2022 RETAIL TRENDS

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The retail industry has weathered a wild storm over the past two years, having navigated the COVID-19 pandemic, supply chain challenges, and an ever-evolving consumer. As we take in the holiday data from 2021, it looks that the industry has had a solid finish to the year, with holiday spending up 8.5 percent and both in-store and online channels seeing a rise from pre-pandemic levels. Retailers continue to show resiliency and flexibility to adjust and meet their consumer's shifting needs, but as we look into 2022, what are the top challenges and trends that we should expect to face?

TREND #1
Continued Evolution of Unified (or Hybrid) Retail

For the last decade, retailers have grown in their omnichannel presence – the ability to meet and transact with their customers across multiple channels and platforms. As we move into 2022, having this omnichannel framework in place has essentially become table stakes. Retailers need to have a consistent customer experience across their various channels – and many have done that (or at least attempted it) and have even tied the channels together with some experiences such as buy online, pickup in store (BOPIS). While many have surpassed this, it's important to call out that retailers without a strong omni foundation should be starting here and putting in place the groundwork to allow them to meet their customer where they are, whether in-store or online.

The next step in this journey is to truly embrace that these channels need to work together in a single unified experience. The numbers continue to rise on consumers leveraging their mobile device to research a product or complement a shopping experience, both prior to and while in the store, with recent numbers showing up to 80 percent of shoppers exhibiting this behavior. Whether via mobile-native site or app, retailers should be embracing this unified approach and empowering their shoppers with information at their fingertips that supports their in-store journey. Home Depot, for example, gives detailed inventory and product location data so that a shopper knows if their product is in stock, and can walk to the exact spot in the store where their product can be found.

While shoppers have returned to stores after the initial COVID-19 surge of 2020, there is still some uncertainty due to recent outbreaks. Outside of common safety measures (masking, social distancing), leveraging technology to create more efficient visits to stores will help to entice shoppers to still make those visits and not solely rely on eCommerce. Multi-channel shoppers spend more than single-channel shoppers, and whether that is due to the ability to make impulse buys in-store, influence from store associates, or just the ability to tangibly browse the products in front of them, it's up to the retailer to capitalize. Appointment-based shopping will continue to rise and should be enabled through a retailer's online and mobile channels, and can serve as a great bridge into their loyalty programs as well. Lululemon is a great example of a retailer who offers appointment booking online so that a shopper can have personal shopping services, get product demos, or even trade in their used clothes.

Lastly, with a focus on unified commerce, retailers should be evaluating their store footprint and determining what the right mix is going forward. Large chains such as Target and Macy's have experimented with small format stores to reach new guests in urban areas. Individual brands are partnering with large stores for shop-in-shop concepts, such as Sephora opening 850 mini-stores in Kohl's by 2023 and home gym company Tonal partnering with Nordstrom to expand its retail footprint across 40 stores in the US. These concepts will continue to grow in prominence as they offer symbiotic benefits to both retailer and brand and allow for consumers to have more curated experiences when they shop in person.

TREND #2

The Rise of the Conscious Consumer

Conscious consumerism has been on the rise and is by no means a new thing. This practice, which we will define as "buying practices driven by a commitment to making purchasing decisions that have a positive social, economic, and environmental impact," has been growing as younger generations demand more socially and environmentally responsible brands. It's only being accelerated even faster by activism movements and natural disasters in recent years. Some statistics that retailers should care about:

- 81 percent of global respondents in a recent study feel strongly that companies should help improve the environment
- More than two-thirds (69 percent) of environmentally-conscious buyers willingly pay a premium for recycled products
- 52 percent of respondents in a recent study said it's important for them to buy from companies whose values match theirs (up from 43 percent in 2019)

The conscious consumer looks at multiple values when coming to a decision on which brands to support. They're looking at how brands interact with the environment, how they give back to the community they serve, and how they treat their workers (among other things). With such a broad landscape to cover, retailers need to open up a dialogue with their customers, keeping in mind that transparency and accountability are a must. Retailers need to set goals on how they can improve in these areas, be transparent about their goals, and if they fall short, communicate how they are going to get better in the future. Most importantly, any messaging a brand conveys must be authentic and match their actions.

