

A woman wearing a blue knit hat with a large floral detail and a leopard print scarf is looking out of a window. The background shows a busy street scene with buildings, street lamps, and people. A yellow banner is overlaid on the left side of the image.

The future of retail

How value propositions will evolve
to enable relevance and success



Building a better
working world

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Executive summary



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Retailers face widespread change from disruptive trends that are creating tensions in how their existing value propositions can deliver to consumer needs. Retail business models have traditionally taken a product or store-centric approach founded on scale, scope and efficiency.

However, as consumer expectations continue to grow, reflecting emerging and sometimes competing needs, retailers are under more pressure than ever to deliver authentic customer-centric value propositions.

The shift online is creating new engagement opportunities and the business landscape is broadening with challenges and opportunities coming from adjacent areas such as technology, media, services and health care. Direct to consumer (D2C) is driving brands to increasingly operate as retailers, while the private label is opening doors for retailers to increasingly behave like brands.

The proliferation of physical and digital retail spaces and globalized supply chains have driven an exponential growth in choice, transparency and availability.

Where once consumer choice was limited to a handful of brands in a handful of stores, they now have an array of purchasing choices spanning products and channels. Consumer expectations of seamless and ultraconvenient shopping solutions contrast with parallel needs for retailers to deliver solutions that serve holistic areas of consumer lifestyles and demands for personalized and immersive experiences that reflect the values and aspirations of individual customers.

This report explores how retail must evolve and what the implications are for the value propositions that will emerge to maintain relevance in the future. Failing to create the right balance of invisibility, intimacy and indispensability will result in irrelevance, and so is critical for retailers to get right.

The three guiding principles driving the evolution of retail value propositions:

1

The need to be invisible

Delivering frictionless retail to the consumer at the point of need.

2

The need to be indispensable

Bundling products and services through an ecosystem of partners so that consumers rely on the retailer to solve their holistic lifestyle-led priorities.

3

The need to be intimate

Delivering fantastic experiences and personalized services that drive advocacy and loyalty among a like-minded “tribe” of consumers.



Introduction: A changing world demands change in retail

To say that retailers are operating in unprecedented times feels like an understatement.

Even before the COVID-19 pandemic, retailers were struggling with a shift toward digital channels that threatened to disintermediate their traditional store-based strategies.

The emergence of powerful retail platforms and a proliferation of routes to market through new logistics providers and digital channels had already opened the door for brands and start-ups to take their products and services directly to consumers, threatening to marginalize traditional retailers as the gatekeepers between consumers and the products they buy. This has exponentially increased the choices available to consumers, driving a transition from product or store-centricity toward customer-centricity.

The COVID-19 pandemic accelerated some of these trends, but also reversed others. Retailers that were able to provide essential goods and invest in their digital capabilities benefited from a halo effect. Those that could not struggled with a lack of access to their customers. But unprecedented times are not unprecedented. Retail has emerged leaner and meaner from unprecedented times before. During the last century – which saw the great depression, global conflict, the partition and reunification of Europe interspersed with multiple economic crises – many retailers continued to thrive and grow using an approach that has served retail for millennia. Despite the much publicized “retail apocalypse” following the great recession of 2007-09, which forced the closure of tens of thousands of stores, incumbents have continued to weather disruption and improve their business. Walmart, the world’s largest physical retailer, saw net sales grow by 40% between 2010 and 2022, despite the market challenges it faced.*

*Source: Macrotrends.net, Walmart Revenue 2010-2023



of consumers are thinking about what will be important for them in the future.

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From unprecedented to normal

As retailers look to the future, there are two fundamental differences in their operating environment that will erode their ability to rely on tried and tested strategies. The first difference is that the disruptive forces shaping the industry are no longer framed by distinct events but are forming a constant backdrop that continually tests their resilience and agility. Retailers enjoyed a decade of relative economic stability between the great recession and the outbreak of COVID-19. Today, the impact of COVID-19 is being compounded by supply chain shocks, accelerating inflation, the war in Ukraine and wider geopolitical tensions that are collectively undermining the era of globalization and the relative prosperity that businesses have thrived in for decades.

Against this backdrop, the need for customer-centricity is not retreating, but accelerating as consumer expectations evolve, enabled by other factors such as increased transparency and choice, rapid technological shifts, especially in digital environments, mounting concerns and commitments around sustainability, and convergence between different sectors as companies explore new ways to unlock value. These drivers are collectively reshaping the retail operating environment. When Justin Trudeau, the Canadian Prime Minister said in 2018 that "The pace of change has never been this fast ... and yet, it will never be this slow again,"* he could not have known how prophetic his words would be.

*Source: Justin Trudeau, Canadian Prime Minister speech at World Economic Forum, Davos, 2018.



54% of consumers believe their values and the way that they live their life has changed.

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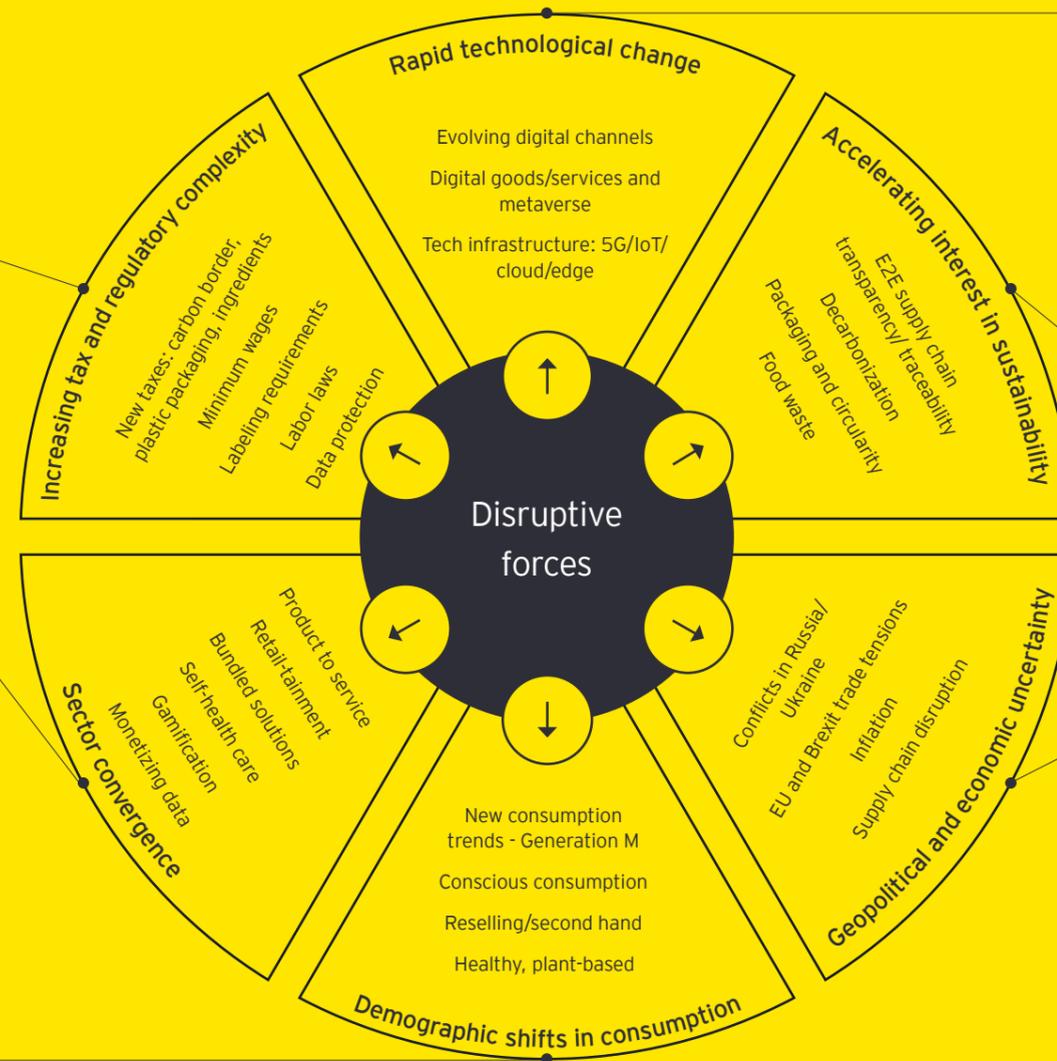
Disruptive forces creating new challenges and opportunities for retailers

