

**FUTURE OF
RETAIL CX**

Introduction



David Walsh
Chief Business Officer

Putting audiences at the heart of the retail experience

At Mindshare we believe that audiences are our number one client. Ultimately it's through creating valuable experiences for them, that greater business value will be driven for brands.

We believe that this is never truer than in the continually adaptive and constantly changing world of retail. With the increase in technical innovations and connected devices, consumer expectations of their shopping experiences are higher than ever before.

Retailers must adopt new strategies designed to deliver a seamless and engaging consumer experience. Designers will need to consider simplicity, ease, mobility, technologies and many other factors to ensure amazing consumer experiences across both digital and physical.

It is critical to understand people's changing needs and shopper journeys. Identify the right data signals and uncover insights to deliver increasingly relevant and timely personalised connections. Create memorable moments and connections that differentiate your brand in people's mind. Translate your story into many different mediums from Facebook to Pinterest, that build emotional affinity and longer-term loyalty.

There will be a responsibility to deliver both products and service. Whether it is through AI, AR or other emerging technology, brands need to continually experiment with new innovations, thinking about how they can add to the total experience, blending science and the art of shopping.

This report identifies 5 key marketing and communication trends for retail brands to consider for the year ahead.

All quantitative data included in this report has been sourced from a bespoke 1000 sample survey of 18+ smartphone owners in the UK.

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Top 5 Retail Trends



1 Game of Phones

If you only get one thing right in 2018 make sure it's mobile. It will act as the glue that binds together multiple brand touchpoints for the shopper, providing a hub for data collection, payment, store and location-based experiences, convenient purchasing and much more.

2 Conversational Commerce

The opportunity to interact with consumers is shifting dramatically as messaging apps, chatbots and voice-enabled technology allow brands to have direct, automated conversations 24/7.

3 Re-stored

With e-commerce addressing the demands of time-poor shoppers, at the other end of the shopping spectrum, brands are increasingly using their physical spaces to slow the interaction down instead - encouraging shoppers to spend time with their brands through the creation of memorable immersive experiences. Stores are changing format and becoming more connected to provide unique and personalised experiences, transforming them into new hubs for marketing and communication.

4 Data Reboot

Data is the lifeblood of truly great customer experiences, with the ability to connect consumer touchpoints, facilitate seamless brand interactions and provide unique shopper journeys. The introduction of GDPR means that not only will data management systems and procedures need to be in tip-top shape, but consumers are going to become more aware of what brands are doing with their data. Meanwhile with AI and IOT also bringing a whole new dimension to data, 2018 will be the year that retailers really rethink their approaches and step up their efforts to personalise the customer experience.

5 Brand Almighty

Strong branding and creating emotional connections are more important than ever in a retail world of increasing commoditisation, algorithmic recommendations and new disruptors to market. Brands are adopting a whole host of new tactics to strengthen the might of their brands.

1 Game of Phones

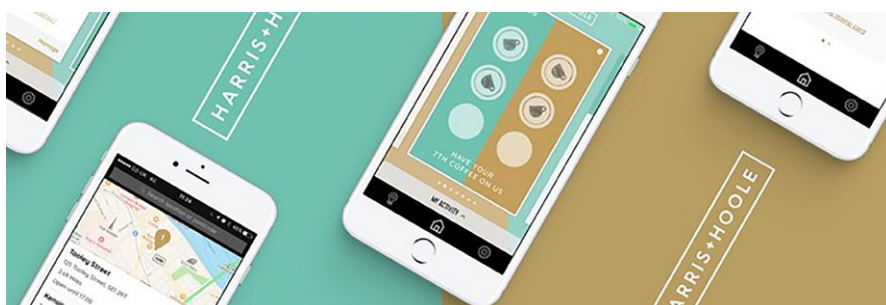
Every year in marketing we hear that 'this will be the year of mobile'. This has been broadly true, as mobile has continued to grow apace, transforming our lives and our industry year upon year. Now we see growth slowing, but only because mobile has become truly established with over three quarters of the UK population owning a smartphone. Mobile has become our channel of choice for internet access, with over two thirds of our online time spent either via tablet or smartphone. We have become an 'on the go' nation and as faster connections and new use cases for mobile evolve, these devices are set to enhance our lives even further. The effect on the retail sector in 2018 will be more pronounced than ever before. M-commerce sales will continue to grow at pace, as people become ever more comfortable purchasing on the go and brands improve their mobile propositions and strategies. But the main area for retail transformation will be the changing role of mobile itself. We will start to see the early stages of mobile acting as a hub for the entire brand experience, connecting a plethora of brand interactions and touchpoints. This will be most noticeable in the following areas.

