



New Future In Store

How will shopping change between now and 2015?

Research Report
May 2008

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How will shopping change between now and 2015? We collected the views of primary household shoppers in eight major retail markets – Canada, China, France, Germany, Japan, Spain, the United Kingdom and the United States.



Introduction

In 2015 the retailing landscape will have transformed completely. Although a lot of the technologies around at the moment will be key to driving this change, they will have evolved considerably.

For shoppers, the look and feel of shopping will continue to change as many existing retail concepts meet the end of their shelf life. Retail businesses will have to innovate continuously as an increasingly digital environment gives shoppers dramatic new choices. Consumer products manufacturers will need to respond to these trends and embrace new assumptions.

These changes reflect many trends. The Baby Boom generation – which has dominated retail thinking for decades – will be turning 70 and the baton will be passed to Generation Y. Technology will become increasingly available. Shoppers will interact with retailers and suppliers more than ever before, with online capabilities and communities playing a bigger and bigger role in the relationship. The new future is unfolding now; this report provides a glimpse of what's in store for shoppers, for retailers, and for the manufacturers who create the myriad of consumer products we buy every day.



Barry Lemmon
Global Head of Retail & Shopper Insights

Glimpses into the future of retailing

What does the future of retailing look like? We looked at a dozen innovations that could be part of everyday life before too long. Do people ever see themselves going online to participate in the very process that creates our products and services? Would they want to join massive online collaborative shopping communities to combine their buying power with other consumers? Who will join the social networks that share information about the hottest stores, trends and products?

We also asked about smart carts, biometric payment and holographic sales assistants. Would dressing rooms ever become interactive? Would body scans be used to help find the right fit? How will mobile phones help retailers publicise sales, products and special promotions? Do people see themselves activating a “shopping trip” remotely via their mobile device? And how far away is the networked refrigerator that tells us when we are out of milk?

We have presented a broad range of insights in this report. As well as the findings of the survey, a number of our own TNS experts have offered some their views on the future of retailing. We hope you enjoy reading this report.



Pat McCann
Director of Retail and
Shopper Insights, Europe

This report is based on more than 4,600 online surveys with the primary household shoppers in eight countries – Canada, China, France, Germany, Japan, Spain, the United Kingdom and the United States. The survey data was collated and analysed in January and February 2008.

Our survey at a glance

We asked primary household shoppers for their views on the following 12 retail Innovations that could shape the future of retail.

1. Biometric Payment Fingerprint

A shopper can pay for purchases by placing his/her finger on a sensor that reads the fingerprint, linking it to the shopper's bank account or credit card to record the purchase.

2. Interactive Dressing Room Help

Using a digital touch-screen, a shopper in the dressing room can communicate with sales personnel – without having to return to the sales floor to search for help.

3. Smart Carts

A smart cart incorporates interactive technology via a video screen on the front of the cart, enabling customers to locate products, access shopping lists, check prices, receive promotions and coupons, and scan purchases. The technology also can provide retailers and suppliers with rich data on the shopping trip.

4. 3D Body Scanning

A scan of a shopper's body will be used to make recommendations about the brands and specific clothes most likely to fit well, or to help fit custom-made clothes.

5. Collaborative Product Development Websites

Product developers will encourage consumers to post ideas and answer surveys online about new products and how existing products can be improved.

6. Group Buying by Consumers

Shoppers join online collaborative shopping communities to aggregate their buying power with other shoppers.

7. Networked Shopping

Networked devices in the home – such as networked fridges – will monitor what products consumers use, create shopping lists, and communicate with other devices to arrange deliveries.

8. Interactive Dressing Room Mirror

It looks like any other mirror, but is actually a high-resolution digital screen with a camera that can relay live video and project holographic images of clothing items so customers can see how they will look in an outfit without trying it on.

9. Shopping by Mobile Phone

Shoppers will use mobile devices to place orders and arrange delivery from remote locations.

10. Holographic Sales Assistant

Shoppers will interact with an in-store hologram that can answer questions and facilitate merchandise transactions.

11. Shopping 'Social Network' Website

Shoppers share information about the hottest stores, designers, trends and must-have products – all online. Retailers and suppliers will be able to monitor social networking sites to find out what consumers want and take early action to develop and stock those products.

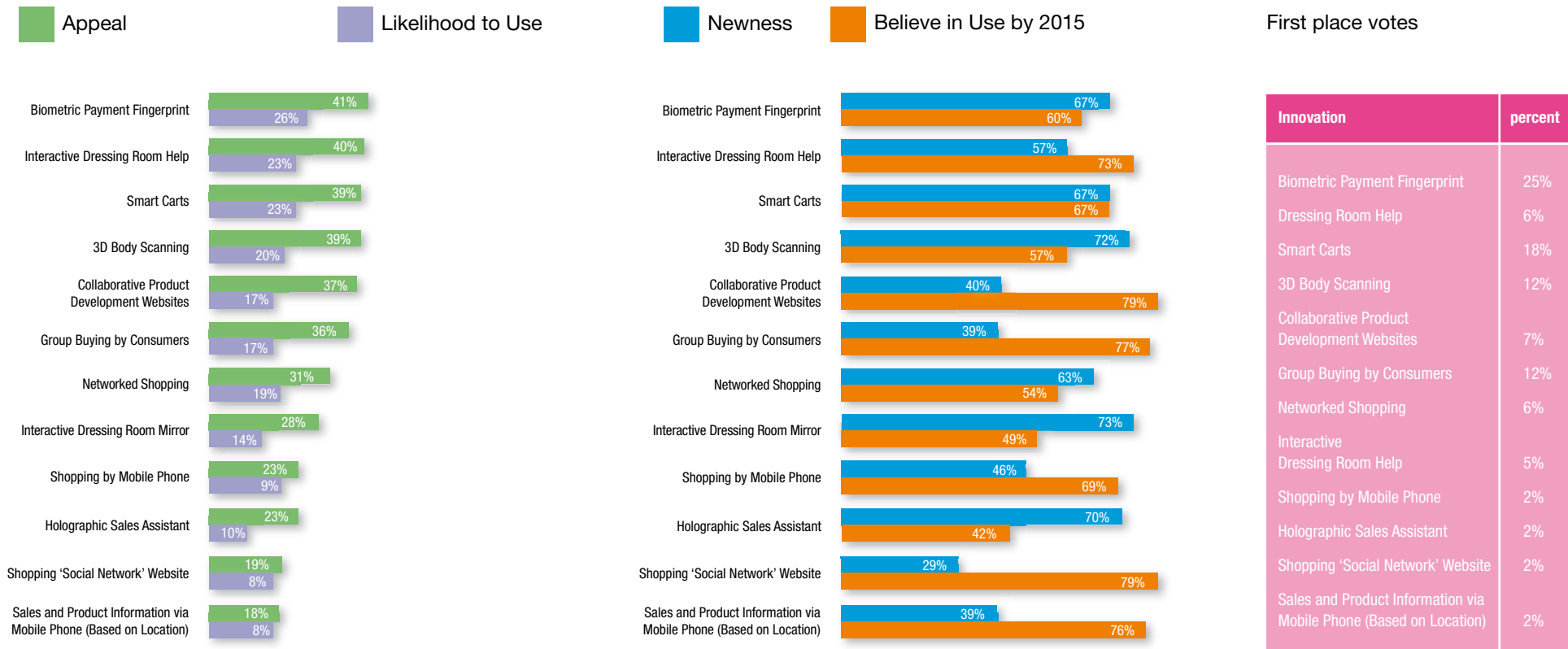
12. Sales and Product Information via Mobile Phone (Based on Location)