Retailer imperatives

- ▶ Cost exposure to minimum wage and taxes
- ▶ Accountability for supplier and product transparency
- ▶ Balance global and local requirements
- ▶ Manage data between different legal authorities

- ▶ Extend offering with ecosystem partners
- ▶ Shift from product to service/lifestyle curation
- ▶ Diversify into media, tech or health sectors
- ▶ Leverage assets for alternative models
- ▶ Repurpose retail space for new revenue streams

- ▶ Invest in circular business models - repair and maintain
- ▶ Shift assortments to health and sustainability
- ▶ Explore new service-led business models
- ▶ Develop propositions for emerging segments
- ▶ Innovate offerings to ensure relevancy



Retailer imperatives

- ▶ Integrating physical and digital channels
- ▶ Hyper personalization of retail experiences
- ▶ Leveraging data and analytics
- ▶ Investment in 5G infrastructure
- ▶ Increased value chain agility and transparency

- ▶ Meeting regulatory requirements and carbon commitments
- ▶ Leveraging data and tech to track ESG performance
- ▶ Recycling and waste management schemes
- ▶ Innovating to drive circularity in products
- ▶ Educating and curating sustainable consumption

- ▶ Diversifying and securing resilient supply chains
- ▶ Building local supplier networks to offset risk
- ▶ Hedging for substitutes in assortments
- ▶ Fragmenting operations and severing partnerships
- ▶ Managing cost spikes

A new balance of power between retailers and consumers

The second difference is the change taking place in the relationship that retail has with consumers, where the long-held principle of customer-centricity is likely to no longer be enough to confer loyalty.

Customer-centricity has been a byword for retail excellence since 1954 when management consultant Peter Drucker wrote that “It is the customer who determines what a business is, what it produces, and whether it will prosper.”* But the truth is that retail has failed to consistently embrace this mantra over the decades. Instead, retailers have often used their focus on scale, scope and efficiency to take the customer out of the equation and drive a value proposition that puts other business needs first.

The ordeal of traveling to a store, trudging through aisle after aisle listening to piped generic music in a generic stock-heavy environment, trawling through a vast range of products to get to what you want at a price you cannot negotiate, carrying them to the checkout, queuing to pay and taking the products home yourself hardly constitutes a customer-centric experience. It could be argued that retailers have grown for decades by making their customers do much of the work, by making them part of a process that optimized itself around the stores and products retailers sell.

This is changing rapidly as consumers become more central in defining the activities of retailers. The internet has provided greater knowledge, choice and transparency. Online platforms have redefined expectations of choice and convenience by showing consumers what can be achieved. Immersive digital and physical spaces have enabled new approaches to experience. Smartphones and logistics platforms have exponentially improved the way consumers can access and

receive products. The values that consumers have over social and environmental issues are increasingly shaping what they buy and from whom.

Retailers are now in a landscape where the customer is truly king, and just delivering customer-centricity is no longer enough to confer loyalty or advocacy. Instead, retailers must find ways to integrate themselves into the everyday lives of the consumer by delivering tangible and intangible value. Success is now defined by the ability to build a trusted long-term relationship; the simple act of transactionally selling products will no longer be enough.

This transition will prove difficult for incumbent retailers. They have built vast and profitable businesses spanning channels, categories and continents using legacy infrastructure that will be difficult to disentangle from. Efforts to change are evident, but the scale of change required is not. Key performance indicators (KPIs) built on sales per square meter will not be fit for a consumer base that increasingly blends its shopping habits between stores and online. Promotions designed to increase basket sizes are less resonant with consumers who want to buy “better” products rather than “more” stuff. Generic layouts in stock-heavy stores ignore the serendipity and enjoyment that consumers crave when they interact with brands.

These changes in expectation are accelerating and are unlikely to revert to how they used to be. Instead, retailers must revisit what their value proposition means to the customer they serve. How are they making customers lives easier, better or more fulfilling? Are they delivering the right blend of convenience, service and experience to demonstrate the value that they can provide? How do they differentiate from the multitude of other sellers that consumers can choose from?



of consumers believe the way that they live their life will change further in the long term.

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Efforts to change are evident, but the scale of change required is not.

The principles that have guided retail for millennia must evolve

It is hard to consider the future of retail without first exploring its past to understand how much, but more importantly, how little, has changed over the last 10,000 years.

Retail is often said to be almost as old as civilization, with ancient Mesopotamian tribes establishing barter systems for goods and services over 8,000 years ago. It took until 5,000 years ago for this to be codified into transactions using currencies that began as clay tokens and evolved into a coinage system underpinned by silver and other precious metals. Sellers would convene around ziggurats, Mesopotamian temples which acted as religious, social and commercial hubs providing the footfall to support street markets. This model has persisted throughout history.

From the agoras of ancient Greece to the online marketplaces of today, retail has followed three basic rules:

1. Product
Selling goods and services that customers want or need

2. Place
Selling goods and services at a place and time where the customer will buy them

3. Price
Selling goods and services for something that customers are willing and able to pay

These fundamental principles of retail remain relevant today.

To deliver growth using these rules, retail has been predicated for millennia on scope (sell more products), scale (sell in more places) and efficiency (make prices competitive). This model has accelerated over the last century, leading to a vast and globalized system, delivering billions of products in millions of places at optimal prices. But the notion of scope, scale and efficiency are coming under pressure since product, place and price have become exponentially more complex for retailers to successfully navigate.

1. Product

What do customers really want or need?

Consumers now find themselves with an abundance of choice. Retailers and the products they sell have proliferated over the centuries. Knowing what a customer might want or need has shifted from providing basic goods hundreds of years ago, to managing vast engagement algorithms that seek to identify consumer needs down to a segment of one.

A Mesopotamian trader might have sold a handful of products. By contrast, a modern supermarket will hold tens of thousands of SKUs and an online marketplace may stock many millions. These will be designed to cater to every eventuality for a consumer who may not even know what they want, but who is unlikely to want all of it.

Faced with this abundance, consumer needs have also become far more complex with an increasing focus on consuming “better” rather than more. These days every product or service needs a context, story or set of values to match the needs of the customer. Is it healthy? Is it sustainable? Is it locally made? Does it match their expectations of quality or style?

2. Place

How can retail be everywhere all at once?

The evolution of retail channels and locations can be linked to the evolution of transport infrastructure. In ancient times, temples provided a natural focal point to sell from. Over the last two centuries, urbanization drove the rise of department stores and shopping centers in cities and towns. Then motorways created the ability for retail to provide its own gravitational pull with out-of-town malls and hypermarkets. Commuting patterns and suburban development extended this need into neighborhood and business center convenience formats.

Then came ecommerce, extending retail into homes and workplaces before smartphone shopping blew everything up by creating almost infinite points of sale. 4G and 5G coverage now means that people can potentially buy products while they’re climbing Mount Everest. This is a fundamental shift.

Retail locations were once destinations for customers; now, customers are increasingly acting as destinations for retail.

3. Price

What is the new value equation?

The switch from barter to currency was pivotal for retail. By assigning value, price measured and dictated the relationship between supply and demand. Retailers knew that if they sold something cheaper, they would sell more. They also knew that if things were scarce or their customers were wealthier, they could command higher prices. But that process did not account for the choice and visibility that consumers have today.

Price is no longer dictated by what the customer is willing to pay, but by how cheaply a product can be sold for. This means that price is only part of the value exchange between retailers and their customers. Loyalty, data and influence provide different degrees of value that can influence price strategies. Meanwhile, price for consumers is no longer about scarcity or need, but incorporates quality, exclusivity, purpose, convenience and experience. What a customer is willing to pay for a product today depends on a combination of financial and nonfinancial factors that are difficult to quantify and likely vary from person to person or product to product. This makes price part of a wider new barter system that shapes purchase decisions.

The increasing complexity governing the fundamental principles of retail doesn’t make them redundant. Product, place and price remain key elements guiding how a retailer should operate. However, in understanding and optimizing these principles, retailers need to examine and define their future value proposition to ensure that they can manage the complexity around the core values they want to uphold. This means that instead of using retailer-centric measurements of scope, scale and efficiency to interpret product, place and price, they should explore consumer-centric value propositions that reflect how they will remain relevant in the future.

At its heart, this requires fundamentally differentiating on the way they position product, place and price to reflect the priorities and needs of the customers they serve in a way that differentiates them from their competitors.