Payment and loyalty schemes

Mobile payments are growing in popularity, but contactless is still winning the game. Mobile, however, will start to pose stiffer competition in 2018 now Apple have removed their £30 limit for Pay, as commuters become more comfortable paying for journeys using mobile and as other retailers are offering their own mobile payment solutions. Payment via facial recognition is also starting to be introduced. Linking mobile payment with other brand interactions, such as loyalty schemes is becoming an area of focus. Walmart and Tesco have both tried this recently, although it does rely on consumers downloading separate brand specific mobile payment

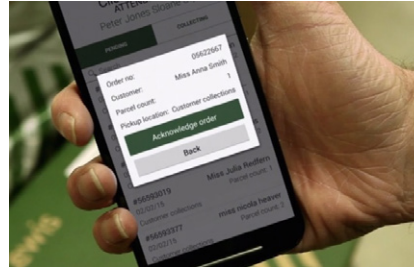
Harris + Hoole App

Offers the ability to customise drinks orders, pay via mobile and links to digital loyalty card to get free coffee.



Localz

App that facilitates Click and Collect from participating retailer's stores and informs the retailer when customers are in the store to collect.



apps. In the longer term, there is much talk around mobile payment replacing the traditional till-based checkout. With retailers like Amazon and Alibaba trialling out completely checkout-free store formats, it is easy to see how this format could take off in the future, with mobile seamlessly tracking and authorising purchases, with no need for cash, wallets, or cards.

65% can see people using mobiles more in the future to make their in-store experience better.

In-store personalisation

Mobile will also start to integrate with the in-store experience much more, providing a level of personalised service and location based experiences that were never possible before. The number of consumers using their mobile in-store will increase as brands make better use of location-based technology, linking it to other data points. Imagine a world so integrated that a staff member is alerted via mobile when a shopper enters a store armed with their individual purchase history and brand preferences. Consumers will use their

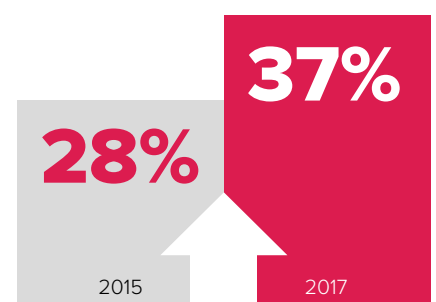
mobiles to connect with the right member of staff, track an item, check relevant stock information, tap into location based offers or be guided to the right area of the store. AI solutions accessed via mobile, such as store based chatbots and AI assistants such as Siri will assist with customer service and enhance the brand experience. Additionally, as stores become even more connected, new data sources (such as chipped products or smart shelves) will link to mobile. This will allow us to pinpoint a customer's in-store location and track their activity at any given time – for example, we will know what items they have picked up or tried on. This opens a whole new world of marketing communications, with mobile at the centre of that experience.

Augmented reality in-store

The use of mobile-based augmented reality in retail is set to grow imminently, due to its easily accessible nature for consumers. AR offers the opportunity for more exciting and tailored shopping experiences in-store. It could be used from a practical perspective to spice up personalised offers, displays and product information, or to provide more of a branded experience with physical products. Either way, AR offers unique and immersive experiences that will encourage shoppers to spend more time engaging with a brand - the perfect amalgamation of physical and digital shopping.