Shoppers will opt-in to networks that send them text messages about sales, products and retailers that are relevant to the shopper's current location.

And here are the global results (all 8 countries: Canada, China, France, Germany, Japan, Spain, the United Kingdom and the United States)

There are five measures throughout the **New Future In Store** survey:

- Appeal – percentage of shoppers scoring an innovation as 8, 9 or 10 with 10 indicating 'very appealing'. So an appeal rating of 40% for example means 40% of shoppers scored an innovation 8 or above
- Likelihood to Use – percentage of shoppers indicating they would definitely use this innovation
- Newness – percentage of shoppers rating an innovation as extremely or very new as well as different
- Believe in Use – percentage of shoppers believing this innovation will be in widespread use in their country by 2015
- First place votes – percentage of respondents voting this innovation into first place.



Innovation 1: Pay for your purchases with your fingerprint

Biometric Fingerprint Payment: A shopper can pay for purchases by placing his/her finger on a sensor that reads the fingerprint, linking it to the shopper's bank account or credit card to record the purchase.

What consumers say:

By several measures, biometric fingerprint payment is the most highly regarded of the innovations in the survey. These measures include an appeal rating of 41% of shoppers and a likelihood to use indication of 26% of shoppers.

The difference between these two percentages is relatively narrow. This indicates that this innovation would have a strong likelihood of success in all countries. In North America the gap narrows even further to 31% and 19% for

the US, and 37% and 26% for Canada.

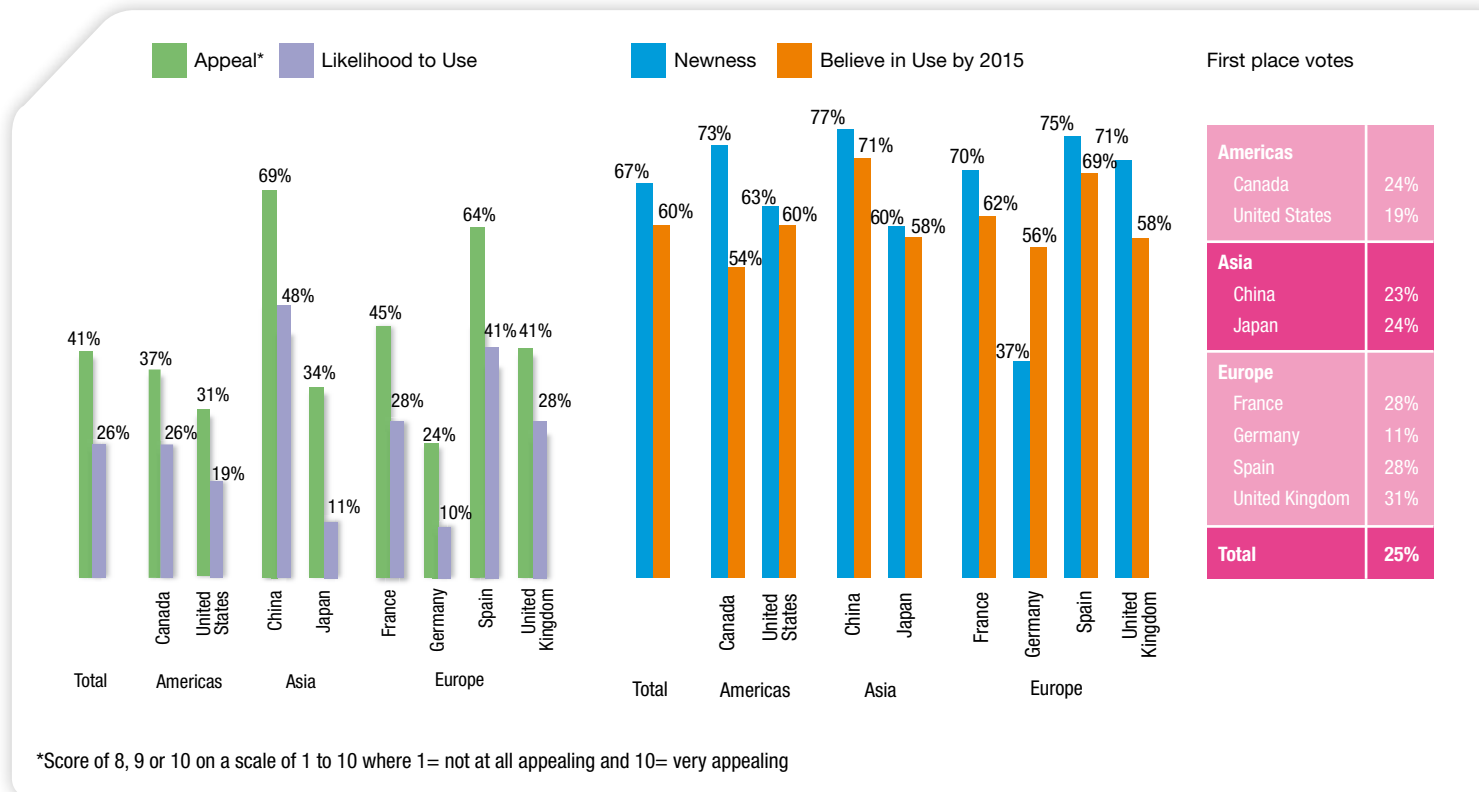
Using a further measure, this innovation also took 25% of all first place votes. Biometric fingerprint payment is well received across the globe and is especially popular in the United Kingdom,

France and Spain (31%, 28% and 28% of first place votes, respectively).

