

The Future of Retail

Insight and Influences Shaping Retail Innovation

March 2017





THE RETAIL EVOLUTION OF SHOPPING EXPECTATIONS

BY THE YEAR 2030, the retail shopping experience is expected to look dramatically different than it does today. It's being reshaped, say FinTech pioneers and futurists, by the accelerated pace of new technology and changing consumer shopping patterns. They urge retailers to begin planning for that future now. The following list of forward-looking **trends** is a good place to start.

47%
OF
CONSUMERS
SURVEYED

picked the interactive dressing room touchscreen mirror concept as one of the three ideas they were most excited about for the future of retail.



1 DIY RETAIL: THE EVOLUTION OF SELF-SERVICE

Technology will bring on a new era of DIY shopping—changing how we select and access products and the ways we pay. Self-service will make shopping faster, easier and fun.

RETAIL INSIGHTS

- The interactionless retail model will become more mainstream.** No need to interact with a sales associate. With sensors on all items, shoppers can pay with phone or fingerprint and then leave.
- The traditional checkout process will change.** Sales associates will only be there for their expertise. If no expertise is required, there's no need for an associate.
- Interactive mirrors in dressing room.** Shoppers touch the mirror screen for product info, to request another size from associate, or to order and buy from dressing room.
- 24/7 stores—no more rules in retail.** After hours, stores have a drive-thru window, robot assisted. Order on iPad at window, robot goes and gets item and delivers it.

“Time and convenience... technology is really the driver that accelerates that for the consumer.”

—Whit Goodrich
CMO, Retail Card, Synchrony Financial



2 AUTOMATION NATION: USING SMART DATA TO DELIVER CUSTOMIZATION

As customers willingly provide more personal information, they'll demand that retailers use that information to deliver better, customized products and offers. This give and take will drive customer loyalty in a new world where old-school rules about loyalty will be thrown out the window.

RETAIL INSIGHTS

Retailers will know shoppers well, from RFID in cell phones or biometrics like fingerprint scanners when they enter the store.



Retailers will be able to serve up customized products and experiences. They can direct you to items you like and send unique, pop-up sales offers, determined by your profile, to your phone.

In-home chatbot devices will become mainstream and more proactive—offering advice on the best brands to shop for and the latest offers.

Third-party, unbiased experts in the form of “digital assistants” will be popular. Shoppers can get honest opinions rather than rely on biased retail associate opinions—essentially an expert network on an app, curated to shoppers' needs.

Smart, connected car and home are non-retail examples of this technology.

“What we really need when we're out shopping in the physical world is to self-identify who we are so that we can associate ourselves with a purchase. You can do that without the use of a mobile device or any device, because we have our own unique physical identity that can be captured by various biometrics, making us the device.”

—Wendy MacKinnon Keith
Founder, Digital Retail Apps



“I think consumers are going to be much more sophisticated, and when you get these digital natives or these born-digital generations, they're going to look at information for what it is, an asset they've created that can be monetized.”

—Ryan Matthews
Futurist, Black Monk Consulting

3 BRICK AND MORTAR'S REASON FOR BEING: ENTERTAINMENT AND ENGAGEMENT

Brick and mortar stores will exist in the future, but there will be fewer of them. A new model of delivering not only products, but also genuine brand experiences is emerging. People are social by nature and will be drawn to gathering places to share ideas and be entertained. It's not just about making money. It's about building trust. Retailers who tap into this trend will be rewarded.

