2024 RETAIL TRENDS REPORT

Retail's New Horizon: **Pioneering AI, Unraveling Data, and Captivating Gen Alpha**

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Introduction

In the aftermath of a global pandemic, the retail industry stands at a crossroads between enduring challenges and emerging opportunities. As we look towards 2024, it's clear that the shadow of supply chain disruptions, inflation, and labor issues persists[1], framing a landscape where strategic agility becomes paramount. Retailers must tackle these deeper issues directly this year, optimizing operations and finding new ways to boost productivity and cut costs.

This era isn't defined solely by its challenges. Our 2024 Retail Trends Report highlights solutions and key opportunities for retail innovation, including:

- A meteoric rise of AI adoption in retail, with retailers using it to generate significant value across each step of the value chain
- Transformation towards a data-driven retail environment, solving the existing problem of unstructured and invisible data, as well as enabling retailers to harness the full potential of AI
- Innovations in asset protection that bolster efforts to combat retail crime, while striking a balance between security and customer experience
- The emergence of Generation Alpha's distinctive characteristics and influence as a transformative period for retailers to revolutionize their brand and secure customer loyalty for the future

2024 starts with acknowledging the complexities of our time while boldly seizing the opportunities for innovation and connection.

In this white paper, we'll share research and insights on retail's four core priorities for achieving success while mitigating risk in 2024.

[1] US supply chain woes shift and persist in 2023, Reuters, May 17, 2023

Trend #1

Retailers Push to De-Silo Their Data

"In 2024, retail leaders must focus not simply on being data-rich but also data-driven."

Fabrice Haiat
CEO and Co-Founder
YOOBIC

OUR PREDICTION

AI advanced at a truly astounding pace during 2023 and is set to become even more pervasive in the year ahead. For retailers, this represents a significant opportunity.

The automation of manual, time-consuming tasks, empowering human workers to be more innovative, and the overall elevation of store operations hint at AI's transformative potential.

Furthermore, the accessibility of store and employee insights is expected to improve to such an extent that traditional dashboards might become redundant.

Predictions by IDC[2] underscore this trend, with 75% of retailers planning to equip their frontline workers with mobile devices and wearables by 2025, and by 2028, half of all retail stores[3] are expected to offer AI-enabled contextualized, real-time recommendations to their patrons.

THE CHALLENGE

Despite the promising outlook, there exists a critical challenge: machine learning-based systems, which are central to AI's promise, are only as effective as the digital information they process.

Currently, many retailers are *data-rich* but not *data-driven*, primarily because their data is often unstructured and lacks visibility.

Remarkably, one-third of fast-growing retailers[4] — and more than half of those experiencing more gradual expansion — report that their existing technology infrastructure hampers progress. This issue underscores a fundamental barrier to leveraging AI effectively in the retail sector.

[2] Top 10 Worldwide Mobility and Telecommunications 2020 Predictions, IDC
[3] Ready for NRF 2024: 10 Imperatives for Success in Retail, IDC
[4] Retail In The Face Of An Entirely New Workforce Model, RSR & YOOBIC

SOLUTIONS

Addressing the data challenge requires a strategic shift towards becoming truly data-driven. This entails adopting a modern IT setup where data is de-siloed, meticulously indexed, and made visible.

Such an infrastructure is crucial for enabling advanced analytics to extract actionable insights swiftly. Moreover, the integration of AI solutions across a retailer's digital ecosystem is vital.

