THE BIG DEBATE
The future of retail in 2025 and role of technology

Leading fashion and variety retailers debated the future of retail and the role technology will play in its evolution in a roundtable discussion hosted by Nextail, the smart platform for fashion retail merchandising.

The roundtable, chaired by Nextail CEO Joaquin Villalba, featured Jan Heere, a retail industry heavyweight who has held such positions as CEO at Studio Moderna and Global Managing Director at KIKO MILANO; Javier Figar, Chief Retail Officer at All We Wear Group (AWWG); Mike Smith, Chief Commercial Officer at Flying Tiger Copenhagen; and Carlos Abellán, Data Analytics & Transformation Director at TENDAM.

Leading industry consultants, Charlotte Kula-Przezwanski, Partner at Columbus Consulting; Gita North, Partner at First Friday; and James Mooney, Managing Director at JMP Fashion Consultancy and Brand and Strategy Adviser at Nextail, joined in the conversation.

Joaquin Villalba
CEO & Co-Founder
of Nextail

Jan Heere
Retail Executive &
Consultant

Javier Figar
Chief Retail Officer
at AWWG

Mike Smith
Chief Commercial Officer at
Flying Tiger Copenhagen

Gita North
Partner at First Friday

James Mooney
Former Primark, Pimkie,
Topshop Topman, and
Arcadia Group executive

Charlotte Kula-Przezwanski
Board Vice Chair & Director
EMEA at Columbus Consulting
International

Carlos Abellan
Data Analytics &
Transformation Director
at TENDAM

Five common themes emerged from the roundtable, which are key focus areas for retailers as they progress on their transformation journeys.

- **Customer centricity.** Retailers recognize they need to get closer to their customers and use new technology in order to anticipate demand and provide personalized experiences.

- **Omnichannel retail.** Retailers are focused on integrating on- and offline channels in order to create a seamless customer experience. Stores will continue to play a role but as hubs for experiences, social activity and entertainment. Digitization in-store will help to remove friction points. Online marketplaces are also tipped to become a key channel and will increasingly capture e-commerce spend.

- **Sustainable supply chain.** Retailers need an agile and dynamic supply chain to deliver on their

omnichannel objectives. Manufacturing will move closer to home and technology will play a role in providing end-to-end capability and traceability in the supply chain.

- **Organizational change.** Managing cultural change with new tech implementations is essential and it must span the entire organization.

- **Metaverse.** A new competitor is emerging in the digital universe and is set to become more mainstream in the next three to five years although the commercial potential for digital fashion and NFTs is still unknown.

Customer centricity

Fashion brands are predicted to double their investment in technology by 2030 to keep pace with digital natives and create a competitive edge, according to McKinsey & Company.

A key focus area for their investment in new tech will be to get closer to their customers by gathering the right data, then optimizing it in order to make the best business decisions, according to the Nextail roundtable. "It can even go towards the point of anticipating consumer demand even better than a local shopkeeper from 40 years ago who had a direct link with the consumer base and could translate that into localized assortments," said Villalba.

For Kula-Przezwanski, putting the consumer at the heart of operations is key and will enable greater personalization. "Customers want retailers to know and understand them," she said. Kula-Przezwanski recommended brands draw on different inputs of customer data such as Google Analytics, rather than relying solely on historical sales data, to predict their sales and stock plans.

Heere and Mooney suggested retailers should be understanding the trends from social media platforms like Instagram and TikTok and then connect that demand through buying back to the manufacturer. "We want to be able to pick up what's happening out in the market - you've got to see where the data is moving, what people are looking at, as well as what they're not buying because they can't get it, rather than the stunted demand that is there," said Mooney.

Optimizing customer data across all channels is key for the round table.

Flying Tiger Copenhagen's retail tech focus is centered on data, automation, and digital, according to Smith. He revealed his team has the capability to take real-time analytics from the digital side and preemptively, as in-bound stock is coming in, list those products, understand the customer purchasing behavior, and before product hits shelves in stores, determine where it can eke out margins or lower prices, etc. "All of those decisions never existed prior to this year but feed into one holistic trading behavior that is automated, digitally supported and tech-heavy," Smith said.

