favor the option of having detailed information about product components (e.g., cotton, spandex, etc.) and their origin prior to purchasing.
- 46% of respondents indicated that receiving real-time alerts on current product recalls, and time since last recall by a manufacturer, based on previous purchase history would improve their experience.
- 74% of consumers favored the option of having detailed information on a company’s sustainability practices and materials management in respect to environmental and/or social stewardship.
- 19% of consumers said they would visit a retailer more often if this information was made available.

*Oracle Retail 2025*
Retail 2025

PREDICTIONS

In looking ahead to 2025 we expect to see consumers continue to grow increasingly comfortable with sharing their data with trusted brands so that they can enjoy more personalized experiences. We also expect to see an increased demand for faster delivery and convenience. Our prediction is that Fast Fashion will become Fluid Fashion and from the consumer’s point of view, My Home will become Your Store.

Ultimately, the success of a retailer will largely be determined on a brand’s ability to attract and retain top talent, and cultivate a culture of innovation. From data scientists to drone fleet operators – the War on Talent will become a Talent Famine for retailers that do not have innovation at the center of their brand.

At Oracle Retail, innovation is part of our culture. We wake up every day and define new ways to empower retailers to own their own destiny and execute winning strategies that anticipate market demand, simplify operations and inspire customers and associates alike.

Learn more about Oracle Retail and our global community of 5,000+ customers.
FOR MORE INFORMATION

Please contact us:
OneRetailVoice_ww@Oracle.com
www.oracle.com/goto/retail
@OracleRetail
www.facebook.com/oracleretail