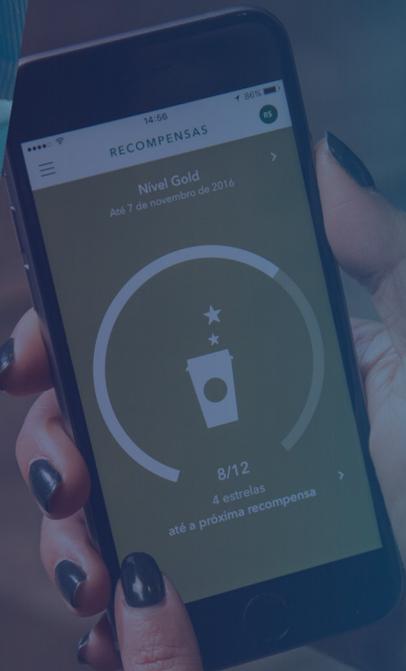


FUTURE OF RETAIL REPORT 2021



**FUTURE
OF
RETAIL
REPORT
2021**



**CONSUMER DEMANDS
FOR THE FUTURE**



**UPCOMING
MACRO TRENDS**



**FURTHER FACETS
OF THE FUTURE**

**RETAILER BUILDS
FOR THE FUTURE**



Introduction

A brave new world

The scene is set. As the world adjusts to living with COVID-19, we can see the dust settle on a new landscape.

Retailers are in a state of shock after having to close their doors for many months and make thousands of employees redundant. They have had to take on loans and grants to survive the pandemic, and some big names have been lost for good. Yet consumer confidence has proved resilient in the face of such challenges and households have amassed trillions in savings, which they have been unable or unwilling to spend on holidays or new cars.

Overall, the retail sector continues to expand and remains an important part of the European and UK economies. The challenge for investors is to identify the winners. Which are the trends that are likely to dominate over the next few years? Which retail formats will thrive and which ones will fail? What will consumers be spending their savings on?

These are some of the questions we address in this latest research study commissioned by Axis Retail Partners to help build an understanding of the **Future of Retail**.

This study takes place at a time of huge disruption in business, society and culture. The pandemic has accelerated changes in behaviour and forced businesses, in particular, to innovate at an unprecedented pace in response to an array of challenges. Digital adoption has accelerated across the age ranges more than ever before and many retailers have thrived by shifting business online.

Our study takes a holistic approach to the future of retail. Our expert insights consider the latest trends in retailing. But we have also reflected on changes in society, culture and digital innovation. We have looked at developments in commercial activities, operational efficiencies and new business models. The scale and scope of our research means we are able to share a unique perspective on the future of retail.

The future of retail has rarely been more uncertain or as exciting.

Methodology

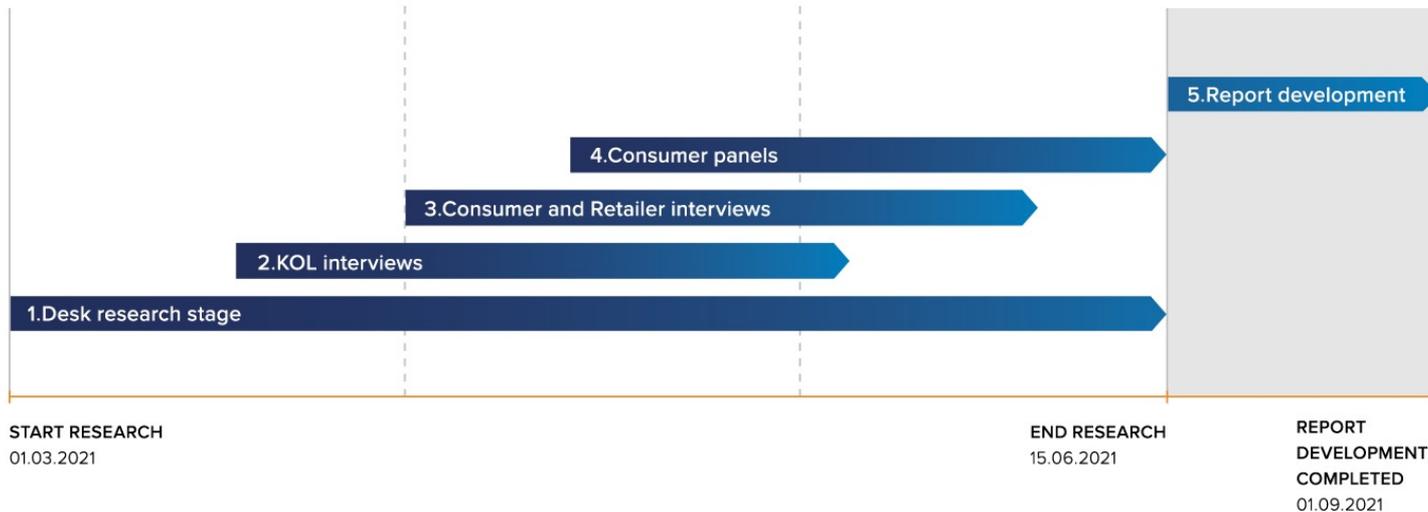
A moment to step back and invest in the topic of the Future of Retail