AWWG is adopting an analytical and personalized approach, according to Figar. "Our online segment has allowed us to peek into a number of metrics and gather a level of intelligence around customers. In the offline channel, we have taken some steps in that direction and it will become an even more critical part of how we approach business," he said.

"Tendam brands are working to join up data points so that colleagues in stores have information about customers' previous purchases and what they have bought online so that they can make relevant product recommendations," said Abellán. Kula-Przezwanski added that joining up data sets can

help retailers tailor their individual store assortments, unlocking new sales opportunities and use geo mapping techniques to deliver location-based services.

Better customer understanding can also positively benefit the bottom line. North, for instance, said more customer engagement could help to reduce customer returns; while Kula-Przezwanski suggested closer connections would enable retailers to better understand customer demand and make them reconsider running sales or a promotion when shoppers are actually interested in looking at products within a given category and would buy at full price.

Omnichannel retail

All the retailers involved in the round table discussion are developing omnichannel business models, which is key since data shows two-thirds of shoppers prefer a hybrid shopping experience. They are also focused on making the customer experience between on- and offline channels seamless. "That means customers can see the same products and promotions online and in stores and are able to start a purchase journey online but finish it offline or vice versa," said Abellán.

Flying Tiger Copenhagen is transitioning from a market-led wholesale business to an integrated, omnichannel retailer. E-commerce, while relatively new to the company, is now firmly embedded in the business. According to Smith, Flying Tiger Copenhagen is investing in tech in order to provide dynamic and flexible shopping options that enable customers to shop its, "unique, super curated products".

The round table agreed omnichannel must include physical stores with Abellán noting, "the pandemic taught us that we can be online when stores are closed but when life gets back to normal traffic to the stores goes up again"; while Kula-Przezwanski suggested balanced retailers are better placed to "weather the storm".

Retailtainment

However, while stores have a key role to play, retailers believe they will be experiential settings or places offering 'retailtainment' in the future.

Heere said there will be a demand for locations with a, "great tenant mix, offering entertainment and the best brands".

Abellán agreed. "There's a social aspect of buying fashion in brick-and-mortar stores, which you don't get online," he said. Shoppers may also find it easier to find the right sizing and fit in stores, where they can try clothes on, than they can online, he added.

Figar envisages stores will exist as a space dedicated to service and experiences. "In the physical world experiences and emotions are more pertinent," he said.

"There will be a transactional element in-store but it will not be the only priority and will likely be finalized through different processes, such as showrooming where shoppers examine merchandise in-store but buy online," explained Figar.

Research supports this view with 63% of in-store shoppers using their phone in-store for research purposes; and 36% of in-store shoppers claiming to have purchased a product online while actually in the store.

Heere and Kula-Przezwanski said technology will be deployed in-store to reduce friction points such as at the checkout in order to speed customer journeys and make the shopping experience more convenient. North agreed there's a trend to digitize stores with magic mirrors and the like, and for stores to be able to feed data on sizing or what is and is not selling into other channels.

Marketplaces

Omnichannel increasingly incorporates marketplaces, the round table agreed. "One of the things that I see coming is the explosion of marketplaces," said Villalba.

Marketplaces are gaining in popularity for retail brands because the cost of acquiring and retaining visitors at an online store is becoming increasingly expensive, Villalba and Kula-Przezwanski maintained.

The round table agreed there was an opportunity for retailers and brands to extract data and value from marketplaces in the same way they do from their own stores. "There is scope for a balancing tool for marketplaces [and retailers], which helps

them understand which products they don't need to replicate and to make recommendations," said Heere.

Mooney agreed there was an opportunity with automation, "to make sure that the cupboards are efficiently stocked" and that retailers "don't get overstocked in certain areas. This frees up space online and in stores to do more interesting things - more looks or more mannequins, for instance, to showcase new trends and the latest fashion drops," Mooney concluded.

Sustainable supply chain

Retailers need dynamic and agile, forward-looking supply chains to deliver the benefits of new tech and reap the omnichannel potential, the round table agreed.

