The Future of Retail: Innovations and Basic Trends

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Abstract. Modern economy conditions are so-called Industry 4.0 affected all the sphere as of humans’ life. One of the main among them is retail. Retail is a last link between manufacturer and consumer which gain profit for all the supply chain. Technological development became a key factor to succeed nowadays but today global economy is slouching through the recession during COVID 19 pandemia and there are many thoughts about the future of retail. As a pioneer of digital transformation, retail already has been adapting to modern clients’ queries and transition to e-commerce or mobile commerce. But not even e-commerce is a key factor to overcome difficulties. The main goal of the study is to analyze innovative models and technologies in retail and an experience of the most efficient implementation models worldwide.

Keywords: Digital economy · E-commerce · Live commerce · Omnichannel · Retail

1 Introduction

Modern economy conditions change rapidly and retail is one of the most vulnerable to its’ influence spheres. The point is that retail adjusted to customer’s needs faster than other industries, it means that transformation influences marketing, channels of sales and communication, supply chains and in-store operations. Brick and Mortar Stores have been replacing by on-line stores step-by-step for almost 30 years. But now they are at risk for one more global danger – pandemic of COVID19, which faces the world retail with new challenges. Thus the research goal is to analyse the main retail evolution directions and to find out does it mean global changes in the modern paradigm or not, the way retail could survive in the modern conditions while state borders are closed and small business incur losses. The importance of the study goes to the attempt to figure out theoretical basis and application of retail development in the new era of the world evolution.

2 Methodology

The study is based on the theoretical and methodological issues of the European, Russian and American scientists and experts [2, 3, 5, 7–9, 12–14] who made a contribution to researches of the digital economy development and evaluation of
innovative applications in retail. A number of general scientific methods and particular scientific methods were used, basically methods of comparative and system analysis, expert methods, statistical methods, system approach. The chosen methods confirm the result’s objectivity and relevance.

3 Results

Both offline and online retail nowadays are slouching through the recession worldwide. Scientists and analytics all over the world are trying to find the way to overcome this situation and increase stores turnover and profit. At the same time, retail is a pioneer sphere of modern technologies implementation and a lot of specialists see the way out of recession via digitalization. The main reason is that a lot of services such as social commerce are available for free to business. During the COVID19 pandemia some technological platforms support business and provide discounts or provide free access. Thus they make boards between offline and online vanished retail and help to develop an omnichannel sales strategy one of the main trends in future retail. One more important trend based on D2C model and social commerce and realized in “live commerce” which will be a kind of consumers’ habit in the future.

Innovations in retail change all the procedures through retailers supply chains including marketing, logistics and in-store operations based on the “smart” technologies and one of the most perspective in retail is IoT which is giving a huge field for research analysis of retail processes and procedures. The development of theory lags far behind practice that’s why it’s important to observe and summarise an experience of retail digitalization and optimization to adopt retail to modern world conditions. All aspects mentioned below are considered as a main goal of this study.

Retail transition to the virtual space began in the middle of 1990’s with the Amazon start. In Russia the first online book store was opened in 1997 in Moscow. The most active growth of the online retail was observed 10 years later with increasing of internet penetration. Nowadays e-commerce retail sales continue to rise all over the world and has already riched $25 trillion in 2019 [11], but the rate of growth is slowing down from 27% in 2017 to 20% in 2019 [11]. In Russia total retail sales’ve been rising for last 3 years in rubles but not in USD. This is due to the weakening of the ruble against the USD (Fig. 1). Comparing worldwide and Russian e-commerce market tendencies, we found out that the share of e-commerce in the total retail sales is much more different but has shown the similar growth rates both in Russia and in the rest of the world (Fig. 2). There should be mentioned that 2020 retail sales indicator value was forecasted in the end of 2019. Thus there weren’t predicted any kind of changes ascepted with COVID19 which has a strong impact on the retail sales now.

