



Commercial Insights with Regions Bank

Episode 29: The Future of Retail

Mention the word “cart” today, and a person is as likely to think of an online shopping cart as a squeaky-wheeled physical cart. World events have pushed digital acceleration of retail forward at a breakneck pace, but what’s the state of the industry now? On this episode, we examine which trends and innovations have caught on with consumers, and which ones are likely to stay into the future. We explore how retailers work to create consistent experiences across physical and virtual platforms. And we look at the present and future of shopping as we know it — and what that means for retail businesses.

Episode Transcript

Karthik Easwar, Associate Teaching Professor of Marketing, Georgetown McDonough School of Business:

Omnichannel early on was really just this simple idea that we wanted our storefronts to be similar on and offline. But it's grown, it's developed, it's become a much more complex world that now omnichannel really means that a consumer should be able to have a seamless shopping experience.

Chris Blose, Host:

You’ve just heard consumer behavior expert Karthik Easwar describing omnichannel, a retail and marketing concept that’s become much more than a buzzword during the accelerated shopping shifts of the pandemic. Mention the word “cart” to most people these days, and they’re not going to think of a squeaky wheeled physical cart in a store. They’re going to think of that little icon on their phones and computers housing their possible purchases. And the smartest retailers are watching what happens in both digital and physical carts these days.

Welcome to Commercial Insights with Regions Bank. I’m your host, Chris Blose, and today we’re talking about the future of shopping. We’re fortunate to have Easwar joining us. He’s an associate teaching professor of marketing at Georgetown University’s McDonough School of Business, and he’s here to offer his perspective on how retailers can keep up to date with the behavior and mindset of the customers they serve.



Karthik, welcome to the podcast. I'm happy to have you here, because it seems like an especially interesting time to study where business meets the consumer mindset, particularly after the pandemic. How has that intersection changed in the past few years?

Karthik:

It's changed a lot for consumers. It's changed a lot for businesses. And we are still probably uncovering which of those short-term trends and changes and realities that we were all dealing with are going to stick and which ones might revert, and which ones might fall into somewhere in the middle. Maybe the biggest starting point that we heard probably in 2021, maybe even in 2020, is that the pandemic has pushed E-commerce, has pushed omnichannel, has pushed the technology coming into the retail space forward anywhere from 5 to 10, 15 years ahead of the natural pace that we were going to proceed. And so now we're dealing with that scenario where we've built these online ways to reach consumers as retailers, consumers have built these preferences around convenience and doing things from their home that may not have been their primary expectation in February 2020.

We're really at, I think, a very interesting inflection point or phase where we're going to learn a lot in these next 12 months, 2023, maybe a little bit longer as to where are we and what's much more of a post pandemic E-commerce retail environment. I think a lot of it is shifting towards consumers wanting things with convenience. And that means convenience to their home. And when they do step out of their home, looking for things that are unique or specialized or very much more thoughtfully presented because it has to warrant the need to step out of your home.

Chris:

Right. So you might be talking about a shift in what sort of products or what sort of experiences people are willing to actually go out and seek in person.

Karthik:

Absolutely. We look to bring the functional things right into the home. I used to run out to go buy a box of cereal. Now, why would I do that? That box of cereal could come into the house. Whereas, other types of retail that might be more experiential, I say, while there's a value in stepping outside of my home to experience that environment. And then within that environment also purchase the products I want. You could think of it as the difference between buying that box of cereal and going to the mall where there's a Santa, it's decorated, the store is playing Christmas music. Now, if you want to, you know, absorb some of that experience, you can't do that in the online store.



Chris:

Now you brought up something else that I think is interesting too, and that's this word omnichannel. You know, being in marketing myself, it's a word I've heard for years, but I think we're hearing a lot more the last three or four years. So how, how do you define omnichannel and what does that mean for the retail experience?

Karthik:

Yeah, that's a great question, Chris, and it's probably shifted a lot over even just the last decade, where omnichannel early on was really just this simple idea that we wanted our storefronts to be similar on and offline. But it's grown, it's developed, it's become in some sense a much more complex world that now omnichannel really means that a consumer should be able to have a seamless shopping experience.

And what does that entail? That means when they walk into a store, when they go onto their laptop, when they shop on their phone, that all three of those experiences should feel seamless if they're getting products delivered, if they're having it pick up in store, all of those different aspects should feel like, hey, I'm just in one shopping environment, and I'm choosing the way that I engage and interact with it.

So I might put a few items in a shopping cart when it comes to my commute home, I might try to finish that up on my laptop, and then the next day, I might pick those things up or have them delivered to me from the retailer. And everything there should be easily done.