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As brands look for ways to improve their environmental impact, the industry is seeing an uptick in the circular economy with more rental and re-commerce business models in play. ThredUP, an online consignment and reseller platform, projects that the resale market for clothing will grow 11 times faster than the broader retail clothing market by 2025. Many brands have launched their own resale programs, such as Patagonia's 'Worn Wear' and The North Face's 'Renewed,' and others such as Madewell have leveraged partnerships with brands like ThredUp. Madewell launched 'Madewell Forever' with ThredUP in July of 2020 and has experimented with pop up shops to help not only resell product but also help educate their consumer on the brand's environmental initiatives.

Another element for retailers to consider is their stance on diversity, equity, and inclusion. This is broad by nature – as it should encompass their organization as a whole: their people, their suppliers, how they market, etc. Consumers are more likely to shop at a brand that incorporates inclusivity into their marketing and advertising, and we are seeing retailers improve their representation of LGBTQ+ and BIPOC communities, as well as plus-sized models in the fashion and apparel sector. While there is no silver bullet for improving DE&I, retailers should set concrete goals and measure their progress over time, just the same as they do for other corporate social responsibility (CSR) areas such as the environment to ensure transparency and create the authenticity that consumers want to see in this area. Brands have been caught in the past creating a surface level marketing campaign in support of LGBTQ+ people, only to be branded as "rainbow-washing" when their practices behind the scenes were detrimental to that same community – reinforcing that above all else, authenticity is key.

An element of CSR that is likely to be in the spotlight in 2022 is that of employee relations and labor retention. "The Great Resignation" left retail with a labor shortage amid historically low unemployment and rising numbers of retirements and people quitting their job. Retailers should be looking across the board at how they can better retain talent, from improving pay and scheduling options, to improving store conditions in the midst of a global pandemic and leveraging technology to improve workers quality of life in the store. Self-service kiosks can streamline the checkout process, allowing retailers to 'do more with less,' but also allows their associates to focus on helping consumers throughout their entire store journey rather than just at the checkout. Centralized communications, task management, and eLearning tools can keep employees engaged, trained, and best equipped to do their job, ultimately driving employee satisfaction and retention.

TREND #3

Building a Resilient Supply Chain

2021 was a stressful year for supply chains around the globe. The COVID-19 pandemic closed Chinese ports with a single positive case, creating a whiplash effect downstream at every stop. Container shortages, port backups, truck driver shortages – all headlines we saw throughout the year, none of which have a quick fix for retailers who care about getting their inventory to its ultimate destination. In the immediate crunch of the holidays, we saw big players in the industry resort to chartering private ships, but this is an option only available to large, well-capitalized companies. The big question is – what do retailers do to prevent another year like 2021 from happening in the future? We see a focus on a few key areas as we move into 2022.

While 2021 was an exercise of managing which fire was burning the hottest, 2022 will mark a holistic evaluation of the entire supply chain for retailers looking to ensure that they are mitigating risk where possible. It's vital for retailers to not only look at where they experienced problems in the past, but also where bottlenecks and inefficiencies can arise in the future. Retailers should be evaluating their strategic supplier relationships, transportation carriers (both domestically and internationally), their warehouse networks, and even the last-mile delivery providers to ensure all elements work together and can be flexible and resilient in the future. While this analysis is critical, it also takes time, and many solutions require significant investment and lead-time, so we expect these long-term initatives to be paired with near-term projects to immediately bolster visibility and efficiency.

While some of the challenges that 2021 posed were unavoidable, the brands with true end-to-end supply chain visibility were best able to identify issues and react to them. With global supply chains being disconnected across multiple partners, it can be a challenge to centralize all integral data and leverage it for insights. This year will be one where retailers will focus on bringing this data in order to streamline the identification of issues, allowing them to accelerate problem solving, and facilitate the removal of bottlenecks along the chain. By layering in predictive analytics capabilities, retailers will then be able to see issues before they occur and better plan out their inventory in order to maximize sales throughout the year.