The positive tendency of retail sales growth rate will be changed in 2020 and later on. But there could be suggested an e-commerce share in total retail sales will be increasing due to importance of contact free shopping and delivery services. That’s why it’s important to understand what kind of tendencies and innovations will be actual. During last few years a number of new e-commerce models appeared. The first of them is C2B (Consumer-to-Business) which means that consumers set prices for services and products. For example, Priceline.com (USA) allows customers to set the price
for the product they would like to purchase. The company itself acts as a broker. It finds a supplier of goods or services that is ready to sell them at the price offered by the buyer. However, this does not mean that the sale is made at the requested price. The seller using the data of the current demand makes the final decision and builds a strategy.

The second model is D2C (Direct-to-consumer) which means that producers contact with their clients directly and become a new player at the e-commerce market. According to the market survey using of D2C model 82% of producers have improved relations with customers and 76% have improved the quality of customer service. Due to D2C model producers get the full profit and control value chains. Such companies as Mercedes, Boeing, Ford, Adidas, Nike, Canon, Samsung and others sell directly to consumers via Internet. About 27% of dealers suppose to get the profit by concentrating on high-margin goods and about 14% see the success of this model in market tests provided by producers before these products reach retailers [1].

The third model is O2O (Online-to-Offline) which means on the one hand that online retail start to buy and open offline stores and on the other hand it means that

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**Fig. 1.** Total Retail Sales and Retail E-commerce Sales Russia, 2017–2020 (Source: author based on [1, 10, 11]).

**Fig. 2.** E-commerce Share in Total Retail Sales Worldwide and Russia, 2017–2020 (Source: author).
Offline retail giants are also starting online stores providing not just similar but the same service level to customers in the digital space. In common this model provides omnichannel sales. The idea of omnichannel is not just to maintain a certain uniformity in the operation of various sales channels (which multichannels sales are), but to ensure that these channels work as a single unit.

There are already a few examples of omnichannel sales implementation. For example Marks and Spenser or Next already have special stands in offline stores in the UK with an open site where customer can order delivery to his home or to a suitable store for the missing product. Most major retailers all over the world have implemented this model, also in Russia, for example, Inditex (Zara, Massimo Dutti, Bershka and other brands) and Wildberries as the largest representatives of the industry already implement omnichannel strategy.

An omnichannel strategy is also related to ROPO rule which means “Research online, purchase offline”. According to market analysis about 82% of users’ research information about retailers via mobile gadgets and 18% from them make purchase during 24 h after research. Such a strategy is one of the most actual and prospective sales strategies in further retail development.

Both offline and online retailers operate with modern digital technologies implementation nowadays. And there is one more model M2M (Machine-to-Machine) which is based on IoT technology. It was forecasted that in 2026 people all over the world will live in high-speed connected world where the IoT become an everyday reality. The IoT will be developed most actively in the context of a “smart store” with “smart shelves” with the ability to place or replenish goods, a “smart warehouse” with the ability to reduce transport costs, as well as for behavioral analytics [6].

For offline retail, IoT could be used to provide “smart fitting room” which will recommend similar style and size things and allow combining them into set [15]. IoT provide systems that send personalized digital coupons to customers who enter the store, and sensors that monitor the condition of perishable products and other benefits. IoT also changes retail supply chains by using RFID technology and helps track goods under delivery. IoT could be used in omnichannel sales. Karia calls that IoT omnichannel evolution. Definitely IoT may inreach data about customer journey thus a synergistic effect could be reached and seamless contact with customer could be achieved. Karia proposes 3P for IoT and omnichannel success collaboration: Proactive experience, Predictive experience, Personalized experience [9].

