

# Retail Innovation in 2020: What's Here to Stay?

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# Introduction

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The Coronavirus (COVID-19) pandemic has disrupted “business as usual” for retailers globally. Despite rapid changes to operating and consumer environments, retailers are responding by experimenting and innovating in 2020, re-imagining their growth strategies, positioning and communication with customers.

COVID-19 is expected to have a long-term impact on the global economy and consumer behaviour. To ensure business continuity, retailers must understand which shifts will become permanent – Will consumers continue to gravitate towards online shopping even when the pandemic is past? What key features will make consumers comfortable to shop in stores again?

Retailers big and small are trying new ways to add value to the shopping trip and advance the way consumers browse, shop and buy. This white paper investigates these questions and how retailers are responding with 15 of the top global retail innovations in 2020.

# Standout topics ruling the retailing industry in 2020

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Euromonitor International's retailing research provides comparative analysis across more than 30 channels in 99 markets worldwide. Our retailing experts use a range of data types and methodologies, but here we are using two types of information: the results of our annual business-to-business survey about retailers' attitudes (Retail Voice of the Industry Survey, fielded in 2020) and market size forecast from our annual studies on the global retail sector.

Additionally, Euromonitor International's experts reviewed more than 130 submissions from our analysts worldwide to identify the top concepts seen across the globe. These winning concepts represent three standout topics that are ruling the retailing industry in 2020.



E-commerce



Retail Space  
and Design



Communities and  
Engagement

# E-commerce

The pandemic led to an unprecedented surge in online sales around the world. Although some of the shift in consumer spending towards online may be short-lived, a significant portion will be permanent. Many in-person experiences have lost their impact because of constraints on physical operations. There is more emphasis on digital, especially emerging concepts like livestreaming. The e-commerce boom has also magnified the impact of delivery costs to the bottom line, which is leading companies to explore new methods from high-tech robots to low-tech curbside pickup and click and collect options.

## \$1.5trn

Absolute growth of online retailing globally in the period 2019-2024

## 56%

of global retailers are looking to sell through additional digital channels in 2020

## 73%

of global retailers believe the shift to online sales will be permanent

# Agriculture turns to livestreaming to make digital sales

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## Alibaba's Rural Support Program, China

Alibaba launched its Rural Support Program in February 2020, to connect farmers, who were seeing their supply chains disrupted, with e-commerce tools to sell directly to consumers.

As part of this initiative, Alibaba made its livestreaming platform Taobao Live available for free to farmers. By mid-May, Taobao Live had more than 50,000 livestreamers in rural areas.

Livestreaming has given suppliers, including farmers, quick ways to connect directly with shoppers.

## Size matters, but small players can succeed in e-commerce too

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### Digitally native Allbirds brand uses stores as delivery hubs during lockdown, US & United Kingdom

Allbirds, the specialised wool-based, sustainably-produced shoes for casual wear brand, leveraged their existing brick-and-mortar stores as delivery service hubs and fulfilment centres during the government enforced lockdowns. The company also introduced a new virtual chat feature to allow consumers shopping online to connect with store employees to answer questions about the products.

Allbirds adaptability during the pandemic represents a new level of maturation for digitally native brands and direct-to-consumer retailers. Physical stores offer new ways to build more meaningful, relationships with customers, especially crucial for new brands.



## Size matters, but small players can succeed in e-commerce too

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Source: Mándamelo

### **Mándamelo is an association-led platform for small businesses, Mexico**

All impulse-driven stores in Mexico have been hit hard by the pandemic, but none more so than the country's small, independent stores ("tienditas"). Two trade associations, Concanaco and Antad, launched Mándamelo a free online sales platform to help 'little shops' stay afloat. The platform enables "tienditas" to request online payments using WhatsApp and leverage proximity commerce within their community, ensuring cost- and time- effective order deliveries within a 10-block radius.

This service provides an easy and affordable way for smaller retailers, especially traditional grocery retailers, to move into the e-commerce space. It doesn't require big investment or previous experience.



