



2018 RETAIL TRENDS REPORT



Now,
New,
Next

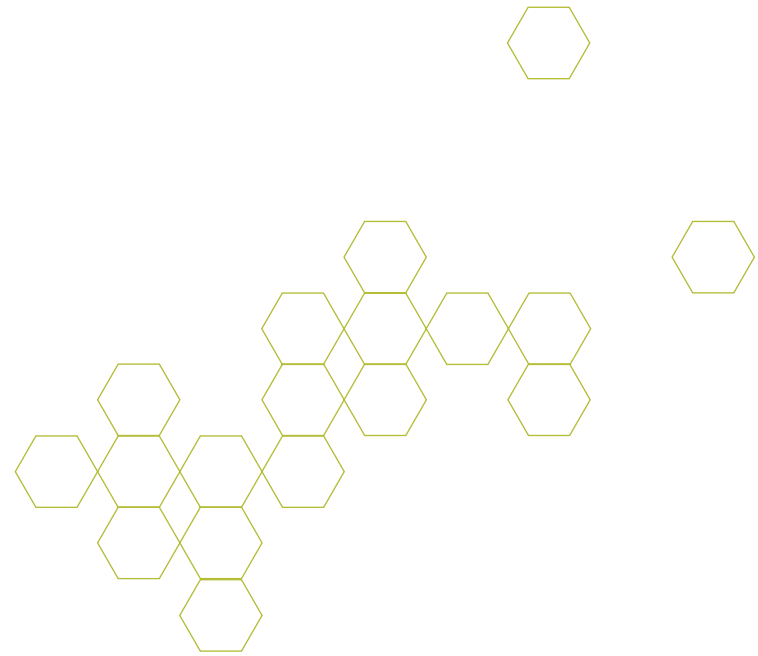
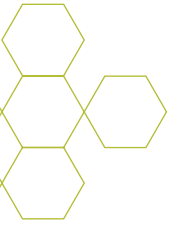


NEW EXPERIENCES. PERSONAL CONNECTIONS. INSTANT GRATIFICATION.

The expectations of connected consumers are generating seismic shifts in the retail landscape. Brands at the forefront of change are forcing competitors to transform, adapt, or even join forces. **It's a race to remain relevant** and the real winners continue to be customers.

Alliance Data's **Now, New, Next** trends report examines how brands are navigating these shifts. To counter increased customer expectations and needs, brands are elevating their service offerings through deeper engagement opportunities and innovative connectivity.







10 THE TOP TRENDS SHAPING 2018

Now

WIDESPREAD USE

Brands have taken notice and are incorporating these ideas at a growing rate.

New

EARLY ADOPTION

Bold leaders have implemented new models for meeting their customers' needs, as others closely monitor their success.

Next

NEXT-UP INNOVATION

A select few trendsetters are exploring and testing concepts that may gain popularity in the next two to three years.

Now ↗

BRICK-AND-MORTAR MAKEOVERS

The evolution of retail space continues as brands keep **redefining** what it means to have a physical location. Instead of simply expanding, they're exploring new real-estate strategies by **reimagining** and **repurposing** store environments to be more relevant and responsive to customer needs.





Sephora

Focusing on beauty consultations and services, Sephora launched a new small-format, neighborhood concept dubbed Sephora Studio. The studio includes a variety of sampling opportunities, same-day pickup of online orders, and spa-like skincare, facials, and custom makeover services.

Nordstrom

Nordstrom continues to evaluate their real-estate strategy by piloting an inventory-free, service-oriented small-format store designed to reach and engage customers on their terms. Nordstrom Local will offer personal styling, returns for items bought online or at other locations, tailoring, manicures, and a beverage bar.

Target

Target plans to grow its college campus-focused TargetExpress store formats, opening more than 130 stores by 2019. These smaller-format stores—designed to reach younger millennial and gen Z customers—are more nimble and offer conveniences like buy online and pick up in store.

Disney

Disney is unveiling a store prototype to bring the theme park magic directly into stores. The new stores feature large LED screens to live stream the daily theme park parade and fireworks. Associates, including characters, open each day with a small celebration and will interact with shoppers via learning and play activities.

