FUTURE OF RETAIL
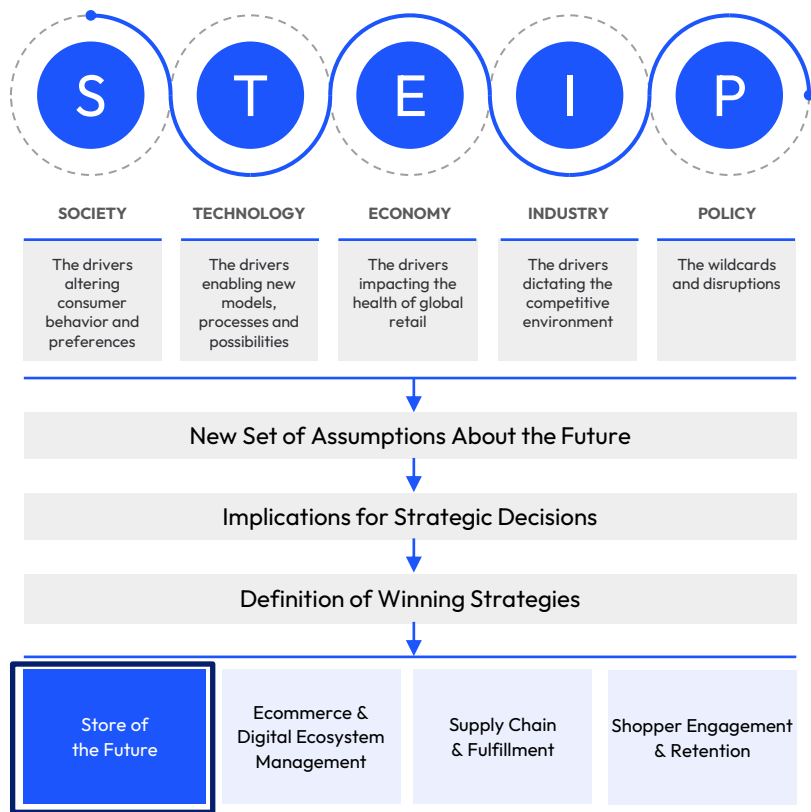
Store of the Future

September 2024

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Store of the Future Introduction

Our annual 'Future Retail Disruption' assessment, highlighting the approaching changes to the world we live in, was produced in April 2024. Utilizing the STEIP framework, seen opposite, the report assesses many forces of change, that combine to shape a set of future assumptions for shoppers, retailers and brands.

Now, in this latest update to our **Store of the Future** series, several of the changes identified in our Future Retail Disruption report are considered through the lens of physical store-based retail. In the chapters that follow, we explore how these developments are shaping the expectations and actions of shoppers, retailers and brands, specifically;

- In chapter 1, we identify how **shopper** expectations for physical store-based retail are evolving.
- In chapter 2, we identify the major influences that are shaping the physical store and the actions that **retailers** are taking to create a 'Store of the Future'.
- In chapter 3, we identify how **brands** can win in this future store environment and the actions that this requires.

SOCIETY	TECHNOLOGY	ECONOMY	INDUSTRY	POLICY
The drivers altering consumer behavior and preferences	The drivers enabling new models, processes and possibilities	The drivers impacting the health of global retail	The drivers dictating the competitive environment	The wildcards and disruptions

New Set of Assumptions About the Future

Implications for Strategic Decisions

Definition of Winning Strategies

| Store of the Future | Ecommerce & Digital Ecosystem Management | Supply Chain & Fulfillment | Shopper Engagement & Retention |

01
Shopper outlook

The shopper outlook for store-based retail

From our earlier [Future Retail Disruption](#) assessment, the following assumptions were made about shoppers:

- **Social commerce influences a generation of shoppers** - as a content-driven, seamless and personalized path to purchase, social commerce will lead to heightened expectations for omnichannel interaction.
- **Consumer priorities compete for household spend** - household budgets will remain stretched, and purchase decisions tied to value.
- **An AI-powered path to purchase** - frictionless experiences on both the digital shelf and in stores will be increasingly commonplace as AI solutions evolve.

In this chapter, we consider through the lens of store-based retail, highlighting shopper requirements for the 'Store of the Future'.

The shopper landscape for store-based retail, explored within this chapter

1. Choiceful, discerning and value seeking

2. Shoppers want to flex, combining online and in-store experiences

3. Behavior shifts are influencing store share and market outlook

4. Omnichannel shoppers, spending in-store and online, a priority for retailers

5. Shoppers want seamless and convenient in-store experiences

6. Retailers must combine the advantages of physical stores with the ease of ecommerce

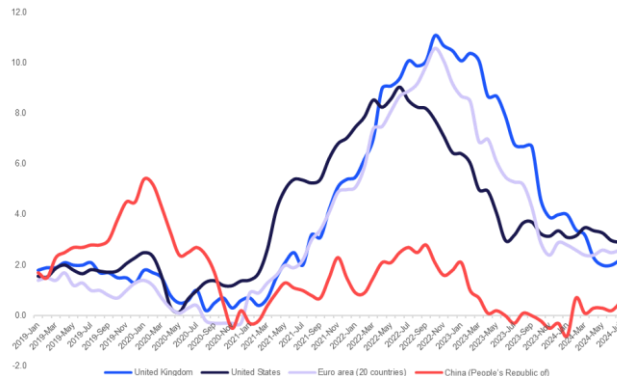# Choiceful, discerning and value-seeking shoppers

In previous iterations of this report, the need for stores to transform has been a central theme, as competitive pressures emerge, new technologies arrive and consumer expectations shift.

In recent years, the macro-environment has also been a significant influence, with retail stores grappling with rising costs, supply shortages and a cost-of-living crisis.

Today, while some pressures remain, a degree of stability has returned with inflation heading towards target levels and consumer confidence gradually improving. And while elevated borrowing costs persist, shoppers are retaining the ability to spend by being 'choiceful, discerning and value-seeking'.

It is in this environment – amid the economic landscape, competitive pressures and consumer expectations for value - that retail stores must find a model that is financially viable and appealing to shoppers.
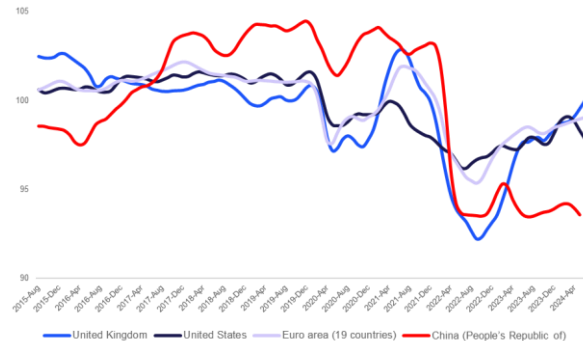
Inflation (Consumer Price Index – All Items, Year-on-Year)

United Kingdom | United States | Euro area (20 countries) | China (People's Republic of)

"We see, among our members and customers, that they remain choiceful, discerning, value-seeking, focusing on things like essentials rather than discretionary items, but importantly, we don't see any additional fraying of consumer health"

Walmart

Consumer Confidence Index

United Kingdom | United States | Euro area (19 countries) | China (People's Republic of)

"The impacts of persistent inflationary pressures and higher borrowing costs over the last few years have resulted in tighter household financial conditions"

PEPSICO

Shoppers want to flex, combining online and in-store experiences

Beyond value, shopper requirements have evolved considerably over the last decade. Accelerated by pandemic behaviors, shoppers have embraced new habits, flexing their use of online and offline channels, often combining both within a single path to purchase.
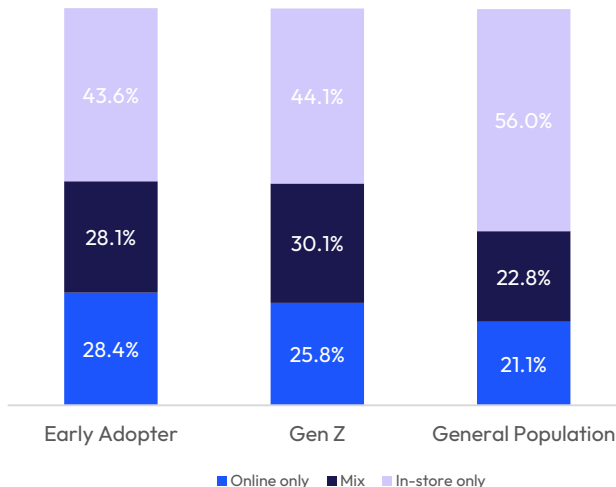
Recent research from Walmart illustrates these preferences, with findings suggesting that;

- 21% of shopping experiences for food items/general merchandise items are online only
- 56% of shopping experiences are in-store only
- 23% combine in-store and online purchasing.