A lot has been talked about the value of omnichannel from the consumer perspective. But there's actually a strong business case for the retailers to also think about building and developing their omnichannel, and it really comes down to the stickiness that a seamless shopping environment can create. If you're a major retailer, and someone enters into your app on their phone, while they're, between two meetings to put a couple things in their cart, and then they go back to their office or their home to finish up on a website, well, if those few items aren't in the cart when they end up on your website, that's an opportunity for them to pull up the website of a different retailer and say, "Hey, let me see if they have it, let me see what their price is, let me compare."

Whereas if you have those few items in their cart and you make it seamless, not only are you giving them a more enjoyable or satisfactory or productive experience, you're actually



fostering a consumer experience and relationship that's sticky, one that encourages them to follow through.

Chris:

That also seems to go along with the idea that digital retail gives businesses more of an opportunity to learn about their customers' preferences and act on data. If that's the case, how do you translate that sort of data, that sort of consumer mindset information, over to the physical realm, too, when people are shopping in the store?

Karthik:

Yeah. It's probably one of the biggest challenges, right? We have all this data, but that data lives in cyberspace, and when you walk into my store, how do I connect you back to that account until the point where you're at the checkout and you enter your loyalty number or your account number?

So in terms of doing that, there's been a number of different thoughts or ways to approach it. In the grocery space, there's been a lot of work to use eye tracking, to use different types of swipes or GPSing your phone if you bring up the app while you're in a store, somehow you can connect and scan things that way.

For example, one of the largest online retailers, they have moved very successfully into the real world space, into bricks and mortar, and tried to create these types of shopping experiences where you just swipe your way and they're able to identify you based on your swipe, based on the cart that you have, based on all the technology that's tracking you in the store to make that experience act more like an online shopping cart.

And so I think it's possible. I think it's quite achievable and can create a lot of value. But that doesn't mean that it's very simple, because there's a lot of technology that might be needed, a lot of infrastructure that might be needed, to be put into those bricks and mortar, real world shopping spaces to create that level of connection to the online world.

Chris:

I'm glad you brought up investment in technology. So if I'm a business, not one of those major retailers with as large of a budget or maybe as much savvy in-house for implementing this sort of thing, where can I start? What are the natural starting points for implementing this sort of seamless omnichannel experience?



Karthik:

I think it's a challenge. As you said, some of the major retailers have the luxury of larger budgets, larger resources to, in some sense, invest in a brute force way to create these experiences. The challenge for a smaller retailer is we don't have the resources. How can we do this intelligently? How can we do this effectively with a lower investment?

And a couple things to consider. The first is the idea of augmented reality or virtual reality as ways to create that. There is this belief, I think, in the business world that we are going to come back to a place where we might have more of the wearable technology that augments our current reality, and whether that's true or not, it can certainly be done through an app in a phone.

And while there's certainly an investment to create an augmented shopping experience within an app, that investment is more software, that investment is more flexible, updatable over time as technology evolves, whereas things like eye tracking and cameras and all those involve a lot more hardware.

The other one to consider is to look out at a number of different tech companies that potentially could be a solution you could leverage. I might have the exact number wrong, but I probably have the magnitude of this right, there are something on the order of just in retail space about 1500 companies in America that are offering retail technology-enhanced solutions. Now, of those companies, there might be a few that you might say, "This fits our needs, this fits our pricing scenario, this fits the goals that we have."

I should clarify, that 1,500 that I listed is not just for augmented or virtual reality, but it's across all technology enhancements for the retail space. So that could be websites, that could be hardware, like eye tracking, or automatic sensors for stock outs, for robots in aisles, things of that sort. I think that is the real challenge, is for these mid-sized and small-sized retailers to figure out how to compete. And one doomsday sort of version that you hear if you listen to a lot of people in the business world, is that because of the investments, because of the value of having large platforms, we might be in a scenario where we see fewer players that are carrying much larger customer bases and doing more of the transactional work. Being the major clearing houses of the consumer and product retail space.

And as much as, I think there is an opportunity for the smaller retailers to find their space. But the challenge comes around, what is the unique value proposition that you're providing your consumers? And that could be a better technology-enhanced experience than a major retailer



could offer. Or it could be a very conscious choice to say, "When you come here, you get something different. And it's an offline experience. When you walk in this store, you get products you can't find in other places. When you walk in this store, you get sales help that you can't find in other places. When you walk in this store, you walk down the aisles and feel some kind of emotion or experience that you can't find in those other major retailers."

Chris:

Well, and that sort of comes back to what you said at the beginning of this discussion. People seem to be shifting toward buying the basics in a very convenient way, but looking for those special experiences or those special products that are enough to get them out of the house and into a store.

Karthik:

Yes. I think that is maybe an underlying truth for consumers in a lot of situations, where they're looking for the functional products to be brought in-house, and the experiential products to be the ones that they step out of the house for.