What TNS says:

"The retail world is experimenting with a variety of technologies and biometric fingerprint payment provides numerous benefits—both to the store and to the shopper. As security becomes more robust, shoppers will increasingly welcome the convenience of making a payment using their fingerprint. Payment in this manner will be fast and convenient. This is certainly the kind of innovation we'll see going forward."

Dan Stanek,
Executive Vice President,
TNS Retail Forward



Innovation 2: Speak to the sales assistant using the dressing room digital touch-screen

Interactive Dressing Room Help: Using a digital touch-screen, a shopper in the dressing room can communicate with sales personnel – without having to return to the sales floor to search for help.

What consumers say:

Communicating with sales staff through a dressing room touch-screen is well liked among consumers. The concept of an interactive dressing room came a close second to biometric fingerprint payment in terms of appeal (40%) and likelihood to use (23%). However, in Japan and

Germany there was a very low "likelihood to use" rating (7% and 12% respectively).

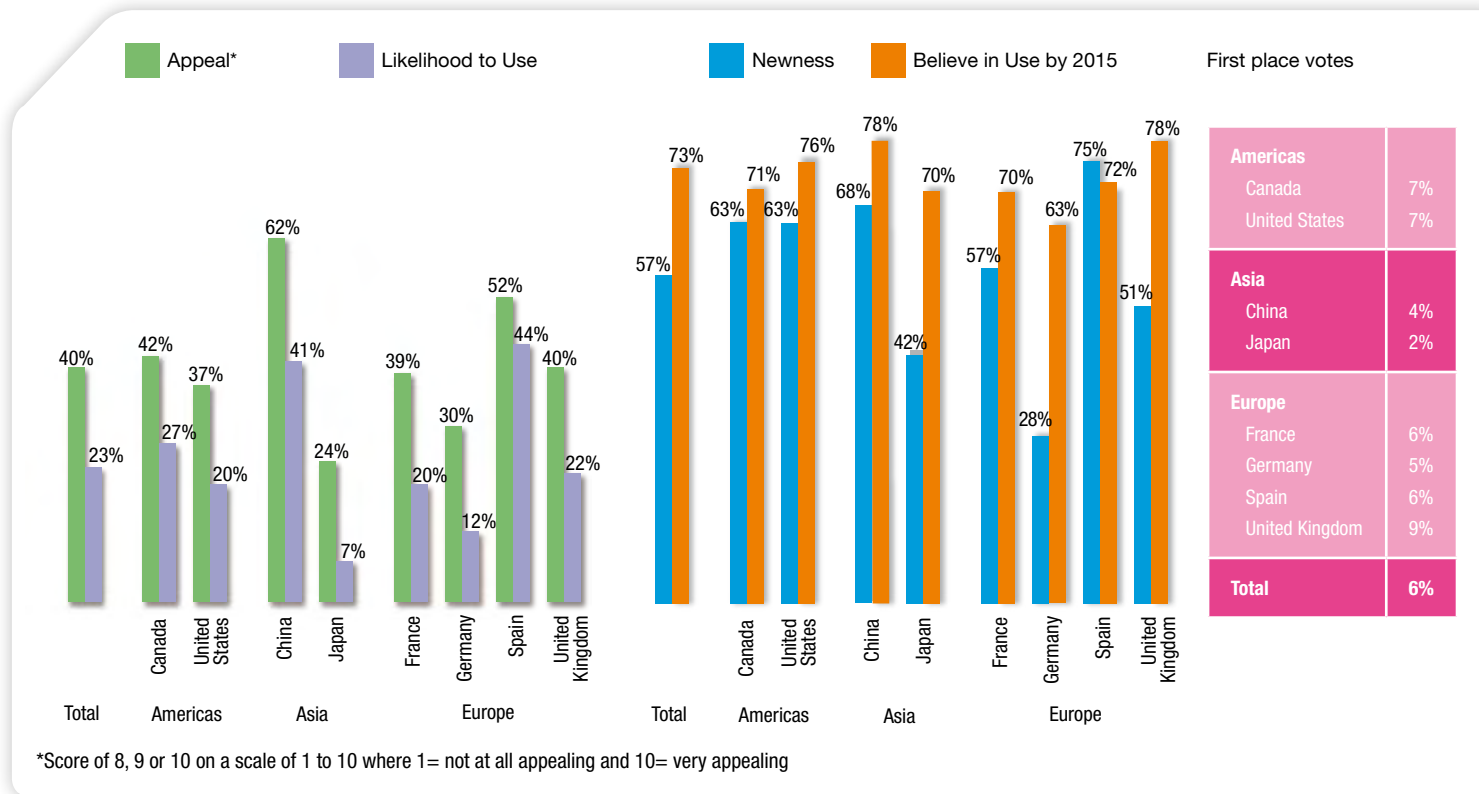
Turning to the question of newness – by which we mean how innovative this concept is – it scores 57%. Perhaps this technology fails to excite because it isn't

very different from stepping out of the dressing room and asking an assistant for help. At the same time, 73% of respondents see this as being in use in 2015. In the US, China, Spain and UK, this figure is much higher at 76%, 78%, 75% and 78% respectively.

What TNS says:

"Fashion retailers typically suffer from low conversion, with fewer than 20% of shoppers using changing rooms. Of these, many fail to purchase because they have taken in the wrong size and don't want to get dressed and undressed again in order to exchange it. Moreover, shoppers in changing rooms feel pressurised by the proximity of assistants, so the convenience and control afforded by this solution will be welcome to them."