This can vary by category and by demographic, with youngers shoppers, such as the GenZ cohort, showing a greater propensity to engage online, combining experiences or shopping online only.

With these findings' indicative of broader trends, a successful transformation for physical stores requires retailers to bring online and physical store environments together in a seamless way to meet the changing expectations of shoppers.

Shoppers were asked to '*estimate the percentage distribution of your experiences for food items/general merchandise*'

	Online only	Mix	In-store only
Early Adopter	28.4%	28.1%	43.6%
Gen Z	25.8%	30.1%	44.1%
General Population	21.1%	22.8%	56.0%

Shoppers were asked '*what are you most likely to do if you run out of an item you need right away, like an ingredient or recipe?*'

- 37% Run out to the store
- 34% Order for same-day delivery
- 20% Change plans
- Other
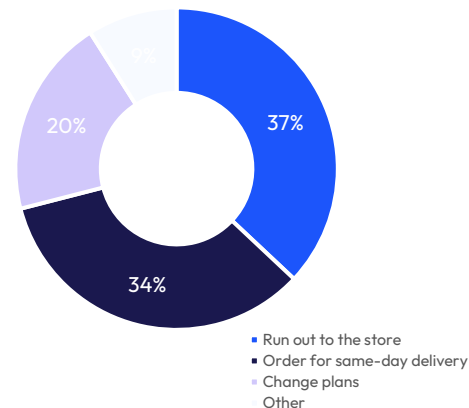
> I think five years from now, maximum 10 years from now, you will look back and you will see that the way in which people find and discover products, how they express their identity and transact, and how they get their products and services is fundamentally going to change."
>
> Suresh Kumar, Global Chief Technology Officer and Chief Development Officer, Walmart

Online and store-based share evolves as behaviors shift

As shopping habits evolve, the share between store-based retail and ecommerce is also evolving.
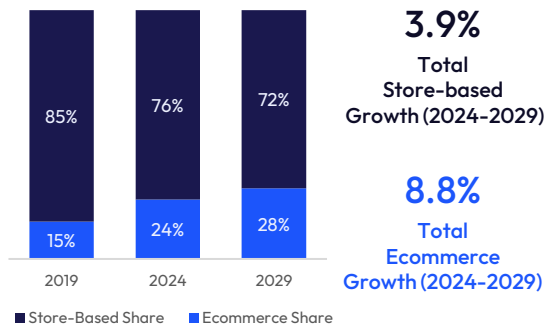
In Europe, Flywheel Retail Insights forecasts online share of chain retail will reach 28%, and in North America this figure will rise towards 31%. Ecommerce will therefore experience growth rates ahead of store-based retail, albeit from a smaller base.

Individually, major retailers with a strong physical store network are continuing to invest and grow their own ecommerce share of sales.
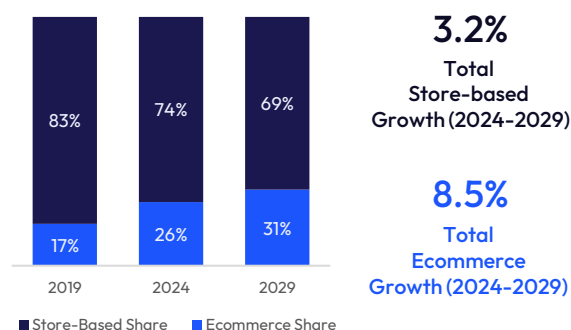
In Europe, assessing only sales generated from within this region, forecasts indicate continued ecommerce share growth for market leaders including Tesco and Carrefour.

In North America, capturing only sales from within this region, Walmart's focus on its third-party marketplace service will help to lift its share of ecommerce sales rise to 27% by 2029.

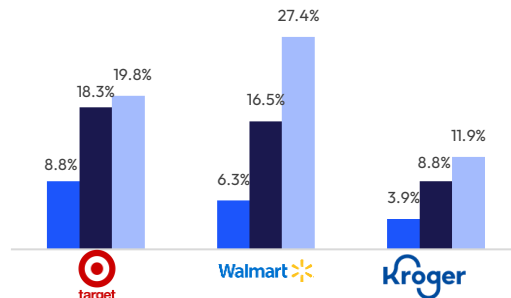## Share of store-based sales and ecommerce sales, Europe, 2019 – 2029 (%)

	2019	2024	2029
Store-Based Share	85%	76%	72%
Ecommerce Share	15%	24%	28%

3.9% Total Store-based Growth (2024–2029)

8.8% Total Ecommerce Growth (2024–2029)

■ Store-Based Share ■ Ecommerce Share

Share of store-based sales and ecommerce sales, North America, 2019 – 2029 (%)

	2019	2024	2029
Store-Based Share	83%	74%	69%
Ecommerce Share	17%	26%	31%

3.2% Total Store-based Growth (2024–2029)

8.5% Total Ecommerce Growth (2024–2029)

■ Store-Based Share ■ Ecommerce Share

Share of ecommerce sales in Europe by selected retailer, 2019 – 2029 (%)

TESCO: 10.8%, 15.4%, 16.5%
E.Leclerc: 8.7%, 12.2%, 12.3%
Carrefour: 3.1%, 6.5%, 9.8%
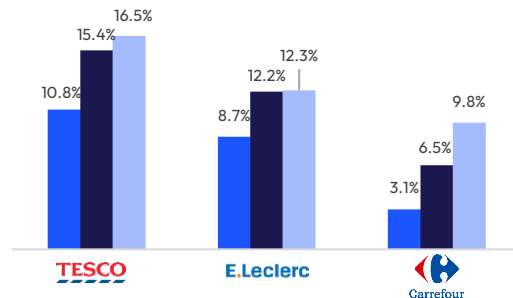
Share of ecommerce sales in North America by selected retailer, 2019 – 2029 (%)

target: 8.8%, 18.3%, 19.8%
Walmart: 6.3%, 16.5%, 27.4%
Kroger: 3.9%, 8.8%, 11.9%

Omnichannel shoppers are a priority for retailers

As ecommerce makes gains, retailers with large store networks are actively pivoting their business models towards an omnichannel offer, seeking to capture shoppers that spend both online and in-store.

Retailers recognise 'omnichannel' shoppers as an important and valuable segment given their propensity to;

- Spend more
- Shop more frequently
- Demonstrate loyalty
- Make additional purchases.

With shoppers increasingly keen to flex, the most successful retailers will be those that provide a unified experience across all channels and shopper touchpoints, incorporating both store-based and online retail.

Retailers are prioritising an omnichannel approach, capturing shoppers that combine both online and offline

1. Spend more

*"…if people buy in-store and online with Walmart.com, they generally **spend twice as much** and they shop in-store more often"*

Walmart

2. Shop more frequently

*"Digitally engaged households are **more loyal, spend nearly 3x more** with us and help grow our alternative profit businesses like Kroger Precision Marketing."*

Kroger

3. Are more loyal

Omnichannel shoppers visit 15% more often than offline only customers

Carrefour

4. Make additional purchases

30-50% of shoppers collecting an online order in-store will buy something else.

A.S. Watson Group
A member of CK Hutchison Holdings

"We believe a strong and growing store network is important. **Many of the ways we go to market in digital still comes through the store channel**. We know that our most profitable customers shop both in-store and online, so it's important to be there for our customers in a way they choose to shop with us."