## On-demand grocery delivery platform cuts delivery time to just 15 minutes

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Source: Weezy

### Weezy delivers groceries within minutes using hyperlocal fulfilment centres, United Kingdom

Weezy uses its own warehouses to fulfil orders for a curated range of items. The service is unique because it is able to control its own supply chain. Drivers go straight from the warehouse to the customer without making other stops or taking the time to fulfil orders at a store, promising to deliver in 15 minutes.

With competition in the space intensifying, it is unclear if consumers will make a clear distinction between a 30- and 15-minute service. However, demand for small deliveries exists and Weezy's minimum order of just £15 can be a solution for those last minute 'top-up' grocery shops.

## All eyes on the last mile

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Source: Manna

### **Manna is offering a “drone-as-a-service” delivery business model, Ireland**

Manna is a drone start-up creating a fleet dedicated to food delivery. The company planned to test operations in March 2020, however, the pandemic shifted its focus from pizza deliveries to supplying medication and critical supplies to isolated elderly people that were forced to stay home.

After weeks of flying to and from residents' homes to the local pharmacy and convenience store, Manna proved how safe and practical autonomous delivery is. The company is trialling a delivery partnership in Dublin with the biggest grocery retailer in the market, Tesco, in September 2020.

# Permanent shifts and growth opportunities

## Yesterday

- Livestreaming was growing in China even prior to the pandemic, but had limited global scale. Its reach and role expanded as shopper behaviour adjusted in 2020.
- Physical stores face severe pressure from the shift to e-commerce. Retail, distribution and property were seen as separate.
- Large numbers of consumers cannot easily transition to e-commerce shopping for a variety of reasons, particularly in developing markets. Independent retailers had more limited exposure to e-commerce.
- Grocery delivery windows got shorter but the online experience remained the same – a catalogue of products to choose from that mimicked a physical store.
- Drone deliveries were a novelty available across select global markets and cities.

## Tomorrow

- As online sales grow, brands across all sectors will look to digital channels to reach consumers more directly. Investments made into these channels will support e-commerce even after the pandemic is past.
- Providing additional trade-up services for in-store pick-ups and online orders will be critical for store-based retailing. Retail, distribution and property will merge into one.
- E-commerce will, in many cases, continue to require brick-and-mortar partnerships, which can be an opportunity for stores of any size. Hybrid models of innovation will be the new norm rather than each company investing in these capabilities in-house.
- Short delivery windows, while important, will become secondary to grocery online consumer-centric offerings. Personalised nutrition data will become a permanent feature in online grocery shopping, suggesting products for a consumer's specific dietary needs.
- Consumers will be more open to experiment with delivery tech that promises speed, safety and reliability. Autonomous robot delivery will be a reality for many in the near future.

# Retail Space and Design 50%

The wave of store closures is driving major changes in consumer spending patterns. Physical retail is losing its dominance in experiential shopping thanks to the rapid development of technologies such as augmented reality (AR) and virtual reality (VR). Also, the role of physical shops is evolving – from stores to modular, open and pop-up spaces and distribution warehouses in city centres. Despite this, physical retail will remain the most important and biggest channel globally over the next five years. Touch-free commerce, safe and comfortable shopping in-store and smart design concepts are vital for consumers and retail staff alike in 2020 and beyond.

50%

of global consumers feel safer in standalone stores in 2020, compared to just 10% who prefer shopping centres

35%

of global consumers indicate 'be able to immediately walk out of store with purchase executed' as the most desired store feature

77%

Store-based value sales as percentage out of total global retail value sales in 2024.

## Retailers are aggressively pushing touch-free commerce

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Source: Shiseido

**Shiseido opens a global flagship store focusing on “touchless” consultation, test and purchase, Japan**

Shiseido launched its first flagship store in Ginza, Tokyo in July 2020.

The store offers a touchless shopping experience where visitors can use a mobile app to get beauty consultations, testers and try-on items virtually.

Visitors receive a wristband to record the experiences they have in the store. By touching the wristband at product booths, products are added virtually to the visitor’s shopping cart to check-out at the exit.

