



# THE SYNCHRONY TREND SPOTTER

TEN RETAIL TRENDS TO WATCH IN 2017

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From pop-ups to talking homes, the ten trends below are exciting developments in retail that are sure to make headlines in the coming year.



## TREND 1

### RETAILERS CREATE INTERACTIVE SHOPPING EXPERIENCES

One of the trends that took hold in 2016 was in-store shopping as an experience. According to our 2016 consumer survey, 67% of the core survey population said enjoying experiences is more important to them than owning things; and **61% said they will pay a premium for experiences they feel are worth it.**<sup>1</sup>

This trend spans income groups and generations. As consumers go online for more and more purchases, innovative retailers are pulling shoppers into the store by transforming their stores into a fun, interactive experience. Retailers such as Williams-Sonoma and REI tapped into this trend early by creating in-store cooking experiences and rock climbing walls. Now, more retailers are catching on to this trend, with Barnes & Noble opening full-service restaurants in their stores, and Toys“R”Us creating interactive play areas for parents and kids alike.

**Implications** Retailers who use their in-store space for interacting with their customers can expect a more dedicated following and larger baskets. Even online retailers are going brick-and-mortar, using the consumer's desire for an immediate purchase and an exciting experience. When having a great experience in the store, customers stay longer, browse more and have more of an emotional connection with the brand. We expect this trend to catch on with more retailers in the coming year.

## TREND 2

### AUGMENTED AND VIRTUAL REALITY (AR & VR)

This makes the top ten list once again this year. “2017 certainly is the beginning of a world that is rapidly embracing artificial intelligence and augmented reality,” says Greg Simpson, Synchrony Financial's Chief Technology Officer. If consumers can't travel to a new destination, then virtual reality can provide a close substitute. A benefit of **VR is that it enables customers to experience products in a way they couldn't before.** One study found that 85% of customers said they are more likely to make a purchase after watching a product video.<sup>2</sup> And, 2017 may be the year this technology becomes attainable on a larger scale. According to a report by Mintel on 2017 trends, the next frontier of retailing across industries will be virtual. “Already some 25% of U.S. consumers say that they are interested in interactive/digital experiences available in-store, such as virtual mirrors, VR headsets and interactive displays,” said Mintel's Manager of Trends North America, Carli Gernot.<sup>3</sup>

**Implications** Virtual and augmented reality are no longer just for high-tech electronic showrooms. Brands ranging from hotels

to beauty products have been exploring virtual reality to engage their customers. Brands are using virtual reality for advertising, not only for 360-degree and 3-D videos, but also for content creation with immersive storytelling and product demos. The Pokémon GO phenomenon is a good example of a virtual reality app that creates excitement and engagement. Brands such as Starbucks and Bloomingdale's are using the app to design campaigns and interactive experiences.

## TREND 3

### HEALTHY LIVING—THE NEWEST OLD TREND

Think about the last time you made a New Year's resolution. Was healthy lifestyle and exercise a part of it? If yes, you're not alone. The truth is, consumer spending on health-related items is growing. According to the Organic Trade Association, consumer demand for organic food has grown by double digits nearly every year since the 1990s. Organic sales have increased from \$3.6 billion in 1997 to \$43.3 billion in 2015<sup>4</sup>. And the number of gyms, health clubs and fitness clubs has grown over the past five years, as more people value fitness as being integral to their health. Revenue has grown at an annualized rate of 2.4% to \$30.1 billion.<sup>5</sup>

As a result, sales for products related to health and fitness have grown as well. Athleisure has grown significantly as an apparel category. Last October, Morgan Stanley's report on the athleisure trend found that “sports apparel and footwear sales have jumped 42% to \$270 billion over the past seven years.”<sup>6</sup>

**Implications** The growth in the health field is not just for food and fitness brands. Retailers who focus on athleisure, organic items and the outdoors can potentially tap into new areas of growth. Large department stores like JCPenney are increasing square footage devoted to active wear and focusing on it as a category for growth. The emphasis on health and fitness spans generations, and retailers may find an engaged audience by promoting and selling an active and healthy lifestyle.