Susan Thomas,
Director,
TNS Worldpanel UK



Innovation 3: The smart cart that lets you locate products in store, check prices and promotions, upload recipes and even checkout

Smart Carts: A smart cart incorporates interactive technology via a video screen on the front of the cart, enabling customers to locate products, access shopping lists, check prices, receive promotions and coupons, and scan purchases. The technology can also provide retailers and suppliers with rich data on the shopping trip.

What consumers say:

This innovation has widespread support and is highly appealing (39%) among shoppers globally. Like biometrics, the cart reinforces the ideal that we want shopping to become quicker and more efficient,

and 'smart' tools that make life simpler for the consumer are a huge opportunity for the retailer to reach their customers at the point of purchase.

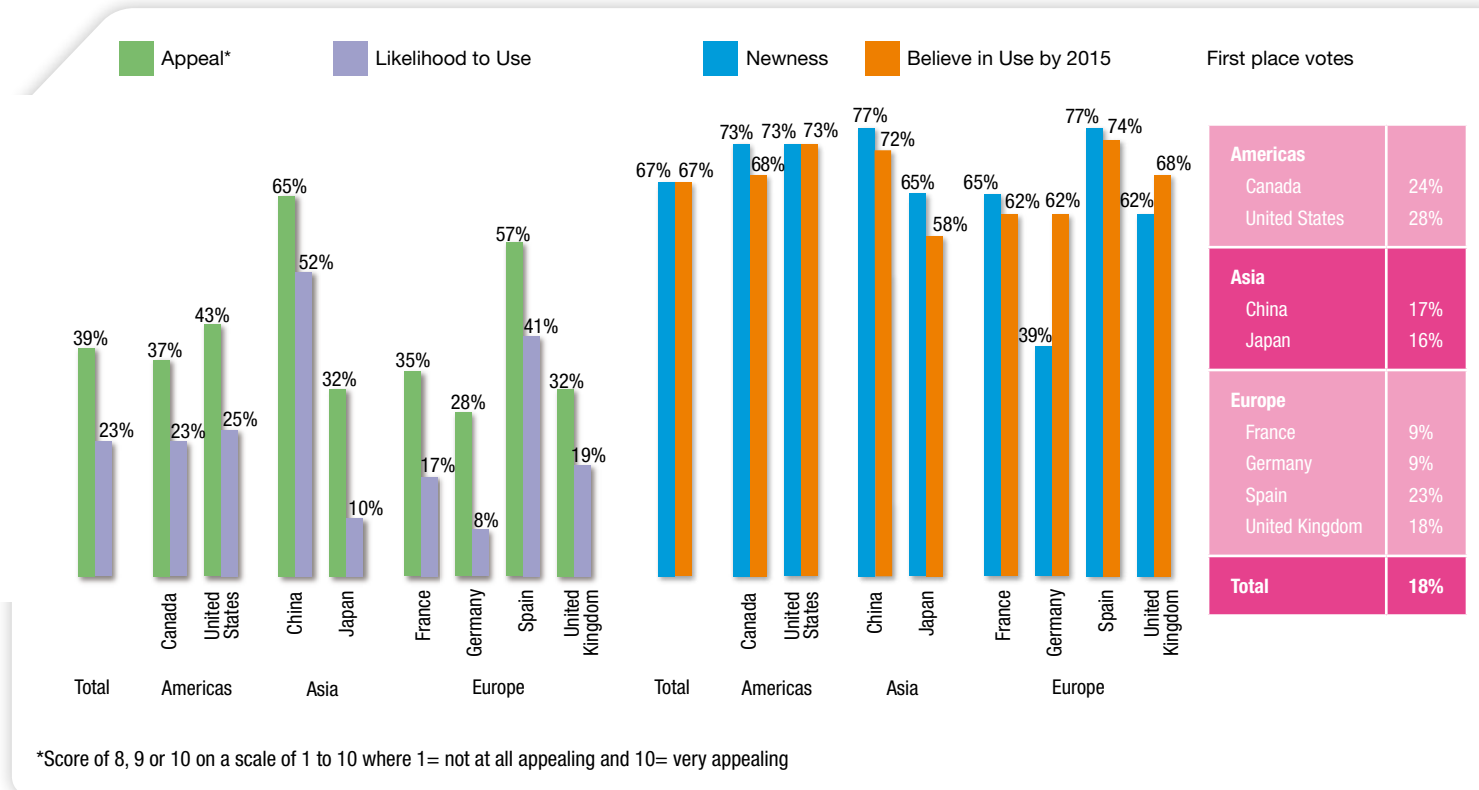
The percentage of first place votes also

underlines that this is a popular innovation. The global figure was 18%, although the number of respondents voting this into first place was much higher in the United States (28%), Canada (24%) and Spain (23%).

What TNS says:

"Retailers already have access to copious amounts of data, and this trend will only increase. Data that helps shoppers will always be a good thing. But for retailers, data in itself is not the key. Data will only provide true value if it provides insights that in turn drives a beneficial change within the business. Smart carts really are a major opportunity for retailers and they will become increasingly commonplace."

James Sorensen,
Executive Vice President,
TNS Retail & Shopper



Innovation 4: The 3D body scan that really makes sure your clothes fit

3D Body Scanning: a scan of a shopper's body will be used to make recommendations about the brands and specific clothes most likely to fit well, or to help fit custom-made clothes.

What consumers say:

The 3D body scan is obviously something consumers see as being very new and different to anything else out there. The innovation scores highly with 72% of respondents thinking it is extremely or very new and different. However, it is not something consumers anticipate using