Three I's that will shape future value propositions

The lessons that can shape the future of retail lie in three distinct areas.

The first lies with the level of expectation conferred by innovation and the rapid development of technology platforms. Users of video-streaming channels have come to expect picking up where they left off on any device in any location at any time. Consumers expect to find what they want, whenever they want it - whether through using search engines for information, or ordering products within a 30-minute delivery slot. These expectations of convenience make the provider of the service almost **invisible** to the consumer, who only sees what they want and when they want it, wherever they are.

The second area comes from the blurring of boundaries between different areas of consumer need, which is driving convergence between sectors and leading to the emergence of new service models. For example, if someone wants to lead a healthier life, they might look to eat and drink better, exercise more, take dietary supplements, seek health advice and monitor their progress. Individually many of these things are found in different places, but providing all of them as one service would make that service provider **indispensable** to the consumer by holistically solving a distinct area of consumer need.

The third comes from the past, with retailers needing to understand the reasons that made their offering to consumers relevant in the first place. From the marketplaces of ancient civilization to the local mom-and-pop stores that once served local neighborhoods, retail has historically been more than just a place to shop. Stores and markets served as community hubs for social interaction and local events. Shopkeepers would know their customers by name and would enjoy a level of **intimacy** that today's mass market retailers struggle to replicate.

Collectively, these three I's will shape the successful retail value propositions of the future by enabling them to differentiate their offering and provide tangible benefits and value back to the consumer:

Invisibility

Retailers can make consumer lives easier by providing them with the products that they need when and where they need them, seamlessly making the transaction a process that they are barely aware of.

Indispensability

Retailers can make consumer lives better by providing them with bundled products and services that can solve areas of holistic need, using an ecosystem of partners that make the transaction part of a service to improve their lifestyles.

Intimacy

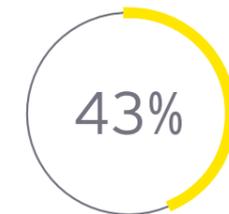
Retailers can make consumer lives more fulfilling by providing them with experiences that resonate with them, reflecting their core values, and making the transaction secondary to the services they provide.



Each of these value propositions will be explored in more detail, but they should not be taken in isolation. Nor should all three be considered as equal for a retailer looking to transform for the future. As retailers seek to reshape their strategies, they must examine their core capabilities and corporate purpose to identify the right blend of invisibility, indispensability and intimacy for their business.

For example, a future value proposition might focus heavily on delivering a seamless “invisible” experience through the retailer’s online channels, but could repurpose physical stores to build “intimate” experiential services, while training staff to provide expert advice that can connect products with services to become more “indispensable.”

Retailers who fail to embrace the three I’s or create the right combination of them, run the risk of another “i”: irrelevance.



of consumers think the way they shop will improve in the coming years.

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Retail value propositions must blend three I's to integrate into customers' lives

What it takes to be with the consumer

Become a time saver - delivering invisibility

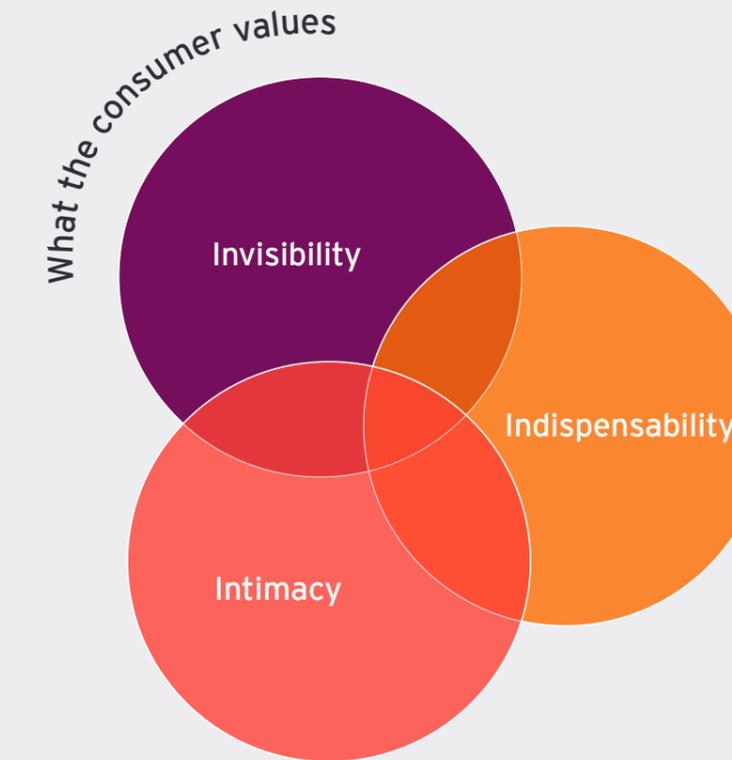
- ▶ Focus on speed, convenience and efficiency to save time for customers.
- ▶ Minimize pain points in order to seamlessly and invisibly integrate into consumers lives.

Become a problem solver - delivering indispensability

- ▶ Create personalized solutions for customers.
- ▶ Bundle goods and services into holistic packages that deliver outcomes to specific consumer needs (don't just sell products).

Become an experience creator - delivering intimacy

- ▶ Focus on providing enriching experiences.
- ▶ Charge a premium (potentially) on sales because customers want to spend time shopping in digital and physical spaces.



I want my life to be easier..

I care about getting what I need in the most convenient way. I will let AI buy things for me. My loyalty is limited to auto-replenishment and subscriptions.

I want my life to feel better.

I value retailers that optimize things for me. I'm happy for them to join the dots on my behalf. My loyalty is based on trust.

I want my life to be more fulfilling.

I know which retailers I want to be spend time with - those that give me the right experience. My loyalty is about shared values and good experiences.

Using contextual experience to define your value proposition

Every customer is different; they have unique priorities, needs and aspirations that are reflected in the products and services they buy. Their expectations of experience also differ based on their values and lifestyle. Their income, job, peers and geographic location will also influence their choices - meaning that an understanding of how best to serve your customer depends on developing a deep understanding of them beyond simply tracking what they buy.

But the complexity of truly understanding your customer does not end here. Consumers will also see their own priorities and needs change in different contexts. There is a significant difference in the expected experience of a consumer picking up a prepared meal from a retailer on the way home from work and the expected experience of a consumer buying fresh ingredients, from the same retailer, for a dinner party where they plan to entertain their friends. There is a further difference between these two examples and a consumer visiting the same retailer with the intention of changing their eating habits to improve their well-being and that of the planet.

In the first instance, **invisibility** would be the driving force behind the retail value proposition. The consumer wants the retailer to save them time and would expect a curated assortment of relevant options that they can quickly choose from, with a frictionless checkout experience so that they can still make a dash for their train home.

The second instance sees the customer coming to the retailer to solve a lifestyle issue and opens the door to becoming **indispensable** to the customer by using an on-site nutritionist to build a personalized solution for them. Relevant ingredients could be bundled into a subscription-based meal plan delivered to their door, with options for related services such as gym membership, vitamin supplements and health insurance linked to the overall package.