## TREND 4

### THE ROBOT INVASION

Robots have been quietly invading the retail arena, mainly in the areas of logistics and customer service. But some retailers have brought robots/artificial intelligence into the physical store as well. “Robots will have a significant impact on our lives, jobs and future occupations,” says Greg Simpson, Synchrony Financial's Chief Technology Officer. Retailers such as Target, Best Buy and Lowe's have tested robots in stores. Several retailers have

launched robots as interactive helpful tools for shoppers. They have been used to identify products in the store, translate the store experience into other languages, grab items from the warehouse for shoppers and instantly order products. Some even take the shopper to the item in the store.

David Marcotte, a senior vice president with consulting firm Kantar Retail stated, **“Americans find robots enormously entertaining. And there’s no emotional judging.”** Some surveys have shown that people would rather interact with robots than with a person.<sup>7</sup> The robot never judges you if you grab the ABBA karaoke CD.

**Implications** Many large retailers have been testing robots, both in the backroom and on the selling floor. Lowe’s has been developing OSHbot, a customer service robot that speaks multiple languages and helps shoppers find items. As reported in Business Insider, Best Buy has begun using Chloe, a robot that retrieves products that customers request from a kiosk. And Target recently began a trial of Tally, a robot that travels through aisles and takes inventory.<sup>8</sup> As the technology becomes more widely available and accessible, a robot invasion is getting more likely.

## TREND 5

### BRANDS AND CONSUMERS “SOCIALIZE”

Brands and consumers talk to each other via social media. This becomes as natural as connecting with friends on Instagram and Snapchat. Brands are now on all the social media channels their customers frequent and the conversation between customers and brands are ongoing and natural. In our 2016 Digital Study, Synchrony Financial found that approximately **half of the population stated they have purchased a product as a result of social media** (vs. only about a third in 2015). Social influence on buying is much more significant for millennials, as 76% of them said they have been influenced by social media. According to Mintel, 2017 will be the year “people increasingly speak to brands as easily and informally as they would with their friends.”<sup>9</sup>

**Implications** A comprehensive social media strategy should feature helpful content, not just a sales pitch. Social media content that makes an emotional connection to the brand is the most successful. Brands should keep the content engaging and interactive. Many retailers are using Snapchat filters and gaming to keep their customers engaged with the brand and keep them coming back.

## TREND 6

### SHIP-TO-STORE: A NEW WAY TO INCREASE FOOT TRAFFIC

A hybrid of in-store and online shopping is the Ship-to-Store concept. This has benefits to both consumers and retailers. Consumers are able to save on shipping charges and don’t have to browse through aisles to look for an item they want.

**Retailers are able to drive incremental traffic to the stores, as customers tend to pick up other items while they are in the store.** According to a survey by Internet Retailer, 57% of respondents said they had picked up an online order in a store. Of those, 73% did so to avoid shipping fees, and 32% said it was for convenience. Major retailers are taking advantage of this trend. JCPenney said 40% of customers buy other items when picking up an item they had shipped to the local JCPenney store. It also gives the retailer the opportunity to fulfill that order

from store inventory when available, which eliminates additional transportation costs for the retailer.<sup>10</sup>

**Implications** The Ship-to-Store concept may not be high-tech, but it is an additional way to engage with customers and think about their needs. This is a way to engage with busy parents, the lunch hour crowd and last minute gift givers. Any strategy that has the customer engage in the store and creates an incremental visit is a boon for the retailer.

## TREND 7

### CONVERSATIONAL COMMERCE: THE NEWEST PURCHASE CHANNEL

Looking beyond digital, the Amazon Echo launched a new channel of interaction for consumers—the voice channel. Is a smartphone too much of a pain, with all the pressing and swiping? Now consumers can simply speak to Alexa (the brain behind Echo). One of the functions of Echo is to order items from Amazon (i.e., “Alexa, order dog food”) and the voice command will trigger the purchase through Amazon. According to Mintel’s study on key consumer trends, **“The seamlessly synced relationship between humans and intelligent computers will solidify as voice control technology vastly improves** at recognizing various pronunciations, accents and moods. In the near future, sympathizing computers will reach the next level of utility by working together to fully know when and how to act – and then nimbly taking control.”<sup>11</sup>

Amazon entered the at-home voice command arena first, but Google has also developed the software, with Google Home. This is still cutting edge, but it may signal a new competition for voice technology in the future as other retailers may also develop voice-based functionality for purchases.