Kroger

"We provide them online as well (associate support, design and finance services), but sometimes, in-store can be either more pleasurable or more effective.

Niraj Shah, CEO (as online retailer Wayfair opens first-ever physical store)"

wayfair

Creating an effective in-store omnichannel experience

Research highlights the expectations shoppers have in relation to in-store and online experiences, as well as the respective strengths and weaknesses of each.

While there are many positives, the in-store experience could be enhanced further by replicating some benefits found online, including;

- No checkout lines
- 24/7 availability
- Easy search for items.

Omnichannel shoppers also choose to shop online at times, rather than in-store, as it can be considered less stressful, as well as offering savings of time, money and flexibility with an 'anywhere, anytime' functionality.

Overall, to win the omnichannel shopper, retailers must seek to create a store experience that is seamless, personalized and convenient.

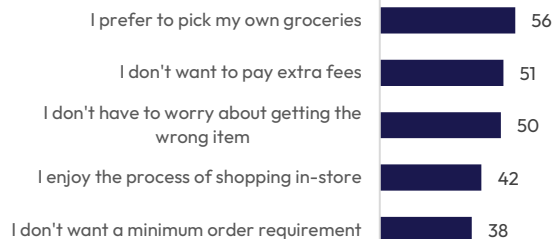## Shoppers want seamless, personalized and convenient experiences

In-store experiences shoppers want online

- Immediately get the item (48%)
- Browsing with the ability to touch and feel items (47%)
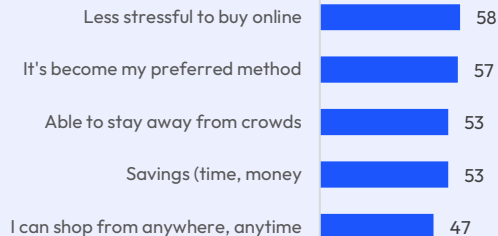- Preview or try the product before buying (41%)

Online experiences **shoppers want in-store**

- No checkout lines (45%)
- 24/7 shopping availability (42%)
- Easily search for all available items or inventory (28%)

Why do omni-shoppers **choose to shop in-store** rather than online (%)*

I prefer to pick my own groceries	56
I don't want to pay extra fees	51
I don't have to worry about getting the wrong item	50
I enjoy the process of shopping in-store	42
I don't want a minimum order requirement	38

Why do omni-shoppers **choose to shop online** rather than in-store (%)*

Less stressful to buy online	58
It's become my preferred method	57
Able to stay away from crowds	53
Savings (time, money	53
I can shop from anywhere, anytime	47

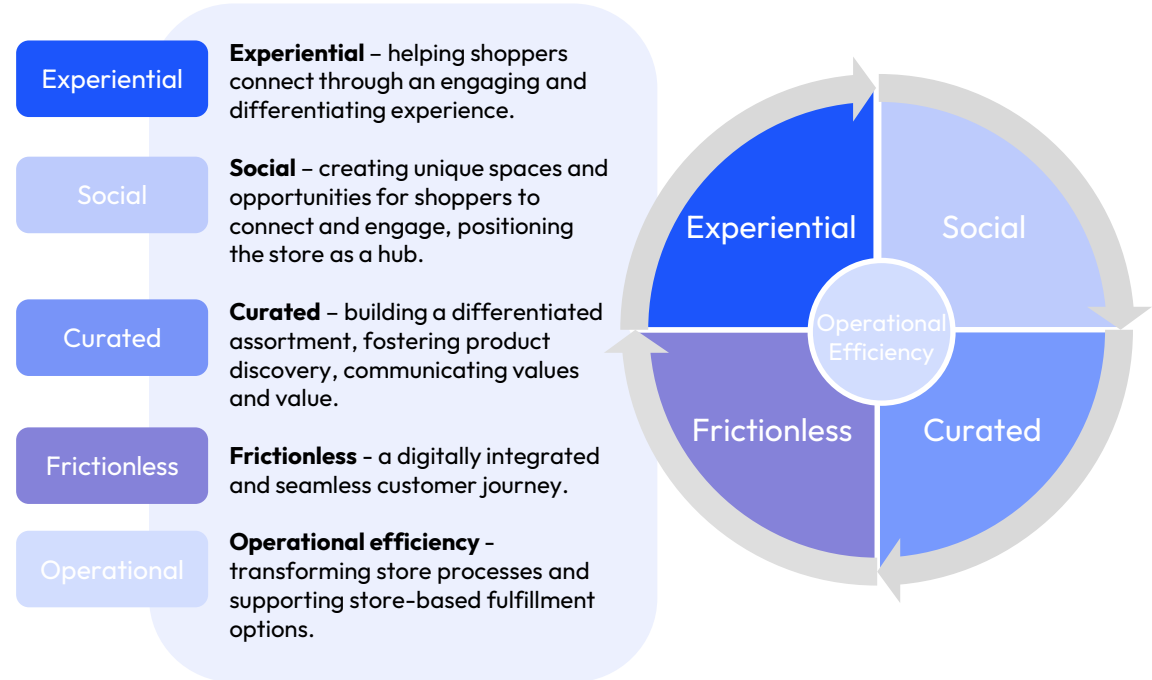# Delivering a seamless, personalized and convenient experience

In the very first iteration of this report, we identified four characteristics of the Store of the Future - Experiential, Social, Frictionless and Curated.

As retailers seek to win the omnichannel shopper and deliver a seamless, personalized, convenient experience, the significance of these characteristics as components of a future store environment, and the ability to combine them in an effective way, remain equally important today.

In addition, the need for a retailer to operate an effective economic model, ensuring some measure of financial viability or value benefit, requires the addition of operational efficiency to the list of essential characteristics.

Having considered the shopper perspective, the following chapter will now consider the developments underway that are shaping the store of the future, and the actions retailers are taking across these characteristics.

Experiential, Social, Curated, Frictionless and Operationally Efficient - a combination of core characteristics can deliver an effective store of the future experience for shoppers

Experiential

Experiential – helping shoppers connect through an engaging and differentiating experience.

Social

Social – creating unique spaces and opportunities for shoppers to connect and engage, positioning the store as a hub.

Curated

Curated – building a differentiated assortment, fostering product discovery, communicating values and value.

Frictionless

Frictionless - a digitally integrated and seamless customer journey.

Operational

Operational efficiency - transforming store processes and supporting store-based fulfillment options.

02
Retailer actions shaping the Store of the Future

Retailer actions shaping the store of the future

From our earlier Future Retail Disruption assessment, the following assumptions were made relating to retailers:

- **A connected commerce experience drives retail capabilities** - combining the advantages of physical stores with digital channels to create a unified and connected commerce experience across all touchpoints.
- **Retail media scales the revenue diversification model** - as costs rise, retailers will lean further on diversified revenue streams, boosting the economic model with higher-margin incomes from a broad ecosystem including retail media, marketplaces and retail-related subscriptions.
- **Digital transformation driven by AI-powered retail** - AI's numerous applications can target several components of retailers' economic models, both in-store and online, driving cost efficiencies in labor, logistics and goods.

In this chapter, we consider through the lens of store-based retail and the influence this will have on future stores and their characteristics.

Influences shaping the future store, explored within this chapter

1. Connected commerce, joining in-store with online
2. In-store retail media acceleration
3. Loyalty programs, data and personalization
4. Closing the loop with in-store measurement
5. Smart carts, self-checkout tech & biometrics
6. Private label and AI influence store assortments
7. An engaging, differentiated physical experience
8. AI investment reshaping store operations
9. Labor saving automation in store
10. Fulfillment efficiencies with stores as hubs
11. Operational actions on ownership models and security
12. Sustainability goals influence the in-store environment

Store characteristics shaping success

Experiential

Social

Curated

Frictionless

Operational

Connected commerce, joining in-store with online

As shopping behaviors evolve, retailers are transforming to deliver a single unified retail experience.