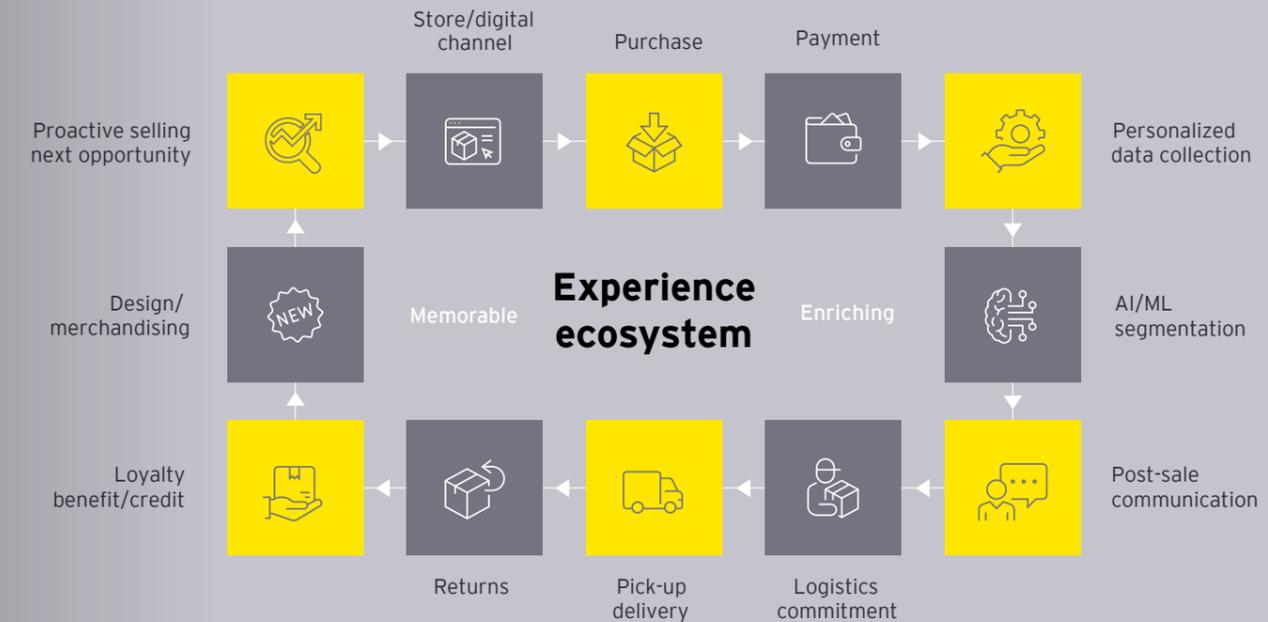
In the third instance, customer expectations might focus on spending time with the retailer, adding a greater degree of **intimacy** to the shopping experience, with an in-store concierge or interactive technologies guiding them through possible recipes and showing the way to the relevant ingredients and drinks that might match the meal the customer has planned.

But these are not three different customers, or three different retailers. They reflect three different needs that the same customer might have of the same retailer for the same category of products at different times of need.

In understanding the customer and identifying different customer journeys based on a variety of contextual factors, retailers will need to develop a consumer-centered view of the entire business, from supply chain and operations to content and marketing. This requires a technology ecosystem that is powered by real-time data to provide visibility of the business itself and optimize operational performance, inventory levels and the right mix of goods and services accordingly. This ecosystem can combine business visibility with deep customer insights that can power point-of-need personalization in the services and products a retailer sells to individual customers. It also requires the right channel blend and the right talent capabilities to span these areas of need, with physical store footprints that combine convenience formats with service-led or specialty formats in relevant locations as well as a digital platform that can identify and direct consumers to the right experience based on their context.

As retailers build their distinct value proposition around the blend of invisibility, indispensability and intimacy, they can further refine these three value propositions to deliver distinct individual customer experiences that talk to these value propositions in the context of customer need. But retailers must also consider what their own core capabilities and value propositions can realistically deliver. No retailer can be all things to all people at all times; instead, they must focus on delivering a best-in-class experience in their areas of relative strength.

Experience is about the whole ecosystem, not the individual customer journey



of consumers intend to reappraise how they spend their time on things they value the most.

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Invisibility

How retailers can be so seamless that the customer doesn't even know they're there

As consumers have become collectively wealthier over the decades, they have also had less time to enjoy that wealth.

Time poverty is an increasing concern among consumers who find that work, travel and other commitments weigh on their ability to do the things that they want. According to [research by GWI*](#), people are spending an average of nearly seven hours per day connected to the internet globally, almost 40% of their waking life. This puts pressure on them to make optimal use of their physical time and demonstrates a need to prioritize their online behaviors effectively.

The relationship between retailers and efforts to save consumers' time is already well-established. The world's first self-checkout system was introduced by Kroger in Atlanta in 1986 and now there are millions of self-checkouts in operation throughout the world, with stores rapidly taking further steps into checkout-less shopping. Those who have experienced the annoyance of "unexpected items in the bagging area" will testify that self-checkout has not been without its pain points, but directionally, it points to sustained and continued efforts to remove friction from the shopping experience, while at the same time unlocking cost-saving efficiencies for retailers. Similarly, lead times for delivery of online orders have fallen from weeks to days to hours as e-commerce adoption has accelerated, with logistics platforms also stepping up and stepping in to plug capability gaps.

More recently, technology has begun to enable shopping through home AI in the form of smart speakers, while home appliances are increasingly leveraging the Internet of Things (IoT) in a way that could ultimately see products auto-replenished directly from home. Online shopping lists and curated suggestions based on previous shopping patterns are becoming more prominent and customer journeys are becoming more intuitive as they navigate through carefully curated choices of goods and services to get to what they want more quickly.

*Source: Digital 2022 Global Overview Report, GWI, Datareportal, 2022.



of consumers will be more focused on value for money in the future.



of consumers do not see brands as very important in shaping purchase decisions.

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How invisibility works for the retailer and the consumer

A value proposition with a strong focus on invisibility takes this direction of travel to its limit, with the retailer able to create a seamless and invisible layer between the consumer and the products and services that they buy. Assortments in physical stores will focus on creating easy access to the most relevant product lines, with digital technology directing consumers to the products they need. SKU reduction and curation of products are already being increasingly optimized around intuitive store layouts to enable any visiting customer to get to what they want quickly and easily. Once the customer has what they need, checkout-less payment will enable them to simply walk out with their purchases. Through online channels, invisibility can be taken a step further, with subscriptions and automated replenishment predicting and delivering to consumer needs. The success of a time-saving value proposition depends on the intersection of price, speed and convenience enabling the delivery of high retail volumes at a low margin with a focus on cost-saving and efficiency. By achieving a degree of invisibility, this retail value proposition integrates into a consumer's life by being trusted enough to pre-emptively fulfil their needs using complex algorithms that integrate their physical and digital infrastructure.

A value proposition that focuses on integrating into the customer lifecycle through invisibility will deliver most effectively by creating seamlessness, not stickiness, in its interaction with its customers.

Consumer awareness and consideration of the retailer will likely ultimately be delegated to technology through connected analytics that communicate with home IoT, household AI and connected devices to establish a customer need that can be fulfilled with minimal interaction.

The customer will only care about what they want and who can deliver it most conveniently. Invisible retailers must be wherever the customer is, whenever they need something (even if they don't know they need it). This requires a combination of targeted store locations where footfall is likely to be most advantageous, integrated with a broad digital platform that can ascertain what the customer will want based on their purchase patterns.

Delivering this infrastructure will make the act of purchasing from the retailer completely frictionless, wherever the point of sale takes place. Whether picking up in a checkout-less store or having products delivered, the consumer will get the products they want when they want them without really thinking about them - especially in cases where the customer ultimately foregoes making basic purchase decisions and, instead, delegates them to AI.

When it comes to customer loyalty and advocacy, an invisible value proposition would rely on passivity rather than proactivity from its customer.

Using auto-replenishment and subscriptions as a means of driving repeat purchases will enable the retailer to invisibly integrate into the customer's life over the long term. Consumers are creatures of habit who will often follow the path of least resistance, so fulfilling their needs invisibly is a must - any complications where the customer encounters friction would attract attention and a search for a more seamless solution. A retail value proposition focused on invisibility would need to ensure that the combination of price, place and product is always relevant and always convenient. In fact, the customer won't even notice these considerations - they will implicitly trust the retailer to strike this balance for them.

Creating invisible value in the customer lifecycle



Awareness and consideration

- Using connected analytics to assess real-time demand through home IoT, household AI or connected devices. This enables curation and fulfilment with minimal interaction.
- The customer only cares about what they want and who can deliver it most conveniently.



Purchase

- Point-of-sale is frictionless, whether picking up in self-checkout stores or having products delivered, the consumer seamlessly gets the products they want, when they want them.
- The customer may not make purchase decisions, but instead delegate them to AI.



Loyalty and advocacy

- There is no conscious loyalty or advocacy. Auto-replenishment and subscriptions invisibly integrate the retailer into the customers' life over the long term.
- The customer will set baseline expectations of their needs and passively buy based on these.



How companies are delivering invisibility today

Saving customers' time and creating ultra-convenient retail experiences has been part of retail, particularly grocery retail, for decades. Examples of today focus on three distinct areas: time, convenience and seamlessness – which are commonly delivered through automation, efficiency and scaled technologies.

For example, Chinese retailer JD.com opened the world's first fully automated warehouse in Shanghai in 2018. The warehouse can process 200,000 orders per day under the watchful eyes of just four human employees. In tandem with warehouse automation, JD.com has continuously expanded its routes since it began delivering by drone in 2015. It has more recently opened highly automated warehouses in Germany and Poland as well as two fully automated robotic shops in the Netherlands for in-store pickups and delivery.