It also expected manufacturing to move much closer to home, with more local supply bases, to provide that agility. This provides multiple benefits. Not only will it cut shipping costs, it removes uncertainty around the supply chain and it's more sustainable. More local, automated fashion production could also provide an opportunity for retailers to plug into production capacity planning in the future.

"What retailers want is the agility. They don't want to have to book the whole range 9 to 10 months in advance, hoping that it's going to sell. They want things a lot closer to home," said Kula-Przezwanski.

Figar revealed AWWG is in the process of moving logistics to an external supplier in order to provide greater flexibility when running across multiple countries, channels and store formats; as well as integrating e-commerce platforms. "The aim is to better prepare the business for its next steps and new opportunities," he said.

Smith suggested businesses should be more progressive from a sourcing perspective and there must be greater diversification in supply chains - multi-country and multi-vendor. "Supply chains will have to become much more multi-dimensional and flexible. Relying on the manufacturing facilities of a single country is no longer an option," he said.

From a sustainability perspective, AWWG and Tendam agreed that retail tech can help ensure retailers have the right stock in the right location and that it is smartly managed to reduce waste. "If you want to be more sustainable, start by purchasing what you are going to sell, ie, not too much," said Abellán.

"Near- and onshoring supply will benefit European producers and plays well with consumers who are more conscious in their buying decisions and concerned about where a product comes from," said Heere.

The round table also discussed the growth of the circular economy in fashion including vintage, pre-loved (resale), upcycled and repair, subscription services and rental (pay-per-wear) and the retail opportunity in this space. GlobalData, for instance, predicts the resale market will grow by 22% to £6.45bn in 2023 in the UK alone.

"High-end fashion brands like Prada and Versace are also beginning to invest in the circular economy and adapting their systems to cope with rentals, as well as sales", said North. Kula-Przezwanski advised retailers have some sort of circularity, such as rental or reuse, for customers who liked their brands; to offer rental around occasionwear, for example.

Zara and Shein, for instance, are both entering the resale market. Zara has launched a 'Pre-owned service', which will allow shoppers to resell, repair or donate clothing bought from its stores. According to the retailer, the aim is to help customers extend the lifetime of the clothing and take a more circular approach. Shein's Shein Exchange platform aims to build a new peer-to-peer resale destination for previously owned Shein products.

"Retailers could also demonstrate their sustainability credentials by incorporating pre-loved and reused products in their assortment planning," Kula-Przezwanski added. This would appeal to younger shoppers, who like to buy better but buy less. Changes in customer perceptions and terminology add to the retail potential - what was once described as second-hand or charity is now pre-loved, vintage and cool.

Organizational change

The round table agreed new tech has the power to digitally transform businesses but it was equally emphatic about the need to support a change in business culture towards a digital culture.

"Even when a company is committed to digitalization as a key factor for growth, a change in mindset is critical to making this happen." Figar said.
And that must span the entire organization - from the company HQ to stores, where it is most complicated due to established processes.

At Flying Tiger Copenhagen, which is transitioning from a market-led wholesale business to an integrated, omnichannel retailer, the implementation of allocation and replenishment technology has required total organizational change.

"We are fundamentally changing the way we do business towards a more digitally enabled, automated world. It is a complete and utter change culturally, responsibility-wise, and relies on "trust" in automation and advanced tech to deliver financial results. That change curve is immense! The team is responding incredibly well, and the results speak for themselves," Smith said.

Heere agreed digital capability is the top priority for retailers in 2023 but that means more than a website - it requires training in IT and supporting the change to a digital culture. Heere has overseen tech implementations in different organizations and said you can't underestimate the importance a cultural shift plays in the success of the process.

Shoppers also need guiding towards new retail tech, revealed Figar. AWWG has trialled the removal of till points / check outs in a number of stores, replacing them with moveable tablets. While the intention was to make the customer experience frictionless, it did create unexpected challenges. Consumers wanted the till point / check out - the move to a tablet felt neither natural nor aligned with their ordinary customer journey.

Changing company culture and convincing people to approach things differently is key at Tendam, according to Abellán.