## Contactless payments surge globally in 2020; biometric payments are next

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Source: Amazon

### Amazon One is biometric palm-scanning check out technology, United States

Amazon introduced palm-scanning technology at two Amazon Go Stores in Seattle at the end of September 2020, allowing customers to pay, present loyalty cards and enter locations with their hands. The service is designed to be highly secure and uses custom-built algorithms and hardware to create a person's unique palm signature.

This biometric technology has the potential to replace tickets at music and sporting events and as an alternative to keys. However, privacy concerns may be a barrier for mass adoption.

## Demand for easy, safe and efficient shopping drives ultra-convenient store formats



Source: Hirota Food Express

### Hirota Food Supermercados opens fully autonomous 24/7 micro stores, Brazil

Convenience store Hirota Food Express launched an unmanned micro store format located in gated communities in July 2020.

Customers download an app to make their purchases and generate a key code which is used to open the store. Community residents / administrators fill in a request form to have a store set up in their community.

With 500+ SKUs, the residents can have a say in the evolution of the stocked product range. Hirota plans to open 98 additional micro stores, reaching 100 stores in total by the end of 2022.

## Virtual reality and augmented reality are bridging the physical and digital divide

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Source: Storefront

### Storefront bets on VR to recreate the high street feeling, Global

Storefront is a global online marketplace to rent short-term physical retail space. Founded in 2012, the company makes retail accessible to all businesses, anywhere by connecting brands with space owners. Storefront currently manages over 30 million square feet (2.8 million square metres) of retail space in many of the world's top shopping destinations, including New York, London and Hong Kong.

In April 2020, Storefront partnered with VR / AR specialist, Obsess, to develop a VR solution to help brands create short-term virtual retail stores and take advantage of the shift towards e-commerce. The service allows brands to offer a virtual shopping experience to customers. These digital VR stores can be fully customised with the brand's inventory and are fully shoppable from phones or VR headsets.



## Outdoor shopping and flexible physical formats – could the future of the mall be outside?

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### Westfield experiments by moving its operations outdoors, United States

With shopping malls suffering from drastically reduced traffic, or closed, open-air markets allow retailers to operate.

Westfield opened its first pop-up at the end of July 2020, showcasing a number of high-end retailers in outdoor spaces. Customers booked appointments to shop and interact with store personnel and several restaurants participated to help build the marketplace ambience.

With enclosed malls expected to struggle for the foreseeable future, outdoor shopping gives consumers peace of mind and a high-quality experience to drive sales.

# Permanent shifts and growth opportunities

## Yesterday

- Product sampling, testing and try-ons are vital for categories, such as beauty, personal care and apparel. Virtual shopping is still in its infancy, while virtual fitting rooms see mixed adaptation across markets.
- Heavy investment in precautionary measures in-store ensures safety and compliance. Retailers are aggressively pushing touch-free commerce, a concept gaining steam due to the virus.
- Unmanned stores were gaining momentum globally although with mixed results across markets. Unmanned micro stores in residential areas prove an intriguing solution for 'top- up shopping'.
- Retail VR and AR adoption is relatively limited but more brands are experimenting.
- Stores face immense pressure with the development of e-commerce. Locations are fixed, experimentation with pop-up stores and flexible formats is limited.

## Tomorrow

- Virtual shopping and virtual fitting rooms will gain momentum. However, they won't be able to replicate the in-store experience, especially with testing or sampling. The role of the store and "in real life" experiences will remain equally important to any digital advancements.
- Consumers will see great value in tech that removes the clerk from the checkout. Some touch-free technologies that add convenience to the shopping experience could stay long-term.
- Consumers will play a key role in retailers' strategic decisions of where and how to expand their unmanned stores network. These new store formats are likely to appear even in residential buildings.
- Physical and digital integration with seamless connections through all consumer touchpoints will be a key investment avenue moving forward.
- Prompted by the pandemic, retailers will experiment with open-air and pop-up store formats. Physical shopping will evolve as conditions change, creating demand for new business models.