RETAIL INSIGHTS

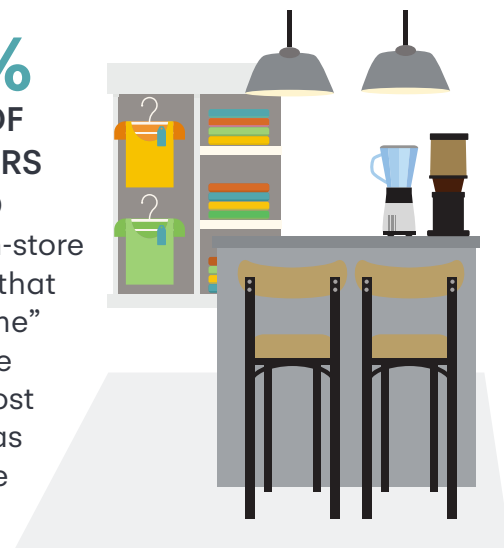
- Show me example:** an in-store 3D Printer. Print customized products on the spot. It's not only convenient, but also engages the customer—who now takes away both the product and knowledge.
- Entertain me example:** merge experiences. Bring other categories to the retail experience. Put a coffee shop, café, music experience, bar, or complimentary products or services inside the store. It's a big reason why local "markets" are making a resurgence across America.
- Teach me example:** a craft learning experience. Let shoppers see how a product (like a leather belt) is made from scratch. While the artisan experience is already being used, it will become more mainstream in the future.
- Help me example:** a retailer app. Pick out clothes and reserve a dressing room from the retailer's app. It's both a timesaver and a delighter.



"People get overwhelmed. 47% of customers who don't see an item they like will not ask for help. Service will be important and there will be a need to empower associates with tools that make the experience exceptional."

—Healey Cypher
Cofounder, Oak Labs, Inc.

55% OF CONSUMERS SURVEYED picked "an in-store experience that entertains me" as one of the top three most exciting ideas for the future of retail.



"So, the question then is, if you don't need to go to a place to get stuff, what do you need to go to a place for? And that's kind of what we call higher-engagement things: the experience, advice, consultation, fun. It's moved beyond transactions into real relationships."

—Ryan Mathews,
Futurist, Black Monk Consulting

4 LESS IS MORE: STREAMLINING OF BRANDS

In high-involvement categories, specialty retailers will remain a go-to, but variety will be important. With that said, shoppers are reaching a tipping point around American consumption. Feelings of angst about acquiring too much “stuff” is driving a shift toward purchasing experiences rather than things. Along with concern for the environment, consumers feel that retail must streamline and consolidate in the future.

RETAIL INSIGHTS

Brands in the future must have a strong “reason for being.”

Purchasing everyday commodities through online retailers and automated reordering will reduce the need to visit traditional one-stop shop retailers.

“There is a countertrend around wanting to feel included, wanting to feel part of a community. The social piece is what we believe is fundamentally going to change the experience.”

—Kristen Johnson,
Futurist, Lowe’s Home Improvement

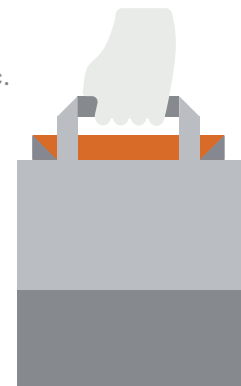
57%
OF
CONSUMERS
SURVEYED

agree that “in the future, successful retailers will be those that focus on doing one or two things well, not trying to be everything to everyone.”



“Retail will be about making the tedious stuff invisible and the fun stuff beautiful and immersive.”

—Healey Cypher
Cofounder, Oak Labs, Inc.



5 RETAIL ON DEMAND: WE WANT IT NOW

The evolution of technology is creating a more demanding shopper base—one that expects what they purchase to be instantly available.

RETAIL INSIGHTS

- **Stores on wheels will come to you.** The selection will be smaller, but shoppers can order on the spot and their purchase will be shipped to their house the same day from a local warehouse.
- **Trunk stores, pop-up shops and subscription services will become more mainstream.** Shoppers will see a consolidation of the number of brands in this space.
- **Returns will be a snap .** Purchaser hits the “return” button on the retailer’s app and either a driverless car or a drone will appear within an hour to pick up your return. No need for repackaging, either.
- **“Ship to store” option is gaining traction,** but the process needs improvement. Often the purchaser shows up at the store and the order is not there.
- **Proof of inventory.** Not all retailers update their inventory in real time, causing shoppers to make a wasted trip to the store. In the future, shoppers will see a picture of the item on the shelf before getting in their cars.