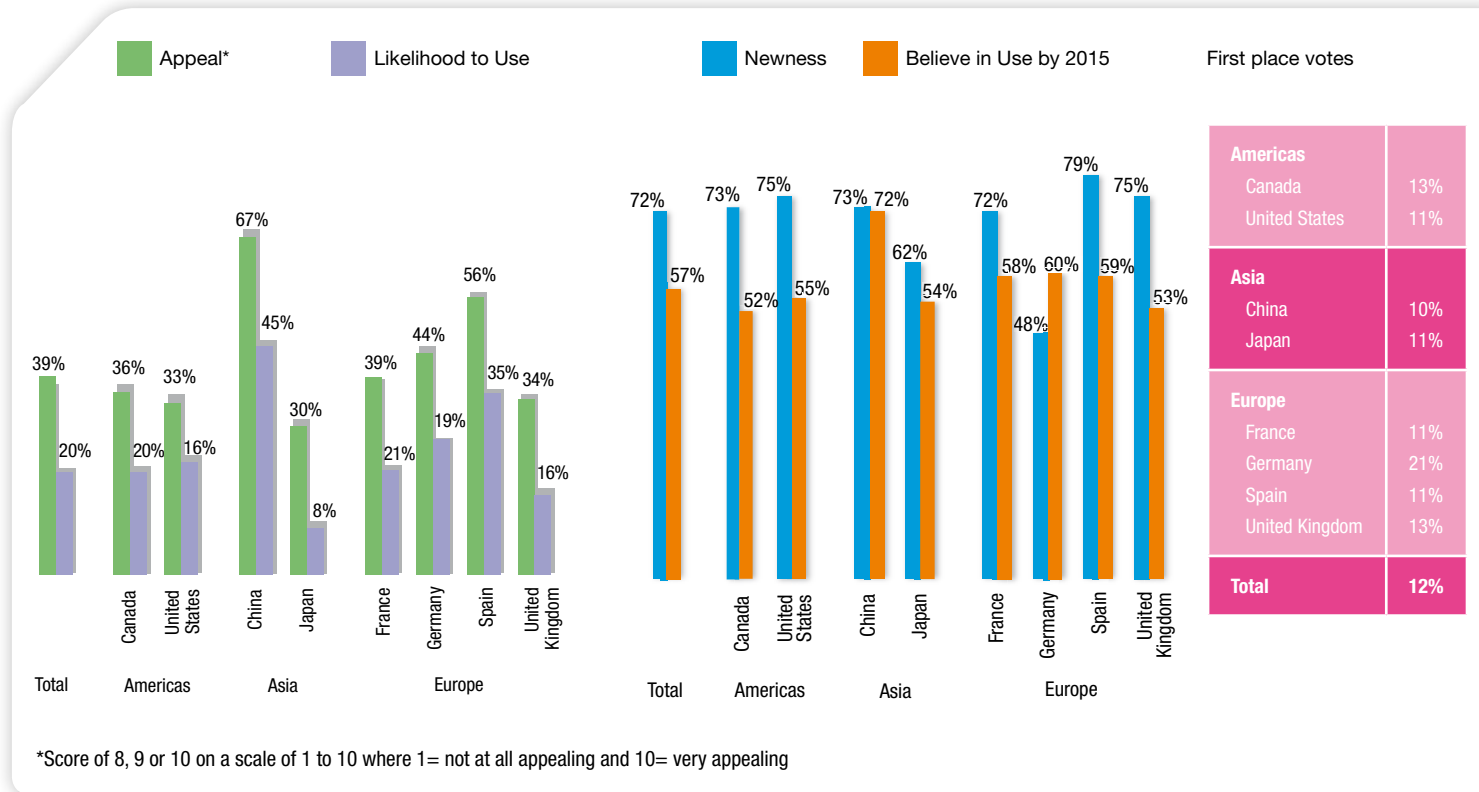
in the future, with the lower figure of 57% of respondents believing it will be in use by 2015. Yet with 12% of the first place votes, it does stimulate interest among consumers, especially in Germany where this gets 21% of first place votes.

What TNS says:

"This kind of technology is already being used in a small number of exclusive outlets around the world and plays perfectly in an environment where people are increasingly willing to pay for personal solutions. While prices for scan-fitted garments are still so high the appeal may

be seen as a one-off novelty or treat, but once shoppers have been scanned their details can be stored allowing them to re-order without having to come back to the store at all. The potential to generate instant loyalty to that retailer as shoppers seize upon the opportunity to buy remotely with a guaranteed good fit is immense. For the fashion industry the data collected regionally about people's shapes and sizes should help inform much higher quality product development for their off the peg lines."

Susan Thomas,
Director,
TNS Worldpanel UK



Innovation 5: Go online to tell the manufacturer about the products you want

Collaborative Product Development Websites: Product developers will encourage consumers to post ideas and answer surveys online about new products and how existing products can be improved.

What consumers say:

There is a feeling among consumers that collaborative product development is already in existence to some extent, with only 40% rating it as extremely or very new and different. It also received the highest scores (79%) of people who think it will be in use by 2015.

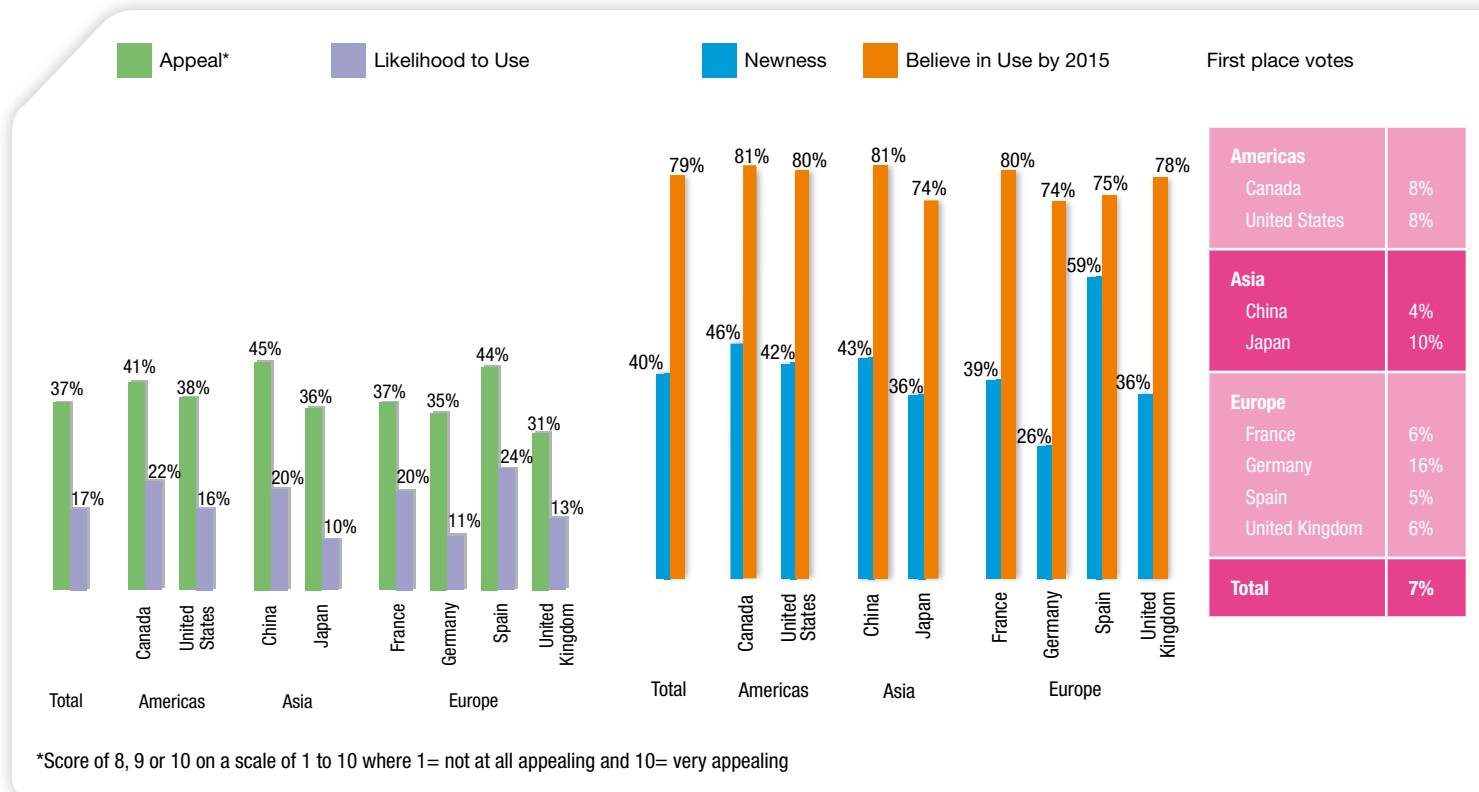
Although collaborative product development scores a reasonable 37% appeal rating, it has a proportionally lower 'likelihood to use' score (17%). This shows us that although consumers like the idea, many feel it does not apply to them.