75%
of customers still
want to see a
product in store.

Source: Generational
Perspective, Alliance Data, 2017

MAKE IT HAPPEN:

- Understand how, when, and why customers are engaging with your physical locations to identify opportunities that inform next-gen real estate, product, service, and traffic strategies.
- Give customers a compelling reason to visit stores by creating rich experiential moments that go beyond product, and tap into the emotional elements of your brand.

Now 

ELEVATED EXPERIENCES THROUGH ENHANCED TECHNOLOGIES

Brands are finding new ways to infuse technology into the customer experience to satisfy the demands of the 24/7 connected shopper. From **self-service** product discovery tools to **augmented** experiences and **in-the-moment** connectivity, brands are adopting innovative solutions to enhance the human element across all channels.



Saks Fifth Avenue

Saks Fifth Avenue is rolling out a new augmented reality concept dubbed the Salon Project. It allows customers to try new looks and cosmetics without leaving their salon chairs. Customers select products to try on, receive recommendations from their stylists, and complete product transactions in one seamless experience.

Wayfair

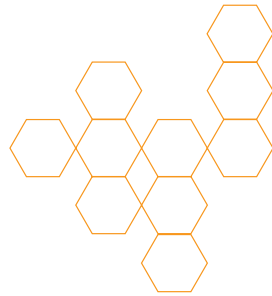
To enable product discovery, experimentation, and a seamless purchase experience, Wayfair launched a new augmented reality-enabled mobile app that allows customers to see furnishings and décor in 3D. Users can see how items would look and fit within their space and make purchases seamlessly within the app experience.

Audi

To entice customers back into the showroom, Audi unveiled a new virtual reality experience that brings car buying to life. Customers can preview customizations prior to purchase and take a virtual test drive. With many dealerships only stocking a handful of cars, the virtual reality experience also brings the entire Audi catalog into the showroom.

Lowe's

Lowe's has enabled in-store wayfinding via an augmented reality experience in the Lowe's mobile app. Lowe's Vision is available on any Tango-enabled mobile device, providing turn-by-turn digital directions to help customers find products quickly.



MAKE IT HAPPEN:

- Drive conversion, spend, and brand loyalty through technology solutions that bring your brand to life and augment the overall shopping experience.
- Identify areas of your business where technology can provide operational efficiencies, support reduced staffing environments, and enable associates to provide a more robust customer experience.

Now ↗

PURPOSE-DRIVEN PARTNERSHIPS

Brands are using **strategic alliances** to adapt in an ever-shifting retail landscape. By moving beyond one-off collaborations and in-the-moment engagements, they are forming unexpected partnerships to create **unique value** and **exclusive benefits** for demanding customers.





Home Depot and Laurel & Wolf

To expand access, online design company Laurel & Wolf is collaborating with Home Depot. They have created an exclusive, multi-platform design consultation and installation service called Home Depot Pro Referral Service. Home Depot customers can work with Laurel & Wolf designers to create custom interior design plans and in-person services using materials from Home Depot.



Rent the Runway and Neiman Marcus

Rent the Runway members have better access to the brand via Neiman Marcus; members can pick up and drop off rented apparel, access a stocked Dream Closet, and schedule in-store stylist consultations.



Hy-Vee and Orangetheory

Supermarket chain Hy-Vee is partnering with fitness company Orangetheory to offer gym and fitness services inside and adjacent to Hy-Vee stores. Orangetheory members can access Hy-Vee dietitians, receive samples of nutritional products, and take guided store tours.



Target and Barnes & Noble

Barnes & Noble College is partnering with Target to offer Target's college essentials program in their stores. The partnership creates a campus presence for Target and includes the testing of orders placed on Target's website and picked up in a Barnes & Noble store.

MAKE IT HAPPEN:

- Seek out partner alliances that increase customer traffic, or provide products and services that complement and extend access to your brand.
- Examine the entire customer journey to identify areas of opportunity—including “brand-adjacent” moments—where a strategic alliance could solve customers’ needs and improve the overall brand experience.