“Driverless cars will be here long before package delivery by drone. Once you have driverless cars and you have the sharing economy to be able to use the space in those cars to make various kinds of deliveries, I think that’s going to end up being more commonplace than package delivery by drone.”

—Wendy MacKinnon Keith
Founder, Digital Retail Apps

“The biggest disrupter in retail in the future could be 3D printing—footprints to create shoes. Create things in a quick, cheap manner we never could before. It’s mass customization.”

—Courtney Gentleman
CMO, Payment Solutions, Synchrony Financial

77%
OF
CONSUMERS
SURVEYED agree that “in the future, I hope there is a better way to make a return from my online purchases.”



“In the future, shoppers will take a picture of the room and add things to it, whether it’s furniture or accessories, change the color of the walls, etc. From a technology and consumer standpoint, we’ll see that retailers might leverage augmented reality, for example, to help achieve this.”

—John Williams
SVP, Marketing Innovation, Synchrony Financial

6 RETAIL COMES TO YOU: BRIDGING THE GAP BETWEEN HOME AND STORE

RETAIL INSIGHTS

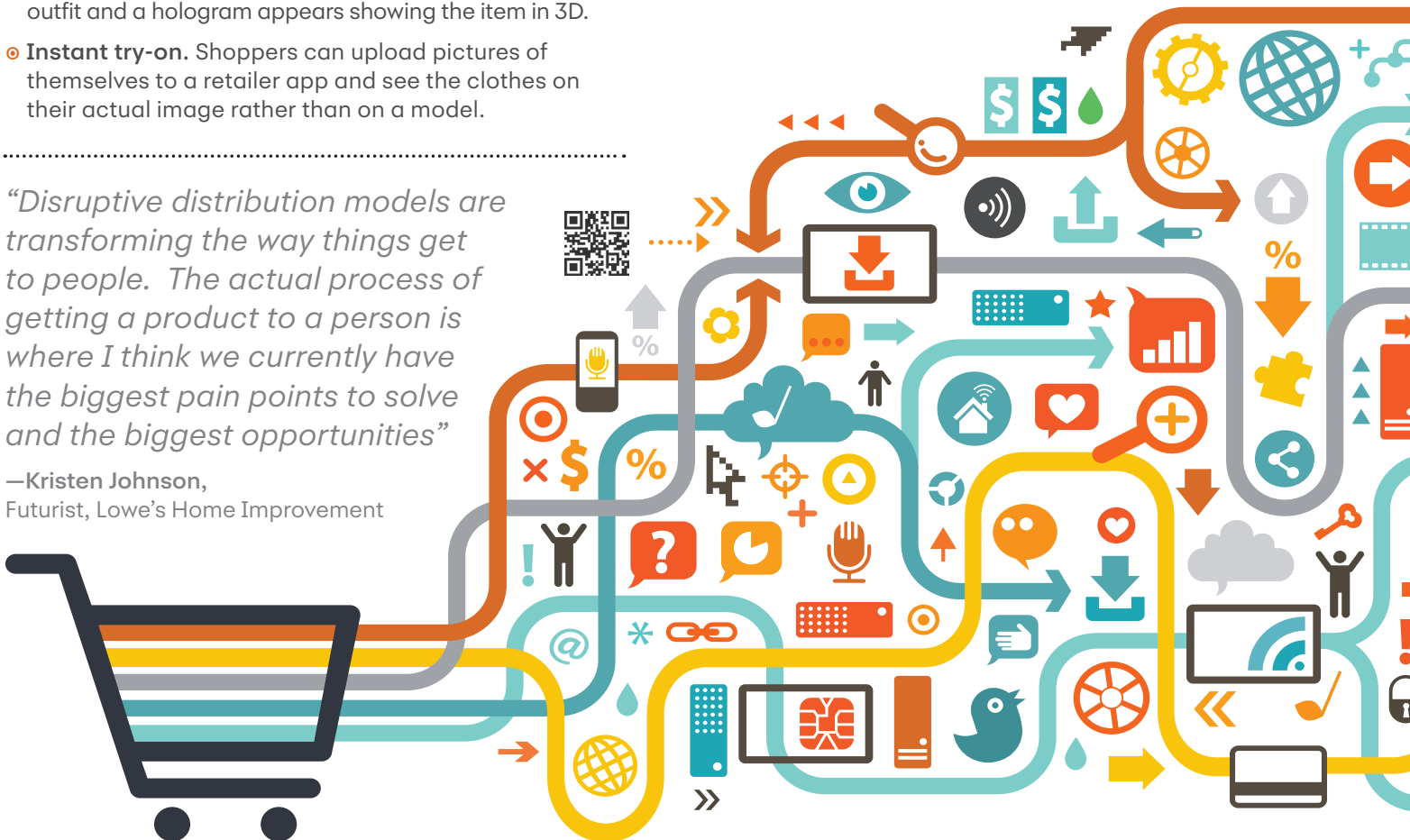
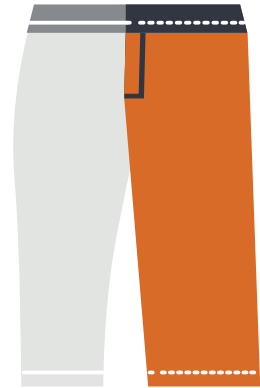
- ◉ **Virtual reality and beyond.** Shoppers will have access to an interface that allows them to see what a new sofa, paint, garage door, kitchen floor and so on would look like in their house.
- ◉ **Service at home.** Shoppers can order tires online and use an app to find mechanics who will come to their house to install them. For example, order tires online and use an app to find mechanics who will come to your house to install them.
- ◉ **Purchase on demand.** All items will come with barcodes or QR codes, so you can purchase them wherever you encounter them by scanning the code with a smartphone app. You can even do it at a friend's house.
- ◉ **Shop in 3D.** When shopping for apparel online, click on an outfit and a hologram appears showing the item in 3D.
- ◉ **Instant try-on.** Shoppers can upload pictures of themselves to a retailer app and see the clothes on their actual image rather than on a model.