What TNS says:

"Collaborative product development is already with us, so our aim here was to get a feel for how quickly shoppers believe this will become commonplace. There's nothing to stop the people who make the products we buy from involving the consumer at every stage of the creation

process. Consumers will not wait to be invited by manufacturers to collaborate—they will become vocal advocates of change. So R&D will actively engage the customer at a very early stage. Customer involvement will be the name of the game, and the opportunities for the future are enormous."

Mary Brett Whitfield,
Senior Vice President,
TNS Retail Forward



Innovation 6: Buying power is shopping power – and it will happen online

Group Buying by Consumers: Shoppers join online collaborative shopping communities to aggregate their buying power with other shoppers.

What consumers say:

Group buying is a solution that seems to appeal to more experienced web users – Japan and France for example, both gave it a high percentage of first place votes (15% and 18% respectively). This wasn't seen as being particularly new –

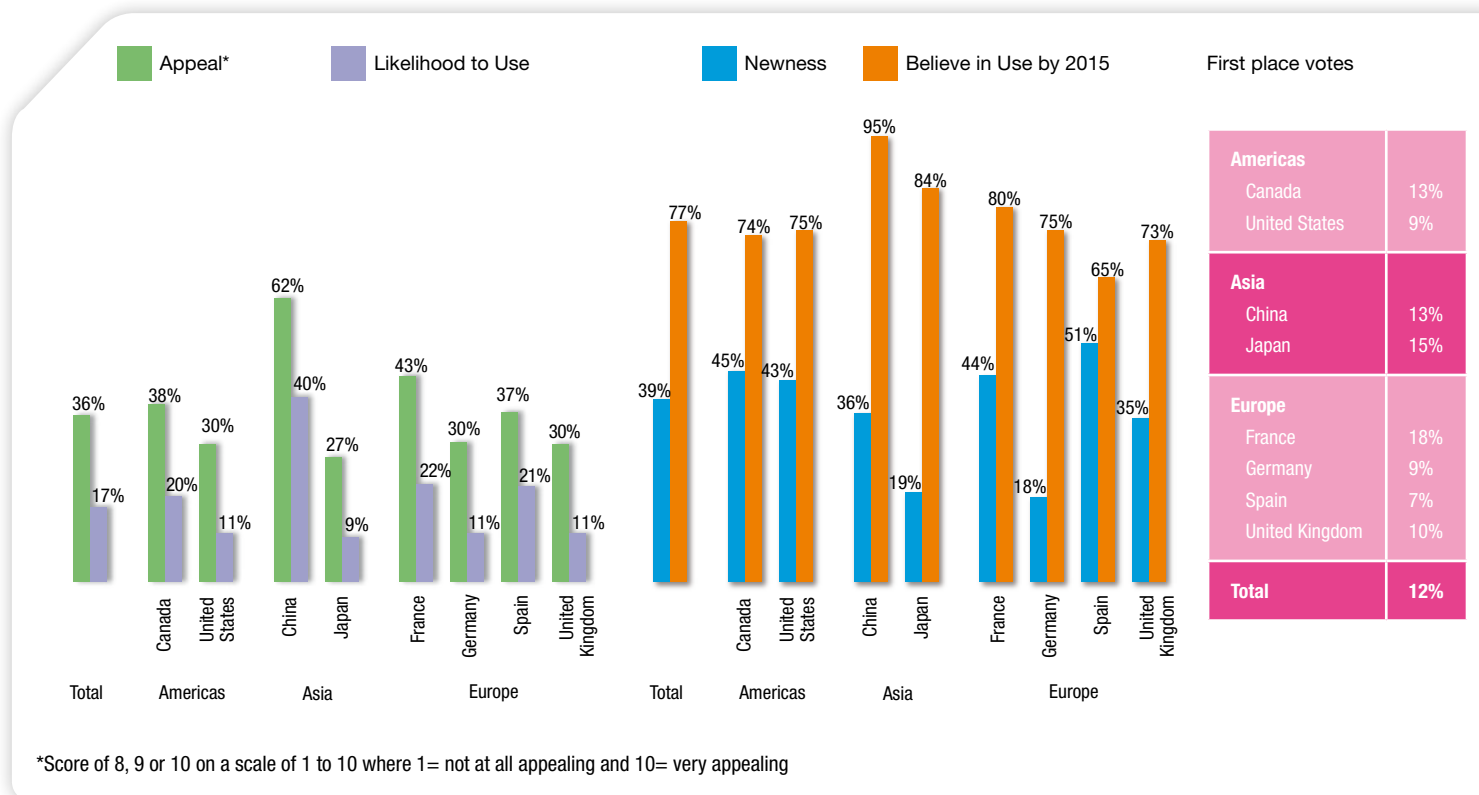
only 39% of respondents took this view. In Japan and Germany, these figures drop to 19% and 18%. But that doesn't prevent people from seeing this from coming into widespread use. There is a strong feeling that shoppers will soon be

using the web to become more powerful consumers, with 77% believing it will be in use by 2015. This belief is even higher in China (95%) and Japan (84%).

