

RETAIL OF THE FUTURE: INNOVATING WITH CROSS-INDUSTRY INSIGHTS

Note: Futurecasting is a challenging task, as success shouldn't always be measured by whether trend predictions come true. The best forecasting is sometimes accurate and sometimes not, but the wins are when conjecture pushes thinking beyond what was presumed possible. Even if an attempt does not prove workable, it can still be valuable.





CI&T's aim when futurecasting in retail isn't holistically to get every prediction correct, but to help brands imagine what could be and to stay inspired. Retail is a particularly slow-moving space, yet the common misconception that shopping behaviors change rapidly often drives the assumption that it's a fast-moving industry.

The truth is that digital transformations and user experience upgrades in retail are not happening as often as they could or should.

Therefore, by sharing our ideas for the retail innovations of the future, we hope to ignite a spark among retailers to push boundaries and create the shopping experiences that consumers are ready for.

When forecasting, our methodology involves analyzing three major movements: **the economy**; shifting, noteworthy, and overlooked **demographics**; and innovations from **other categories** that would elevate shoppers' expectations elsewhere.



ECONOMIC IMPACT

From an economic perspective, consumers' extreme cost-consciousness won't go away, despite how low inflation, interest rates, and unemployment have dropped. Consumers have grown accustomed to taking a highly strategic approach to finding the best deals and discounts, and they will remain reactive to those, expecting retailers to support their mission.



Our recommendation isn't to discount every item as often as possible, but rather to be equally strategic and calculated in determining where the most impactful discounts can be offered, while also creating digital tools that empower consumers on their savings journey.

For example, devise digital budgetary calculators and recommendation engines that communicate to the shopper how they can choose the purchases that will get them the most loyalty points or stretch what they intend to spend the farthest.



DEMOGRAPHICS TO WATCH

When it comes to demographics, Gen Z is, of course, incredibly important to cater to, as they are on track to become the wealthiest generation [1]. However, they are also the least likely to be brand loyal and care deeply about a brand's values.

Additionally, Latino and Asian populations are growing at record rates [2]. These shoppers are impressively well-researched, scrutinizing, and intentional when choosing retailers.

Lastly, **73% of Gen Z and ~59% of Millennials are single [3]**, with 45% of women aged 25–44 projected to be single and childless by 2030 [4]—an important consideration for the implications of dating apps on retailer apps.

SOURCES: [1] NielsenIQ [2] NBCNews [3] Pew and American Enterprise Institute [4] MorganStanley

CROSS-CATEGORY INSPIRATION

The rest of this report will focus on the **inspiration that future-forward retail can draw from other categories.**

Brands like Amazon have paved the way for other retailers to enact drastic changes, and movers in industries beyond retail have done, and will continue to do, the same. In fact, for each category, we'll spotlight not only what retail could borrow from best practice brands, but we will first acknowledge how retail has already been influenced.



DATING

PAST, learned behavior or technology translated from dating culture to retail:

Consumers have been looking for ways to dodge app dating and meet in real life, in third places. Simultaneously, brick-and-mortar has been sought after by Gen Z.

Retail and dating culture have blended over in Spain, where shoppers are putting pineapples in their grocery carts to signal to other shoppers that they're single and open to mingle.

Tinder and e.l.f. recently partnered on a range of products intended for singles to wear when they go out on dates.



FUTURE retail functionalities that could be translated from dating apps to retail:

Geolocation and targeting: Grindr, the dating app, allows users to look at a map and see potential connections in their immediate vicinity. There was a brief heyday for beacons in retail when several brands were specifically pinging consumers through their apps with discounts when their sensors had them within range. Like many other retail technology efforts, we expect this to make a comeback in a more successful way.

Premium upsells: On the dating app Hinge, users can pay on a one-off basis for roses, which grants them the ability to message someone they couldn't otherwise message. This pay-as-you-go upsell could easily translate to retail. For example, shoppers could pay a one-time fee to move up on a product waitlist, receive services typically reserved for subscribers, or chat with a brand ambassador. The possibilities for creative, one-off premium upsells are endless.