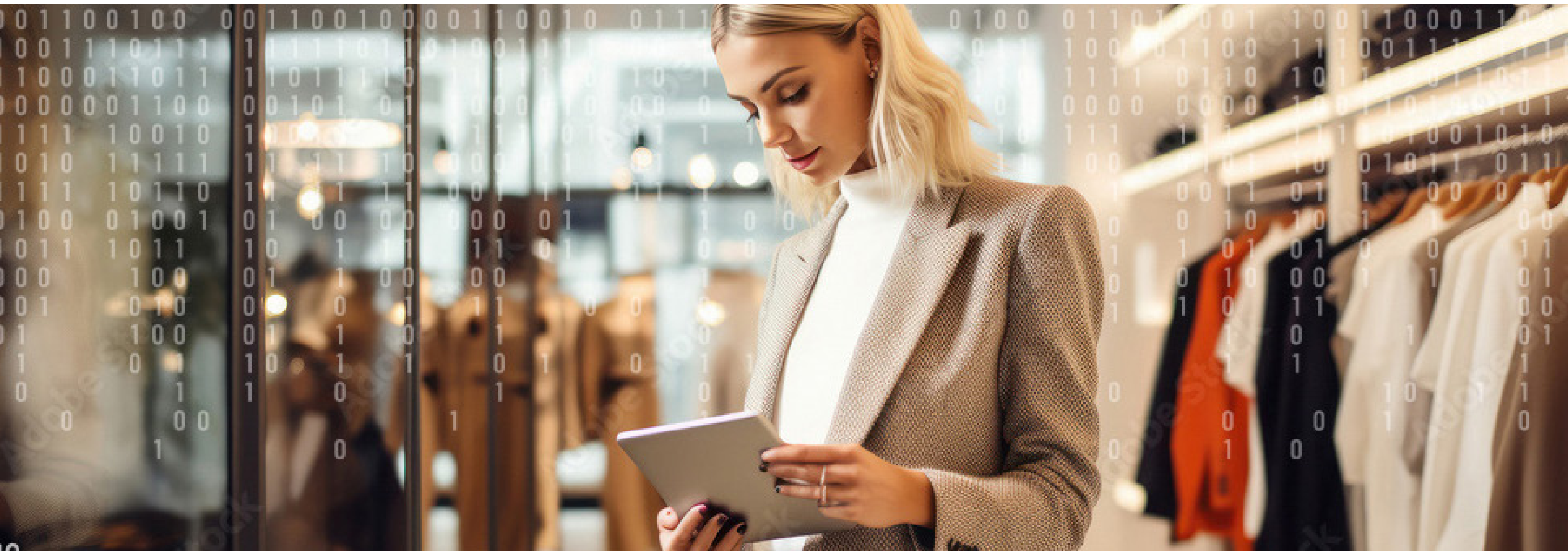
These solutions can automate tasks and processes, thereby enhancing efficiency and innovation. The evolution of devices and programs within these ecosystems will also contribute to overcoming the current limitations.

KEY OPPORTUNITIES

The transformation towards a data-driven retail environment opens up numerous opportunities. Not only will it solve the existing problem of unstructured and invisible data, but it will also enable retailers to harness the full potential of AI.

By embedding AI solutions across digital ecosystems and ensuring that data is structured and visible, retailers can unlock new levels of efficiency, innovation, and customer engagement.

The future where retail stores provide AI-enabled, contextualized, real-time recommendations is not just a possibility but an imminent reality. This shift promises to redefine retail operations, enhance the shopping experience, and ensure that retailers remain competitive in an increasingly digital marketplace.



Trend #2

AI-Enhancements Bolster the Frontline Working Experience

"Retailers who are taking an integrated approach to AI (traditional & GenAI) are generating significant value across each step of the value chain. To accelerate through this journey... requires a deep understanding of all required building blocks."

Lee Robertson
Managing Director & Partner
Boston Consulting Group (BCG)

(Source: YOOBIC x BCG AI webinar)

OUR PREDICTION

The adoption of AI technologies is increasingly shaping the future of retail workforce management. Since the emergence of generative AI platforms like ChatGPT, there has been a significant increase in investment in AI solutions across various industries, including retail.

In fact, IDC found that retail ranks secon[5] among all sectors in AI technology spending.

There's a good reason for this: ***retailers leveraging AI experienced 2.3 times sales growth and 2.5 times profit growth[6] compared to their peers.***

The Retail Systems Research (RSR) benchmark report[7] highlights a significant trend: 82% of retailers are either implementing or planning some form of cashier-less system, and 81% are exploring robotics and automated systems.

These technologies are revolutionizing retailers' operations, enabling enhanced decision-making efficiency and customer and employee experiences.

The surge in generative AI and machine learning investment reflects a broader trend[8] toward harnessing digital innovations to remain competitive, make smarter decisions, enhance efficiencies, and improve experiences for consumers and frontline workers alike. No doubt, AI will become indispensable for staying ahead.