What TNS says:

"The future of retailing will be about 'power to the people.' The Internet has created massive transparency and consumers know this. There is nothing to stop shoppers from aggregating their buying power with other shoppers. The only questions are: across how many product categories will this extend and how widely will online shopping communities spread? We are likely to be surprised by the answers to these questions. Manufacturers distribute their products globally, so what's to stop shoppers from organising themselves on a similar global basis. The implications for manufacturers and retailers are immense, with an impact on brand equity, pricing, profitability, distribution and much more."

Arnaud Frade,
Regional Director,
TNS Retail & Shopper ALM



Innovation 7: Welcome to the networked fridge

Networked Shopping: Networked devices in the home – such as networked fridges – will monitor what products consumers use, create shopping lists, and communicate with other devices to arrange deliveries.

What consumers say:

Do shoppers believe sophisticated capabilities like networked shopping will be widely available to them in the near future? Across all 8 countries surveyed, 54% of consumers think devices like refrigerators could be networked in this manner by 2015.

This is the third-lowest score (after interactive dressing room mirror and holographic assistants) which indicates consumers do not feel technology is ready to become truly intelligent. There is often a distinct gap between the questions of appeal and

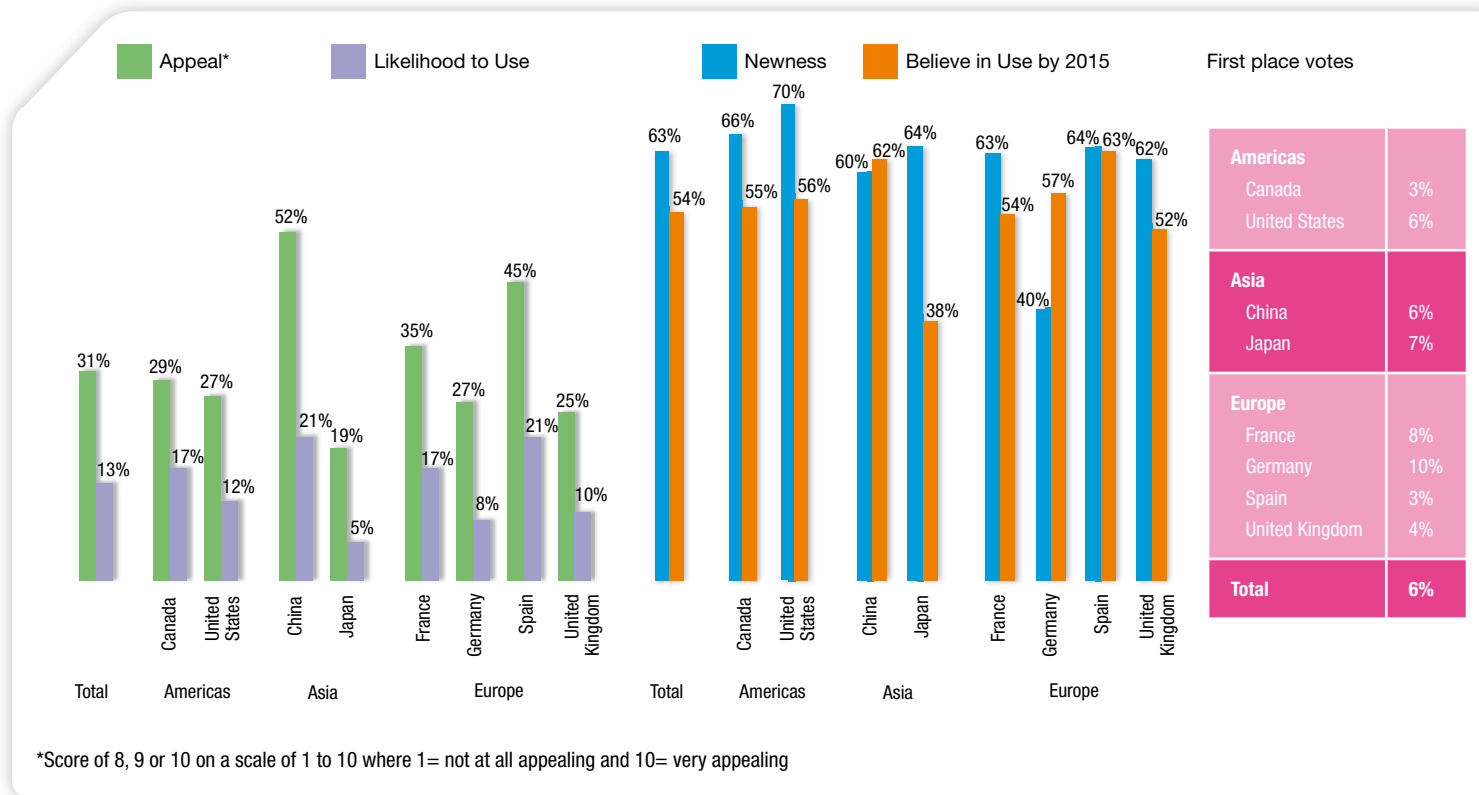
likelihood to use. Across all countries, there was a score of 31% for appeal, although the percentage who saw themselves definitely using this innovation is much lower at 19%. This innovation is definitely popular in China, where 52% of respondents give it an appeal

rating of 8 or above, although only 21% would definitely use this. The appeal was strong in Spain and France too, where the appeal ratings of 8 or above were 45% and 35% respectively.