1. DESK RESEARCH

We carried out online research and built a broad foundation of knowledge through publications, associations, portals and profiles.

2. KOL INTERVIEWS

We interviewed 17 influential experts including leaders of business, retail experts, technologists and commercial real estate investors. Their insights were collated and analysed to form the basis for the Axis commentary and to inform strategic thinking.



3. CONSUMER AND RETAILER INTERVIEWS

We used the initial insights from experts to build surveys for consumers and retailers in a number of different markets to investigate shopping habits, locations and behaviours. We recruited consumer qualitative panels through trusted third-party research partners.

4. CONSUMER PANELS

We interrogated our consumer panels to delve deeper into possible changes in behaviour in response to retail developments and innovation to build qualitative input.

5. REPORT DEVELOPMENT

The synthesis of primary, secondary, and tertiary research enabled the development of a series of hypotheses. These hypotheses formed the majority of the structure of the main body for the report. The hypotheses were grouped into four sections to provide a further macro narrative/context. The content was developed around each of the hypotheses under the topic 'future of retail', layering in the Axis primary research across consumers, retailers, and key opinion leaders, together with secondary and tertiary research; all references cited as the report took shape. Axis and lifework then formed conclusions to summarise the opportunities within the 'future of retail' as extrapolated by the report and cover developments since Axis and lifework carried out the research.

Hypotheses

1	RETAILER BUILDS FOR THE FUTURE What are the places, spaces and places retailers are going to develop to recover and get ahead in the future?	<ul style="list-style-type: none">• 360 BRAND EXPERIENCE• SERVICE FOCUS• DIGITAL TO PHYSICAL
2	CONSUMER DEMANDS FOR THE FUTURE What are the technological developments that will continue to drive change in behaviours and take retail to the consumer in the future?	<ul style="list-style-type: none">• IN THE CONSUMERS' POCKET• SOCIAL CONNECTIONS• PLUGGED INTO THE MATRIX
3	UPCOMING MACRO TRENDS What are the societal, cultural and economic developments that will shape the future of retail?	<ul style="list-style-type: none">• LOCAL THRIVING COMMUNITIES• AGE OF CONVENIENCE COMING UP AGAINST THE AGE OF ETHICS
4	FURTHER FACETS OF THE FUTURE What new models could we see emerging to disrupt the future?	<ul style="list-style-type: none">• LAST MILE AUTONOMY AND HYPERLOCALISED RETAIL• TECH CREATING A THIRD SPACE• THE RETAIL COAT HANGER MODEL• ONLINE ONLY

4 sections with 12 hypotheses

Our hypotheses lay out potential futures for retail where certain ingredients (social, commercial, environmental and technological) receive a boost to understand and build a world where they become a dominant feature. Looking into the post-pandemic world, and five years from now, all could be viable potential futures. In reality, it will be a mix of all of these ingredients that will evolve in different ways, at different rates, across markets, depending on the conditions.

Each title gives a strong clue to their direction and each hypothesis has data supporting the direction of development. Data sourced from Axis commissioned primary research as well as secondary research and tertiary research undertaken as part of the study. This data can be used in and out of these scenarios but for the purposes of this report it has been included in the chosen hypotheses as, at the time of writing, they provided the most plausible development.