Algorithm refreshes: Hinge also allows users who are dissatisfied with their matches to reset their algorithm, giving them a fresh start with new profiles and a chance to interact based on their updated preferences. Retailers could win many consumers over by offering this same sense of empowerment and control, asking them if they would like to reset their recommendation algorithms. This feature would be particularly valuable for those whose needs have changed, such as individuals who are no longer planning a wedding or who no longer have young children, ensuring that their recommendations are more relevant.

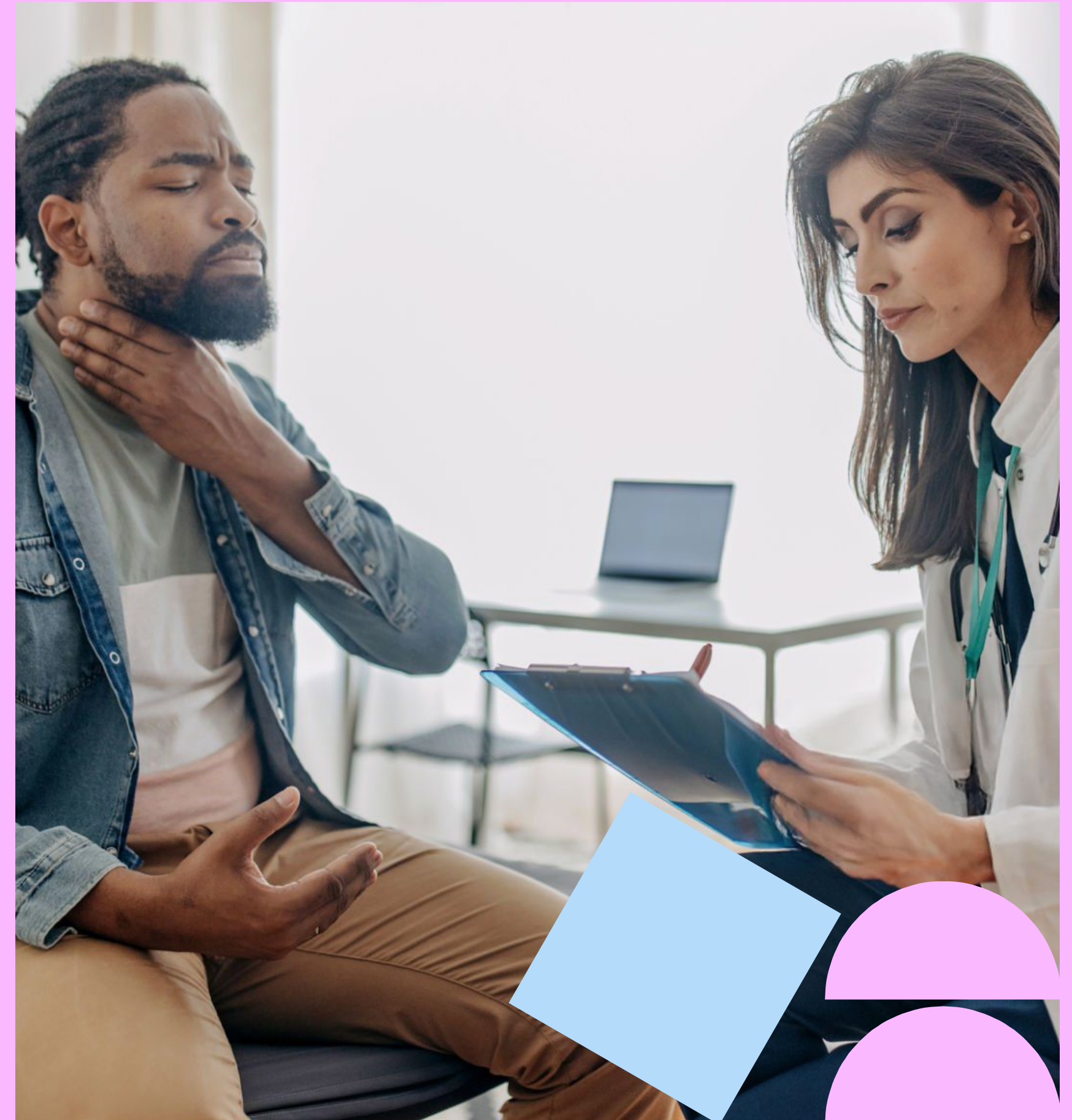


HEALTHCARE

PAST, learned behavior or technology translated from healthcare to retail:

Millennial stock up trips versus fill-ins:

Millennials are notorious for filling their pantries in piecemeal ways, rather than bulk buying/stocking up. This fill-in approach is exactly how they behave in the healthcare space as well, rejecting primary care and seeking urgent care on a one-off, as-needed basis.



FUTURE retail functionalities that could be translated from healthcare to retail:



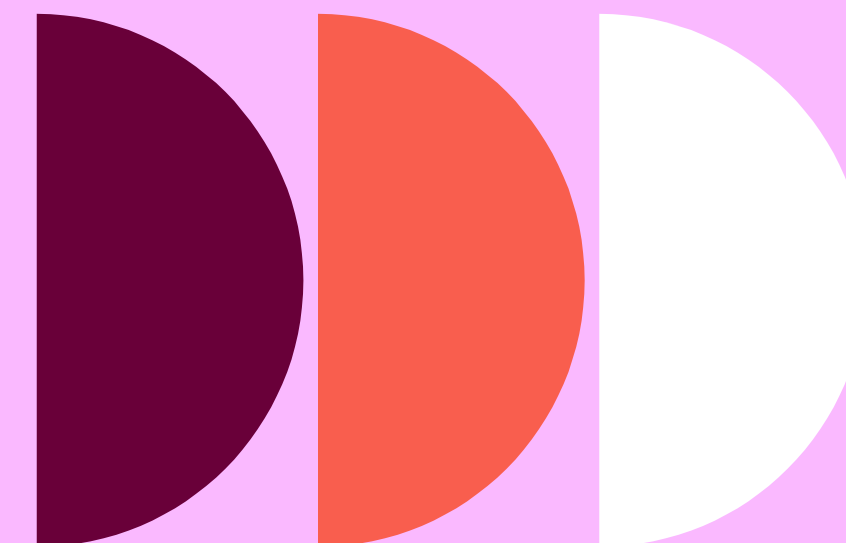
Subscription healthcare pod facilities: Forward Health's CarePods is a creative take on urgent care, where members pay \$99 per month for unlimited access to health pods, allowing them to take any necessary tests to determine their course of treatment. Similarly, why don't retailers set up 'members-only' store formats, where for a fixed price, a specific assortment can be shopped? We already have digital subscriptions—why not extend this concept to physical stores?



Individualized dosing: Modern medicine, such as in the oncology sector, has become so individualized that often, no two patients have the same treatment paradigm or dosing regimen. Microdosing can easily translate to micro-sizing in retail, where denim brands for example could offer 28.25 or 29.5 waist jeans. Generative AI is already being used by AdoreMe to create one-of-one lingerie sets. The next iteration of this customization could be in sizing.



Prenuvo is a preventative MRI service that can tell patients what serious diseases they could be at risk for. While it's very expensive right now, there are plans for it to become more accessible. Just like preventative healthcare, **'preventative retail'** could become a term, with 'staple-only' store formats where a retailer's brick-and-mortar footprint focuses solely on basics, or an app that keeps staple lists for users, allowing them to easily track what they need before it's too late.