These developments combined, will create a richer data set that can be used for more effective targeting and personalisation. Mobile will become the seamless link between brand interactions and touchpoints, bridging the gap between online and offline to such an extent that such definitions will no longer be important. It will be the platform to deliver truly integrated and personalised experiences with data at the helm.

37% use their phone or tablet to research products whilst they are in-store. Compared to 28% in 2015.



2 Conversational Commerce

Attention spans are shortening. We are increasingly juggling multiple tasks in a world with ever more options and choices to be made. Everything needs to be as easy and hassle free as possible and we have become accustomed to getting it now. Technology has helped foster a culture where we crave simplicity and instant gratification. For brands, text and voice are the perfect channels to offer simplicity but not always instant gratification, as humans are not always available to respond 24/7. To help with this, brands are turning to machine learning and AI, using technology such as chatbots, messaging apps and voice enabled devices to replicate immediate human interaction with customers using an informal conversational style.

These technologies are rapidly becoming more natural and intuitive and offer brands the opportunity to talk to customers in a more personalised and meaningful way, as often as they would like. For consumers, they provide convenience and speed and the chance to contact brands 24/7. This form of 'conversational commerce' has been a key element of brand communications for a few years now in Asia and 2018 will be the year we start to see significant growth in Europe.

Chatbots

Brands from all sectors are experimenting with AI powered chatbots - computer programmes designed to simulate conversations with humans. Chatbots use natural language processing to understand the meaning behind a body of text and can be hosted within a brand's own assets such as their websites and apps or via popular external platforms such as Facebook Messenger, Twitter or WhatsApp. Chatbots using messaging apps are proving particularly successful. As there are already a multitude of users that are familiar with using these apps - there is no need to download a specific app and conversations can all be kept in one place.

Retail brands such as Shop Direct, Domino's, Starbucks, L'Oréal, Macy's and Waitrose are using chatbots for a multitude of purposes. Chatbots are being used to order products, make changes to bookings, take payments, take up offers and lodge complaints - all via instant message, without the need to go outside of messaging platforms. This offers shoppers a level of personal service that is intuitive and fast with no need to phone or visit a store or website. Chatbots can also enhance the in-store experience,

MyStarbucks barista

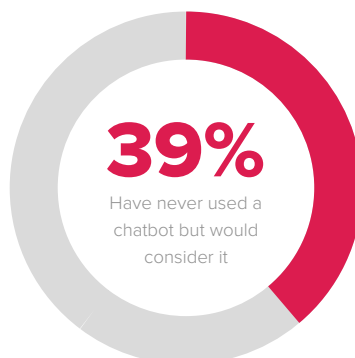
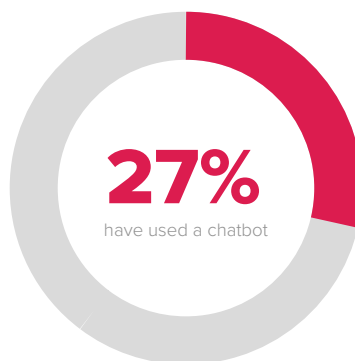
Voice activated chatbot that enables customers to place orders via voice or text



helping shoppers locate products, access product info or receive suggestions for complimentary products. They can also help improve browsing experiences online and provide inspiration via personal shoppers and stylists that were previously only available to the few. Some retailers have also been trialling chatbots for their staff, which enable them to find information more quickly for customers.

