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Retail Monitor 2024

“The store of the future: from highly stocked sales channel to experience provider”



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Introduction

When we walk through shopping streets, more and more shops disappear and make way for candy stores, small ‘grab and go’ restaurants, and beauty salons. It seems we are on the verge of a new way of shopping. Will everything move towards online? Is there still a future for the physical store? In what way will customers be shopping in the future?

The PwC Retail Monitor 2024 explores the current state of play of brick-and-mortar stores and explores the future of shopping, identifying four differentiators: experience, inventory, staff, and innovation.

The PwC Retail Monitor is data-driven annual research performed together with over 50 European retailers from various subindustries. The retailers’ views on the store business have been combined with newly obtained customer data (via a survey) to build industry insights.



Experience

In our research retailers indicate that by 2030 the main purpose of their physical stores will be to deliver an experience to their customers. This perspective is a shift from the current state: currently, retailers indicate their focus is on providing sales channels to their customers. The format of physical stores differs when considering product price. Significantly more retailers focus on experience stores when the product price is above 200 euros whereas autonomous stores are a more interesting format when selling products up to 25 euros.

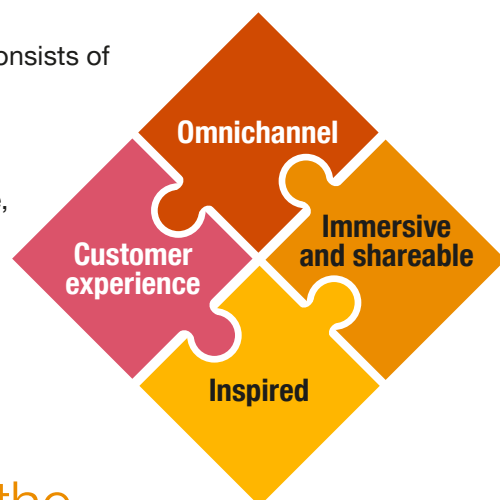
In the long-term, 80% of retailers believe delivering an experience will shift to be the number one priority over sales channels. This is in line with how customers look at the store of the future: around 60% expect the future store to provide an experience when they enter.

At the same time retailers also indicate that around 70% already have an experience concept in their stores. What we see in the answers is that retailers offer customers the possibility to try products in the store. However, the question is not if the stores are providing an experience, but if this current experience meets the future customers' expectations when they think of an 'experience' store.

Will this be sufficient in the future or is the customer expecting more, such as a frictionless checkout, a separate area to record your content as social media influencer, or the use of augmented reality in a mirror to see how a certain outfit looks? "If we look at popular stores, we see retailers offer customers more than only trying products in the store. Customers want to be inspired and leave the store with ideas and excitement. That is what retailers should tap into" adds Tamar Krijgsman, Director at PwC focused on Retail clients.

In our perspective, a store offering an experience consists of **four elements** that uplift sales when combined:

1. Provide an integrated **omnichannel** approach,
2. Prioritize the **customer experience**,
3. Create an **immersive and shareable** experience,
4. Ensure the customer is **inspired**.



“ Around 60% of the consumers expect the future store to provide an experience.



Leading brands have already caught onto the experience mindset - a well-known winter coat brand provides customers with an immersive experience where customers can test different jackets in a -12 degrees Celsius room. Once a jacket has been chosen customers can see the fit of different colors or accessories in smart mirrors before the product(s) is ordered and shipped to the customer's home. A shoe brand has taken their own spin on an experience-focused approach. They combined dancing, music, and/or skating events to promote the sale of their shoes. These brands that are showcasing their store's unique offering are embedding the four experience elements at the core of their physical stores: an experience that integrates physical and digital worlds seamlessly, prioritize the customer journey, and are immersive and shareable experiences that drive inspiration.

One thing is clear: more retailers will have to follow, and new concepts will arise as customers are drawn to these new offerings and are increasingly expectant of an experience when entering a physical store.