For shoppers there's a desire to *'get the same brand and customer experience wherever I shop, online or offline.'* Paths to purchase will often blend both aspects, for example, just over three quarters of Target shoppers say they use the Target app or target.com while shopping in store.

Digital touchpoints, from smartphones to digital screens, that provide access to product content, social media inspiration, payment services and fulfillment options, are transforming the in-store experience.

Now, at every step of the shopper journey, from discovery and selection to payment and fulfillment, retailers are working to blend the online and in-store elements to deliver a seamless experience. As an omnichannel leader, the example from Walmart is indicative of the progress underway.
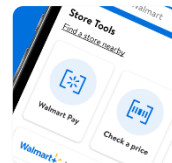
Frictionless

Experiential

Connected commerce, a single unified retail experience

In-store
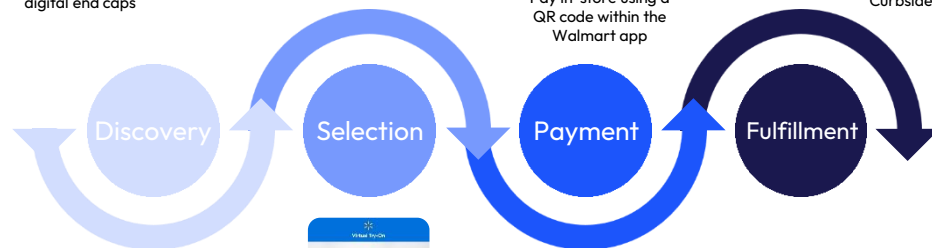
Media screens & digital end caps

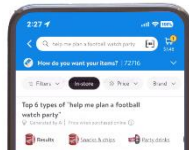Scan products in app to check prices and see digital shelf content including ratings and reviews

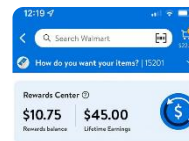Pay in-store using a QR code within the Walmart app

Curbside pick up

Discovery → Selection → Payment → Fulfillment

Online

AI-powered search experience, personalized suggestions

Social commerce inspired 'Shop with Friends' feature, uses AR for shoppers to create virtual outfits with friends and receive feedback

Payment & member rewards on retailer app

Home delivery

Drone delivery

> It's retail that is not only ecommerce or in-store, but a single, unified retail experience that seamlessly blends the best aspects of all channels.

Suresh Kumar, Global Chief Technology Officer and Chief Development Officer, Walmart

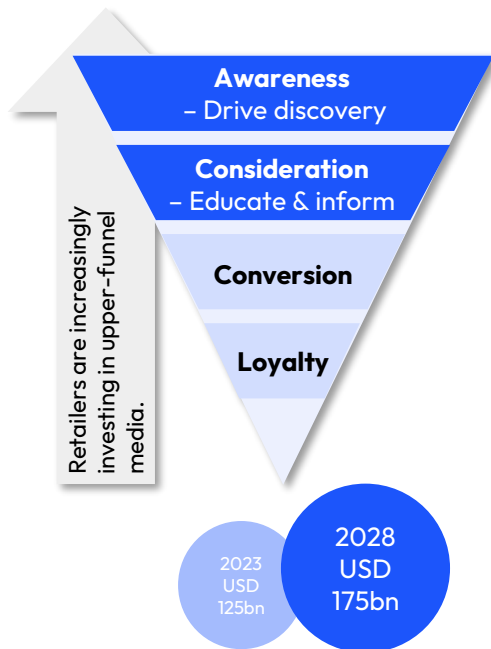# In-store digital retail media acceleration

Digital retail media activations are increasingly expanding beyond online touchpoints and into stores.

For retailers, this offers an important opportunity to build diversified and profitable revenue streams through advertising. For brands, the ability to promote products and incentives during the in-store shopper journey provides new opportunities to drive discovery and consideration closer to the point of purchase, and with measurement capabilities.

Retailers are actively scaling the number of screens and digital surfaces across store networks, viewing in-store retail media as both a relevant part of the shopper experience and an important 'upper funnel' route to scaling ad revenues, particularly as lower funnel onsite advertising growth slows.

As investment continues, expect in-store retail media tech' to connect with consumers' phones for a more personalized experience, ensuring an ever-greater digital influence.

Frictionless

Experiential

Onsite retail media growth will slow, a new frontier is upper-funnel, driven by in-store digital ad spend

Retailers are increasingly investing in upper-funnel media.

Awareness – Drive discovery

Consideration – Educate & inform

Conversion

Loyalty

2023 USD 125bn

2028 USD 175bn

Global retail media ad spend

In-store digital retail media execution

Ahold Delhaize ad functionality on handheld scanners.

Tesco in-store endcap digital screens.

Sainsbury's personalized ads on self-scan checkouts.

Rewe and Penny in-store digital screens.

*We already have more than 3,000 screens in our Rewe and Penny stores that can display ads. That's about as close as you can get to the purchase decision, and manufacturers like that. **

REWE

Loyalty programs, data and personalization

Loyalty and membership schemes, allowing shopper profiles to be combined with sales data, are the enabler for more personalized in-store experiences and a driver for greater media and brand spend.

Their strategic importance can be seen through their scale, each reaching many millions of households, with shoppers incentivised to join through benefits such as free delivery and member-only promotions.

Notably, the unique first party data profiles allow in-store retail media to become more personalized, with apps and cart screens already delivering some targeted communications.

Smart cart screens for example, can link with loyalty accounts to promote discounts and personalized ads. Likewise, Sam's Club has launched display ads in its app's Scan & Go feature, enabling relevant pop-up ads to appear as customers add items to their cart.

Frictionless

Experiential

Loyalty and membership schemes, allowing shopper profiles to be combined with sales data, are the enabler for more personalized in-store experiences

Retailer Loyalty Program	Audience Size
prime	**200m** + members
Target circle	**100m** + members
my W	**97m** + members
Walmart+	**60m** + members
Kroger PLUS	**54m** + households
Albertsons for U	**39m** + members
TESCO Clubcard	**21m** + members
Sainsbury's nectar	**18m** + members

Incentivized pricing programs, member-only events and additional benefits are driving participation levels.

Personalization will be driven through apps and in-store screens

Caper Carts sync with grocery stores' loyalty accounts to give customers discounts and personalized advertisements.

With Sam's Club Member Access Platform, advertisers can layer CTV ads, sponsored and interactive videos with deep first-party member data to deliver sophisticated targeting to reach new-to-brand and lapsed members.

Retailer actions

Closing the loop with in-store measurement

Retailers are building 'closed loop' omnichannel measurement capabilities through their media networks, enabling brands to measure the impact of digital campaigns on both in-store and online sales.

Attribution is an important concept for retailers, necessary to enhance the personalization experience for shoppers, as well as drive the return on advertising spend for brands.

To do this, retailers are increasingly linking online and in-store campaigns, seeking to understand the level of influence different touchpoints and campaign activations have on a purchase. For example, research from Coles 360-measurement program, highlighted that their digital platforms are increasingly influencing in-store purchases, as more customers research online before buying in-store.

Expect closed loop programs to accelerate and further influence the in-store experience.

Closing the loop on digital influence with in-store measurement
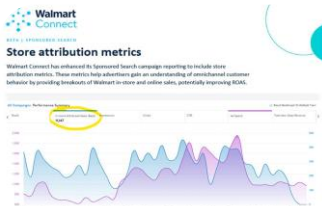
Walmart recently launched in-store attribution for online sponsored search ads.

"*No other platform can correlate online & in-store activity at scale like Walmart.*"

Walmart Connect

Kroger offers closed loop solutions through its Kroger Precision Marketing unit.