[5] Worldwide Spending on AI-Centric Systems Forecast to Reach $154 Billion in 2023, IDC
[6] Winning the Race of Innovation: How Top Performing Retailers are Investing in Technology, IHL Group
[7] Benchmark Report: Retail In The Face Of An Entirely New Workforce Model, RSR & YOOBIC
[8] AI at Work: What People Are Saying, BCG

THE CHALLENGE

While retailer leaders see the incredible potential of AI, its introduction in the workplace has been met with apprehension among many frontline employees. Concerns about job security in the face of automation are prevalent, with a significant portion of frontline workers fearing the potential of AI to make their roles redundant.

Another significant problem that retailers face is the difficulty in discerning where to allocate AI investments for a swift return on investment (ROI).

This predicament stems from the vast array of potential AI applications in retail, from customer service enhancements to inventory management optimizations. The challenge lies not just in selecting technologies but in identifying those areas of operation where AI can deliver immediate value, streamline processes, and significantly enhance customer experiences.

This decision-making complexity is compounded by the rapid pace of technological advancement, making it crucial for retailers to have a clear understanding of their strategic objectives and the potential impact of AI solutions on achieving these goals. Retailers must navigate this landscape with a strategic approach to investment in AI, focusing on areas with the highest potential for quick wins and long-term value.

SOLUTIONS

Addressing employee concerns requires a strategic approach from retail leaders to underscore AI as an augmentative force rather than a replacement. By illustrating how AI alleviates stress, fosters professional development, and enhances collaboration, retailers transform apprehension into appreciation for AI as a valuable ally in the workplace.

Leaders can emphasize AI's role in identifying opportunities, guiding staff, and promoting efficient problem-solving, smart retail systems demonstrate the potential of big data in empowering employees to excel. The key to unlocking the full business potential in this era of automation lies in retail leaders effectively communicating the symbiotic relationship between digital innovation and employee well-being. Retail organizations can only thrive by recognizing and leveraging the complementary strengths of human and artificial intelligence, ensuring a harmonious, productive future for their workforce.

An effective solution to the challenge of prioritizing AI investments for fast ROI involves a multifaceted approach:

- **Strategic Alignment.** Begin by ensuring that AI initiatives are closely aligned with the organization's broader strategic goals. This involves identifying areas where AI directly contributes to achieving business objectives, such as improving customer satisfaction, increasing operational efficiency, or driving sales growth.
- **Pilot Projects.** Implement pilot projects or proof-of-concept initiatives to test and measure the impact of AI in targeted areas before full-scale deployment. This approach allows retailers to assess the effectiveness of AI solutions in real-world settings, providing valuable insights into potential ROI without the need for substantial upfront investment.
- **Data-Driven Decision Making.** Leverage data analytics to identify areas of the business where inefficiencies are most pronounced or where customer experiences can be significantly enhanced. Retailers can achieve quicker wins and more immediate ROI by focusing AI investments on solving these specific problems.
- **Vendor Partnerships.** Collaborate with AI technology providers and consultants who have a proven track record in the retail sector. These partners offer expertise and insights into where AI is most effectively applied, helping to accelerate the time to value.
- **Continuous Learning and Adaptation.** Establish a culture of continuous learning and adaptation, where feedback from AI initiatives is regularly analyzed and used to refine strategies. This iterative approach ensures that AI investments remain focused on areas with the highest potential for impact and allows for rapid adjustments as market conditions evolve.

Retailers can more effectively navigate the complexities of AI investment with a comprehensive strategy and ensure that resources are allocated to initiatives that offer the greatest potential for quick and meaningful ROI.

KEY OPPORTUNITIES

The opportunities presented by AI to enhance the frontline retail experience are pivotal for the future of retail businesses. By prioritizing AI, retail leaders automate routine tasks, which frees employees to focus on more value-added activities. This strategic focus on AI involves setting aside resources and developing a clear action plan in three critical ways.