# Communities and Engagement

The pandemic has been a huge emotional rollercoaster for consumers and highlights the importance of empathy and experiences for brands and retailers to establish strong emotional bonds with end-customers. Social commerce is a tool businesses are using to reconnect, since the only touchpoints with consumers are digital at present. Livestreaming events are gaining traction as launchpads for new products while conversational commerce provides a glimpse into the future of shopping. City central locations are being revived through government incentives to shop locally.

45%

of global retailers are looking to add perks for loyalty program members in 2020

53%

of global retailers are looking to add more online experiences, such as digital events and livestreaming

64%

of the global population will be urbanised by 2040

## Conversational commerce improves the at-home shopping experience

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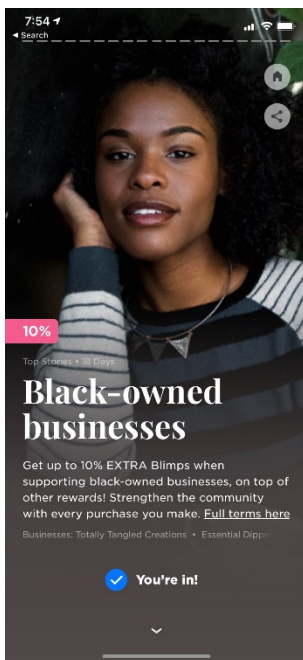
Source: Burberry

### **Burberry's R message system allows a direct link with the company's best customers, United Kingdom**

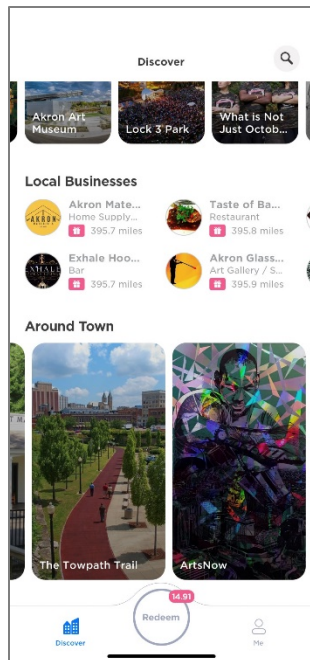
Following the successful launch of its customer R World app four years ago, Burberry introduced R Message – the latest messaging function connected to the app. R Message is designed for select customers, and access is by invitation only. The VIP customers are able to text Burberry's in-store staff directly, who in turn can access information, such as birthdays and shopping habits, to tailor their experience.

With the expansion of digital, consumers expect authentic, genuine and trustworthy human connections that go beyond the purely transactional aspect of retail.

## Conversational commerce improves the at-home shopping experience



Source: Akronite



### City of Akron rewards citizens for shopping locally with city coins, United States

“Akronite” is a community engagement app developed to spur the economic recovery of the city of Akron, Ohio in the wake of the Coronavirus pandemic. The app gives retailers customisable marketing tools to connect with residents. It incentivises Akronites to shop locally by rewarding them with digital “Blimps,” Akron’s city coin, that are redeemable at participating businesses.

In addition to keeping shoppers’ dollars in the local area, the app allows residents to track their local impact and learn more about the city and the businesses within it. Retailers get additional no-cost incentives to drive customers to their stores and they can directly market to consumers inexpensively.

## Livestreaming events are gaining traction as launchpads for new brands and products

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### **Naixue Tea chain uses livestreaming and an influencer for new product launch, China**

With “in real life” connections absent, livestreaming and VR have allowed some brands to shift sales online and, in some cases, launch and promote new products. Naixue Tea, one of the biggest bubble tea chains in China, collaborated with an influencer to release a new line of themed drinks for at-home consumption via a livestreaming event on Taobao. The new product launch sold nearly 3,000 units in the first second, and more than 10,000 units by the end of the broadcast in March 2020.

Other brands using livestreaming to launch new products in 2020 include Adidas, Estée Lauder and Prada.

## Brands bet on their most loyal followers to support them in moments of turbulence

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Source: Carlsberg

### Carlsberg underwrites virtual on-trade kegs to lure consumers back and boost retail sales, Denmark

Carlsberg is attempting to keep the on-trade alive while boosting retail sales in its home country virtually. It asked Danes to “adopt a keg”, allowing consumers to fill their adopted virtual keg online and exchange it for real beer in a real bar.