Now ↗

CUSTOMER-CONTROLLED DELIVERY

Expectations of instant gratification are driving brands to anticipate needs and make products available exactly **when, where,** and **how** their customers want them. With options like instant pickup and on-demand delivery, brands continue to put the controls in the customers' hands.



Amazon

The latest volley in the delivery-speed wars, Amazon is now offering Instant Pickup services near college campuses in select cities. Prime and Prime Student members can purchase a selection of essentials like snacks, drinks, and electronics, available for pickup in two minutes or less.

Office Depot

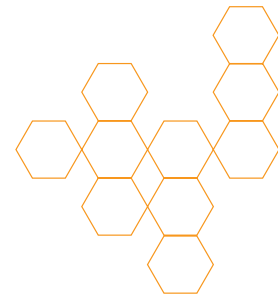
In order to keep up with customers' demands for instant gratification, Office Depot is now offering same-day delivery of online orders. This new offering is in addition to their in-store pickup and ship-from-store programs, giving them an additional way to serve customers quickly and efficiently.

PetSmart

PetSmart is giving their customers control over when, where, and how they receive their products by enabling customers to schedule delivery from within a few hours to a few days. Customers can select specific delivery times and follow their deliveries with a GPS tracking feature.

Latch

Tenants of apartment buildings equipped with Latch smart security locks can now receive in-home deliveries without having to physically be there. Residents can use their smartphones to allow Latch partners, like the United States Postal Service, time-limited access to their homes.



MAKE IT HAPPEN:

- Identify customer needs (and pain points) based on region, demographic, and personal preference to enhance and improve your brand's distribution, delivery and logistics strategy.
- Determine which pickup and delivery solutions would give your customers more choice and control over how to receive their products, and answer their need for instant gratification.

New ↗

PREDICTIVE PERSONALIZATION

To deliver deeply **personalized** messaging, offers, and experiences, brands are enhancing their data-collection methods and innovating how they leverage analytics and insights. Through **predictive** modeling, artificial intelligence, and machine learning, brands have accelerated their ability to predict behaviors and **anticipate needs.**





Lilly Pulitzer

Lilly Pulitzer is using predictive analytics to generate insights on the products and designs with the greatest selling potential. The analytics platform leverages online social tools to engage customers and amass real-time data, helping to inform design decisions, pricing, and forecasts for new product performance.

Westfield Malls

To reach customers with the most relevant messages, Westfield Malls is using data to anticipate needs and create targeted advertising. By tracking on-site customer demographics and combining them with big data in real time, the mall can select and play an on-demand ad for relevant products, based on an individual's profile and surroundings.

50%

of consumers are likely to switch brands if a company doesn't anticipate their needs.

Source: Salesforce, 2017

Boxed

Boxed, an online wholesaler of groceries and household supplies, offers a concierge service to remove friction from the shopping experience. Once customers opt in to the service, they can return any item; predictive analytics allow the company to automatically replenish orders without any effort from the customer.

YOOX NET-A-PORTER

Digital fashion purveyor YOOX NET-A-PORTER is using artificial intelligence to outfit their customers. Clothing items are selected based on the type of trip and the destination. The tool also considers weather, upcoming events, and past purchases when making selections.

MAKE IT HAPPEN:

- Explore cases for artificial intelligence and predictive analytics to inform product, merchandise, and marketing strategies.
- Use predictive analytics to deliver more relevant marketing campaigns, messaging, and offers to your customers at the right time and in the right place.

New ↗

CONSUMER-DRIVEN COMMERCE

Using advanced listening tools and product customization, brands are **empowering** customers to feel like they are a part of the brand. **Engaging** customers in two-way conversations, brands are **encouraging** feedback, dialogue, and participation to drive product interest and deeper brand connections.





Lucky Brand

Noting that the top 10% of their customers drive a large part of sales, Lucky wants to ensure this key audience's needs are met. Using email, social media, and a special website, Lucky engages customers for their input on products and the customer experience.

Barneys

Barneys empowers handbag lovers to individualize their own bucket bags. Customers can select from colors, accessories, straps, and handles to craft a custom creation. After receiving the product, they can continue to update their customizations throughout the life of the bag.