"*Matching ad exposure to a purchase online and in-store means we truly close the loop of attribution.*"

Kroger PRECISION MARKETING | POWERED BY 84.51°

Coles Australia recently enhanced its measurement and attribution capabilities as part of its Coles 360Impact retail media network launch. It is currently working on a near-real time self-serve reporting platform which will launch in the next 12 months.
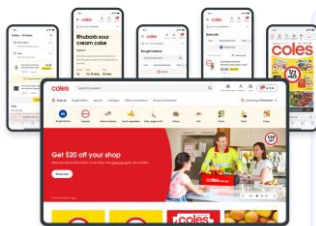
Coles' digital platforms are also increasingly influencing in store purchases with more than 20% of store sales capable of being linked to customer research through the Coles App or website, as more customers research online before buying in store.

coles

"We want every supplier that spends a dollar with us to know the omnichannel impact it had and know how they can improve performance next time."

360

Smart carts, self-checkout tech & biometrics

For most shoppers, a seamless and convenient shopper journey requires a frictionless checkout and payment experience.

Beyond the proliferation of self-scan terminals and apps, tech developments are seeing retailers explore more options, encouraged by the operational efficiencies that can come from lower labor costs as well as the frictionless benefits for shoppers. Developments include;

- Just walk out – combines computer vision, sensors and deep learning to track items
- Smart carts – AI-powered scanning and weighing of products dropped into a cart
- RFID – the lower cost of product tags now creates opportunities for RFID checkouts
- Biometrics – linking a palm or face scan to a payment profile and checkout system.

As these advances make progress, expect frictionless checkout technologies to become an integral part of the shopper experience.
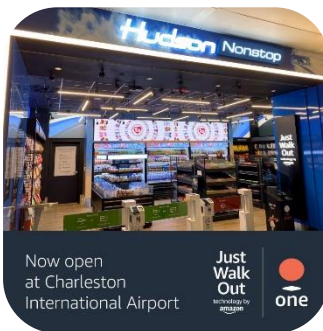
Frictionless | Operational

A seamless and convenient shopper journey includes frictionless checkout

Just walk out

Amazon, a pioneer in Just Walk Out technology, is confident this technology is well suited to smaller, very high traffic stores – while smart cart tech is expected to win in larger format grocery stores.

Smart carts

Caper Carts and Amazon Dash Carts are rolling these systems out to more retailers and stores. More efficient than 'just walk out' tech for large formats, they can also serve up ads at point of purchase.

RFID readers

This self-checkout machine, an example from Uniqlo, is equipped with an RFID reader that can – with high levels of accuracy – detect and record the price of all the goods tossed into the checkout bin.

Biometric payment

Popular in the Asia Pacific region and pioneered by Amazon in the US with 'One', biometric scanning is less prevalent in Europe with consumer acceptance under test.

Private label and AI influence store assortments

As highlighted in chapter 1, shoppers are retaining the ability to spend by being 'choiceful, discerning and value-seeking'.

Given this focus, store assortments are reflecting a stronger private label influence, as retailers respond to consumers' need for value while also gaining from a more favorable gross margin. Carrefour and Ahold Delhaize have made notable statements of intent, targeting a private label share of 40% and 45% respectively, while Walmart and Target have both launched new value-oriented ranges.

While these are national initiatives, retailers are also deploying tools that are shaping individual assortments on a store-by-store basis, reflecting specific store traffic patterns and hyper-localised catchments. Whole Foods refers to this as 'store-level customer centricity'. Enabled by AI, expect far greater precision for store assortments driven by each specific location.

Private label initiatives further influence in-store assortments

Carrefour private label share is up to 37%, with a target of 40% by 2026. Ahold Delhaize will increase its private label share towards 45% by 2028.

Albert Heijn reports a growing acceptance of refill stations, in part driven by a c.25% discount on detergents compared to traditional plastic bottles.

Walmart has rolled out a private label brand, Bettergoods, with most items priced at less than $5.

Target launched its 'dealworthy' brand with nearly 400 items including iPhone chargers and toiletries below $10.

AI will shape store-level 'customer centricity' assortments

This is one of those areas where we're going to be able to use AI tool sets to understand how we can best curate product assortment, not just on a geographical level, which a lot of folks do, but ultimately down to the store.

We call it store-level customer centricity, but what we want to do is make sure that we've allocated the right space, with the right products, at the right price, across our entire store network.

Future-proofing the assortment - *Retailers that can differentiate assortment by store depending on local needs will be best positioned to win in this market environment - especially given that different countries, regions, and neighborhoods will show varied recoveries in 2024.* *

An engaging, differentiated physical experience

Stores can be a physical portal into brands and product experiences, and a space where consumers can be inspired, experiment and learn.

Retailers, often in partnership with brands, continue to foster levels of shopper connection through disciplines including;

- Engage – digital media, personalization and immersive product discovery
- Educate & equip - services such as expert product advice, food counters, beauty bars and service centers
- Entertain – in-store events and seasonal activities, linked often to social activations
- Excite & experiment – exclusive collaborations, range introductions and shop-in-shop concepts.

Looking ahead, a digitally integrated, frictionless shopper journey must also be shaped by characteristics that provide an engaging, differentiated experience.

Experiential   Social

Differentiated and experiential initiatives

Disney and El Corte Inglés rolled out 41 Disney store-in-stores across Spain and Portugal. The store-in-store formats, averaging between 100 and 200 square meters, house merchandise and video games among other products.

Tesco delivered a summer of roadshows, free one-day food tasting and interactive events featuring 'summer house' stalls, hosted outside Tesco stores across the UK. In 2024, products represented included a selection of brands from Premier Foods, PepsiCo, Molson Coors and Carlsberg among others.

Walmart Canada has re-designed Pet sections within selected stores to be a 'shop-in-shop' experience. Supported by pet nutrition manufacturers, the stores include the use of endcaps and low gondolas for ease of shop and department visibility while blending impulse & premium assortments.

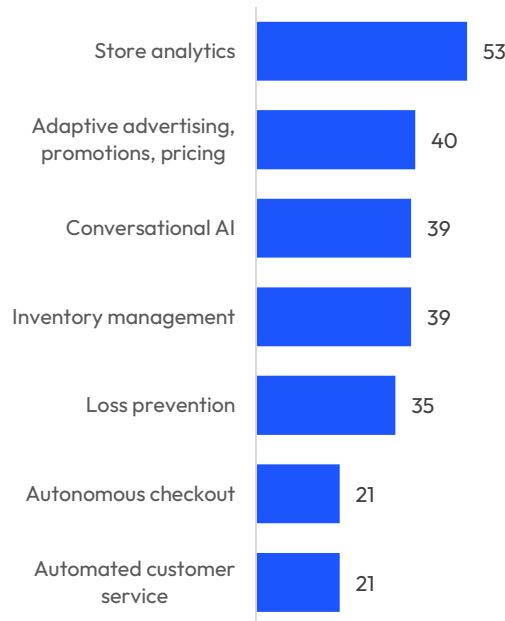# AI investment reshaping store operations

AI is reshaping retail, changing how businesses operate and interact with customers. With the integration of AI-powered technologies into store networks, retailers are enhancing customer experiences, optimising operations and driving revenues.

In a recent survey, the views of 400 retailers identified the leading AI store-based use cases, including:

- Store analytics
- Adaptive ads, promotions and pricing
- Conversational AI
- Inventory management
- Loss prevention

While at a relatively early stage, examples of AI execution are widespread within store environments, from product recognition and cart scanning to conversational AI tools helping store associates. There is every indication that spending on AI technologies, and their implementation within operations, will increase substantially in the years ahead.

Intelligent Store – *What AI use cases is your company investing in today?*

Use case	Value
Store analytics	53
Adaptive advertising, promotions, pricing	40
Conversational AI	39
Inventory management	39
Loss prevention	35
Autonomous checkout	21
Automated customer service	21

In-store AI execution examples

Aldi Süd Germany pilots automatic recognition of fresh foods at self-checkout.

Edeka installs AI powered age verification solution.

Walmart Sam's Club US deploys AI-powered store exit technology to automate receipt checking.

GenAI-powered chatbot that can answer on-the-job process questions, coach new team members and support store mgt.

Labour-saving automation in stores

Broader application of labor-saving automation in stores is underway through the use of robotics and digital execution.