But automation of online fulfilment does not need to be the only facet driving invisibility. Hard discounters such as Aldi and Lidl have designed stores around limited SKUs, often tailored to their local customers, with near-identical store layouts. Discounters incentivize their checkout staff to scan at speed, making shopping experiences as quick as possible. The next step in this process is eliminating checkouts altogether, with Aldi following the likes of Amazon Go by trialing its own checkout-less format. In France, Carrefour took this one step further with a 10/10 concept store that promises an experience so seamless that shopping and paying will only take 10 seconds each.



The notion of speed is also a factor driving down delivery times, with a host of start-up platforms and established logistics platforms offering delivery times of under 30 minutes in urban centers. REWE Group has gone a step further by trialing a self-driving kiosk that can patrol streets, acting as a mobile-vending machine.

Pre-emptive buying and auto-replenishment through IoT remain nascent, but the increasing number of connected smart devices represents an iterative shift toward invisibility in the way that consumers can be served on their staple products. Coffee machines can already order more pods when they run low and smart assistants are increasingly suggesting households to reorder certain items based on previous buying patterns. As these algorithms become more accurate and other connected devices (refrigerators, cupboards, wardrobes) become more integrated, there is scope for consumers to completely delegate purchase decisions to their household or personal AI – at which point, the retailer will effectively become truly invisible to them.



Indispensability

How retailers shift from selling products to supporting lifestyles

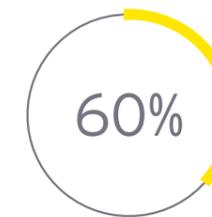
By saving customers' time, invisible value propositions can habitually integrate into their lives.

Intimate value propositions can integrate into consumers' lives by creating loyalty and advocacy around shared values. But in bundling a range of products and services together to create lifestyle solutions, retailers can also become indispensable by enabling their customers to delegate holistic challenges to them.

Consumers are increasingly leading complex and time-poor lifestyles which are bombarded with a dizzying array of different choices and messages. Everybody wants to lead a better life. This can mean being more productive, learning more, being healthier, being more sustainable, or any combination of these factors. If a customer buys a nutritious meal, they are doing so because they want to lead a healthier life. If they buy nappies, it is because they have a child to care for. If they buy a tent, it is because they want to go camping. Currently, most retailers solve only part of this need.

Retailers are already making in-roads in connecting the dots between what their customers buy and what they might need.

In the supermarket, nappies can usually be found next to related products such as baby wipes and baby food. If someone buys a tent online, algorithms may recommend a camping stove. Some retailers are taking this further by building out services that support the products they sell. Furniture and consumer electronics retailers offer packages that support the delivery, installation, assembly and maintenance of the products they sell. However, these are often limited in scope and do not talk to the overall need of the consumer. Retailers can become more indispensable by continually elongating the scope of supporting services they offer into a single consolidated package that eliminates any pain points in the customer's effort to improve their lives.



of consumers would share data for personalized support and service experiences.

EY Future Consumer Index

How indispensability works for the retailer and the consumer

Developing a value proposition that goes beyond selling products to meet a consumer need, one which bundles products and services together to holistically meet those needs, will enable retailers to become indispensable as customers delegate areas of their lifestyle to the retailers that service them.

For example, instead of simply selling some nappies, and maybe a few jars of baby food, a value proposition focused on indispensability may look at how it can help parents more holistically (which most parents would be very grateful for). These could include the delivery of nappies, baby food, wipes and other essentials through a subscription model that changes with the size and age requirements of the child. They could further add subscriptions that rent out baby clothes that remain age-appropriate as the child grows. Going further, the package could include recommending local babysitters, partnering with local creches and nurseries to support childcare, or connecting parents locally with similarly aged children to build a support network. All of this could be bundled into a single monthly package for the parent, from birth through the child's formative years.

Another example would be moving from simply selling nutritious meals to curating diets, providing gym membership, monitoring health through wearables and supplying health insurance for those wanting to live healthier lives. Others might include full-service, year-round DIY and maintenance of homes, furnishings and household appliances or exclusive lifelong ticketing and access rights for fans of sport or music.

Providing one or two relevant services might make a retailer useful, but solving for multiple aspects of a lifestyle would make them indispensable. It would create value for consumers, the retailer and the retailer's ecosystem partners. The benefits of scale through a guaranteed subscribed revenue stream would also make the relationship financially stable and relatively cheap to plan and deliver.

Success for a problem-solving value proposition depends on the relevance and breadth of the services the retailer can provide to secure long-term buy-in from the consumer. This means that, besides having the expertise to identify and solve for consumer areas of need, the retailer will also orchestrate a robust ecosystem of specialist partners to deliver supporting services and connect with the customer locally. Underpinning this will be a strong and integrated technology infrastructure as well as community ties between the retailer's geographic footprint and local, approved, independent third-party providers.

To become indispensable, retailers need to take a holistic approach to solving particular areas of need for their customers. This requires much more than just supplying products, they need to develop a holistic value proposition that bundles products and services, giving customers the confidence to delegate areas of their life to the retailers they trust.

Awareness and consideration of the retailer will start with identifying and building capabilities for the customer around an identified area of need relevant to the retailer's core capabilities. This may relate to lifestyle improvement such as health and wellness, fitness, education or sustainability. Alternatively, it may focus on things such as home, family, pets, or hobbies and interests. Connecting with a relevant ecosystem of third-party service providers and building the right skill-sets to identify solutions for areas of need will provide the credibility and the platform to raise awareness among their customers and drive discovery of their services.

From a purchasing perspective, the retailer must ensure that the products and services it bundles are intelligently assembled and priced to reflect the right sharing of value, not only back to the customer but also to the retailer and its ecosystem partners. This dynamic pricing may dial down margins on some products to accommodate higher margins on those which add more value. In this case, the sum of the package will always be greater than its parts.

To drive loyalty and advocacy, the retailer can further adapt and iterate the services it is providing to build out new areas of consumer need. One package may initially cover diet through a tailored meal-kit subscription, but could see the addition of personalized vitamin supplements or consultations on wellness and fitness.

A consumer that starts on their journey with a problem-solving retailer may take up only a fraction of the services provided, but as the retailer becomes more indispensable, the scope of those services will increase and potentially grow to include meeting the needs of the whole household or family.

Delivering consistent and relevant services will enable problem-solving retailers to increasingly integrate the products and services they sell into the customer's lifestyle. This will, in turn, provide them with a deeper understanding of the customer and allow them to continuously refine their value proposition based on the feedback they receive and the development of their ecosystem. Technology, through algorithms that can identify opportunities, combined with human expertise pooled between the retailer and its ecosystem partners, will build the trust that enables customers to increasingly depend on retailers as a trusted lifestyle partner.

Creating indispensable value in the customer lifecycle



Awareness and consideration

- Identifies multiple solutions to consumer needs in relevant areas (health, finances) and leverages a network of suppliers and service providers to bring them together.
- The customer wants a retailer to optimize their lifestyle rather than just sell them products.



Purchase

- Products and services are bundled and curated by expert advisors to reflect specific consumer needs. Dynamic pricing ensures a package that brings an inclusive solution at an optimal price.
- The customer buys an outcome to their need, not a product solving part of that need.



Loyalty and advocacy

- The point-of-sale is only the start of a journey for a retailer that holistically improves the life of its customers. Loyalty and advocacy will be driven by the tangible benefits delivered.
- The customer will develop trust based on the positive outcomes that lead to a curated lifestyle.



How retailers are delivering indispensability today

The most relevant examples of delivering indispensability today are the proliferation of meal kit and food box subscription services, ranging from healthy or organic, to affordable or exotic. But these subscriptions form only part of the value proposition, the ability of retailers to personalize these subscriptions to the consumer have become more prominent. In addition the ability to bundle relevant services alongside the products they sell and the recruitment of third-party ecosystem players can add further value to the proposition.

For example, in the crowded world of personal care subscriptions, brands like Dermatica and Skin+Me stand out by providing initial digital consultations that enable them to personalize the products they send. Physical retailers like Walgreens Boots Alliance have gone a step further by building a range of additional services around their prescription business, which include providing access to pharmacists, nurses, dietitians and doctors. In June 2022, the retailer added a clinical trial business to its burgeoning health care division.