Ministry of Supply

Ministry of Supply is enabling customers to design and create their own jackets on demand via a 3D robotic printing machine. Once customers choose the color, cuffs, and buttons, the robotic printer creates the garment in less than two hours.

NYX Cosmetics

To establish deep relationships with their young customers, NYX Cosmetics leverages user-generated social media content and predictive analytics in their digital marketing. Their new app will include shoppable videos and crowdsourced selfies, and use predictive intelligence to recommend products based on a shopper's browsing and shopping history.

41%

of consumers are loyal to brands that offer them the opportunity to personalize products.

Source: Seeing Beyond the Loyalty Illusion, Accenture, 2017

MAKE IT HAPPEN:

- Leverage customer feedback and connectivity on social and messaging platforms to inform product and service strategies.
- Turn product and service customization moments into an experience that encourages customers to express their individuality and feel more connected to the brand.

New ↗

CURATED COLLECTIONS AND SERVICES

Customers have come to expect tailored services and **personal experiences**. To meet this need, more **traditional brands** are delivering an offering typically used by emerging brands—subscription services. Providing a new avenue for **product discovery**, brands are able to respond to the desire for curated offerings while accessing greater data on customers and their product interactions.



Volvo

In response to changing feelings about car ownership, Volvo has introduced a monthly subscription service for cars. Through Care by Volvo, customers pay a monthly fee to use the car that also covers registration, maintenance, and insurance. Customers can also share the car with their friends via the Volvo app; friends can request specific dates and if the customer approves, the app will unlock the car and allow them to drive.

Hasbro

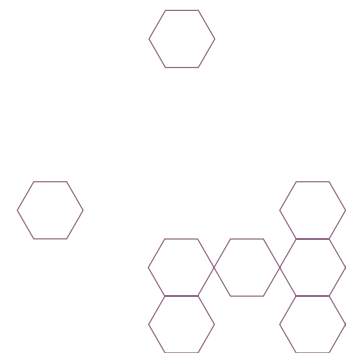
Expanding their customer reach, Hasbro is launching their first foray into a direct-to-consumer subscription service. Hasbro Party Crate will send customers a selection of three newly released board games on a quarterly basis.

Gap

Gap is launching a new subscription box service for baby clothes, babyGap OutfitBox, tapping into the surprise and delight factors these services can bring. OutfitBox provides a valuable avenue for product discovery and makes styling little ones easy and convenient for time-strapped parents.

Fender

To make guitar playing accessible and rewarding, Fender is launching a new subscription-based digital lesson service, Fender Play. Students interact with short video lessons that respond to their progress and are tailored in real time to keep pace with their individual abilities.



MAKE IT HAPPEN:

- Utilize a subscription approach to provide a level of excitement and to engage customers in an ongoing way—such as product discovery, product usage, and testing new offerings.
- Test subscription models as an avenue to provide easy access to your brand and reinforce its most aspirational elements.

Next ↗

SERVICE BEYOND EXPECTATIONS

Brands are delivering **elevated experiences** that rise far above typical customer service and clienteling elements. They are providing truly **memorable interactions** that redefine personalized service and high-touch offerings. Brands are looking beyond products to transform service and convenience into **something spectacular.**



Williams-Sonoma, Inc.

To create a high-touch, elevated customer experience, Williams-Sonoma brands now offer free consultations through their Design Crew service. Design Crew features expertly trained staff members who offer services like gifting, decorating, design, installation, and more.

thredUP

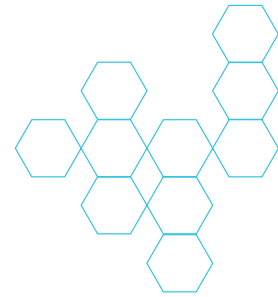
Online secondhand retailer thredUP is exploring brick-and-mortar opportunities to deliver concierge commerce in the thrift space. Secondhand inventory can be unpredictable, so thredUP will alert customers via text as relevant products arrive, letting them know when to head to the physical store.