Leading retailers such as Walmart and Lidl have recently announced the large-scale implementation of digital shelf labels, with efficiencies including enhanced replenishment and online picking processes driving the decision.

Robotic technologies, from floor cleaning and impulse merchandising to inventory tracking, are appearing on sales floors. For FamilyMart, robotic technologies can help to mitigate for acute labor shortages in Japan. Likewise, autonomous and unmanned stores remain an opportunity in smaller locations requiring long opening hours and more limited assortments. Carrefour BuyBye is a recent example in Europe.

As costs rise, automation will play a key role in the management of operating costs, helping to support a viable economic model for stores.

Broader application of labour-saving automation in stores

Walmart will roll out digital shelf tags at 2,300 stores by 2026. Functionality including 'Stock to light' and 'Pick to light' replenishment systems will boost productivity.
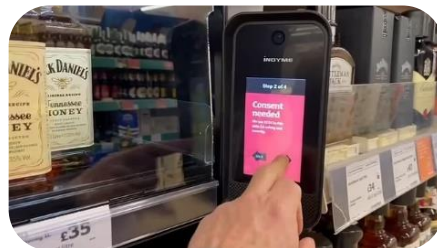
Sainsbury's is trialling electronic security cabinets for high value items within its alcohol aisle.

FamilyMart will roll out robots to 300 stores to clean floors while also displaying products and ads through a media screen. FamilyMart is investing in robots in response to Japan's ageing population and subsequent labor shortage.

Unmanned, autonomous stores, utilising sensors and computer vision continue to open. Carrefour Belgium is testing the latest example in Europe, Carrefour BuyBye.

Over 1,000 Tally robots are tracking inventory levels in US stores operated by Schnucks Markets, SpartanNash and BJ's Wholesale Club.

# Fulfillment efficiencies with stores as hubs

Retailers have continued to leverage stores as fulfillment centers, embracing a 'stores as hub' model.

For some, store networks add both convenience and capacity to fulfillment operations, helping to provide more shopper options such as 'click & collect', while also supporting speed of delivery as a differentiator.

There can also be associated cost savings. Target previously highlighted that it costs 90% less to fulfill its online orders through pickup, compared to fulfilling them from a warehouse.

With further last mile fulfillment initiatives underway, such as the roll out of drone delivery from retailers including Walmart and Kroger, as well as other rapid store-based fulfillment services supported by delivery intermediaries, greater synergies between online and in-store assortments are expected.

Frictionless Operational

Stores as fulfillment hubs can support the business model and boost speed of delivery as a differentiator
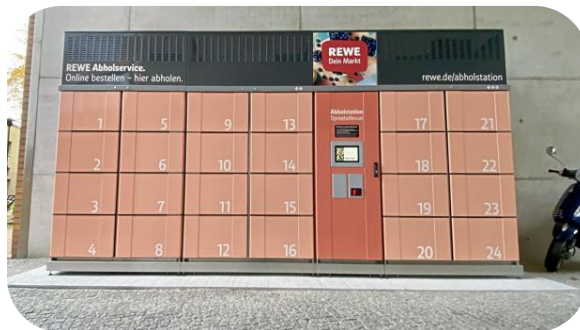
....the low average price per item in Germany makes it hard to turn a profit with e-grocery. However, we do not only focus on our online delivery. That's why we also focus part of our investments on click and collect. We believe that this might be a very economically viable model in the long run.

REWE

Recent 'stores as hubs' initiatives

+85% of items in a Walmart Neighborhood Market store meet the weight (10lb) and volume requirements to be delivered by drone.

97.7% of sales at Target, including in-store and digitally originated are now fulfilled by stores (Q1, 2024).

Rapid fulfillment and seasonal demand solutions, from Asda, Lego & Just Eat.

Operational actions on ownership models and security

Additional actions to shape a financially viable economic model for stores are focused on ownership models and theft prevention.

Actions to deliver greater operating flexibility are being embraced by some retailers, keen to unleash entrepreneurship and more flexibility from labor agreements. Delhaize in Belgium has migrated all stores to independent franchisees, as Auchan develops its own franchise model for independent ownership.

The challenges associated with retail crime are well documented and retailers have been active to reduce losses and protect store staff. As well as existing systems such as CCTV and locking cases, more technologies are being tested and deployed to prevent incidents, including AI-based ecommerce fraud detection, as well as facial recognition and feature-matching technologies.

Combined, these actions on ownership and crime will continue to shape the store experience.

Flexible ownership models

Delhaize stores have been passing into the hands of independent franchisees. The transition allows for greater entrepreneurship, more flexible labor arrangements and a stronger local focus with early results 'encouraging'.

"...we are working on a franchise model to build a network of small, independent stores run by local entrepreneurs. When we advertised this opportunity internally, many of our employees started selling their Auchan shares to free up capital, start their own store, and be their own boss."

Addressing retail theft

Target adding camera-based systems to its self-checkout registers to deter theft.

Co-op in the UK, the latest to introduce AI software to monitor self-checkouts following a rise in theft.

AI-surveillance with fraud detection and facial recognition technologies continue to be tested.

Sustainability goals influence the in-store environment

Retailer environmental responsibilities are increasingly focused on actions to reduce greenhouse gas (GHG) emissions, specifically;

- Direct emissions (Scope 1)
- Indirect emissions (Scope 2)
- Emissions throughout the supply chain and among third-party vendors (Scope 3).

Retailers have set targets for company operations that are consistent with reductions required to keep warming to 1.5°C or well below 2.0°C. Many are now working towards 'net zero' ambitions, with plans validated by the UN-supported Science-Based Targets Initiative. Within stores, this is leading to direct action on refrigeration, lighting and heating systems relating to Scope 1 & 2 emissions.

Scope 3 reduction requires cooperation across the whole supply chain. Retailers, such as Ahold Delhaize, are actively engaging with suppliers to set reduction targets and provide products with a lower carbon footprint. Over time, these actions may begin to influence in-store assortments.

Retailer sustainability initiatives shaping the in-store environment

Sainsbury's is reducing its scope 1 and 2 emissions by 68% by 2030. Stores are focused on;
- More efficient refrigeration systems and use of excess heat from refrigeration systems to heat stores
- 100% LED lighting across its entire estate
- Launching energy-efficient stores, using half the energy of a similar-sized Sainsbury's store and 25% less electricity.

- Aldi has introduced more sustainable features, through energy efficient technology such as installing doors on fridges and natural refrigerants to reduce carbon emissions. Aldi Sud has a Scope 1 and 2 net-zero target by 2035, while reducing Scope 3 GHG emissions by 90% by 2050 (from a 2022 base year), validated by SBTI.
- Co-op is targeting net zero within its own operations by 2035 through similar actions.

Selected retailers with SBTi emissions targets that also include Scope 3 reduction targets

03
Where brands can win in the future store

Brand actions to win in the future store environment

From our earlier Future Retail Disruption assessment, the following assumptions were made relating to brands:

- **Omnichannel adaptation and supply chain agility** - brands must adapt to omnichannel innovation by shifting resources and developing capabilities to optimize new touchpoints.
- **Winning digital influence with media networks** - Retail Media partnerships and investments in unified messaging across digital and physical touchpoints ensure a cohesive brand experience through new media channels
- **The requirement for digital shelf excellence across channels** - Social commerce, eB2B and on-demand commerce are expected to scale quickly, becoming significant digital channels and important components of any brand's ecommerce and omnichannel portfolio.

In this chapter, we consider through the lens of store-based retail, identifying where brands can win in this future store environment.

Where brands can win in the future store, explored within this chapter

1. Driving product discovery with in-store digital media

2. Driving brand consideration with in-store digital media

3. Connecting online and social activations to in-store performance

4. Engaging through in-store experiences

5. Exploring creative assortment solutions

6. Winning the last mile with stores as hubs

Driving product discovery with in-store digital media

In-store retail media is providing upper funnel marketing opportunities to build brand awareness and drive product discovery.