"The best way to do brilliant things is to get the basics right," he says. "Teams need to understand that often the quickest way to add value is by improving and making primary processes more sophisticated," Abellan said.

For Heere and Mooney, a challenge lies in convincing users to trust automated demand forecasts.

Kula-Przezwanski agreed. "It's about the accuracy of the forecast. And I think that's key in the delivery of the solution. If you get users to map out what they would have sent or what they think the sales are and then what the forecast tool said it was going to be and that the sales actually came off, then they start trusting it and believing more in an engine," she said.

The metaverse

The metaverse, a virtual world comprising avatars and digital assets, is a technology that's poised to have one of the biggest impacts in the fashion industry but in the future, since it's still very much in its infancy, said the round table. Moving forward, digital fashion may have more of an appeal among Gen Z, the next consumer generation, for whom fashion and personal expression are key.

While global spending on virtual goods is reported to have reached more than $100bn in 2021, more than doubling from 2015, nearly a third of those sales came from virtual fashion assets, McKinsey & Company reports.

Since the metaverse is still in development and being defined, Villalba doesn't expect metaverse applications to become mainstream in the short term.

However, with leading fashion brands already dipping a digital toe in the metaverse to push and sell digital fashion assets, it will be a technology to watch with McKinsey predicting fashion companies could generate more than 5% of revenues from virtual activities such as NFTs over the next two to five years.

Tendam is developing new tech (such as magic mirrors) in physical stores, but also in the metaverse with the recent launch of a Springfield store. "Although developments in the metaverse are more experimental than applying new tech in physical stores, we are determined to explore new ways of interacting with our customers and give them the possibility to dress their avatars with Springfield clothes."

For North, tech like the metaverse is experience rather than product driven and has huge appeal, especially for younger consumers. Mooney agreed the tech was coming down the track and would enable shoppers to "dress up" their avatars at home in newly acquired fashion NFTs. But while initial sales may be incremental, in time they would come out of spend since people would buy the NFT versus the physical product.

In summary

Tech is accelerating retailers on their omnichannel transformational journeys and enabling them to get closer to their customers to deliver personal experiences and drive sales. Integrating online channels is key since it provides consumers with a holistic shopping experience with a retailer or brand.

Despite the shift online and growth of e-commerce channels, stores will remain a crucial part of the retail mix. However, the bricks and mortar proposition should be focused on the social aspects of shopping and retailtainment. Marketplaces, which are tipped to grow and match direct e-commerce spend by 2025, should also be a central strand in a retailer's omnichannel strategy.

The metaverse is a tech to watch with many fashion brands and retailers beginning to invest in order to engage with customers, raise brand awareness and pinpoint new sales opportunities.

The Nextail roundtable found retailers need agile and sustainable supply chains to meet their omnichannel objectives and these will increasingly be closer to home to react to rapidly changing demand. The circular economy will play an increasingly important role in addressing both supply chain and sustainability challenges and retailers will need to adapt their assortments to cater to resale and rental markets, for example.

Finally, digital transformation has to include a cultural and organizational change to reap the benefits of new tech and must be company-wide. The Nextail roundtable agreed a change in culture towards a digital culture was a prerequisite to implementing new tech and achieving business transformation.

About Fiona Briggs

Fiona Briggs has more than 20 years' experience in business to business journalism with 10+ years' experience of editing at senior level in print and online. Currently editor of Retail Times, Fiona has previously edited magazines in the grocery, DIY, housewares, fashion sectors and also writes for Forbes, focusing on retail business and technology.

About Nextail

Nextail is a retail merchandising platform that empowers retailers to sell more with less stock through hyper-local demand forecasting and agile automation. By increasing stock efficiencies across channels, retailers can automate the science of retail and dedicate more time to creative and strategic work.

Nextail works with more than 60 global brands, including River Island, Flying Tiger Copenhagen, Pepe Jeans, and Grupo Suarez and Tendam. For more, visit nextail.co

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Nextail recognized as a Representative Vendor in the 2022 **Gartner** Market Guide for Retail Assortment Management Applications: Short life cycle products