



STORES OF THE FUTURE: BRICKS AND MORTAR WILL REINVENT NOT DECAY

Abstract

Global physical retail sales have been increasing, even as e-commerce continues to clock growth. Retail stores will focus on attracting customers through their need for tactile product interaction. The future physical store will use digital technologies to provide seamless omnichannel and experiential shopping. AI, augmented reality (AR), and virtual reality (VR) solutions will transform stores into showrooms that provide virtual hyper-personalised product trials with virtual assistants. Brand apps will blur the line between online and offline shopping experiences by bringing frictionless shopping to stores. AI-enabled analytics and IoT-edge devices will spur smart supply chains and intelligent inventory management to boost customer convenience. Brands will extend experiences to build communities to grow the customer base. The future of retail is phygital.



According to Statista reports, global physical retail sales in 2023 will touch 20.8 trillion US dollars and are expected to reach 22.5 trillion US dollars by 2025. Contrary to expectation, there hasn't been a post-pandemic decline in sales in brick-and-mortar stores. E-commerce cannot recreate the tactile and immersive experience provided by physical stores. The satisfaction provided by physical interaction with the product and the immediate gratification possible when shopping at brick-and-mortar locations continue to attract footfall.

Retail is at an inflection point with the maturing of digital technologies and convenience-inured customers whose expectations are set at a high bar. Customers will not visit stores as frequently as in the past, so the stores of the future must make the most of each visit. Businesses need to reimagine the physical store as a technology-empowered seamless omnichannel shopping cum experience destination with easy switching

between the physical and digital modes. Digital technology investments are essential for retail businesses to stay relevant and meet customer expectations. What are the technologies that will shape the shop of tomorrow?

Digital technologies like AI, 5G, automation, robotics, IoT, AR, VR, and analytics will be the building blocks of brick-and-mortar stores of the future. 5G technology will be the connectivity backbone for retailers. It enables the data communication needed for all activities, from identifying customers to smart shelves and AR/VR apps. 5G allows real-time data synthesis from analysing SKUs, customers, and stores at the scale needed for personalised service. External devices and data, which provide weather and location updates for agile supply chains, can be integrated using 5G.

Data captured by intelligent sensors and cameras within the stores will provide input for customer behavioural analysis. AI

for Facial Emotion Recognition (FER) and store layout solutions will use this data to offer optimised layout plans and insights on customer behaviour and sentiment. Combining this information with insights from other data like online and offline browsing, sales, and social media analytics will provide hyper-personalisation for retail customers.

Advanced IoT and analytics will facilitate an agile supply chain and smart inventory management. Smart shelves using sensors, cameras, and other edge devices to monitor and reorder stock will be a standard feature. Analytics will take advantage of the multiple data streams and self-learning AI to ensure an optimal selection of items is stocked at physical stores. Speech recognition, generative AI, AR, and VR will be used to develop virtual personal assistants and stylists. Let's look at how these technologies will be used in tandem to make tomorrow's physical stores a footfall magnet.

Stores will use technology to transition from merely transactional to experiential showrooms that innovatively and immersively feature the brand story. From crafts brands hosting classes to sporting goods retailers setting up practice areas and outdoor turf fields, retailers will use experiences to attract people to stores. Most people showing up for the experience will buy products to use during their activities.

Focusing on convenience and experience, the store will lead the customer through a seamless omnichannel experience that leverages data from online activities to personalise the in-store visit. Brand apps will be the medium of connecting the online and offline customer experience. Stores will provide shoppers with a sales experience as smooth as buying online. AR maps that customers can choose to activate upon entering the store will lead the customer to what they need.

Salespeople will ring up a sale on tabs, or customers will scan the product code using the brand app and pay online, avoiding queues and speeding up the billing. Another option will be cameras and IoT devices taking care of the billing and the amount getting deducted through a designated payment app. As technology advances, phygital innovation will be

limited only by imagination.

In-store product expertise will be another draw for customers. Store employees, especially for technical or specialised products, will be product specialists with the know-how to solve customer problems. With product specialists, the physical store will be dealing in solutions, a unique selling proposition challenging to recreate online. The store can then function as a demonstration centre, allowing customers to handle the product and understand whether it works for their specific situations, minimising product returns. The store can advertise future products by providing AR/VR simulations that allow the user to go beyond looking at products in the pipeline by allowing them to use them virtually in different scenarios.

Fashion and apparel retailers will capitalise on customer data and analytics to set up stores as personalised style centres. Customer app accounts will provide details of recent purchases and preferences to personal stylists, making it easier to recommend suitable fashion choices to customers. Smart stores of the future will hold minimal stock. Virtual and augmented reality solutions will virtually display apparel styles. Stores will provide the option to activate virtual stylists who provide personalised fashion

recommendations and simulated settings for the customer to experience wearing the virtual apparel. Once customers choose the preferred garments, they can get scanned to determine size and virtually try on the garment in their size. Colour changes will need only a click. On payment, the garments will either be delivered or picked up at a store.

Brands catering to all sectors will attempt to create communities and ecosystems through their physical locations, digital apps, and websites. Examples could be sporting goods brands organising experiential events extending the initiative to create a community of local neighbourhood sports teams that consider the stores as their sporting meetup hub or arts and crafts product brands setting up marketplaces for teachers and artists to advertise classes and sell their creations.

Brick-and-mortar retail must adopt technology to fulfil customer expectations by providing memorable and shareable experiences beyond the ambit of e-commerce. Retailers will need to provide an omnichannel, holistic, and interactive space that attracts footfalls by offering convenience and unique, immersive experiences. The path to brick-and-mortar success will be paved with technology-based innovation.



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