In other areas of retail, consumer needs can be met more holistically based on what they are buying. Furniture and DIY retailers are increasingly building service offerings that complement the products they sell, including home design solutions and assembly and maintenance experts to enable an end-to-end service for those looking to improve their homes. One example of this is the interior design company Houzz, which has extended its software solutions into different stages of the value chain by adding costing factors, connecting customers with contractors and providing its own lines of furniture. In fashion, the movement toward subscription and rental led by companies such as Rent the Runway is evolving into much more rounded service offerings, with fast fashion giants such as H&M incorporating subscription and rental

models alongside initiatives for repairing, reselling and recycling clothing aimed at lengthening their relationship with their customers as well as improving their environmental footprint. Service-led models are also increasingly curating and advising consumers in fashion through tailored personalized services such as StitchFix.

All these point to retailers gradually filling in gaps in experience and utility for consumers to increase their dependence on the services and products they offer. For example, German retailer Fressnapf began its journey in pet supplies, but has spent over 30 years expanding its offerings and its ecosystem of partners to incorporate a range of services, from veterinary care and medical insurance to pet tracking and dog walking services across 11 countries.

However, in many cases, the jigsaw remains incomplete. Further progress toward becoming indispensable is likely to come through a much broader collaborative ecosystem. These ecosystems can then be orchestrated by the retailer, which sits at the heart of them acting as a platform to stitch together the right combination of products and services to deliver holistic solutions that consumers will come to depend on.



Intimacy

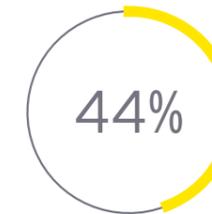
How retailers can make the act of shopping more important than the products they sell

Where invisibility is about saving time, intimacy is about spending time. Instead of removing friction, shopping experiences become tactile and sticky.

As priorities evolve, retailers that do not save time for consumers must provide a compelling reason for consumers to spend time with them. This means developing intimacy between the retailer and the customers it serves.

Traditionally, intimacy has been a differentiating factor for luxury retailers and brands that focus on service and quality to command a premium on the products they sell. A consumer may want to get through their weekly supermarket shop as quickly as possible, but they will spend significantly more time trying out designer handbags before purchasing them. This will usually be under the watchful eye of a dedicated store assistant who is on hand to make suggestions, fetch alternatives and provide refreshments to elevate the shopping experience. Similarly, luxury stores, both physical and digital, are not usually stock-heavy, cluttered spaces to race around, adding items to a shopping basket. They are often calm, clean, crisp, spacious and aesthetically pleasing spaces where the customer can breathe and relax.

But more recently, intimacy has become more integral to developing the value propositions of mainstream retailers, especially as both technology and consumer expectations drive new forms of engagement and personalization. Where the sales assistants in a luxury or specialist store might build a relationship with customers from repeated store visits over a period of weeks, months or even years, mass retail can leverage vast amounts of data to create personalized experiences which represent new ways to develop consumer intimacy. Underpinning this will be common touchpoints that attract like-minded “tribes” of consumers who see the experience as social, rewarding and fulfilling. As online shopping and home delivery options continue to become more embedded in consumer behavior, the role of the physical store is shifting from somewhere that retailers can “pile them high and sell them cheap” to a space that consumers might want to spend time in. Experiential concept stores are growing in prominence and popularity, driven by the need to reinvent empty spaces that once held stock. Consumers are increasingly visiting stores for an experience while buying products from the same retailer through online channels.



of consumers intend to spend more money on experiences in the future.

EY Future Consumer Index

How intimacy works for the retailer and the consumer

A value proposition with a strong focus on intimacy centers on delivering an experience that appeals to the individual consumer. As data enables retailers to understand their customers better, a high-touch approach will also add more interactive elements to bring the value proposition to life and engage customers. This could come in the form of integrating with social and digital media, or by gamifying the experience to make customers more willing to spend time, and money, with the retailer. Alternatively, it could come in the form of highly attentive and personalized services and assortments that not only exceed the needs of customers, but also reflect their sense of purpose, making them see that their shopping supports their values. Expert staff who share the enthusiasm of their customers for the products and services they sell, coupled with deep category expertise, will also drive value creation. After all, a sommelier is always better equipped to sell wine than a checkout clerk.

Experience needn't always be personalized to individual customers. In fact, excessive personalization may lose some of the theatre and serendipity that consumers enjoy when shopping. Customers who enjoy great experiences may end up buying products they would never have considered otherwise, so curation needs to be balanced with coincidence. Physical and digital spaces can be given over to hosting events such as cookery classes, fashion shows, community events or concerts where the act of shopping becomes a secondary activity to the customers who spend time there. By reflecting the values of their "tribe," retailers can also convene and engage with like-minded communities, bringing consumers who share common values together to socialize and interact. In doing this, intimacy also opens the door to generate other revenue streams and elevate the retailer's relationship with customers beyond just selling products.

Success for an experience-led value proposition depends on the loyalty and advocacy retailers can derive from the customer as part of a long-term relationship. By transcending considerations of convenience and price, an intimate value proposition will integrate into a consumer's life by applying physical and digital channels of engagement to enrich their lives. As transactional retail models lose relevance, delivering intimacy will position retailers as a trusted confidant to the customers they serve.

A value proposition that focuses on integrating into the customer lifecycle through intimacy will deliver most effectively by creating a lasting relationship that continually engages the customer on what they care about most.

Consumer awareness and consideration of the retailer will come from how the retailer reflects the values and aspirations of their target consumers. So, intimate value propositions should avoid being all things to all people. Instead, retailers should identify their core values and purpose and then engage with the communities, or tribes, that best reflect those values. In many ways, this requires applying and understanding data from a range of first-party sources to develop a much deeper understanding of customers and enable a degree of personalization that can be scaled, not only across consumers but also across contexts. This will ensure that the experience that delivers intimacy is always relevant and tailored to the right occasion.

Unlike invisibility, the customer will care deeply about the products they buy and assortments in this space will need to be carefully selected to align with their values and help to deliver to their aspirations. Equally, the physical and digital spaces used to showcase these assortments need to provide another compelling reason to attract customers apart from the product and service they purchase.

Delivering this to enable a relationship beyond the transaction will require a blending of digital tools that can help to gain a deep understanding of the customer and drive immersive social and digital media experiences. These must be augmented by strong human touchpoints that also reflect the authenticity a retailer can have reflecting the values of the customers they choose to serve. If the customer engages with the experiences a retailer provides and feels a shared sense of purpose reflected in the products and services they sell, they will remain loyal advocates of the retailer, driving a virtuous cycle as the retailer recruits more like-minded customers into their circle of trust.

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Retailers must provide a compelling reason for consumers to spend time with them.

Creating intimate value in the customer lifecycle



Awareness and consideration

- ▶ Using prominent digital and physical concepts to amplify purpose and activities to specific consumer segments, supported by targeted engagement strategies.
- ▶ The customer consciously identifies the retailers they want to spend time with.



Purchase

- ▶ The product is a secondary activity to the other benefits that shopping with this retailer brings. A transaction is personalized to fit around the experience that frames it.
- ▶ The purchase is a by-product of the shopping experience a retailer delivers.



Loyalty and advocacy

- ▶ Regular interaction with high-touch engagement will create lasting relationships with a retailer that uses tailored experiences to continually delight its consumer tribe.
- ▶ Loyalty and advocacy will come from shared values and positive experiences.



How companies are delivering intimacy today

Customer experience has been a buzzword in retail for many years, but in many cases, what constitutes experience remains secondary to the products being sold. Many retailers experiment with experience in specific locations, such as in flagship stores, as a means of scaling successful pilots more widely. Examples of delivering intimacy today span from repurposing in-store space or building communities around store, to providing highly personalized services.

For example, skate wear brand Vans has not just been opening stores to engage with the skateboarding community. It has also been opening skate parks, both physically and digitally through platforms such as Roblox (where you can customize avatars with Vans-branded products). Vans' flagship store in London is a 30,000 square foot space repurposed to include an art gallery (including graffiti art), a restaurant, a cinema and a skate park which offers skateboarding lessons. The space is also used to host concerts and other events, building significant goodwill within the skating community and making the products Vans sells almost secondary to the brand values it represents.