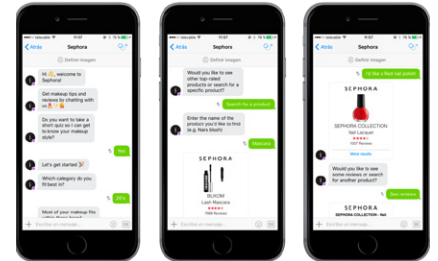
6 in 10

25-34s find it easier to **chat to brands via text, online chat or messenger apps**



Sephora chatbot

Offers make up tips and product recommendations via instant message platform Kik



Voice assistants

In addition to chatbots, we have also started to see conversational commerce take off in the form of voice assistants, which similarly offer both simplicity and instant gratification for the shopper. Usage of voice assistants such as Google Assistant, Alexa, Siri and Cortana is on the rise, being driven by the adoption of smart speakers such as Amazon Echo and Google Home. Currently these assistants are mostly being used to carry out straightforward tasks and the amount of people using them to actually purchase products is low. However, as consumers become more comfortable using them and the technology becomes more intuitive, meeting expectations, the situation will change. They will become more widely adopted when the combination of a screen is added, as with Amazon's newest addition, the Echo Show.

Eventually these assistants will come to know people's wants, needs and preferences, purchasing on their behalf, so that shoppers may not have to involve themselves in the purchase cycle altogether, especially for smaller items, such as FMCG products. Beyond purchase, voice assistants will also offer many more touchpoints across the purchase cycle, getting involved in all stages, from inspiration to customer service. Whether providing recipe ideas, facilitating shopping lists, answering a question during online browsing or locating a store, voice will have a huge impact on how people interact with brands. Already we have seen Walmart partner with Google to allow shoppers to buy their products via Google Home and Assistant. Along with this come huge implications for brand discovery. Next generation SEO will involve ensuring brand content is optimised for recommendation by voice assistants. Further down the line, we may not even be marketing to humans and brands will need to adapt their comms strategies to integrate these new technologies.

3 Re-stored

Technology has combined with our time-poor, on demand culture to change the nature of shopping. On one hand consumers demand speed, efficiency and convenience from online shopping, on the other they are looking to justify their time well spent when shopping in-store. Expectations have polarised and as a result, the role of the store is transforming. In-store shopping has truly become about the things that online cannot provide. Simply selling a product is no longer enough. It is now about creating an atmosphere in-store, seeing and trying products, providing great face-to-face customer service and the opportunity to provide richer, deeper, more immersive and exciting experiences for the shopper. Watch out for developments in the following areas:

Store format

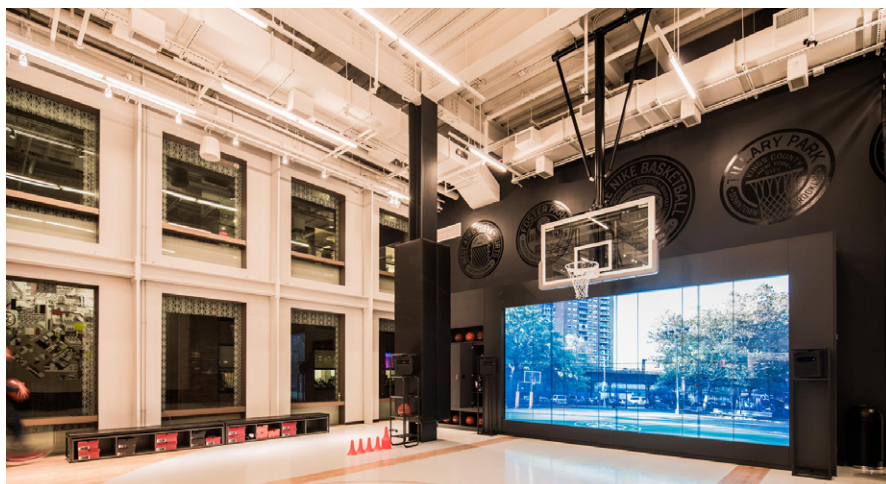
As brands re-evaluate the role that the store plays in shoppers' lives, the number of non-traditional store formats such as pop-up stores and experience theatres like M&M World in London will continue to increase. Contrasting store models focused on online style convenience such as Amazon Go, plan to do away with staff, but in this experience driven world, staff will become more important than ever. As AI takes on the role of more functional store-based tasks such as stock inventory, staff will be freed up to concentrate on providing that all important face-to-face personal experience.