Enhancing Employee Communications and Engagement	AI can revolutionize how retailers engage with their frontline teams. By employing AI-driven tools for internal communications, retailers ensure messages are personalized and relevant, significantly improving information flow and employee engagement. This approach helps overcome the challenges of geographical dispersion and diverse employee backgrounds, making every team member feel included and informed.
Optimizing Employee Enablement and Training	The application of AI in employee training and development represents a leap forward in how retail businesses can upskill their workforce. AI pinpoints specific training needs and delivers customized learning modules at the right time, enhancing the efficiency of training programs and facilitating in-the-moment learning that aligns with individual career paths and job roles.
Process Orchestration and Performance Enhancement	AI's capability to automate processes and enhance performance is a game changer for the retail sector. By leveraging AI tools, retailers streamline operations, automate mundane tasks, and analyze performance data to identify improvement areas. This not only improves productivity but also allows employees to focus on high-value activities, enhancing the overall customer experience and driving greater business value.

These opportunities underscore AI's transformative potential in redefining the frontline retail experience, offering significant benefits for employees and customers alike. By embracing these AI-driven solutions, retailers can improve operational efficiencies and create a more engaged and empowered workforce.

Trend #3

The move to address deeper causes of organized retail crime

OUR PREDICTION

In 2024, organized retail crime continues to be a critical concern for retailers, evolving in complexity and scale. With $112.1 billion in losses[9] reported in 2022, this trend underscored the urgent need for retail businesses to adapt and strengthen their strategies against these sophisticated criminal networks.

Research says that organized crime increased in 2023 and will continue to do so in 2024. In fact, a third of retailers in one study said they planned to address the shopper experience this year to combat retail crime, especially the common "smash and grab theft."

Retailers are expected to leverage advanced technologies, collaborate more closely with law enforcement, and invest in employee training to mitigate the risks associated with organized retail theft and ensure the safety of their assets, employees, and customers.

THE PROBLEM

The direct loss of inventory through theft affects not just the bottom line but also operational efficiency and stock management.

For employees, the presence of such crime heightens workplace stress. It leads to an environment of suspicion and decreased morale, as efforts to combat theft often lead to stringent security measures that alter the workplace dynamic.

Customers, too, feel the repercussions of organized retail crime. While necessary, increased security measures degrade the shopping experience, making it less enjoyable and more cumbersome. This, in turn, leads to dissatisfaction and erosion of brand loyalty, as consumers may seek less restrictive shopping environments.

Plus, it causes other indirect effects, such as price increases to offset losses, that further alienate the customer base. Retailers face the complex task of implementing effective loss-prevention strategies that do not compromise the shopping experience or the work environment.

[9] 2023 Retail Security Survey, National Retail Federation

SOLUTIONS

Finding a balance between effective security measures and maintaining a positive, welcoming atmosphere for customers and employees alike is crucial for retailers aiming to navigate the challenges posed by organized retail crime.

Retailers must adopt a comprehensive, data-driven approach to loss prevention. Understand where your vulnerabilities lie through detailed analysis and then apply targeted strategies to address those areas. Retailers should focus on understanding the causes of loss beyond just theft — such as process failures, administrative errors, and e-commerce fraud.

Adrian Beck, Emeritus Professor at University of Leicester UK, and advisor to ECR Retail Loss is one of the world's pre-eminent specialists in the field of retail loss prevention. He developed a comprehensive model "The Loss Prevention Pyramid" consisting of 11 elements.

"It starts with senior management commitment, which is the foundation of effective loss prevention. Without this, it's challenging to implement any strategy.

The pyramid then builds on organizational mobilization, meaning every department plays a role in loss prevention, not just the security team.

Good communication, organizational efficiency, and the use of data are also critical. We've seen that empowering the store team with the right tools and technology can make a huge difference in mitigating loss."

Adrian Beck,
Emeritus Professor at University of Leicester,
UK & advisor to ECR Retail Loss

Incorporating these strategies requires a thoughtful approach to ensuring that security enhancements are effective against crime while preserving the quality of the shopping experience. This ultimately safeguards the brand's employees, reputation, and its bottom line.

KEY OPPORTUNITIES

Retailers can preemptively address theft risks by leveraging technology for smarter surveillance and data analysis.