4 Discussion

Online retail has a number of competitive advantages over offline retail in the innovations application field. For example, some innovative technologies such as AR and VR technologies, chat-bots, multimedia and other technologies generating a “playful” content are unobtainable for offline retail. This is especially important for millennials who are by far the majority consumers now. Moreover offline retail can’t survive without any kind of modern retail models or technologies such as mobile commerce and social commerce.
Modern technologies help to overcome difficult time such as worldwide retail suffers during quarantine. This statement is much more actual for offline retail, but we should divide grocery stores and supermarkets and non-food products retail. Non-food products Brick and Mortar Stores suffer from the crisis most of all especially beauty and fashion retail. But that doesn’t mean that offline retail will sink into oblivion. Crisis is a period to start implement digital technologies. For example, during quarantine in China for a few weeks life became digital only. The most successful communication channel was online translation. According to iiMedia Research in 2019 the number of viewers of online broadcasts increased by 10.6% - to 504 million people, this is more than half of the total number of Internet users in China—854 million. At the same time, 71% of users watch the broadcast in real time at least once a week. Experts suggest that in 2020 the number of users of “live” broadcasts will increase to 526 million people, and Covid-19 will accelerate this trend. Thus e-commerce become “live commerce” which means combinating online shopping and direct interaction with potential customers. Broadcasts are usually stream via popular applications such as WeChat, Xiaohongshu, Weibo, Taobao Live. An audience of these channels is more than 600 million people. During the COVID19 pandemia offline retail mostly closed thus manufacturers start using streaming services which provide free service to support brands’ sales [4].

Streaming services are used by food and non-food goods retailers and manufacturers. Thus “live commerce” helps to develop D2C model of e-commerce in different ways. Broadcasts became a popular instrument for farms to sell their products. Alibaba in February 2020 launched a program to support rural areas in China, turned off the commission on the Taobao Live platform and opened a foodie livestream channel for farmers. Its’ broadcasts are watched by 41 million followers. On Valentine’s Day, Taobao held a charity concert that attracted 4 million users, helped sell 380 tons of farm fruits and vegetables, and raised $81,500 in donations for Wuhan [4].

Traditionally offline businesses such as restaurants, car dealers, travel agencies, real estate agencies and others start to sell online via live broadcasts. About 30 restaurants start using the Taobao platform in February 2020. Users watch night broadcasts mostly, for example the midnight stream of the network of hot food outlets Xiaolong Jan sold several tens of thousands of servings within 10 min on February 17. Sales increased for the one day by 1200% compared to a month earlier.

Car sales stores conduct about 300 broadcasts on Taobao Live every day and in total, more than 80% of car brands in China are connected to online platforms.

Representatives of Taobao Live said that more than 15 thousand car broadcasts were placed on the site. On March 21 a group auction brought together more than 10 thousands dealers of 40 car manufacturers such as Maserati, Audi and Volvo. Some models offered discounts of up to 40%. This way brands want to compensate for an expected 80% year-on-year drop in sales.

Fashion industry is one of the most affected areas of the economy. Brands start to represent new collections and fashion shows via live broadcasts. Dior and Chanel cooperated with celebrities to advertise on Chinese social networks WeChat and Weibo and IKEA launched a live stream for the start of its store on the Tmall, in the first 10 min, the stream attracted 27 thousand of viewers and 300 thousand people have watched it totally.
To evaluate the live commerce market potential there could be mentioned that during the Singles Day in 2019 the total turnover of goods in the Taobao video service owned by Alibaba was 20 billion yuan ($2.86 billion), about 7.5% of the company’s total sales. “Live commerce” market in China was estimated at 440 billion yuan (63 $billion) in 2019 which is 220% more than in 2018. And at the same time according to the Conversation research the real-time sales conversion rate is much higher than on conventional retail platforms [4]. The main reasons to suppose the “live commerce” is a main trend in retail that according to analytics the demand for broadcasts will not decrease after the pandemic. Customers will rely more on live broadcasts to buy things and this will become their habit.

5 Conclusion

Total digitalization of the economy expand over all business spheres and at the first sight it regards to retail as a driver of the economic development. Retailers’ goal is to achieve competitive advantage and gain profit using modern technologies. Nowadays there is no need to argue about modern technologies efficiency. Companies which use only one communication and sales channel with their customers can’t succeed on the market. Thus according to research we can state that efficient retail models have a technological basis. Thus Brick and Mortar stores can’t exist without e-commerce combination in any way. Most perspective innovations in retail are IoT, AR and VR technologies, chat-bots, AI and others implemented in most popular models of online retail such as D2C and “live commerce”. Definitely offline retail era is not over but it won’t be the same as it has to be. And all these processes we can observe are just a transition to a new paradigm and economy digitalization consequences.

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