True Gault

Looking to deliver a truly custom experience via mobile devices, True Gault uses a smartphone to scan a customer's feet and provide exactly the right fit for each individual shoe. The app provides text alerts to let customers know when their shoes have been crafted and shipped.

Amazon

Ensuring customers get comfortable with and acclimated to new devices, Amazon is now offering Smart Home Consultations. An Amazon expert will visit the customer's home to answer questions, host in-home demos, conduct a wifi assessment, and teach the customer how to use Alexa.



MAKE IT HAPPEN:

- Consider conducting ethnographic research in customers' homes to fully understand how they use the brand's products, what their challenges are, and where elevated services might be valued.
- Capitalize on opportunities to drive deeper engagement and product usage by addressing customer pain points that lie outside of the brand experience.

Next RETAIL RE-INVENTION AND TRANSFORMATION

New consumer behaviors and **technological advances** have disrupted the retail landscape. To secure their place, brands are **triggering a transformation** by proactively reviewing their strategies. They recognize the need to be more efficient, innovative, and relevant in **adapting** to their customers' needs and demands.





Adore Me

To compete in an ever-crowded marketplace, online lingerie brand Adore Me made several strategic moves. They partnered with Lord & Taylor and have a new artificial intelligence-based marketing program to customize customer content. These initiatives have given Adore Me access to new customers and enabled the small brand to make the most of limited resources.

Walmart

Walmart has been aggressively adding new customer conveniences in order to appeal to today's shoppers. This includes partnering with Google Home for voice-based shopping, offering discounts for in-store pickup, a new mobile service called Easy Reorder, and testing 24-hour, automated shopping kiosks that can process and serve orders in 60 seconds or less.

Kohl's

Looking for increased relevance, Kohl's is partnering with Amazon to offer a 1,000-square foot "smart home experience." Kohl's customers will have in-store access to the Amazon Echo, Echo Dot, Fire TV, and Fire tablets, and can make Amazon returns at select Kohl's stores. This also gives Amazon access to Kohl's customers and provides the opportunity for hands-on product demos.

Nike

Nike is one of many retailers making the strategic decision to host their own "store" on Amazon. With unauthorized third-party resellers selling Nike products on Amazon, the brand decided to offer a selection of products on the site. In return, Amazon will monitor their site and no longer allow third parties to resell Nike merchandise.

70%

of consumers say technology has made it easier than ever to take their business elsewhere.

Source: Salesforce, 2017

MAKE IT HAPPEN:

- Compare your brand's long-term strategy against the changing consumer, and her expectations of seamless, relevant shopping experiences, to uncover new opportunities that meet the demands of today and tomorrow.
- Adopt a more agile, fluid approach—as the landscape continues to evolve and consumer behaviors continue to change, brands need to modify how they plan for and execute marketing, merchandising, real estate and customer strategies.

Next ↗

CONNECTED ENVIRONMENTS

The physical and digital worlds are becoming more **integrated**, bringing the future of retail to the present. Customers seek **robust** interactions that seamlessly connect multiple devices, environments, and technologies to what's happening “in real life.” It's all about coalescing consumer ecosystems in real time to create an intensely **immersive** and distinctive brand experience.



BMW

The BMW 5 Series is now equipped with conveniences to make the most out of time spent in the car. Offering Amazon Alexa and Prime Now capabilities, the car can live-stream videos for passengers in the back seat, make restaurant suggestions, order items for two-hour delivery, and more.

MYZONE

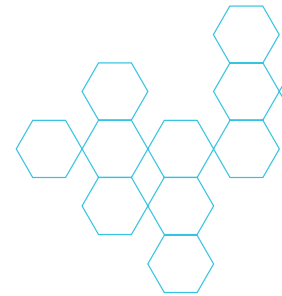
MYZONE creates an immersive virtual personal training experience. Combining their fitness app data, wearable tracker, and personalized virtual fitness classes, it creates a highly tailored fitness experience for each customer. Each video contains a customized workout that is completely personalized to the user's fitness goals and abilities.

Marie Claire

Marie Claire and Mastercard partnered on a pop-up shop complete with smart mirrors that show additional colors, sizes, and products. Virtual skincare mirrors feature personalized recommendations, and digital displays provide on-demand product information. Customers can make purchases by tapping on a display, an exterior window, or a dressing room.