Employing advanced surveillance technologies that blend seamlessly into the store environment deter thefts while maintaining an inviting atmosphere. For example, smart video analytics provide insights into suspicious behaviors without making customers feel watched. Investing in digital systems like electronic article surveillance (EAS) tags and RFID technology allows efficient merchandise tracking without intrusive physical security measures.

Retailers can also leverage data analytics to predict high-risk periods and deploy additional security measures strategically, minimizing the impact on the customer experience.

Analytics identify unusual patterns indicating criminal activity by collecting and examining data from point-of-sale systems, inventory management, and customer behavior. This approach allows retailers to predict potential thefts and allocate security resources more effectively.

For example, data analytics can reveal high-risk times for shoplifting or identify frequently stolen products, enabling targeted measures such as increased surveillance or protective displays for those items without impacting the overall customer experience.

Trend #4

Brand-building inspired by Generation Alpha's early influence

OUR PREDICTION

Gen Alpha, those born from 2010 to 2025, is already influencing the retail landscape despite their young age. Their impact is seen through their parents' shopping habits.

By 2029, experts estimate that Gen Alpha's economic footprint will reach $5.4 trillion[12] — almost as much as Millennials and Gen Z combined[13]. Retailers are positioning to secure brand loyalty early by including their preferences in their offerings now.

THE PROBLEM

Retailers face the challenge of catering to Gen Alpha's unique blend of digital savvy and appreciation for physical experiences. This generation's influence extends across traditional demographic boundaries, sharing preferences with older generations and leading to a unified consumer base with diverse tastes.

Despite their significant influence, Gen Alpha's purchasing power is mediated through their parents for now, complicating direct marketing strategies. Retailers must navigate these dynamics, recognizing the blended preferences across generations while acknowledging the decision-making power of parents in the purchasing process.

Retailers must also adapt to Gen Alpha's subtle rejection of overt online presence and trendiness, traits celebrated by older generations. This preference for authenticity over being on-trend presents a nuanced challenge in engaging with them.

Retailers need to strike a balance between digital innovation and genuine offline experiences. They should offer products and interactions that resonate with Gen Alpha's desire for uniqueness and physical engagement while also appealing to their parents, who hold the purchasing power.

This dynamic requires thoughtful marketing strategies that respect Gen Alpha's individuality and tech-savviness without overt reliance on online trends.

[12] Gen Alpha Infographics, Mccrindle
[13] The Business Case for Understanding Generation Alpha, Harvard Business Review

SOLUTIONS

To appeal to Gen Alpha and build brand loyalty from an early age, retailers can adopt several strategies to tailor their in-store experiences: Focusing on these areas allows retailers to create an

Integrate Technology Seamlessly	Given Gen Alpha's familiarity with digital platforms from a young age, integrating technology into the shopping experience is critical. This could include interactive displays, augmented reality (AR) experiences to visualize products or in-store tablets with games or educational content related to the products. Ensuring Wi-Fi access and digital in-store navigation also enhances the shopping experience for both Gen Alpha and their parents.
Focus on Sustainability and Social Responsibility	Sustainability is crucial for the newest generation: nearly half of teenagers are strongly interested in environmental issues and climate change, and 80% of parents[15] said their children influenced them to become more environmentally aware. Retailers highlighting their sustainability efforts, such as using eco-friendly materials or supporting community projects, can appeal to this generation and their environmentally conscious parents.
Create Engaging and Educational In-Store Experiences.	Stores can become destinations for learning and fun, not just shopping. Workshops, storytelling sessions, and interactive product demonstrations can engage young minds, making the retail space appealing to both children and their parents.
Offer Personalized Experiences	Personalization, from product recommendations to personalized products, can make shopping more engaging for Gen Alpha. Leveraging data to understand preferences and create a tailored shopping experience helps cultivate loyalty from an early age.
Foster a Community Feel	Hosting family-oriented events or supporting local schools and children's charities strengthens community ties and positions retailers as a positive force in the lives of Gen Alpha and their families.

in-store experience that resonates with Gen Alpha and their parents, laying the foundation for long-term brand loyalty and engagement.