Interactivity and immersion

Brands will continue to create reasons for people to visit. There will be a focus on providing unique in-store services and experiences, such as Apple's free education

Nike Store NY

Consumers can try different footwear on in-store basketball courts, football fields and running machines and organise coaching sessions via the Nike mobile app with a trained Nike store athlete.



sessions or Footlocker's sneaker themed audio tours. Interactivity and immersion will be essential to capture attention and keep people engaged in-store. When it comes to tech, many brands have started to include touch screens in-store, but this will progress further to include technology such as VR and AR. Mainstream VR feels further ahead than 2018, although some brands have begun to experiment in-store with this technology. The use of AR is more likely, with mobile as the facilitator, being used to provide personalised displays, product information, promotions, in-store marketing and other interactive brand experiences. A few retailers are also trialling the concept of gamification within store, making it as fun and interactive as possible.

83% think stores are important as they allow you to see, touch and feel an item in person

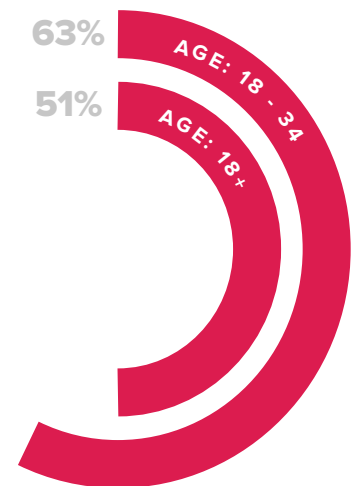
Connected stores

Stores will start to become hubs of connectivity with mobile devices and further down the line AI assistants at the heart of the experience. These will then link to other connected products and devices such as chipped items, smart shelves, interactive fitting rooms and smart mirrors. This in-store focus on tech will create new and unique data streams, enabling us to further understand individual shoppers and their behaviours. This will result in more effective marketing and personalised forms of brand interaction. For example, knowing an item

has been tried on or been picked up from the shelf enables us to follow up with service or a tailored promotion as a result.

The store offering has become a real point of differentiation from competitors in this increasingly saturated retail market and a genuine opportunity to create engaging and memorable experiences that people want to share. These hubs of physical experience will act as focal points for marketing and communications and in 2018 we will see stores and marketing integrate more than ever.

Over half of consumers agree they are **more likely to buy from brands whose stores are interesting or different**, rising to 63% for under 34s



Hotel Chocolat

Offer restaurant and bar experiences and have recently launched 'chocolate lock-ins' where stores stay open after hours for VIP guests.





4 Data Reboot

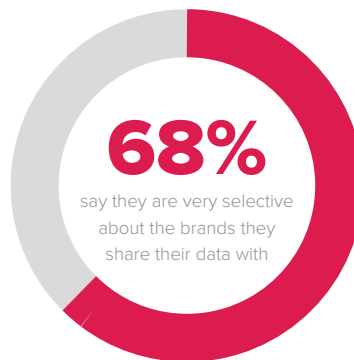
Data has become a brand's most valuable asset, and in the years ahead, will revolutionise retail industry practices. However, technology is constantly changing the game, adding to the amount of data sources available and altering consumer behaviour and expectations. These ever-shifting developments have resulted in the effective use of data being perhaps the biggest challenge in retail at the moment. We now interact with brands across multiple touchpoints and the data trail left behind is vast and ever-increasing. Connecting all these data points and seeing the whole picture is the key to creating personalised relevant experiences for shoppers that will differentiate brands and keep customers coming back for more. Marketing is an integral part of this personalised offering, whether it be an email reminder after an abandoned shopping cart, or a relevant digital screen ad in-store, activated by mobile location data. Investment in data is crucial in the year ahead and brands will need to prioritise this area for two main reasons:

GDPR

In the run up to 2018 and over the year itself, brands will need to reassess their data strategies. The new EU GDPR law (general data protection regulation), coming into force in May 2018 means a complete overhaul for the way personal data is collected, stored and regulated. Businesses will need to be prepared, or face substantial fines for non-compliance, which means a considerable amount of work for some businesses. However, it also presents many opportunities – the chance for simplicity and consistency, a clean slate and investment in new data processing, procedures, systems and approaches. The result will be better quality data for marketing purposes, which in turn will improve the targeting and relevance of ads. The new law presents a huge opportunity to enhance the performance of digital ad campaigns and to be more transparent with the consumer, perhaps building bridges for any digital targeting failures of the past. There are few things for marketers to consider. The first is consent - consumers will be required to 'opt in' to receive brand communications and consent cannot be assumed, based on inactivity. The second is access - otherwise known as the right to be forgotten. Brands will need to provide consumers with much more control over their data, with the right to access their data at any point and any remove anything inaccurate or outdated.

56% say that once they have access to data brands should be doing a better job at personalising things to me

The third is data applicability. Marketers will need to concentrate on collecting only the data that is necessary for the task in hand. Ultimately from a consumer perspective, the law will offer assurances about the safety of their data and provide more transparency and control when it comes to managing their data. This could be the perfect opportunity for retailers to draw attention to this, boosting their trust credentials. The law, and the publicity surrounding it, will result in consumers becoming more aware of how their data is being used but provided they are in control and believe the benefit is clear and worth the exchange, this should not cause a problem if brands are fulfilling their expectations.



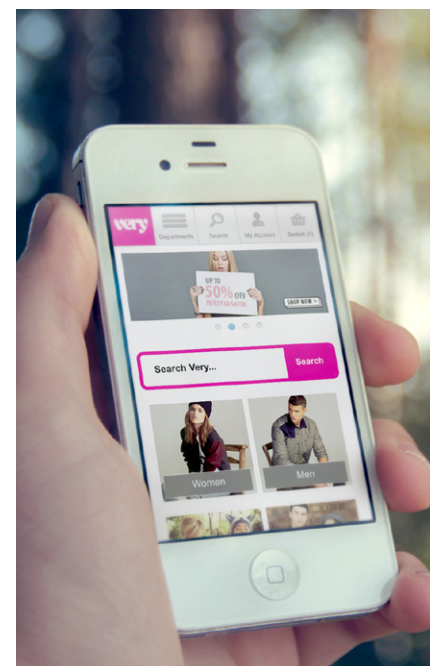
Ever increasing data sources

As more connected products emerge and technology advances, our data footprint is increasing. We can now analyse what people are talking about, where they are, what they are doing at specific moments, and increasingly how they are feeling. Location, time, weather, heart rate, facial expressions, data from smart shelves or RFID tagged items – the number of data sources available to us is ever expanding. It is important to identify what is most relevant and use this information wisely to the benefit of the customer - help them find staff in a store, get an order ready for collection, access shopping lists as they shop, tell them what's in stock, make them relevant offers and recommendations, make faster decisions... the list goes on. AI is perfectly positioned to help with this, by processing vast amounts of data in a matter of seconds. We will see a lot more brands using AI to predict human behaviour and deliver relevant personalised

communication and customer experiences on a mass scale in 2018. Algorithms will decide what shoppers might need, what price they are willing to pay, when and how they might like it delivered. We can effectively market to consumers before they even know they need a product. AI can determine when it's the right time to serve someone an ad, but then also use that ad to provide further information, or recommend recipes for example. Plus, AI is increasingly being used to help with targeting, by identifying and marketing to influencers and specific target segments. These groups go beyond just sex and age and are based on behaviours and other more sophisticated data sets. The next stage for data and AI will be automated re-ordering, which will bring a whole new meaning to brand loyalty, transforming marketing as we currently know it. Data and machines are set to have a significant influence on our retail future and it is imperative that brands have the right tools and infrastructure in place to use them effectively going forward. 2018 will need to be the year they get their houses in order.