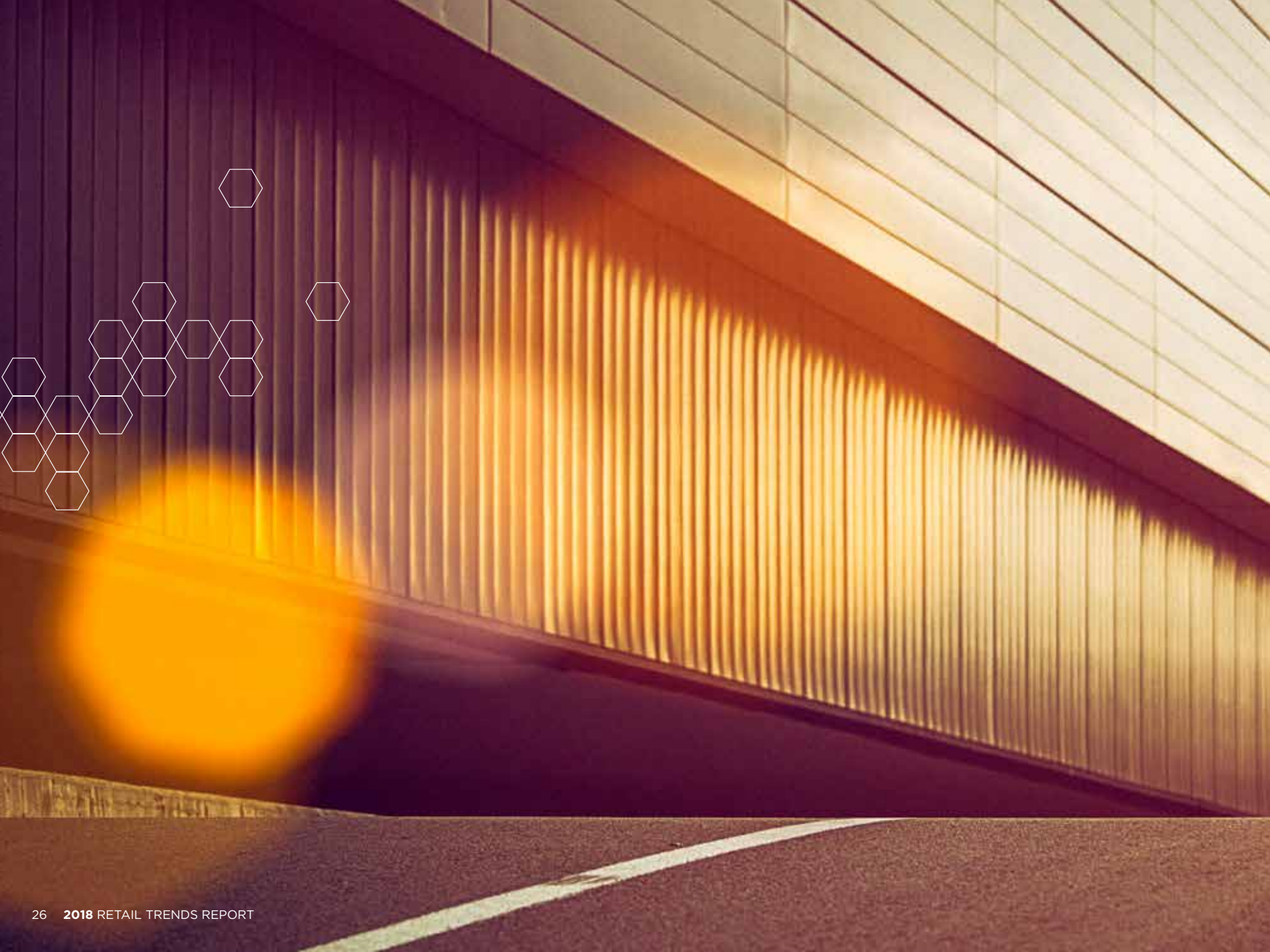
Best Buy

Creating a seamless, nearly invisible service, Best Buy launched Assured Living. The goal is to provide peace of mind for families of elderly living independently. It uses cameras, motion sensors and artificial intelligence to learn the patterns of residents' behaviors and monitor the home. When behaviors differ from normal patterns, the app sends an alert.



