RETAIL IN A NEW WORLD

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Recovering from The Pandemic That Changed the World

BY

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INVESTOR IN PEOPLE

Retail in a New World deals with new forms of shopping that became the norm after the pandemic. The book is insightful as it provides hands-on research evidence on new trends. I fully endorse it!

Prof. Giampaolo Viglia, University of Portsmouth, UK
Editor in Chief Psychology and Marketing

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Eleonora: to my beloved uncle, Giovanni Ferraro (wherever you are)
Kim: to Alexander, Laure and Elenore

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ABOUT THE AUTHORS

Eleonora Pantano, PhD, is Senior Lecturer (Associate Professor) in Marketing at the University of Bristol. Her research activities mainly relate to the development of new customer solutions and retail management strategies, with emphasis on the role of new technology, artificial intelligence and machine learning algorithms. Her findings appear in several books and textbooks, and in international peer-reviewed journals (i.e. *Psychology and Marketing*, *British Journal of Management*, *Journal of Business Research*). Her papers (more than 80) have also consistently pushed the frontiers in the area of marketing and retailing and have become highly cited by academics in the field

Kim Willems is Associate Professor in Marketing at the Vrije Universiteit Brussel, Belgium. Her research expertise pertains to retail marketing and consumer behaviour, with a special interest in store atmospherics and the digital transformation in retailing and services. She has published her work among others in the *Journal of Marketing Management*, *Journal of Business Research*, *European Journal of Marketing* and *Journal of Product & Brand Management*.

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PREFACE

Shopping in the New Normal

It's an honor to write the preface to such an ambitious volume. Even before the pandemic turned our lives upside down, we heard frantic warnings about the coming Retail Apocalypse. Bricks-and-mortar retailing was starting to look like an endangered species – and then everything stopped.

But in marketing, nothing is forever: Some traditional retailers will come back stronger than ever, and a lot of online merchants benefited (at least financially). What will retailing look like in the New Normal? In this book, the authors tackle important issues including shopping anxiety, deviant consumer behaviour, crowding, and high-tech versus high-touch approaches to ramping up the shopping experience.

Is Shopping Dead?

It's almost tempting to conclude that shoppers no longer want to shop – but of course robust e-commerce sales remind us that the interest is still there. Perhaps part of the challenge is what we might think of 'store parity'; consumers just don't see that much difference across stores. They certainly can't justify the hassles of commuting to the mall when it's much more convenient to shop at home in their pajamas.

The brands these stores stock face the similar issue of 'brand parity'. The Holy Grail for competitive differentiation is to create brand resonance where the product or service becomes part and parcel of the customer's 'life project', i.e. it plays a key role that helps him or her to define some aspect of social identity. Sneakerheads who covet the latest Air Jordans understand this; as do iPhone aficionados, wine connoisseurs, MAC Cosmetics fanatics, Corvette collectors, loyal members of Beyoncé's Beyhive or hard-core Manchester United fans.

That's all well and good for manufacturers. How do retailers play the same game? Can we also think about creating *shopping resonance* in addition to brand resonance? In today's 'always on – click here' digital retail environment,

what value added does the physical store bring to the table? Hint: A lot, *if* you think about your store as more than a place to display and sell inventory.

In fact, there are numerous paths to resonance. While it seems that everyone is entranced by technology, there are high-touch solutions in addition to high-tech ones. Beacons and scan-and-go are wonderful, but they are only the means to an end: making the shopping experience pleasurable and seamless. Let's not abandon low-tech fixes in our race to automate our stores. High-touch solutions can complement these upgrades. Shoppers want to actively engage when they browse – but other than a few notable exceptions like REI (where shoppers can test the permeability of ponchos by standing in a rain shower, or check out the quality of their new rock-climbing shoes on an actual rock wall), and some scattered experiential stores like the Samsung 837 venue in Manhattan, Les Grands Magasins in France, the Gucci Garden in Italy or Farfetch in the United Kingdom, only kids-oriented stores like American Girl and Build-A-Bear provide much in the way of stimulation. If you expect to survive in the New Normal, it's helpful to remember that adults like to be entertained also.

