

Retail

Retailers and brands are coming out of a pandemic that has essentially lasted three years. Over the past year, challenges across the supply chain, inflationary pricing, economic uncertainty, and geo-political factors have taxed retailers and squeezed the financials. With the New Year, however, there is a positive outlook and focus on the customer shopping journey. As retailers adjust to a new normal, a seamless experience and hybrid shopping are shaping the future of retail.

Here are the five biggest retail trends that will impact the industry in 2023.

Retail Media Networks

Physical retail stores and websites are becoming increasingly crucial as advertising sources for their vendors. Selling marketing space to vendors is a growing revenue stream for retailers and allows them to deepen their relationships with business partners. Ad space sales on websites, in-store displays, mobile applications, and streaming services will continue to grow across more retailers. The most significant growth, however, will come from streaming TV. "Retail Media is moving aggressively to streaming TV, capturing the attention and budgets of major brands," stated Andrew Lipsman, Principal Analyst of Insider Intelligence.

The three largest U.S. retailers are leaders in optimizing retail media networks. Amazon took advantage earlier on by using its newly acquired Thursday Night Football streaming events to sell advertising space to its vendors and to maximize its marketing efforts. Kroger's partnership with Roku to sell commercials on the ad-supported CTV becomes even more powerful if the potential merger with Albertsons goes through. Walmart has been working with its vendors on retail media networks for many years and has created its own branded network called Walmart Connect, which made over \$2 billion in 2021 revenue. Advertising revenues, excluding website placements, will grow 38% in 2023 to \$6.5 billion. "This is the holy grail for advertisers," said Lipsman.

Social media sentiment monitoring

Social media sentiment monitoring is collecting and analyzing information on how people talk about a retailer or brand on social media. Actively engaged on social media, retailers can better understand data about their customers' sentiments, preferences, and attitudes toward their company and its competitors. Retailers that create a large follower base can use data and sentiment monitoring to understand the consumer mindset better and more accurately forecast trends in shopping behaviors or product

preferences. Monitoring social media and expanding social commerce opportunities can create high loyalty with a fan base.

The continuing rise of social commerce presents a burgeoning opportunity for retailers and brands because the hottest leads on TikTok today are people and influencers, not brands. As yet, brands are missing out. Retailers have a golden opportunity to figure out how to create revenue from social media and drive future social commerce if they can secure followings like the top individual influencers. Once retailers figure out the TikTok model, it should become a tremendous source of revenue. Live streaming to showcase events and deliver personalized selling can fuel loyalty with social commerce platforms like TikTok Shop.

Hybrid shopping and seamless shopper journey

Retailers want to deliver a seamless experience across all shopping methods, including online, in-store, mobile devices, social media, and live streaming. However, providing a holistic view of the shopping journey requires that retailers merge the siloed data across every business function into a synchronized format that all groups can view within an organization, including merchants, marketing, store operations, digital teams, human resources, and finance. All consumers' shopping data has to be consistent and accurate; unstructured data needs to be parsed into readable formats and merged with structured data, so decision-makers and automatic processes can take proper actions. By synchronizing the data in near real-time, various groups in an organization can collaborate and build strategies relevant to the core market. Synchronized data allows for precise personalization for individuals and segmented groups of customers. With the phasing out of third-party cookie data by 2024 that has been widely available through Google, retailers will need to ramp up efforts to synchronize the first-party data they have in their data warehouses to deliver a seamless, hybrid shopping journey.

Store design shifts and mixed-use spaces

Store designs have been imperative over the past two years as retailers adjust store sizes and dabble in experiential retailing. Larger format stores like Walmart and Target have tested smaller formats like the Target Campus stores or Walmart's Neighborhood Markets. At the same time, Target recently announced it plans to invest in larger stores that offer 20,000 more square feet of space than its average store and include new store design features. Many retailers are adding features to support new shopping initiatives such as curbside pick-up, fulfillment from stores, and pick-up in-store. Ulta Beauty recently announced its store redesign that will put forth its beauty point of view through merchandising and design elements.

Mall developers and community leaders are leaning into the concept of mixed-use space that offers shopping, living, dining, and other community spaces that serve a specified market. In Columbus, OH, the business district is developing Gravity, which caters to artists, social innovators, and entrepreneurs. New York's Governor Hochul recently announced a \$26 million mixed-use development to provide high-quality housing and commercial space in Oswego as part of its Downtown Revitalization Initiative.

Consumerism curtailment

2023 is the year that we will see consumers slowing down — in other words, a consumerism curtailment. Repair, recycling, reuse, and thrifting will grow. Simply put, consumers will buy less stuff and be more invested in understanding the product life cycle. Retailers have already started to address this area by adding pre-owned items to their product assortments. REI has its pre-loved outdoor gear for sale for its members, and lululemon has its Like New program. Levi has worked with Thread-Up for many years, and Walmart has its pre-owned items for sale. Patagonia has been a pioneer in transparency in the supply chain, and Everlane and Eileen Fisher. As Gen Z earns more money and becomes more powerful in voting with their dollars, companies focusing on sustainability will win out. Pre-owned products, recycling, and reusing are becoming more mainstream and increasingly expected by consumers.

Among today's retail trends, these five are the most relevant for the industry. Other focus areas for retailers will be workforce reshaping (for example, achieving the proper balance of on-site versus remote and creating environments of inclusivity) and community as a pillar of investment and focus. The shopper journey remains center stage as the year winds down and retailers look to the future.

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