TRAVEL/ TRANSPORTATION

PAST, learned behavior or technology translated from travel/transportation to retail:

Tap to pay: In cities where public transit is the most common form of transportation, consumers have become more accustomed to using their phones to pay quickly on the go. Given the frequency of this behavior, the habit transfers easily to other categories, leading to increased interest in paying this way outside of train and bus systems.

Surge and dynamic pricing: Uber was among consumers' first introductions to "surge" pricing, where the cost of a ride drastically changed depending on demand. Meanwhile, airlines have leveraged dynamic pricing so long that it's industry standard.

FUTURE retail functionalities that could be translated from travel/transportation to retail:

Route-specific shared locations: The safety feature on rideshare apps that allows users to share their location and ride journey with someone outside the vehicle could be adapted for retail to build a sense of community. Retailers could set up a function in their app that allows shoppers to “check in” to a location near a friend or family member, which would ping that person, allowing them to stop by the store.

Music controls: Once upon a time, the ability to pick the music that was played in your Uber was a fun, new element of the rideshare experience. Retailers could alter this concept a bit, crafting playlists for shoppers to listen to while in stores, matching the themes of their brick-and-mortar locations or seasonal events. For example, Target adds a Halloween playlist to its app for shoppers to tune into when visiting the store for costume and candy needs.

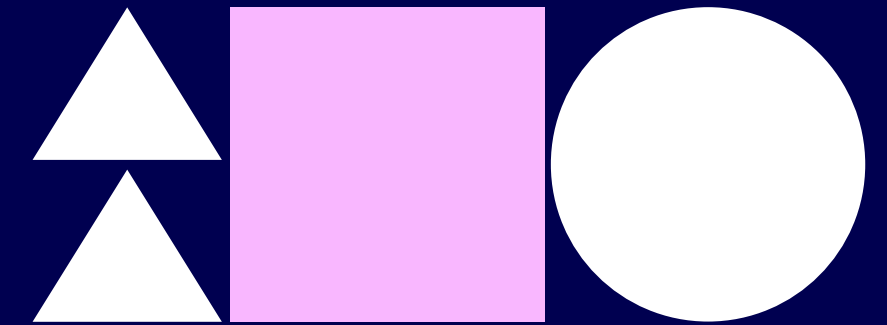
Splitting payments: The convenience of splitting payments with fellow ridesharers is another feature that retail could leverage in helpful ways. Currently, very few retailers offer the ability to digitally split payments with others, which can be beneficial when purchasing a gift together.

Unique subscription models:

In Europe, Wizz Air launched a subscription deal, where for a fixed amount, passengers can purchase an unlimited amount of specified European flights. While we’ve seen many retailers host subscription programs, the structure of Wizz Air is uniquely inspiring. CI&T’s membership/subscription report goes into great detail as to how retailers could be more creative with these programs, with Wizz Air providing another compelling case.

Experience preferences:

Some airlines automatically default to the aisle, middle, or window seat based on the passenger’s preference when selecting a seat. Retailer apps could develop a functionality, wherein, shoppers can see a notification that the level of store busyness is at their preferred, prompting them to take advantage of the opportunity to visit.





TECHNOLOGY - APPLE UPDATES

PAST, learned behavior or technology translated from technology to retail:

The keyboard evolved to the touchscreen – everywhere.



FUTURE retail functionalities that could be translated from technology to retail:

Scheduling texts: Retailers would be wise to allow consumers to schedule one-off, future purchases based on individually decided-upon triggers/logic (e.g. “on October 21, buy new black purse if I haven’t bought any other purses on this site before then”).

GenerativeAI for product design: Genmojis allow consumers to create their one-on-one emojis with GenerativeAI. Brands like AdoreMe are already starting to offer one-to-one customized lingerie with very specific criteria inputs from the shopper by leveraging GenAI, and it's safe to say this will become the norm sooner rather than later.

Customizing icons and backgrounds: Shoppers would have fun tailoring retailers' website and app interfaces to their aesthetic desires.