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As the pandemic fueled the further acceleration of eCommerce growth, retailers who offered a variety of fulfillment options and delivery speeds stood to benefit the most. We saw BOPIS and curbside pickup continue to grow, as did the pressure to offer same-day delivery in order to combat the giant that is Amazon. While not every retailer can make the investments into delivery services as Amazon has, it's undeniable that the industry is feeling the pressure to offer quick delivery turnarounds to meet the needs of the consumer. JCPenney announced a partnership with DoorDash in order to hit same-day delivery goals around the holidays, continuing a trend of retailers partnering with delivery services such as Shipt, DoorDash, or Uber. We expect these types of partnerships to continue, as smaller retailers also look to increase delivery speeds without making significant logistics investments.

TREND #4

Experimentation with New Channels

Retail is constantly focused on meeting the consumer where they are. Outside of the big three of in-store, online, and mobile, we expect to see retailers experiment with emerging channels – social commerce, live commerce / live streaming, and the metaverse.

Social commerce has been seeing large growth over the past few years, and projections show that it could break $50 billion in sales by 2023. This has been fed by more people shopping at home due to the pandemic, but also the emergence of new apps like TikTok. TikTok's partnership with Shopify allows for brands to sell directly from videos and profiles, and allows them to continue to meet consumers where they spend their time – TikTok users on average spend over 24 hours on the app each month. Layer in Instagram, Facebook, Snapchat, and Pinterest who have all pushed their own tools to enable retail selling, and there is a variety of new ways for brands to not just improve engagement with their customer base but also directly increase revenue.

Home shopping networks have been around for decades, so it was only a matter of time for the digital version of QVC or HSN to come along. However, live commerce, or livestreaming, is continuing to get traction for retailers. Rather than the one-way communication of shopping networks on TV, live commerce seeks to create a conversation with two-way communication, allowing brands to deepen their relationships with their customers while informing about their products and reaching new customers all in one stream. Already massive overseas, projections show live streaming eCommerce revenue could grow to $35 billion by 2024.

While social and live commerce are twists on a familiar journey, the metaverse poses an entirely new challenge for retailers to ponder. The metaverse, a series of virtual worlds or experiences that exist with a social component, opens an entirely new channel for retailers to explore – the digital universe. In 2021 we saw many retailers create virtual versions of their products. Nike, Tommy Hilfiger, and Forever 21 all have launched lines in the online platform Roblox. Meanwhile, luxury brands are experimenting with non-fungible tokens (NFTs), an individual digital item that can be traced to a specific owner. This has led to headlines such as the 'MetaBirkin' (an unapproved, NFT version of the high-end Hermès Birkin handbag) selling for the cryptocurrency equivalent of tens of thousands of dollars.

While each of these channels pose potential benefits for retailers, each of them might not make sense for everyone. We expect 2022 to be a year of strategy building, investigation, and experimentation, with retailers dipping their toes in the water of these new channels to determine how they can best open up innovative journeys for their consumers and continue to create crossover experiences with traditional, established channels.

TREND #5

Other Things to Watch For

- With fears of tightened consumer spending on the horizon, retailers will be making bigger investments and innovating their loyalty programs, to ensure that they stay top of mind for their customers if spending comes down.

- In-store payment options will continue to evolve, with a focus of bringing buy-now, pay later (BNPL) into the brick-and-mortar channel. More retailers will also start dabbling in accepting cryptocurrency through payment apps such as Gemini and Flexa.

- Advanced analytics continue to improve efficiencies across organizations. With the increased amount of consumer data from the acceleration of eCommerce due to the pandemic, retailers will be focused on how to best leverage this data to optimize and personalize their interactions with their customers.

- The pandemic forced many retailers to quickly bring new functionality to market in order to survive. For these retailers, technical debt was likely taken on as the priority was speed and survival. These retailers will now need to pivot and focus on efficiency and optimization to best set them up for success going forward.

Wrapping Up

If the last few years have taught us anything, it's that the retail industry is great at adapting and handling challenges as they come. We expect 2022 to be another year with twists and turns, but also one where the industry will stretch itself – learning from the events of the past and experimenting to best meet the needs of the future. With retail global sales projected to rise to $26.7 trillion for 2022, there will be plenty of opportunity for retailers to differentiate themselves, improve efficiencies, and continue to thrive in an ever-changing environment.

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