MAKE IT HAPPEN:

- Test opportunities to pair various devices and technologies (think voice commerce applications like Google Home and Alexa, RFID, beacons, mobile applications, Internet of Things and wearable devices), to offer rich moments of connectivity that envelop the customer in real-life 4D brand experiences.
- Identify which devices your customers use most commonly, and integrate emerging technologies into moments and immersive experiences that complement and enhance day-to-day life.





As brands race to remain relevant with the contemporary consumer,

they're changing how they interact, communicate, and ultimately do business. Alliance Data's use of data-driven insights and rich analytics enables us to help our partners intimately know their customers and better understand what it takes to motivate and drive enduring brand loyalty.

For more information on how Alliance Data can help your business, visit www.KnowMoreSellMore.com.



2018 RETAIL TRENDS REPORT:

Now WIDESPREAD USE

BRICK-AND-MORTAR MAKEOVERS



Brands are repurposing store environments to be more relevant and responsive to customer needs.

ELEVATED EXPERIENCES THROUGH ENHANCED TECHNOLOGIES



Technology innovations complement the human element, helping brands to augment the cross-channel shopping experience.

PURPOSE-DRIVEN PARTNERSHIPS



Brands are forming strategic alliances with the goal of creating unique, long-term value and exclusive benefits.

CUSTOMER-CONTROLLED DELIVERY



Instant expectations are driving brands to anticipate needs and get products to customers—when, where, and exactly how they want them.

New EARLY ADOPTION

PREDICTIVE PERSONALIZATION



To deliver more personalized messaging, offers, and experiences, brands are enhancing how they collect and use data and analytics.

CONSUMER-DRIVEN COMMERCE



Using advanced listening tools and product customization, brands are empowering customers to feel like they are a part of the brand.

CURATED COLLECTIONS AND SERVICES



To meet customers' expectations of tailored services and personal experiences, established brands are offering subscription services more typically used in emerging brands.

Next NEXT-UP INNOVATION

SERVICE BEYOND EXPECTATIONS



Brands are looking beyond products to transform service and convenience into something spectacular.

RETAIL RE-INVENTION AND TRANSFORMATION



Brands recognize the need to be more efficient, innovative, and relevant in adapting to their customers' changing needs and demands.

CONNECTED ENVIRONMENTS



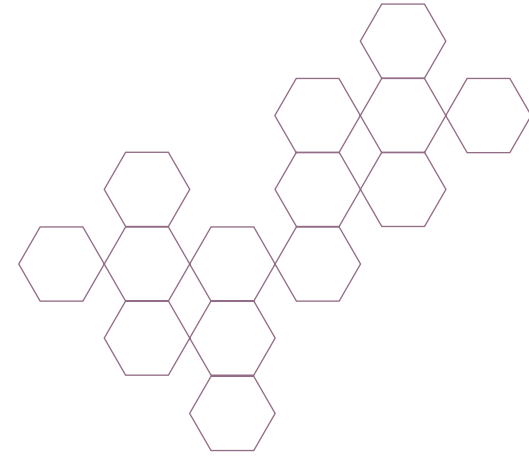
Consumers seek robust interactions that optimize and connect multiple devices, environments, and technologies to what's happening "in real life."

To view Alliance Data's *Now, New, Next* trends report visit
www.KnowMoreSellMore.com/2018Trends.



Alliance Data is a leading global provider of tailored marketing and loyalty solutions,

delivered through branded credit programs that drive more profitable relationships between our brand partners and their cardmembers. We offer private label, co-brand, and business card programs to many of the world's most recognizable brands across a multitude of channels. We uphold our Know more. Sell more.® promise by leveraging unmatched customer insights, advanced analytics, and broad-reaching innovative capabilities. It's how we deliver increased sales to our partners, build enduring loyalty to their brands, and provide more value to our cardmembers.



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