When someone drinks a bottle or can of Carlsberg at home, they can scan the label to add it to their virtual keg on Carlsberg’s website. Four scanned beers adds up to one beer a day which earns the consumer two post-lockdown pints to share with a friend when they visit a bar. Over 2,000 kegs have been created and Carlsberg is paying for the real-world beer, which will go towards supporting bars around the country.

## Non-tech and non-luxury retailers start to incorporate gaming in various forms



Source: Primark

### Primark launches its first ever mobile game, Primark Legends, United Kingdom

Brands are exploring gaming for at-home customer engagements in response to social distancing measures. They are capitalising on the success of video games seen in the first half of 2020, such as Animal Crossing.

Primark launched its first ever mobile game, Primark Legends in August 2020. Players are cast as a newly hired assistant in a store to do tasks, such as helping customers find clothes and keep the shelves stocked.



## Permanent shifts and growth opportunities

### Yesterday

- While companies interact with consumers via text messages, chat platforms and social media to sell merchandise, retailers have still not broken free from operating hours to meaningful conversation with their customers 24/7.
- Cities, and specifically central city locations, were hit particularly hard by the pandemic with service industries, such as retail and consumer foodservice, seeing footfall diminishing overnight.
- Product launch events in physical retail outlets were the norm. Online events were still in their infancy and only for select products.
- Consumer foodservice operators and drink companies tried to offset losses in 2020 through innovative approaches and promotions in retail sales.
- Gaming and retail was a very niche luxury – brand focused segment that started to develop in 2019.

### Tomorrow

- The need for human connection will be greater than ever. Conversational commerce will be less transactional and more meaningful, specifically tailored for companies and brands biggest followers. More retailers will use digital to deploy personalisation efforts in the coming months.
- Governments will provide incentives for people to shop locally and return to city centres. Despite urban living coming under scrutiny during COVID-19, the overarching trend will remain mass urbanisation, a key driver of economic development and job creation.
- Launching and promoting products via livestreaming events will become the norm globally even post-COVID-19. This will expand beyond retail and enter the entertainment industry as well.
- The consumer foodservice and retail industries will continue to merge and brands will increasingly create digital touch points directly with customers and bypassing intermediaries.
- Innovation in the gaming industry is constant and retailers across the board will seize new opportunities in this space in the future.

# Conclusion

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While much of the focus has been on innovations in e-commerce in 2020, it is omnichannel that will drive growth and recovery for retailers beyond the pandemic. The look and feel of brick-and-mortar stores may be different for the foreseeable future, however, physical retail will remain the most important and the biggest channel globally over the next five years.

The 15 concepts highlighted in this white paper can serve as inspiration across businesses. However, to create long-term competitive retail strategies beyond 2020, companies need to address the following questions:

- 1. Long term channel distribution strategies** – How important is physical retail across industries and markets? How to optimise the supply chain? Which technologies can improve the shopping experience in physical and digital environments?
- 2. Consumer engagements across channels** – How to create boundless community with the most loyal followers but also create digital and physical touchpoints to attract new ones? What is the importance of new technologies such as AR, VR and livestreaming across markets and product categories?
- 3. Seamless integration between physical and digital shopping experiences** – How to expand across more channels while continuing to improve the ‘beyond the buy button’ experiences?
- 4. Capabilities** – What should be developed in-house versus what should be outsourced?

These are all areas where Euromonitor International’s research can help. Contact us to learn more about how we can support your tactical and strategic decision-making.

# About the Author

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Maria Bogdanova is a Consultant leading Euromonitor's International global research in retail innovation. With 5 years of experience in market research, she is an accomplished conference presenter and has authored country reports for a number of markets in Europe including UK, Italy, Netherlands, Greece, Belgium, Spain and Ireland. Maria has expertise in the grocery, e-commerce and discounter retailing channels having interviewed and written about some of the top global retailers in the space.