Shop Direct

Use AI extensively to understand its customers choices, location, influencers and even mood. They predict when a customer is about to stop spending and market to them based on this knowledge.



5 Brand Almighty

The retail industry has become increasingly commoditised over the last few years. Products are less differentiated and time-poor consumers, overwhelmed with choice, have had to become much savvier and smarter with their shopping. Algorithms are recommending more products every day. Meanwhile, new types of brand have been introduced into the mix, such as; online brands that cut out the middle man and go direct to the consumer, online aggregators, and of course the growing importance of tech businesses in the retail space with brands such as Amazon and Alibaba. All these brands are using technology to offer more personalised customer experiences and most are becoming increasingly difficult to beat on their key propositions of delivery, price, range, and ease of purchase. As a result, consumer expectations have changed, and as a bare minimum, brands are now expected to 'meet my needs and deliver' on all these factors. Even traditionally price-led multi-retail brands, in sectors such as grocery, are having to shift their focus away from solely being about price and convenience.

It is now more important than ever for brands to focus on a clearly defined proposition that makes them unique and emotionally connected to their shoppers - whether this is expertise, specialty, quality, exclusivity, trust, sustainability, honesty, or community. BrandZ data demonstrates that the most loved brands not only produce good sales figures in the short term but also sustain their success over longer or more challenging periods. In these difficult times, brands will be doing much more to strengthen their brand propositions and create emotional connections with shoppers.

New ways of delivering brand experience

Retailers are finding new ways of delivering brand experiences by using new technology and creating more engaging store formats and interactions in-store. Pop-up stores are on the increase, along with experience centres that offer more opportunities for customer service-based experiences or more immersive brand offerings. Brands are also featuring new technology in-store, such as augmented reality, virtual reality, smart mirrors and interactive screens to

Samsung 837

Cultural hub and events space that does not sell a single Samsung product but does act as a hub for customer support. Also features selfie stations, café, cinema, studios, art gallery, playroom, events area with regular events .



provide shoppers with unique and immersive experiences. The aim is for people to spend more time with these brands to have positive experiences, foster stronger bonds and emotional connection.

Continuity of brand proposition

Fundamentally, brand is about how a customer perceives you. This perception will be driven by interactions with the brand at a whole host of touchpoints, across that entire customer experience. Where it's the website, store, logo, social media sites, the language you use, how customers interact with staff, there is an expectation for consistency. These touchpoints have become much more complex in recent years, and they will only become more so. Meanwhile, consumer needs may differ across these touchpoints (in-store versus online for example) which can create a challenge for consistency of brand perception. If the brand proposition is not upheld, or is challenged, at any one of these touchpoints, the whole brand experience is negatively impacted. We have talked an 'omni-channel' game for a while now, but realistically not all brands are there yet and certainly don't live their brand propositions consistently across all channels. Brands will continue to focus on making their brand proposition and experiences ever more seamless and consistent across touchpoints in 2018.

Brand partnerships and alliances

The announcement of Amazon's Whole Foods buyout has put the industry on its toes. It gave Amazon the opportunity to expand into not only the grocery market but also a bricks-and-mortar proposition. But not all brands have a spare \$14 billion to spend on a merger. We are seeing an increasing number of brands curating partnerships or alliances with other brands in order to strengthen their overall proposition to consumers. Ocado and M&S, Morrisons and Amazon, Walmart and Google. This is not necessarily a direct reaction to the Amazon buyout and has been happening since the early 2000's with brands like Apple and Nike. However due to the current retail climate, we are seeing a greater number of brands now recognising the need to strengthen their brands by taking the best bits of themselves and merging them with the strengths and assets of another.