AS Watson has taken a more personalized approach by launching an AI-powered skin analyzer that uses computer vision to allow for detailed product recommendations based on biometric data, along with personalized services such as virtual try-on tools that can be accessed both in-store and online. For a more human touch, department stores from Nordstrom and Saks to Macy's and John Lewis are increasingly offering the services of personal stylists to build stronger customer relationships as one-to-one services offered by retailers become more accessible outside high-end luxury stores. Even grocery retail formats usually associated with delivering convenience are developing experiential capabilities. Existing capabilities such as in-store butchers, stylists or consultants could be augmented to provide deeper experiences through interactive in-store displays, hosting cookery classes and hosting, or sponsoring, events in support of local community activities. These could elevate the store to a social space, not just by bolting on a quick-service restaurant, but by bringing together consumers to build a community around the retailer.

As experiential pilots gain scale and filter down from luxury and specialist retailers into mainstream and discount retail, the ability to deliver intimacy through differentiating on more than just price and convenience will become a key component in enabling customer retention and loyalty. This will be especially important against a backdrop where customers have greater transparency and choice in the products they buy and the retailers they choose to buy them from.



of consumers are excited about spending money on things that will improve their lifestyle.

EY Future Consumer Index



Bringing it all together

How retailers can create a blended value proposition around their core values and capabilities

In retail, uniformity is becoming the enemy of success, especially in a world where consumers are saturated with choice, and many are retreating from the increasing consumption that has defined shopping patterns for decades.

Those retailers that thrive must have a point of differentiation in the services or products they offer. Otherwise, they will find themselves in a race to the bottom on shaving margins to bring down prices in a landscape where consumers themselves are more mindful about what they buy. This is an outcome that no retailer truly wants and that few can succeed in delivering. As retailers develop and evolve their strategies, they should not fall victim to limiting their priorities to one value proposition, but must, instead, conduct an in-depth assessment of their capabilities and core business values in the context of understanding their consumers and how they are expected to evolve. In doing so, they can define how much they want to apply each of the three value propositions in different areas of their business.

The “aisle of wonder” blends invisibility with intimacy

In some cases, retailers can seek to create this blend as a means of adding a different dimension to their core business model. For example, hard discounters in the grocery sector typically show the greatest strength in delivering invisibility. Consumers visiting their stores are pushed through near identical layouts that have a largely consistent and highly consolidated range of SKUs at highly competitive prices. Their checkout staff scan items faster than the customer can pack them and their store footprints are small enough to race through quickly, while piling shelves high provides maximum exposure to their stock offering.

This means that while a typical grocery shopping trip may take 40 to 60 minutes, a trip to a hard discounter can take less than 30 minutes. But at the heart of this invisibility lies an oasis of intimacy. In countries such as the UK, discounters such as Aldi and Lidl have created what is affectionately called “the aisle of wonder,” where they stock serendipitous seasonal selections ranging from power tools to children’s toys and everything in between. This elongates the time consumers spend instore, driving up impulse purchases of soft furnishings or kitchen appliances and providing a unique and differentiated shopping experience for every store visit. As a result, the discount grocers are increasingly taking market share in new categories such as clothing, where Aldi has launched its own branded Aldimania range.



of consumers currently use a subscription service from a retailer.



of consumers would prefer to see products repaired rather than replaced.

EY Future Consumer Index

Different channels can confer different experiences

For other retailers, blending these value propositions may be done through different channels in the same store network. For example, Apple's experiential flagships are built around an intimate value proposition by doubling as exhibition spaces, hosting live events and offering free classes and courses to their customers. But they are also designed to offer indispensability, with in-store "Genius bars" offering advice and repair services. More recently, Apple has built out a retail channel dedicated to invisibility through its Apple Express stores, where customers can quickly collect items bought online and pick up essential accessories without having to spend as much time browsing for what they want or queuing up behind people who don't know what they want.

By developing a strategy that seeks to deliver degrees of invisibility, intimacy and indispensability through distinct channels, retailers can create the capabilities to deliver a contextual experience based on the needs of their customers at any given time.

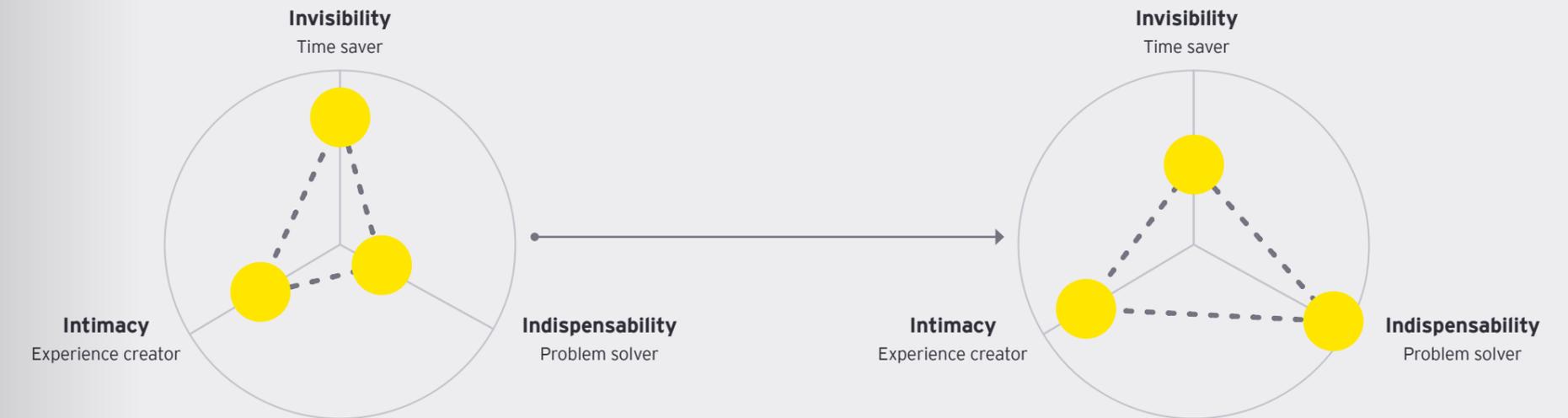
However, this contextual approach doesn't need to be siloed between channels. Retailers such as Nike have worked hard to integrate indispensability, intimacy and invisibility into a broader ecosystem of digital and physical spaces. Nike's range of concept stores span differing experiential priorities, from serving distinct communities to delivering personalization or gamification. These are tied together through an app ecosystem that boasts hundreds of millions of active members where seamless personalized shopping experiences can go hand in hand with fitness advice and access to communities of shared interest or sporting clubs. While this stops short of a full-service offering, it demonstrates the opportunity to build out a strategy that spans areas of brand strength, corporate values and business capabilities.

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By developing a strategy that seeks to deliver degrees of invisibility, intimacy and indispensability through distinct channels, retailers can create the capabilities to deliver a contextual experience based on the needs of their customers at any given time.

Using the three I's to identify future business needs.

Creating a more sustainable service-led business in fast fashion



Today: Leveraging its store footprint and quick turnarounds to deliver convenient, affordable fashion to the consumer with minimal friction. Experiences are limited to flagship stores.

Tomorrow: A business model founded on sustainability and circularity which integrates repair, resell, rental and recycle capabilities into a service-led value proposition.

Three questions for retailers to consider

To find the right blend of invisibility, indispensability and intimacy, retailers need to look at the market forces outside their business to shape an adequate response to the changing consumer landscape. But change should also come from within, and retailers must explore their own operational capabilities and needs to ensure they have the right foundations in place to build future relevance. Here are three questions that retailers can ask themselves today to ensure they can shape a preferable future.

1

What are my capabilities and values today?

Retailers can build from a position of strength by looking at what their current value proposition brings and how it resonates with the changing market around them. Tangible assets such as their physical and digital footprint, their business infrastructure, their ecosystem network, their existing assortment of goods and services, and their financial strength can be assessed alongside more intangible resources such as their core values and commitments, their brand value and its associations, their understanding of their customers, and their operational data. When combined, these will give a retailer an immediate sense of how they balance invisibility with indispensability and intimacy in their business of today.

2

What do I need to become tomorrow?