“Disruptive distribution models are transforming the way things get to people. The actual process of getting a product to a person is where I think we currently have the biggest pain points to solve and the biggest opportunities”

—Kristen Johnson,
Futurist, Lowe's Home Improvement

“Why have anything altered again? We're going to take a picture and upload it. It's going to be perfectly dimensioned. It will know your body, type, form, etc. Your jeans are going to show up ready to go.”

—Bart Schaller
CMO,
Synchrony Financial



A Future Focus on Personalized Engagement

Today, retail is at an exciting crossroads of virtually limitless possibility. New data insights, delivery methods and payment innovations can now provide a more personalized experience for every customer. We have an unprecedented chance to exceed customer expectations and cultivate strong loyalty.

Synchrony Financial, a premier consumer financial services company with more than 80 years of retail experience, conducted this research to further evolve our retail and shopper understanding, and help our partners visualize the future of retail and opportunities to grow their business and drive customer loyalty.

Study Methodology

The Future of Retail report was developed from multiple research phases conducted January–February 2017 on behalf of Synchrony Financial with consumers and retail industry experts including:

- **Consumers:** A quantitative study with 1,016 consumers nationwide, and online discussions and half-day workshops—with participants comprising generational groups 18 years and older, different ethnic and socio-economic backgrounds, and online and in-store shoppers.
- **Retail Experts:** Input contributed from Synchrony retail partners of various industries and sizes, representing online-only, mass merchandisers and middle-market businesses. One-on-one interviews with retail futurists, in-store and digital retail technology professionals, and internal business leaders in strategy and innovation, marketing and IT.



About Synchrony Connect

Synchrony Connect is a value-added program that lets Synchrony Financial partners tap into our expertise in non-credit areas. It offers knowledge and tools that can help you grow, lead and operate your business.

Grow

Marketing, analytics and research expertise to help you drive business growth

Lead

Tools for leading your organization and developing yourself as a leader

Operate

Best practices around business strategy and optimizing cost

Contact your Synchrony Financial representative or visit us at synchronyfinancial.com or synchronybusiness.com to discover how we can help you grow your business.

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