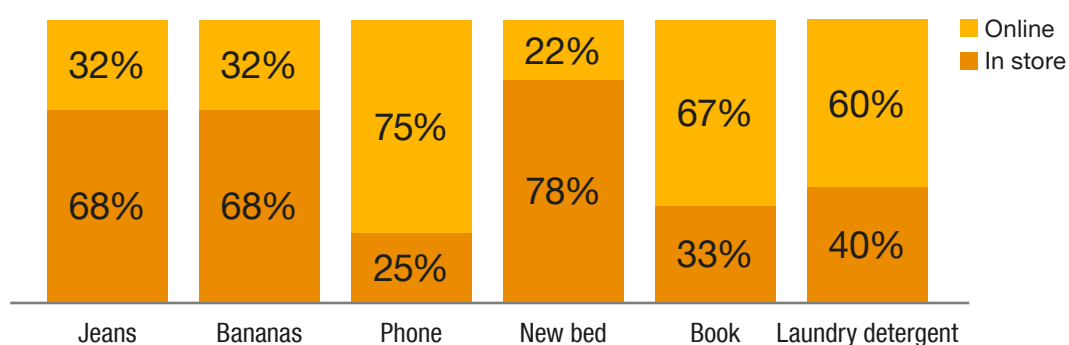
Inventory

Currently, 94% of retailers have the majority (>75%) of their products available in-store. Almost half of these retailers indicate that this is the case for their full assortment, not just for the most popular and best-selling items. However, this trend is expected to change by 2030. By that time, around 25% of retailers anticipate having no inventory in their physical stores. This shift anticipates a growing emphasis on alternative distribution channels and a move towards virtual or online shopping channels.

“ In 2030 around 25% of retailers anticipate having no inventory in their physical stores.

This shift is attributed to changing customer preferences. While customers still value the ability to see and touch products before making a purchase, there is no longer a strong need to take the product home immediately. However, the preference for in-store shopping as compared to online shopping can vary depending on the price of the product (as mentioned earlier) and the subindustry. For example, items like clothing and fruit are more likely to be purchased in-store, while products like new phones or a good book are often ordered online.

Where would you buy the following items in 2030?



The recorded insights from a survey conducted amongst customers show that the ability to see and experience products remains important to customers, but the convenience of having products delivered to their home when ordering online is increasingly attractive. Retailers need to adapt their strategies to cater to these evolving preferences, considering the sub-industry and price range of their products.

Staff

In the past years, hypotheses have been developed arguing that in-store staff levels will decrease as a result of in-store automation. Some even hypothesized that retailers will eventually operate without any staff in their stores, coined: 'the unmanned store'. The PwC Retail Monitor depicts a different image: For both customers and retailers the store of the future has employees at the heart of its operations. 63% of retailers even state that the number of in-store staff in 2030 will be similar or higher than today. Especially in times of inflation and steeply rising labor costs, this can be perceived as a surprising finding. However, when looking at the perspective of the customer, the employee is seen as a key differentiator in the store of the future customer journey. Customers list "finding the right product" and "expecting personal advice" as primary staff functions in the store of the future. Customers want to rely on human interaction and human perspectives.

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For retailers, who are used to high staff turnover rates, this means that they need to continue to invest in their store personnel recruitment, development, and retention. Elieke Vastenhouw, Partner at PwC and People & Organization expert, explains: "towards 2030, retailers that invest in their employer brand and development of employee skill sets, will not only decrease turnover but also find, train, and keep top retail talent, showing behavior that customers expect in the store of the future". In parallel, considering lower inventory levels, retailers can still explore staff optimization opportunities in more operational and logistical functions on the backend of the physical store. Ultimately, the realization that skilled store personnel contribute significantly to the customer journey in the store of the future is key – they make or break the store of the future.





Does this focus on the role of store personnel mean that technology will play no part in the future of retail? Not at all: most customers indicate self-checkout is a mandatory feature of the store of the future. A third of the customers think that in the future, an automatic card transaction should be triggered when exiting the store, without any additional scanning of items or checkout action needed. This all might not sound too technologically advanced, but how many stores have a seamless, touch-free checkout process that works successfully? The message of customers is clear: get the technological basics right and let qualified store personnel do the rest.

Innovation

When scientists in 1923 predicted life in the 21st century, their visions included a world full of healthier and more beautiful people, four-hour workdays, 300-year-old people, and watch-sized radio telephones. When asked about their predictions for the store of the future, the customer group of this PwC Retail Monitor named personalized shopping, on-demand product information, and ESG (Environmental, Social, and Governance) product information as their top three innovations for 2030. Has the customer base become less innovative and creative or have priorities shifted towards more practical desires?