Retailers can set the KPIs they hold themselves accountable for in the current business climate against those that will confer or create value in the future. These will require an understanding of where their customers will be, what their expectations might be and how best they can serve those expectations with the right talent, technology, ecosystem and infrastructure. These KPIs could include reducing friction, increasing the scope of relevant services, developing the right experiences, creating transparency and trust with their customers, and defining a sense of purpose that will appeal to those they most want to engage with. This will enable them to see how the balance of invisibility, intimacy and indispensability might shift in different areas of their business as they build for the future.

3

What building blocks will I need to apply to today's business to deliver tomorrow?

A retailer that knows its strengths and has a clear vision of what it wants to become, can plan to develop its capabilities by directing them toward anticipated customer needs of invisibility, indispensability and intimacy. Some elements such as integrating and extending its analytics capabilities to develop a deeper and broader understanding of its business and the customers it serves will span all three core value propositions, while others may be more aligned to a specific area. For example, shoring up delivery networks and building demand-sensing capabilities integrated into IoT lends itself to developing an invisible approach with customers. Meanwhile, investing in media or community-led capabilities would be more in line with deepening intimacy. Developing a platform strategy to build opportunities for partnerships and collaborations would align more closely with indispensability. Any retailer building for the future should consider elements across all three areas.

What are the technology requirements to integrate seamlessly into customer lives?

Invisibility - the time saver

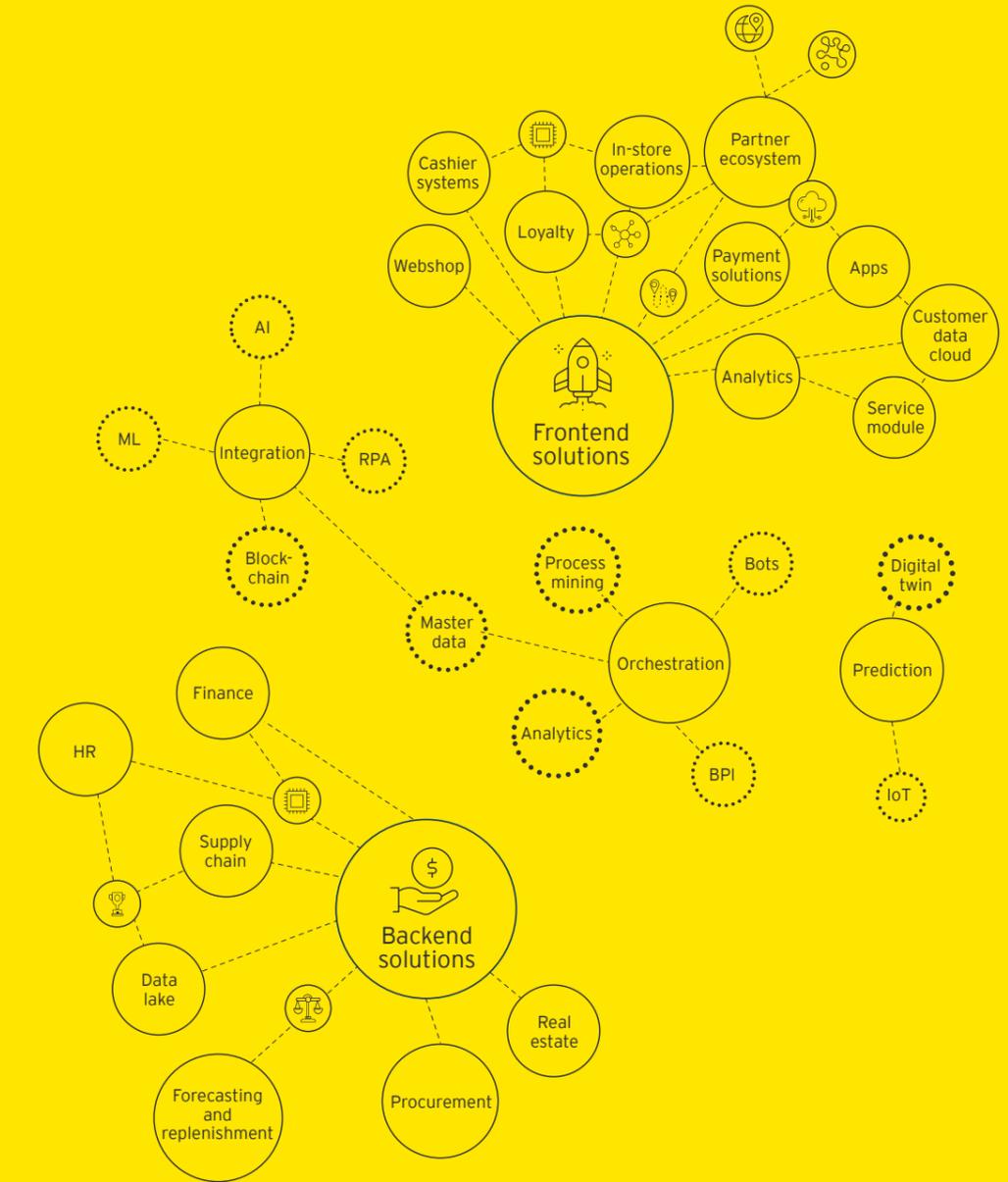
- ▶ Seamless omnichannel experience
- ▶ Quality of master data
- ▶ Data security

Indispensability - the problem solver

- ▶ Clean and stable core
- ▶ Standardization
- ▶ Interoperability

Intimacy - the experience creator

- ▶ Agility, Innovation@Speed
- ▶ Customization
- ▶ Insights from data
- ▶ Decoupling frontends from backends, XaaS





Conclusion

Building a future-fit retail organization

While the key tenets of product, place and price aren't going anywhere, what they mean to customers and retailers is changing. Products are increasingly being customized to meet individual consumer preferences and incorporate new expectations of service. Place is no longer simply a location, but now means being wherever the consumer is, whenever they need something. Price is being re-interpreted to reflect intangible elements such as impact on time, people and the planet. Customer-centricity, which has been a neglected mantra of retail for decades as retailers sought to build businesses predicated on scope, scale and efficiency, is becoming a much more tangible goal. In truly putting the customer first, retailers can increasingly align their strategic value propositions around solving distinct areas of consumer need by making their lives easier (invisibly saving them time), making their lives better (becoming indispensable in providing lifestyle solutions) and making their lives more fulfilling (delivering intimate experiences).

A key challenge that many current retail business models have is that the focal point of value creation continues to lie in the transaction. Many retail KPIs point to the financial value generated per square meter of store space, the average size of shopping basket or the traffic conversion rates for online store visitors between browse and checkout. But this is only one stage in the customer lifecycle that points to retailers often providing for a short-term need rather than engaging in a longer-term relationship. services together.

If a customer buys their weekly groceries with one retailer, they may still choose another the following week. Buying discretionary products like clothing, household appliances or consumer electronics will often involve shopping around for the best option and choosing the best combination of price, quality, values and service.

In building a future-fit retailer, it is important to consider the entire customer lifecycle and set KPIs that explore the lifetime value of the customer in terms of the systemic value that retailers can create for themselves, their consumers and their ecosystem. This holistic approach might include assessing how much time they save for themselves and their customers, the level of experience they apply to drive loyalty and advocacy, and the way they can leverage a network of partners to deliver more, and better, products and services together.



of consumers feel that they have more possessions than they need.



of consumers expect to buy more second-hand products in the coming years.

EY Future Consumer Index

Build on capabilities to create the right foundation

How retailers shape this into their value proposition will depend on their core business capabilities, their aspirations for future value creation and the purpose they wish to promote in the market. Some retailers may see their biggest opportunity by embedding into communities and acting as hubs for connecting local people with local products.

Others may see opportunities to engage with digital communities by creating immersive and interactive spaces in the metaverse. Still others are already transitioning their business models to accommodate adjacent opportunities in the media, sports, health care or technology. Many may just opt to give their customers what they want as quickly and seamlessly as possible. While the business models of today generate revenue by selling brands to the consumer, those of tomorrow may rely on selling access to consumers back to brands, or they may create value in entirely different ways through financial services, data or events that take primacy over the act of shopping.

In all these cases, retailers that develop their value propositions around the right blend of invisibility, indispensability and intimacy can track the value they create beyond the transaction and create the right contextual experience for their customers time and again. This enables them to reach the fourth “I” of integration by being welcomed into the customer’s circle of trust. Those that fail to embrace this run the risk of another “I”: irrelevance.



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In truly putting the customer first, retailers can increasingly align their strategic value propositions around solving distinct areas of consumer need by making their lives easier.

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