But there is an opportunity, I'd say, beyond that, to try to turn the functional into something that has a non-functional benefit to it. So, there are certain retailers where they have no app. They have no customer loyalty programs. And yet, there are many consumers in the grocery space who love to shop at certain retailers. Why? Because when you walk into that store, you uncover new product. When you walk into that store, you get a vibe of a certain type of shopping experience that is nothing like the other major grocers that you might find down the street.

And so, when you do create those spaces, those people might still be buying boneless chicken breast, they still might be buying an apple, they still might be buying a box of cereal. But, they're choosing to come into that space because buying those products now comes with an additional benefit that is beyond the function of owning the product or having the product. It comes with the task itself having some enjoyment, versus just being a chore.

Chris:

So, I'd like to go back to something you started with too. You said this next year, possibly a little bit longer, we're likely gonna see an inflection point, you know? We're gonna see how many of these trends that we've seen in the past couple years really bear out, what is sticky. I'm not asking you to fully predict the future, but (laughs) in your mind, what trends have you seen in the past couple years that you think are most likely to stick?



Karthik:

One that is probably the trend that existed pre-pandemic was accelerated during the pandemic, and, I think, is not going away is convenience. Consumers want things faster, easier, more simply for themselves. Which, if you take those three ideas, really are components of the idea of convenience. So, even two-day shipping, maybe that's something we go, "Can we get it in three hours, four hours?"

Another one that I think is going to stick is that consumers are looking for a blend of choice and guidance. And what I mean by that is that they wanna have a lot of options in front of 'em, but what's happened with E-commerce is that even within one retailer, when you go online, there are so many options. So, within those, can you find good ways to narrow down the actual selections that I wanna make? Most consumers, their ideal consideration set actually sits between two and eight products when they're looking for something. So, when you open up an online website and you put in, "candle," and you see 10,000 results, that's just too many for them to make a choice from. So, is there a way that you can help them get down to the place where now they're choosing between two to four? I think that would be beneficial.

And to take both of those together, what that might mean is that membership programs might start to stick a little more. So, there are online retailers, there are offline retailers that have sort of auto-renew membership delivery type programs. The challenge with those is that they aren't necessarily well-timed for consumers. So, the programs that aren't doing it well might struggle. But, if you can create a program where you say, "Hey, I know that it's the holiday season. I know that you want candles. And I know you probably want a few of these different scents, we've got those and we've got them on repeat from last year or from six months ago, or whenever you're ordering." If you could create that for a consumer, that would be the kind of value-add membership program that I could see consumers sticking to in the long haul, not just for a couple months and then cancel.

Chris:

Yes, that seems like where the idea of convenience meets a little bit of curation on the part of the retailer.

Karthik:

Exactly.

Chris:



So if you had to offer one bit of advice to a retailer on what to watch in this year and beyond, what would it be?

Karthik:

Let me go backwards a step., There was this shift, and I would say this was prepandemic shift, where we started to see consumers move away from wanting products, to look more for services and experiences. And a lot of that shifted in the pandemic, when all of a sudden I was at home, and now I couldn't go out for experiences, I couldn't travel, I couldn't even go, avail myself of the service of a haircut.

So I had to buy things to cut my hair at home. I started cooking at home, so now all of a sudden I need better sheet pans, I need bigger pots, I need more products in my home, whether they're durable or perishable. And what was interesting to me is that apparently, over this past year, some of that desire for products over services has stuck. Consumers have found, "Yes, I still like to shop." "I still like to cook, and so I still need a new sheet pan to renew. I still need to buy all of these different things that are much more purchased in a retail space than purchased out in a restaurant." So what to me would be interesting is, in 2023 we're another year removed from the peak of the pandemic, are those people gonna stick with this new life or are they going to revert more and go, "You know what? I did like cooking, but I also like going out to restaurants," and start to revert back to some of those more service and experience oriented consumption decisions. I'm not sure where things will go, but it's something that I would like to track. And I'd say for myself personally, I see myself as a consumer falling in the middle. I moved from eating out a lot, to fully cooking at home, to being a little bit more in the middle where I was very thoughtful about what restaurant experiences I wanted and doing everything just back in the house.

To now, I can see myself going, "Well, you know what? I'm not only trying to go out for the most unique dining experiences, some days I'm just tired and I wanna go out and grab a quick bite." And I'm seeing that reversion, to some extent, back to 2019 happen just within myself as a consumer as well. So it'll be interesting to see how all of us as Americans and all of us as consumers in the world start to find that longer term equilibrium.

Chris:

Equilibrium is a good key work to take away from today's episode. If you're a retailer, 2023 is about finding the equilibrium between digital and physical experiences, between technological innovation and tried-and-true customer experience, and between consumer expectations and what you, at your core as a business, are best able to provide.



Thank you to Karthik for joining us today and sharing his perspective, and thank you for listening. Get related resources for your business and listen to future episodes at regions.com/commercialpodcast. And subscribe to this podcast on your favorite podcast service.

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