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RETAILER BUILDS FOR THE FUTURE

**360 BRAND
EXPERIENCE**

**SERVICE
FOCUS**

**DIGITAL TO
PHYSICAL**



Retailers' builds for the future

What are the places, spaces and races retailers are going to develop to recover and get ahead in the future?

HYPOTHESES	FROM	TO
360 experience	Products Customers Footfall Retail mix Shopping as a leisure activity	Culture Guests Membership Community Leisure activities with shopping inc.
Service focus	Shopping streets Traditional retail models centred on purchase of products on shelves Customer service desk Path to purchase Store staff	Multifunctional spaces & utility/services Innovative business models embracing refurbishment & re-use 360 service excellence Path to lifetime value Trained experts / Brand ambassadors
Digital to Physical	Physical retail built for distribution and reach Stock in shop Customer transaction Retail shops & ecommerce On & offline journeys	Physical retail complimentary to customer entire customer journey Stock in ecommerce / Zero-inventory Customer understanding Brand and digital eco-system Customer journeys

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CONSUMER DEMANDS FOR THE FUTURE

**IN THE CONSUMERS'
POCKET**

**SOCIAL
CONNECTIONS**

**PLUGGED INTO THE
MATRIX**



Consumers Demands for the Future

What are the technological developments that will continue to drive change in behaviours and take retail to the consumer in the future?

HYPOTHESES	FROM	TO
In the consumers' pocket	Mobile commerce Customer centricity (by channel) Loyal customer treatment On device Price comparison	Experience integrating device Build around customer (across channels) Treat all customers like loyal customers In the consumers' pockets Digital discovery
Social Connections	Social channels Brand awareness / consideration Social engagement Social commerce & instashops Optimising social channels	Social integration Sales Brand eco-system engagement Livestream ecommerce Social engagement designed across channels
Plugged into the Matrix	Retailers wary of tech Traditional landlords Customers wary of data use understanding Digital and physical retail customers Digital personalisation	Vital to survival & prioritising investment Retail enablers Demand for tailored experiences and understanding One customer Omnichannel personalisation

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lifework



UPCOMING MACRO TRENDS

**LOCAL THRIVING
COMMUNITIES**

**AGE OF CONVENIENCE COMING UP
AGAINST THE AGE OF ETHICS**

Upcoming Macro Trends

What are the societal, cultural and economic developments that will shape the future of retail?

HYPOTHESES	FROM	TO
Local Thriving Communities	<ul style="list-style-type: none">Commuting thoroughfaresTown and city prime locationsTraditional large anchorsLarge shopping streetsLockdown closures	<ul style="list-style-type: none">Hybrid working models & boosted local communitiesFlagship (city centre) or local & in between strugglesSmaller tailored anchors to local catchmentReturn of residential to build local audienceGreen shoots of high street and shopping centre comeback from online fatigue
Age of convenience coming up against the age of ethics	<ul style="list-style-type: none">Same old high streets and brand favouritesGrow fast (sales and profit myopia)Single market / single supplier supply chainsConsumers see sustainability as costlyLack of mandate (financial or governmental regulation)	<ul style="list-style-type: none">Accelerated discovery of new brands with lockdownGrow responsibly (People, planet and profit)Localised / diversified sourcing contingencyWilling to pay 10-20% more to buy from responsible businessesGrowing regulations and reforms on top of growing consumer pressure

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FURTHER FACETS OF THE FUTURE

**LAST MILE
AUTONOMY AND
HYPERLOCALISED
RETAIL**

**TECH CREATING A
THIRD SPACE**

**THE RETAIL COAT
HANGER MODEL**

**ONLINE
ONLY**

HYPOTHESES	FROM	TO
Last mile autonomy and hyper localised retail	<ul style="list-style-type: none">Last mile logistics struggleNext day deliveryCentralised logisticsConveniencePhysical retails re-invention post-pandemic	<ul style="list-style-type: none">Automated distributionDelivery within 30 minutesHyper-localised dark stores & logistics hubsHyper-conveniencePhysical retail re-invention post-autonomous deliveries.
Retail Coat Hanger Model	<ul style="list-style-type: none">Department storeLong term rental covenantsLarge retail store footprintsBig brands and retail mono-culturesLandlord	<ul style="list-style-type: none">Box park / food hall like pop up direct brand collaboration spaceFaster pace, higher turnover, better termsSmaller (stockless, digitally integrated) footprintsDiverse mix with higher % of independentsRetail curation & performance enablement