60% say that retail brands will have to keep up with new technology in order to improve customer experience (up from 53% in 2015)

Implications for Advertisers

1 Game of Phones

- ▶ Explore how you can use mobile to connect the dots and create a seamless experience, both on and offline. Used effectively, mobile can integrate and link multiple touchpoints for consumers - think payment, product availability, loyalty schemes, delivery, in-store experiences, and online browsing.
- ▶ Rethink how mobile is viewed within the business. Rather than a single channel, requiring its own individual budgets and focus, mobile needs to be regarded as an essential part of the entire customer experience proposition that is integrated into multiple areas of the business. If you haven't done so already, audit the entirety of your customer's mobile experience within the shopping decision and how smoothly the different functions connect.
- ▶ In the short term, give consumers reasons to use your current mobile propositions. Mobile-optimised sites should be easy to use and functional, but they are also an opportunity to instill a point of difference. Apps need to work harder, offer more for the user and give them a reason to spend time with the brand.

2 Conversational Commerce

- ▶ Conversational platforms are an addition, not a straightforward replacement for human to human contact. Whilst AI systems can be capable of monitoring mood and tone of voice, systems will struggle with some areas such as complaints, and human beings may need to step back in for a successful resolution. Identify when that point of handover is likely to be necessary and have systems in place to implement this quickly and seamlessly.
- ▶ Limit the scope of your bots to a service that provides clear and simple utility, but crucially doesn't try to do everything.
- ▶ Irrespective of the platform, brands will need to focus much more on their conversational skills. Careful listening and communication in a clear, distinctive and informal way will be the key. Personality and a brand-reflective tone of voice will become ever more important. And be honest - make it clear to your consumer when responses are automated, and when they are dealing with a real person.

3 Re-stored

- ▶ Consumer expectations of the physical store offering will rise rapidly, and experimentation is essential to meet these growing demands. Don't be afraid to try new store formats and technologies - on an individual store basis at first.
- ▶ Mobile will be at the centre of many of these in-store experiences. Make sure you design your ideas with mobile in mind and have sufficient wi-fi and connectivity available in-store.
- ▶ Even though personalised experiences will be a central part of this new in-store environment, bear in mind that shopping in-store is also a social activity. Work out how you can create unique personal experiences in-store that people can enjoy together, especially experiences that can be photographed, videoed and shared if you want to gain the interest of younger demographics.

4 Data Reboot

- ▶ Post GDPR, consumers will be more aware of what brands are doing with their data. Test out consumer mindset to determine an acceptable data exchange. Data consent will be key. Think about ways to incentivise people to give consent. What is the trade off?
- ▶ Put insight, data science and analytics teams at the heart of your brand but also make data the responsibility of everyone working in your company with the aim of building true customer-centricity. Make it part of your brand DNA.
- ▶ The connection of these ever-increasing data points will be the key to providing that elusive 'single customer view' we are so fond of talking about. Focus on connecting the dots and partner with other brands or companies to provide any missing data sources.

5 Brand Almighty

- ▶ A thorough understanding of how consumer needs vary throughout the decision experience is essential to help build a strong, engaging, consistent brand presence across all touchpoints. There are massive opportunities to build brand equity by better linking branding with data analytics, creating smooth and seamless experiences for the shopper.
- ▶ Give people positive reasons to spend more time with your brand. Seize opportunities that will deliver new brand experiences that are focused around addressing a consumer need - whether that is trialing a new store format or bringing in new technology. Ensure these fit with your brand proposition. Stay on top of the trends that will identify the kind of new brand experiences that your shoppers might find appealing and fresh. What are the genuinely disruptive trends, rather than overnight fads?
- ▶ Be overly critical of areas for improvement in your business. Where is there scope for a wider partnership? Think about media partnerships in the same way. How can they help you strengthen your brand proposition?