Customers have access to so many channels and ways of shopping that retailers are key in guiding the shopping experience and introducing new elements to their customer journey.

Almost half of all retailers surveyed believe that the blending of offerings will be the first innovation to be implemented in stores. An example of blended offerings is the combination of book shopping with a café concept.

A third of the retailers see the implementation of personal shopping assistance as an important development in the stores. This plays into the request of customers to make shopping a personalized experience and streamlines a customer's journey in-store combining storytelling, advice-giving, and upskilling of the customer in one.

While most retailers agree that virtual or augmented reality shopping is not a priority for physical stores, it highlights the challenge of implementing innovations standalone. Retailers must question how innovations can be connected along the customer journey and add value to the shopping experience.



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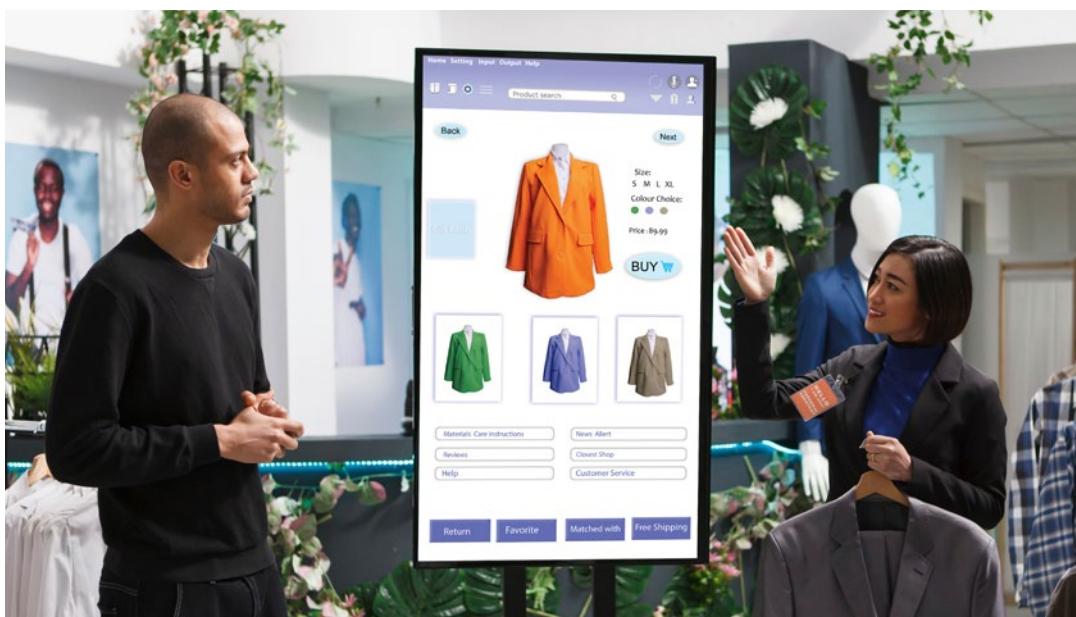
Conclusion

The future of stores goes beyond connecting the digital and physical worlds. Customers want to immerse themselves into an experience with all their senses. Given the different way we buy products, retailers must carefully evaluate the customer experience with their respective product(s) and move towards a format and setting that best fits the needs of the customer. As our markets and shopping streets evolve it is evident that humans and technology must coexist to create the best retail experience.

So: Will everything move online? Will there still be stores? And in what way are customers shopping in the future? The physical store business is expected to remain as many future products will be promoted and purchased within the stores. But customers seek new and unique in-store experiences to complement the efficient shopping experience in e-commerce.

Where to start as retailer to be ready for the shopping street of 2030?

1. Connect your physical stores to your e-commerce environment to operate omnichannel through store inventory checking or ordering.
2. Customer preferences are changing towards seeing and trying a product in-store but buying online and having the product delivered at home. Inventory must cater to these preferences.
3. Evaluate where an experience can have impact to the customer by prioritizing the customer experience, creating an immersive and shareable moment and drive inspiration.
4. Upskill your staff to move from an operative function to an advice-giving function, in which they make the customer experience come to life even further.



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We are more than happy to answer any questions you may have.



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We gained insights and strengthened our research by surveying participants of the DELIVER network of retailers about their experiences, ambitions and views on the future.



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