HYPOTHESES	FROM	TO
Tech creating a third space	<ul style="list-style-type: none">Physical and digitalPhysical storesStore staffPrime location physical retailDistributed physical store stock	<ul style="list-style-type: none">Space in between merging bothBrowsable physical store format through a deviceBrand and product expertsMulti-brand showrooms / warehouses & 1-2-1 retailConsolidated ecommerce-based stock
Online only	<ul style="list-style-type: none">Online presence as nice to haveOnline – high-perceived barrier to entryData and specialism challenges for retailersHigh store numbers to achieve distributionRetailers struggling with digital presence	<ul style="list-style-type: none">Must haveEasily accessible marketplace subscription with ready-made audiences and marketsAccessible low-cost options to structure and analysis of digital dataOnline transformed convenience; stores moving to online onlyRetailers embracing test and learn on marketplaces

Conclusions

New spaces, new formats, new skills, new opportunities and a need for bravery

It is not easy to be optimistic about the future of retail, when thousands of jobs are being lost and so many shops are shuttered. Across Europe, high streets and shopping malls are in a sorry state, and many local communities are struggling to find answers.

Yet, as the Axis Future of Retail research has discovered, the spirit of enterprise and innovation is alive and well across the retail sector and there is a determination to build stronger and better after the pandemic. We have no doubt that retailing has a bright future and that customers will respond enthusiastically to new and exciting formats, both in store and online.

The COVID-19 lockdowns caused major devastation to the retail sector. But retailers who contributed to our research acknowledge that many of the problems which have come to the fore over the past 18 months pre-date the pandemic. What is so encouraging about the Axis Future of Retail research is that we perceive a clear commitment to share learnings from the pandemic and not simply return to the way things were before COVID-19.

This commitment is made not just by retailers, but also the commercial real estate sector and local authorities. New partnerships are emerging that have the potential to transform our approach to urban planning and the role of retailing, from high street locations to out-of-town shopping centres. There will be a stronger blend of housing, public services and entertainment, served by efficient and affordable public transport and with open, green spaces.

The focus is on community and sustainability, rather than creating soulless environments where the only purpose is for customers to spend, spend, spend.

Conclusions

New spaces, new formats, new skills, new opportunities and a need for bravery

The lockdowns have also accelerated the adoption of digital technologies. The Axis Future of Retail research shows how, in the space of a few months, customers have taken a digital leap that might have taken a decade or more, had it not been for the pandemic. Retailers have torn up their business plans and started again, putting digital at the centre of everything that they do. Increasingly, they are following customer demand to knit online and offline together. Tech-savvy customers are more knowledgeable and adventurous in the digital space but they still crave the physical experience of touching and feeling their purchases before they buy. The distinction between online and offline is blurring.

The Axis research also shows that local retailing is critical. Lockdowns have strengthened consumers' bond with their local communities. Families want to spend more of their money with local businesses and contribute to the sustainability of the places where they chose to live. This trend has the potential to reverse years of disinvestment in local neighbourhoods. It presents many opportunities for retailers to harness this goodwill to become part of their communities as trusted stakeholders.

Some of these changes and innovations are already taking place, driven by enterprise and a determination to endure through challenging times. The Axis Future of Retail research shows us that if these developments are to endure, it will require buy-in from across all sectors of society, and cannot be left to retailers alone. Digital innovation that enhances the retail experience and efficient and sustainable logistics will thrive if urban planners and landlords work with retailers towards one common purpose: creating and sustaining desirable communities where people want to live, work and enjoy the best that life can offer.



**Interested in receiving a copy of the full Axis
Future of Retail report 2021?
Click on the logo below and submit your details;**



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