Where Does the Person End and the Machine Begin?

Retailtainment is one way to engage shoppers, but perhaps to minimize our exposure to crowds and future infections, we will limit our in-person shopping experiences to special occasions, as more and more of our routine purchases migrate to the online space. The authors have done a lot of work in retail automation and artificial intelligence, so they are well suited to tackle the issues that we can expect in the coming years, as wide swaths of shoppers start to shake off their inhibitions against buying something from a robot.

A headline from a *New York Times* article says it all: 'Robots Welcome to Take Over, as Pandemic Accelerates Automation: Broad unease about losing jobs to machines could dissipate as people focus on the benefits of minimizing close human contact'.

It's no secret that we have come to rely upon computers for a huge array of tasks. Still, most of us regard our machines as an 'other'; entities made of metal and silicon that await our commands.

But the line that separates humans vs. computers is blurring rapidly.

As AI technology advances, many of us now are thinking a lot more about a fundamental question that sci-fi writers have grappled with for many years: What makes us human – and what separates a person from a machine?

Today, the question of what makes us human no longer is something fun to discuss over a few beers. Self-driving cars threaten to replace truck drivers. IBM's Watson beats chess masters and veteran *Jeopardy* game show contestants. Movies and TV shows like *Blade Runner*, *Westworld* and *Humans* that focus on the civil rights of synths, replicants and androids are centre stage in popular culture.

Many organizations now deploy robots, avatars and chatbots to perform more prosaic tasks we used to ask flesh-and-blood people to do. Sure, robots can work hard (and they don't catch viruses, at least the kind we do), so already they are starting to replace human workers who do routine tasks such as warehouse fulfillment.

But the AI revolution goes well beyond logistics and reaches deep into the front of the store as well. In Japan, SoftBank started to sell the first full-scale humanoid home assistant to consumers. Pepper is intended to provide companionship and information to users. It (or he?) is equipped with 'emotion engine' software that can read a person's emotions via facial expressions and speech and react accordingly.

But wait – isn't the ability to 'read' people the hallmark of a good salesperson? It's just a matter of time before new-and-improved versions of Pepper start to populate the sales floor.

Are marketers ready for robot salespeople?

Ready or not, they need to grapple with this question, *and soon*. Worldwide sales of consumer robots passed $5 billion in 2018, and robot shipments will increase from 15 million units in 2018 to 66 million by 2025. The market value by then would be $19 billion.

At the retail level, how will shoppers react to dealing with a non-human in a store environment? So far, consumers seem eager to embrace android salespeople. One recent survey reported that about half of the women it sampled want to use them when they shop for beauty products. This initial enthusiasm may stem from the speed and convenience of an automated process, the perceived ineptitude of many store employees to provide constructive (and especially objective) advice, or perhaps a combination of both.

Of course, it's still early days, and quite possible that a lot of this receptiveness is simply due to the novelty of talking to a metal 'person'. Once that wears off (and it will), we need to learn a lot more about the factors that will attract or dissuade customers from seeking a machine's advice. Clearly, they will have to learn to trust the suggestions they receive, for example. And certainly, there are consumer variables such as gender, social class/education, and experience with a product category that will make some of us more likely than others to embrace this new form of decision-making.

As the line between *humans vs. computers* disappears, we need to address many important ethical and strategic questions, such as these:

- How does the physical appearance of a robot or avatar sales advisor affect the likelihood that customers will trust and follow its recommendations about what to buy?
- How will chatbots and affective computing (where software detects a consumer's emotional state) impact sales interactions?
- What will be the impact of dating apps, sexbots and other smart devices on interpersonal relationships?
- How will facial recognition and wearable computer technologies meld with AI to create 'markets of one' where the messages we see, and the products and services we buy, are highly customized to each individual consumer?

Very soon, the rise of the machines will become the race of the machines. Be sure you're at the starting gate.

And while you're waiting, be sure to read this book!

Michael R. Solomon, PhD is Professor of Marketing at Saint Joseph's University in Philadelphia, USA. His latest book is *The New Chameleons: Connecting with Consumers Who Defy Categorization.*

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