The number of digital touchpoints is quickly expanding, with retailers able to offer campaign activations on surfaces of all types, including digital screens within aisles and front of store, smart cart devices, handheld units, cooler doors and counter tops, payment screens and mobile apps.

Innovation continues with developments becoming more targeted to the individual based on shopping profile and basket selections, for example;

- Sam's Club ads on the Scan & Go cart page dynamically refresh after each new product scan, enabling advertisers to reach members at the point of conversion
- Ads on Caper Carts give customers more customized recommendations and introduce experiences to support with brand discovery.

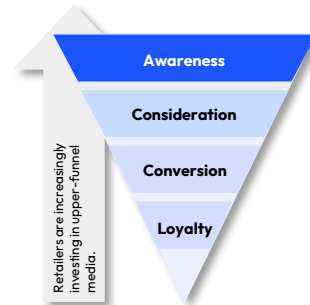Driving product discovery with in-store digital media

Personalized ads from Instacart's CPG brand partners are appearing on smart cart screens in selected retail stores, with launch partners including **Del Monte Foods, Dreyer's Grand Ice Cream, and General Mills**. Ads on Caper Carts give customers more customized recommendations and introduce experiences to help them discover new brands and products.

Woolworths (AUS) has deployed over 900 retail media screens nationally through its Cartology retail media network. **Remedy Drinks**, KICK brand is promoting its new product launch through the screens while also distributing targeted eDMs and custom product pages.

Sam's Club MAP advertisers such as **Unilever** will utilize Scan & Go ads to reach more members. Members who opt-in will see display ads on the cart page that dynamically refresh after each new product scan.

Retailers are increasingly investing in upper-funnel media.

Awareness
Consideration
Conversion
Loyalty

Driving brand consideration with in-store digital media

Alongside awareness, in-store retail media is also providing upper funnel marketing opportunities to drive brand consideration, helping to educate and inform customers on products and offers.

In some examples, in-aisle media screens are used to communicate brand initiatives rather than the discovery of an individual product. Mondelez and Kellogg's, opposite, were both using in-store screens as part of a co-ordinated campaign to promote a family benefit, with QR codes a supporting tactic to direct initial interest to the brand site.

In other examples, scan-as-you-shop handheld devices are used to provide shoppers with more information, notably the aisle location within the store where the products can be found. Handheld devices are currently in over 250 Tesco stores and are indicative of a more personalized experience that retailer apps linked to loyalty accounts will start to provide.

Driving brand and product consideration with in-store digital media

Grupo Bimbo's St. Pierre Groupe is leveraging Tesco's scan-as-you-shop handheld devices to communicate to shoppers where its brioche buns are located within the store and the current Clubcard price. L'Oreal provides a further example.
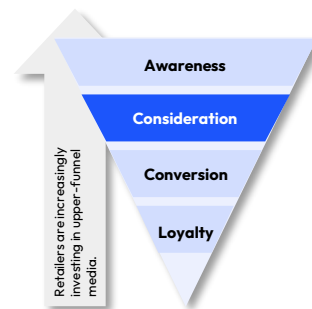

Kellogg's used digital media screens inside Tesco stores to promote its Kellogg's football camp initiative. The rotating media encourages shoppers to scan a QR code which directs them to Kellogg's direct-to-consumer site, kelloggsfc.com.

Mondelez Dairylea used a horizontal digital media screen inside Tesco stores to promote its partnership with the Trainline. Shoppers were able to get GBP10 off family train tickets when they purchase a pack of Dairylea and scanned the QR code on the packaging.

Retailers are increasingly investing in upper-funnel media.

Awareness
Consideration
Conversion
Loyalty

Connecting online and social activations to in-store performance

Product discovery though online and social platforms is fuelling offline sales in physical stores.

Earlier examples from Coles highlighted how digital platforms are increasingly influencing in-store purchases, with more than 20% of store sales capable of being linked to customer research through the Coles app or website. Likewise, brands are increasingly recognising the positive impact of digital influence, with examples including;

- US drinks brand Poppi, estimates TikTok is driving a 30%-40% uplift in offline sales.
- Mattel achieved a significant uplift in store-based sales by activating Walmart off-site display banner ads

Social campaigns are also being brought into stores, with Unilever tapping TikTok's community of 'cleanfluencers' for an in-store activation with Asda, to promote its household brands.

With social media increasingly linked to product discovery, expect campaign investment online to increasingly benefit in-store performances.

In-store sales from online and social media activations

#CleanTok takes Asda

US drinks brand **Poppi**, popular with Gen Z shoppers, estimates TikTok is driving a 30-40% uplift in offline sales, measured by users referring to purchasing in-store within comments of videos.

Unilever brought the world of social media cleaning trends to Asda shoppers at their Big Cleaning Event in 2024, tapping into #CleanTok, a community of 'cleanfluencers' sharing top tips and cleaning hacks.

At Asda stores, digital interactive screens allowed Asda shoppers to select #CleanTok videos based on their interests while also showcasing 'Cleanipedia', the Unilever TikTok page and cleaning tips website.

The power of these #CleanTok videos used in store meant that purchase behavior of shoppers changed from 64% to 91% likely to buy.

Using Walmart first party data, **Mattel**, Flywheel and Walmart Connect created targeted audiences including historical and recent buyers, as well as predictive buyers. Walmart Off-site Display banners on Walmart DSP drove a significant uplift in sales, particularly in-store which accounted for 90% of total sales.

Creating a connection with shoppers through sensory experiences

Stores can be a physical portal into brands and product experiences, and a space where consumers can be inspired, experiment and learn.

Experiences can engage, entertain, educate and excite, with brands deploying their own experiential tactics to drive product visibility and shopper conversion.

Examples can include engaging promotions, exclusive product partnerships, pop-up stores and brand zones, all designed to foster a connection through high impact visual displays and strong branding.

Some, such as these examples here, extend beyond the visual impact and play to shoppers' broader sensory senses, allowing the opportunity to taste and touch the product through sampling and play, seeking to create a more memorable experience.

Pop-up zones and product sampling

Lego is set to diversify its portfolio further and reach new audiences in an upcoming multi-year global partnership with Nike. The partnership will kick off in 2025, with a series of co-branded products, content and experiences expected.

Carlsberg brand Kronenbourg 1664 Blanc with a bar simulation for sampling at Waitrose, London.

French sparkling wine brand **Charles Volner**, partnered with Auchan on an in-store wine tasting pop-up experience.

Danone brand, Alpro, with an event related pop-up and product zone in Carrefour.

Engaging with personalization and pop-up brand stores

In further examples, brands can build-in a degree of product personalization, creating engaging and fun experiences.

Examples here include;
- Photo booths to personalize product packaging
- Individualised assortment selections and packaging.

Elsewhere, brand zones and pop-up zones have proven popular, particularly in larger format hyper-stores, where space allows a significant amount of flexibility. In the example here, Mars is making use of excess space with Auchan hypermarkets.

As retailers seek out strategies to drive traffic and stir excitement, brands will be encouraged to collaborate and experiment with creative experiences, from brand zones and sampling stations to product services and personalized activations.

Personalization and brand zones

In a seasonal initiative, **Nestle** supports pick and mix stations for its Quality Street brand at participating John Lewis stores. Shoppers can create their own personalized tin and fill with chocolate selections of their choosing. In 2023, 19 John Lewis stores offered a pick 'n' mix station.

Lactalis-owned dairy brand **President** has launched an innovative branded pop-up supporting customer experience at E.Leclerc in France. The pop-up features a photo booth, allowing customers to personalize their box of camembert or crème fraiche, adding their own photo to the packaging.

Carlsberg-owned Kronenbourg promoting the benefits of cans in a pop-up installation at E.Leclerc.

Utilising excess space in Auchan, an XXL M&M's pop-up store from **Mars.**

# Exploring creative in-store assortment solutions

Brands can take a creative approach to in-store assortments, blending digital solutions or packaging alternatives within a physical environment to deliver new options for shoppers. From a digital perspective, notable examples include;

- Diageo has been testing a concept to extend its assortment and provide greater choice for shoppers within smaller format stores.
- Multiple brands have been utilizing in-store digital sampling machines to drive new product discovery and engage in a more targeted way with shoppers.
- L'Oreal's Maybelline brand embraced its viral popularity on social media to launch an in-store solution for the trending assortment.