Locking/hiding apps: Given the common practice of sharing shopping accounts, brands could offer consumers the ability to hide certain purchases from shared accounts, ensuring that surprise gifts remain a secret.

With voice notes growing in popularity in the US, will consumers want better voice ordering options from retailers?



MEDIA & ENTERTAINMENT

PAST, learned behavior or technology translated from media & entertainment to retail:

Social Media has become a mall, and platforms like Roku and Peacock now feature shoppable QR codes, demonstrating the opportunity to adapt the music space to retail.

FUTURE retail functionalities that could be translated from media to retail:

Spotify's Daylist feature: Retailers could make mood-based recommendations for shoppers depending on the time of day they're shopping and if they had them fill out 1-2 quick mood-based questions. Show them the more fun, retail therapy products if it's a rough "treat yourself" moment. Push them the staples if they're in a mission mood.



Collaborative playlists: We've long suggested that collaborative shopping carts could be beneficial because they are both interactive and practical. Retailers could create always-existing, shared shopping carts between users who frequently seek each other's opinions. Shoppers could add items to the cart for the other person to review, leave comments, or vote up or down to indicate whether they think the item is worth purchasing. This way, there's no need for back-and-forth links or accompanying text exchanges—everything happens within the shared cart space.



Spotify Wrapped: It would be fun for consumers to see summaries of their purchases at various retailers, and the app could tell them what region of consumer they have the most similar buying patterns to. Are my grocery hauls indicative of an East Coast palette rather than a Midwestern one?

Streaming together: There's been talk of streaming services such as Netflix and Hulu banding together to create joint streaming packages consumers could buy. While I'm not sure I see this happening any time soon in media, this could easily happen in retail, with multiple non-competing retailers creating super apps where shoppers can access them together. This effort would allow consumers to download fewer apps, which is typically the big barrier to downloading retailer apps in the first place.



DINING , FOOD , BEVERAGE

PAST, learned behavior or technology translated from food and beverage to retail:

QR codes took off peak pandemic when restaurants removed their paper menus. The resulting comfort consumers quickly found in using QR codes meant retailers could bring this technology to brick-and-mortar for in-store research and payments.

Order status tracking took off years ago in QSR and now all categories of retailers are working to improve the accuracy of their delivery trackers to match the quality in this industry.

Self-service kiosks expedited the ordering process in tech-forward fast food venues. Now, from grocery stores to high fashion apparel brands, retailers are bringing ordering kiosks into stores to help consumers find what they're looking for faster than ever.

Smart grocery shopping carts have been attempted many times, and while they aren't achieving widespread success, they're seeing an equivalent transfer to broader retail in the form of smart baskets in fashion retailers such as Zara for easy RFID cashierless checkout.



FUTURE retail functionalities that could be translated from food and beverage to retail:

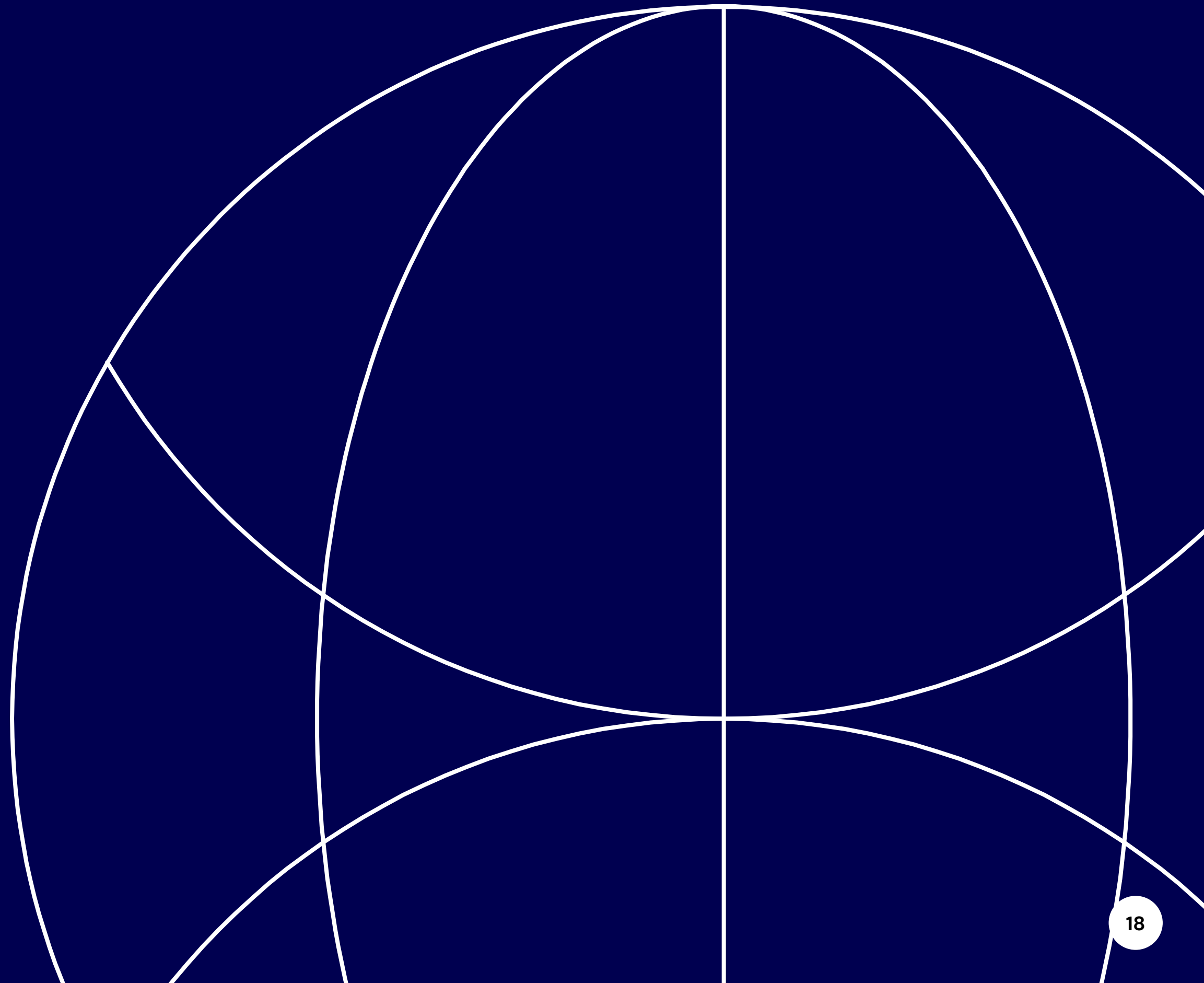
Notes logs: Crumbl Cookie's app has a notes log where users can write details as to why they liked or didn't like a certain flavor, helping to guide future purchases. Beauty retail apps would especially benefit from this feature, so consumers could document whether a product was too dewy or matte, drying or otherwise to avoid repeating a bad purchase.

Democratic product development: Several food and QSR brands have done extensive social listening and engagement campaigns to get consumers to decide on their next launch of flavors. Fashion, beauty, and home retailers could also issue votes through their digital channels that let consumers decide on the next drop, or that encourage consumers to come up with their own twists that could then go into production at a mass level.

Invitation loyalty: Blank Street Coffee's Regulars loyalty program is referral and waitlist only. The two subscription deals offered are so good, they have to limit the exposure. In the future, we expect more retailers to craft subscription programs or loyalty programs that are similarly exclusive.

Instead of waiting for a particular moment, retailers can move the needle on future-forward customer experiences by observing where in other categories consumers are on innovative, positive journeys with brands.

In today's flattened, globalized, digital world, expectations and desires cross industry lines. Shoppers will be surprised and delighted to find that the seamless interactions they enjoy in one space remove friction in retail as well.





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