

## Big Data Trends in 2016

Top 8 Trends in Big Data for 2016. Get the Whitepaper!



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# Retailers Running Scared Turn To Technology For Salvation



Macy's will close 40 stores this year, as the retailer looks towards online and mobile shopping. (Michael Nagle/Bloomberg)

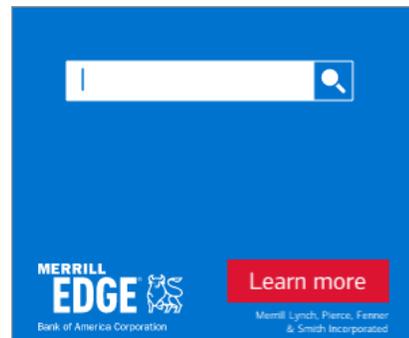
Will [robots that assist you in trying on clothes](#), or “[smart data](#),” not be confused with “big data,” help save the [retail](#) industry?

Technology has become the preoccupation of a sagging retail sector, evidenced by the National Retail Federation's [Big Show](#) last month in New York.

Sessions buzzed with endless talk of the Internet of Things, digitally connected stores, omni-channel commerce, unified commerce and channel-less commerce. But an unspoken panic loomed.

Just as technology has disrupted our everyday lives (how many times have you checked your smartphone today?) it has thrust the retail industry into reset mode.

Online and mobile shopping is siphoning business from good old-fashioned retail stores, and technology has changed our relationship to buying. Shoppers are researching products



online so when they get to the store, they have their eyes squarely on the prize. They linger less, which cuts down on store visits and impulse buys. What's more, malls are no longer the hangouts they once were for young folks.

And perhaps most concerning for retailers: The notion that shopping is America's favorite pastime is being challenged. These days, people are spending more on doing stuff — eating out, traveling — [than buying stuff](#).

It's all fed retailers' frantic, myopic focus on technology as the cure to the industry's ills, although it's too early to know what those elixirs should be.

The shopping blueprint in the nascent and unprecedented digital era remains a moving target.

And as technology's role in the retail sector continues to unfold, some big questions hang in the air. How big will mobile commerce become? How will the Millennials, those digital natives who will displace the Baby Boomers as the country's largest buying group, alter shopping?

While retailers might be compelled to roll out all sorts of technology and digital platforms to keep pace, they should tread cautiously. In the early stages of the digital revolution, today's hot new retail concept can quickly become tomorrow's has been. (Remember all those Groupon groupies?)

### **A 20th Century Brick-And-Mortar Landscape In A 21st Century Digital Economy**

Although technology dominates retail discourse these days, the bulk of shopping is still generated in brick-and-mortar stores. So retailers need to first address what needs fixing at the mall and in the shopping aisles.

A cursory look at the economy suggests consumers should be buying more. Unemployment rates and gas prices are down, while personal consumption rates are up.

Still, retail is in the doldrums. During the show, economist Paula Campbell Roberts, Morgan Stanley's executive director of research, pointed to underlying issues that have long-term consequences for consumer products buying.

For one, income inequality persists. Wealthier consumers continue to account for an increasingly bigger chunk of the nation's income, just as sluggish wage growth, rising healthcare costs and escalating rental costs, as fewer consumers own their homes today versus a decade ago, are "squeezing the middle income consumer," she said.

So a disappearing middle class has less disposable income, just as shoppers across income groups are buying fewer tangible things these days. Yet the U.S. boasts ten times the square footage of retail than most other countries, James Dion, industrial psychologist and president/founder of retail consultancy [Dionco](#), told Forbes.

"It's kind of like, 'duh?' We're overstored," he said. The nation's

massive store count is a throwback to the pre-recession, pre-Internet era. “There are so many class B retail malls and retail companies that have no reason for being. Add on the reality of online shopping, and it’s a disaster.”

In turn, Macy’s will shutter 40 stores this year, and Kohl’s just set plans to close 18 stores. But for many merchants, particularly old-school chains, trimming dozens of stores here and there likely won’t cut it in the long run. Remaining a viable business sized for a new shopping climate will mean shedding hundreds of stores.

### **Solution-Driven Retail [Tech](#)**

That’s not to say that technology won’t also play an integral part in righting the retail ship. But it must meaningfully “serve as a problem solver and figure out a clever way of doing something,” Paco Underhill, CEO of retail consultancy [Envirosell](#), told Forbes.

Retailers rushing to add to digital bells and whistles to their businesses should take a breath, and then take a cue, from technology that fulfills and unmet need and offers new lifestyle conveniences and enhancements, as is resonating with shoppers. The hot market for wearables, like the ubiquitous [fitness-tracker wristbands](#) that measure a person’s activity level, is one example. It’s technology aptly timed for a shopping base increasingly consumed with health and wellness.

Underhill cited [Asive’s](#), a New York City dress boutique featuring an app that lets shoppers register a dress they purchased, as well as the event they’ll be wearing it to, be it a prom or a charity ball. The store then guarantees that no other customer will wear the same dress to the same function.

It’s an example of a retailer offering a new technology solution to an old problem, as it seems that classic “I Love Lucy” episode still holds true: Data shows that “women don’t want to turn up at the same function as someone else, wearing the same dress,” Underhill said.

### **Power To The People**

Consumers’ changing shopping inclinations suggest that user-generated digital content will become an increasingly effective marketing tool for both retailers and consumer products brands.

Amid a rising chorus of shopper discussions online, from customer reviews to social media chatter, both retailers and CPG companies are finding that the authentic voice of everyday people can serve as a more effective marketing tool than company generated, self serving brand messages. A “yah,” or “nay” on a product from a shopper is often perceived as more credible these days than an ad.

As a result, brands are exploring ways to tap into the heightened influence of shoppers’ product opinions by harnessing the data gleaned from shopper-to-shopper online exchanges.

At the NRF show, L’Oreal Paris France showcased a Microsoft [consumer-to-consumer tool](#) on its web site designed to engage shoppers, increase loyalty, identify product hits and misses, craft more personalized marketing messages, and drive sales.

Shoppers who visit the site type in their questions for fellow consumers, be it on hair coloring results or make-up. Site visitors then weigh in with advice and share first-hand experiences. Frequent advice givers are granted “brand ambassador” status, and rewarded with personalized, L’Oreal gifts. In turn, L’Oreal can take these user-generated insights to their retail partners.

The online tool is currently offered on the L’Oreal Paris and Lancôme France websites, and will be coming to the U.S. market.

### **Get Them Hooked**

The most successful products and services in recent years, Facebook, Twitter and Google, have grabbed consumer mind share and massive followings sans advertising, said Nir Eyal, author of [Hooked: How to Build Habit-Forming Products](#), [during a show presentation](#).

The lesson for retailers is that the hook of these social networks is their habit-forming nature that has altered consumers “day to day lives,” he said.

For many, Facebook serves as a trigger to satiate an emotional need – from alleviating boredom to loneliness. Its rewards range from a “like” from a “friend” to banter on the site, which can provide “social validation,” Eyal said. Facebook is also designed to endlessly indulge users’ curiosity and evoke a sense of mystery, as you’ll never know what you’ll find scrolling through your Facebook feed, or how interactions with friends will unfold.

This trigger, action, reward and mystery formula is one retailers should keep in mind when they consider how to keep consumers wanting more from their stores or products. “Do you know your customer’s internal triggers? What is their itch?” Eyal said. “The product that owns the monopoly of the mind, that forms a habit, wins at the end of the day.”

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