Innovative refill options continue to be explored, with retailers more recently testing pre-filled product solutions alongside voucher exchanges.

As creativity builds, expect digital engagement and sustainability to further influence future in-store assortments.

Creative in-store assortment solutions
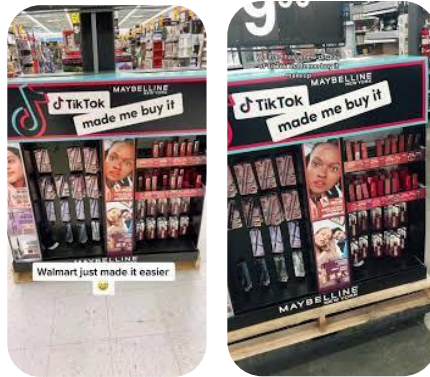
L'Oréal's Maybelline brand capitalized on the virality of its products and launched an omnichannel campaign with the tagline 'TikTok made me buy it', connecting online to offline through visual merchandising as seen in this Walgreens example.

Asda is trialling new 'Digital Spirits' display screens in partnership with **Diageo** across its Express convenience stores. Shoppers are now able to select from 50 products compared to 13 or 26 products previously, with digital selections dispensed at the checkout counter.

In-store digital sampling machines offer brands the chance to drive product discovery.

Marks & Spencer offers 10-pre-filled own-brand household items. There is a GBP2 fee for the returnable bottle for shoppers, but once returned, customers are given a voucher of the same amount to be redeemed against their next Refilled range purchase.

Win the last mile with stores as hubs

With retailers active in developing last mile fulfillment initiatives, including a focus on rapid store-based delivery services, greater synergies between online and in-store assortments are expected.

Brands can take opportunities to influence assortments and drive purchasing with creative approaches, including;

- Delivery intermediary partnerships, providing brand solutions to rapid fulfillment occasions, which are often suited to seasonal periods.
- Sponsored advertising through third-party delivery platforms such as Uber and Deliveroo.
- Drone delivery momentum is building as trials expand. Brands can explore 'drone friendly' bundles and impulse solutions as interest grows.

Brand activations within last mile fulfillment initiatives

Lego partnered with Asda and Just Eat to provide rapid toy delivery in time for the holidays. Shoppers are able to order Lego products on Just Eat fulfilled from a limited number of Asda locations, for rapid delivery within 15 – 30 minutes.
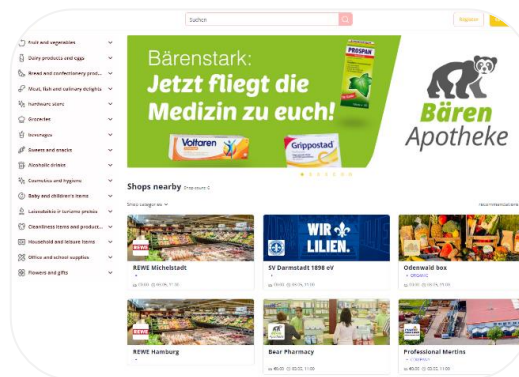
Now live in 12 markets, Uber has launched the concept of Sponsored Items in the UK, with **PepsiCo** one of its first brand partners to leverage the new advertising surface on Uber Eats. The new advertising capabilities increase the discoverability of relevant products and brands, while driving value for both Uber Eats and its brand partners.
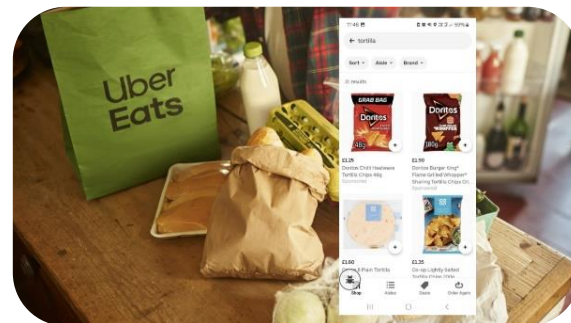
Paid placement opportunities for brands will emerge as drone delivery develops in Europe. Leading CPG brands including **Nestlé** and **PepsiCo** are available via Rewe's pilot project "LieferMichel".

04
Outlook and summary

Store of the Future, the outlook for shoppers, retailers and brands

The shopper landscape for store-based retail

1. Choiceful, discerning and value seeking
2. Shoppers want to flex, combining online and in-store experiences
3. Behavior shifts are influencing store share and market outlook
4. Omnichannel shoppers, spending in-store and online, are a priority for retailers
5. Shoppers want seamless and convenient in-store experiences
6. Retailers must combine the advantages of physical stores with the ease of ecommerce

Retailer actions shaping the future store

1. Connected commerce, joining in-store with online
2. In-store retail media acceleration
3. Loyalty programs, data and personalization
4. Closing the loop with in-store measurement
5. Smart carts, self-checkout tech & biometrics
6. Private label and AI influence store assortments
7. An engaging, differentiated physical experience
8. AI investment reshaping store operations
9. Labor saving automation in store
10. Fulfillment efficiencies with stores as hubs
11. Operational actions on ownership models and security
12. Sustainability goals influence the in-store environment

Where brands can win in the future store

1. Driving product discovery with in-store digital media
2. Driving brand consideration with in-store digital media
3. Connecting online and social activations to in-store performance
4. Engaging through in-store experiences
5. Exploring creative assortment solutions
6. Winning the last mile with stores as hubs

Technology will play a significant role in the future store

The concept of connected commerce, coupled with the requirement for operational excellence, will drive greater investment in technology and data-enabled experiences across store networks.

Retailer success, and that of brands, will in part be shaped by the ability to adapt to the opportunities technology offers;

- Retailers can win the omnichannel shopper by delivering a connected commerce experience, relying on digital media, data-driven personalization, frictionless payment and fulfillment systems.

- Likewise, the requirement to combine an effective shopper experience with a viable economic model is expected to drive further automation in stores.

A connected commerce experience, coupled with the requirement for operational excellence will drive technology implementation

Digital screens

Smart carts

Data, loyalty and personalization

Digital surfaces

Frictionless checkouts & surveillance

Automation & robotics

Biometrics

RFID readers

Loss prevention

Brand capabilities must embrace data-driven media

For brands operating in this store-based environment, existing capabilities must now be supplemented with a strong digital skillset.

The core components - Experiential, Social, Frictionless, Curated and Operational Excellence – are now all strongly influenced by digital developments.

Brands seeking to optimize their performance and deliver actions to win in this future store environment must focus on developing organisational capabilities in the areas of;
- Retail media and digital content execution
- Data-driven collaboration and measurement
- Product-driven creativity.

Amid the economic landscape, competitive pressures and consumer expectations, store networks will continue their transformation, ensuring the need for brands to adapt their skillsets and approach to win.

Store of the Future capabilities for brands

Capability

Retail media and digital content execution	Data-driven collaboration and measurement	Product-driven creativity

Actions

| Build upper funnel store-based digital activations into campaign planning to boost discovery.

Drive in-store performance with online and social activations.

Increase focus on digital content, alongside physical packaging, ensuring consistency across all digital assets. | Prioritize data collaboration projects that enhance shopper targeting and personalization through first-party data.

Focus on closed-loop measurement with in-store attribution to drive return on advertising spend.

Explore digital solutions to drive assortment options for in-store shoppers. | Foster shopper connections with an engaging and differentiated physical presence in stores.

Ensure store-based assortments are fit for omnichannel fulfillment options and quick commerce inclusion.

Differentiate from private label with innovation and clear value messaging to win through shelf space. |

Beyond Store of the Future, more ways to grow your business with Flywheel

Deeper insight

Access further data, including 5-year future on and offline sales projections from thousands of global retailers, as well as deep-dive reports to help you identify where to play and how to win.

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