**Implications** Industry watchers and trade publications estimate huge growth for the Amazon Echo, with one source estimating it will be a \$1 billion business for Amazon.<sup>12</sup> As the technology becomes more widely adopted, not only will other retailers take notice, but partnerships will also grow for usage of the technology. Currently, home security companies have partnered with Echo. But in the future, maybe local delivery services or contractors will use the service as well. Additionally, other retailers may adopt voice technology and launch Echo-like products and services. Although not fully formed, voice technology is anticipated to grow as the next retail channel.

## TREND 8

### QUICK HITS: PARTNERSHIPS AND POP-UPS

As retailers look to innovation, new partnerships and models have sprung up. These new formats include the store-within-a-store and pop-ups. Who says it takes years and a huge budget to launch a new storefront? Macy’s announced a partnership with beGlammed to provide at-home grooming and makeup services and Neiman Marcus recently announced a partnership with Le Metier de Beaute to provide services such as manicures and blowouts at affordable prices. Pop-up stores have also become ubiquitous for anything from farmers’ markets to hotel services.

Temporary stores and startups have found a place in high-end New York City retail districts. Stantt, which makes men’s shirts to-order, opened a pop-up. Matt Hornbuckle, Stantt’s chief executive and co-founder said, “The overhead and financial

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commitment to open a store in Manhattan was too much for a startup. And we didn't want to commit to something that was a hypothesis before we tested it out."<sup>13</sup>

**Implications** For retailers who want to test the waters with a low cost and quick concept, partnering with another retailer or setting up a pop-up shop may be a viable solution. Some large retailers have partnered with other retailers to go outside their own brand to drive traffic and pull in a more diverse customer set. Plus, smaller retailers can launch a low-cost shop without having to invest a significant amount of time and money.

## TREND 9

### CASH IS NO LONGER KING: EMERGENCE OF THE CASHLESS SOCIETY

The move away from cash started with credit and debit cards, and the trend is still continuing, as new technologies take hold. Examples of these are mobile wallets and Person-2-Person digital payments. Mobile wallets have been in the market in some form for several years now, but consumer awareness has only skyrocketed in the past year. **With the introduction of the new payment technology of Apple Pay and Samsung Pay, 81% of consumers now say they are aware of mobile wallet, up from only 55% a year ago.**<sup>14</sup> Regular usage of the mobile wallet is expected to increase in 2017, as more retailers implement point-of-sale systems to accept the technology. According to a study by Forrester® Research, 68% of retailers said they planned to implement at least one digital payment feature in the coming year.<sup>15</sup> This increase in mobile wallet awareness, coupled with the acceptance of the technology in more retail locations, will ensure the quick adoption of the wallet as the primary payment vehicle.

**Implications** The benefit of a cashless society for consumers is the ease and convenience of using their smartphone to pay, as

opposed to carrying cash everywhere. For a generation that has grown up with digital technology and views digital purchasing as the norm, the mobile wallet is a natural evolution. The benefit for the retailer is a seamless point-of-sale experience that speeds the customer through checkout and the ability for customized promotions and personalized marketing.

## TREND 10

### INTERNET OF THINGS (IOT)

No list of the future of retail is complete without a discussion of the Internet of Things (IoT). This technology enables consumers to buy whenever they want, in the comfort of their home, or whenever their busy schedule allows. Thanks to modern broadband connections, merchants can deploy and connect millions of low cost micro-devices and sensors just about everywhere in the retail environment and throughout the home. A segment of the population showing a great deal of interest in IoT are parents. A study by BabyCenter revealed that **71% of parents buy into the Internet of Things** and 36% said they planned to buy another connected device. The primary benefit is to make their life easier (57% stated this was the primary reason for purchase), with saving money close to the bottom of the list (21%).<sup>16</sup> So, for retailers with a high percentage of parents or busy consumers, an investment in IoT technology is worthwhile.

**Implications** The payoff of IoT for merchants is more data collected in more places, providing rich insights into consumer behavior, market trends, buying patterns and customer engagement. This allows for personalized offers and interaction with customers, yielding increased customer loyalty. For consumers, it signals an increase in convenience and shopping whenever and wherever their busy schedule allows.

As we look to the coming year for trends and new developments, the retail field is full of exciting innovation and new technology. Some trends are high-tech and futuristic, while others are relatively low-tech and potentially immediate. Either way, brands who tap into products and features that excite the consumer and keep them engaged will have competitive advantages in the years to come.

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