[14] Generation Alpha: the real picture, GWI
[15] Generation Alpha and environmental consciousness, Mccrindle

KEY OPPORTUNITIES

The emergence of Generation Alpha This digitally native and environmentally conscious generation influences retail strategies with their unique preferences. Retailers can leverage technology, integrating augmented and virtual reality into shopping experiences, to captivate Gen Alpha's attention from an early age. This sets the brand apart and aligns with the digital-first approach that defines this generation.

Simultaneously, Gen Alpha's social consciousness and preference for sustainable practices allow retailers to align their values with their customers. This alignment fosters a new customer base that values ethical production and community involvement, strengthening the brand's position as socially responsible.

Early engagement is key to building long-term loyalty, as positive childhood experiences with a brand often translate into lifelong preferences.

Retailers that successfully engage with Gen Alpha through memorable experiences and loyalty programs for young families can build a foundation of trust that lasts for decades.

Retailers can redefine the retail landscape by recognizing and adapting to Generation Alpha's distinctive characteristics and preferences now.

It's about creating meaningful experiences, aligning with critical social and environmental values, and cultivating relationships that evolve, ensuring the brand's relevance and success in the future.

Summary

As the retail industry emerges from the shadows of global challenges, the 2024 Retail Trends Report underscores a critical junction of enduring challenges and burgeoning opportunities. The landscape is shaped by persistent issues such as supply chain disruptions, inflation, and labor difficulties, urging retailers to embrace strategic agility. This year is pivotal for optimizing operations, enhancing productivity, and slashing costs, while also capitalizing on the dawn of innovation and connectivity.

Our report unveils transformative strategies and key opportunities for innovation in retail, emphasizing:

- **The surge in AI adoption**, revolutionizing every facet of the retail value chain, propelling operations into a data-driven era, and unlocking significant value.
- **Data de-siloing**, marking a shift towards a transparent, analytically empowered retail environment.
- **Asset protection innovations**, balancing security and customer experience, and addressing the rising concern of retail crime.
- **The influence of Generation Alpha**, heralding a period for retailers to reshape their brand and secure future customer loyalty.

2024 Retail Trends at a Glance

1. **AI and Data Integration:** AI's rapid advancement promises a seismic shift in retail operations, empowering employees and elevating efficiency. Yet, the challenge of unstructured data looms large, necessitating a shift towards a cohesive, visible data infrastructure to fully leverage AI's potential.

2. **AI-Driven Workforce Empowerment:** The infusion of AI in retail redefines workforce management, with predictions showing its pivotal role in operational and experiential improvements. However, aligning AI investments with strategic goals and addressing workforce apprehensions about automation are imperative for realizing quick returns and sustaining employee morale.

3. **Combatting Retail Crime with Intelligence:** Organized retail crime continues to escalate, demanding sophisticated countermeasures that don't compromise the shopping experience. A balanced approach employing technology and data analytics, alongside a strong organizational commitment to loss prevention, is vital for safeguarding assets and ensuring a positive retail environment.

4. **Catering to Generation Alpha:** As Generation Alpha begins to influence the retail landscape, retailers must adapt to their unique preferences for digital innovation and physical experiences. Strategies that blend technology seamlessly into the shopping experience, prioritize sustainability, and offer engaging, educational in-store experiences will be key to building long-term loyalty.

Navigating Forward

The retail sector is at a watershed moment, requiring a dynamic blend of innovation, consumer insight, and adaptability to thrive. Emphasizing sustainability, personalization, and seamless experiences will be fundamental in fostering customer loyalty.

This 2024 outlook invites retailers to boldly navigate the complexities of the present while seizing the myriad opportunities for innovation, ensuring resilience and relevance in the ever-evolving retail panorama.

About YOOBIC

YOOBIC

YOOBIC is an AI-Powered Frontline Employee Experience Platform. Our mobile app gives business leaders and frontline teams the performance tools they need to communicate, learn, and work — all in one place.

350+ companies around the world including Gamestop, Mattress Firm, Michael's, Lidl, Rituals, Boots, and Van's trust YOOBIC to improve operational consistency and agility, get real-time visibility into multi-location business execution, and improve their customer experience.

Check out what YOOBIC can do. And follow YOOBIC on LinkedIn to join our global community of frontline leaders.

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