What TNS says:

“As households have increased digital capabilities, they’ll have the opportunity to link seamlessly to retailers. We’ll see the fully networked home much more frequently than we might think, and this will affect the way we replenish our households. As this method of replenishing the home becomes more prevalent, there will be a greater likelihood of new products failing. We’ll see extensive range rationalisation too. Innovation will come from new category invention and manufacturers’ product development processes will be very different – with potentially wide-ranging implications.”

Pat McCann,
Director,
TNS Retail & Shopper Europe



Innovation 8: Welcome to your interactive dressing room mirror

Interactive Dressing Room Mirror: It looks like any other mirror, but is actually a high-resolution digital screen with a camera that can relay live video and project holographic images of clothing items so customers can see how they will look in an outfit without trying it on.

What consumers say:

What stands out here? China really likes the idea of an interactive mirror in a store's dressing room. No less than 61% of respondents rated this innovation an 8 or above, which means shoppers give it a high appeal rating. Is there an especially strong

concern about body image in China? It's an interesting finding. Spain also likes this innovation as is evident from the 43% of respondents who ranked it at the upper end of the appeal scale.

There's a gap though when it comes to

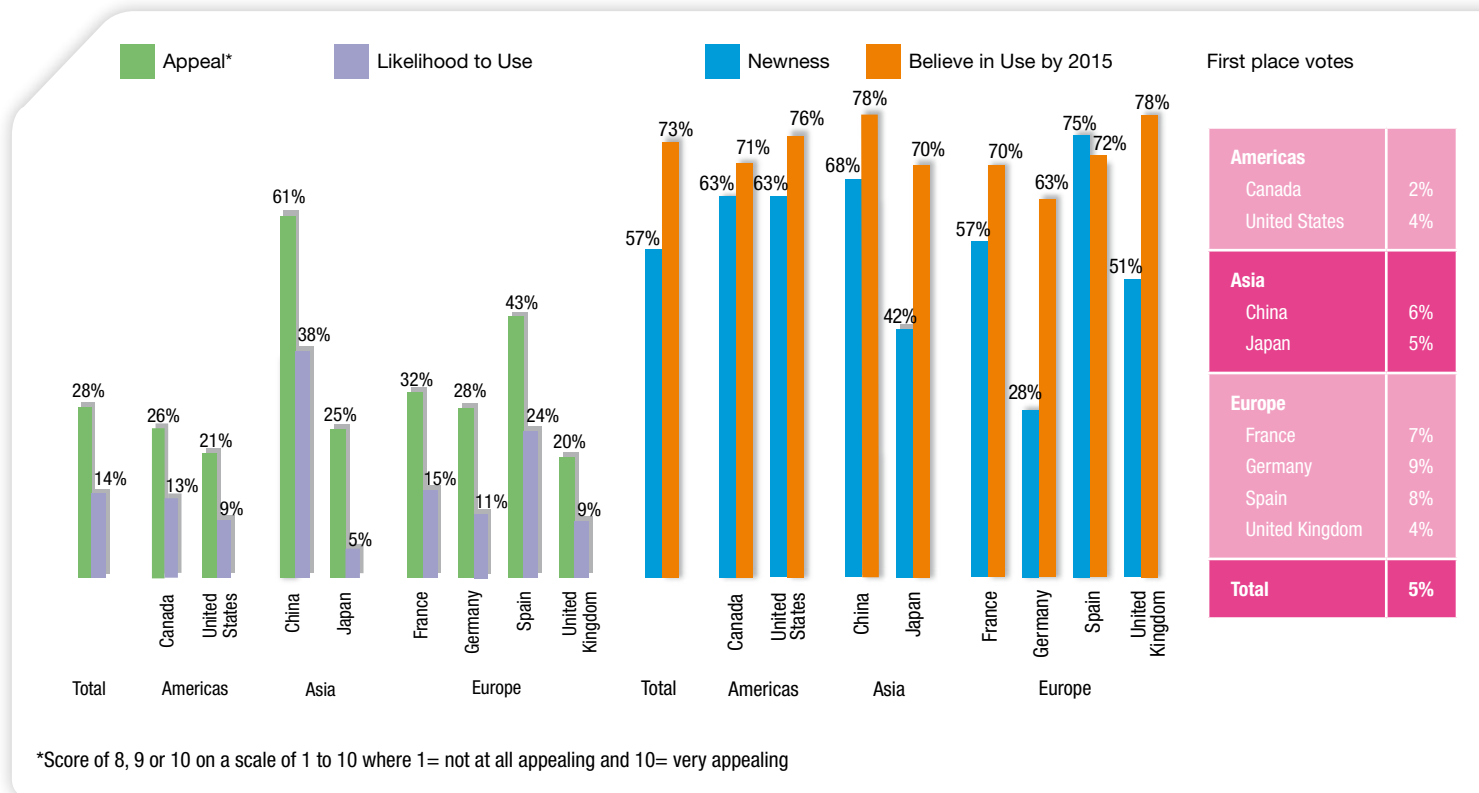
likelihood to use. Across the eight countries surveyed, 28% scored this innovation as 8 or above for appeal, but only 14% indicated they would definitely use this innovation. The gap was most pronounced in Japan, where 25% scored this as 8 or above, but only 5% saw themselves really using this.

There were very few first place votes for this innovation. In the United States and United Kingdom, only 4% scored it as their favourite. In Canada, only 2% said it was their favourite.

What TNS says:

"Will we be able to see how we look in a set of new clothes without actually trying them on? I think we will. And I think shoppers will become accustomed to this kind of innovation. The convenience lies in the interconnectedness of having an interactive mirror. If you are looking at live video, why not have friends and family looking at a new outfit with you from distant locations? And who's to say you even need to visit the store to try clothes on? Technology is already having a major impact on the shopping experience, and this kind of capability will affect the way retailers do business both with its customers and with its suppliers."

Mary Brett Whitfield,
Senior Vice President,
TNS Retail Forward



Innovation 9: Activate your 'shopping trip' remotely via your mobile device

Shopping by Mobile Phone: Shoppers will use mobile devices to place orders and arrange delivery from remote locations.

What consumers say:

The number of respondents who rated this as extremely or very new and different was 46% across all eight countries. But what stands out is that there's a much higher percentage in every case that sees this kind of technology being in use by 2015. Across all eight countries, 69% see this

being in widespread use. That figure jumps to 74% for the United States and 78% for China.

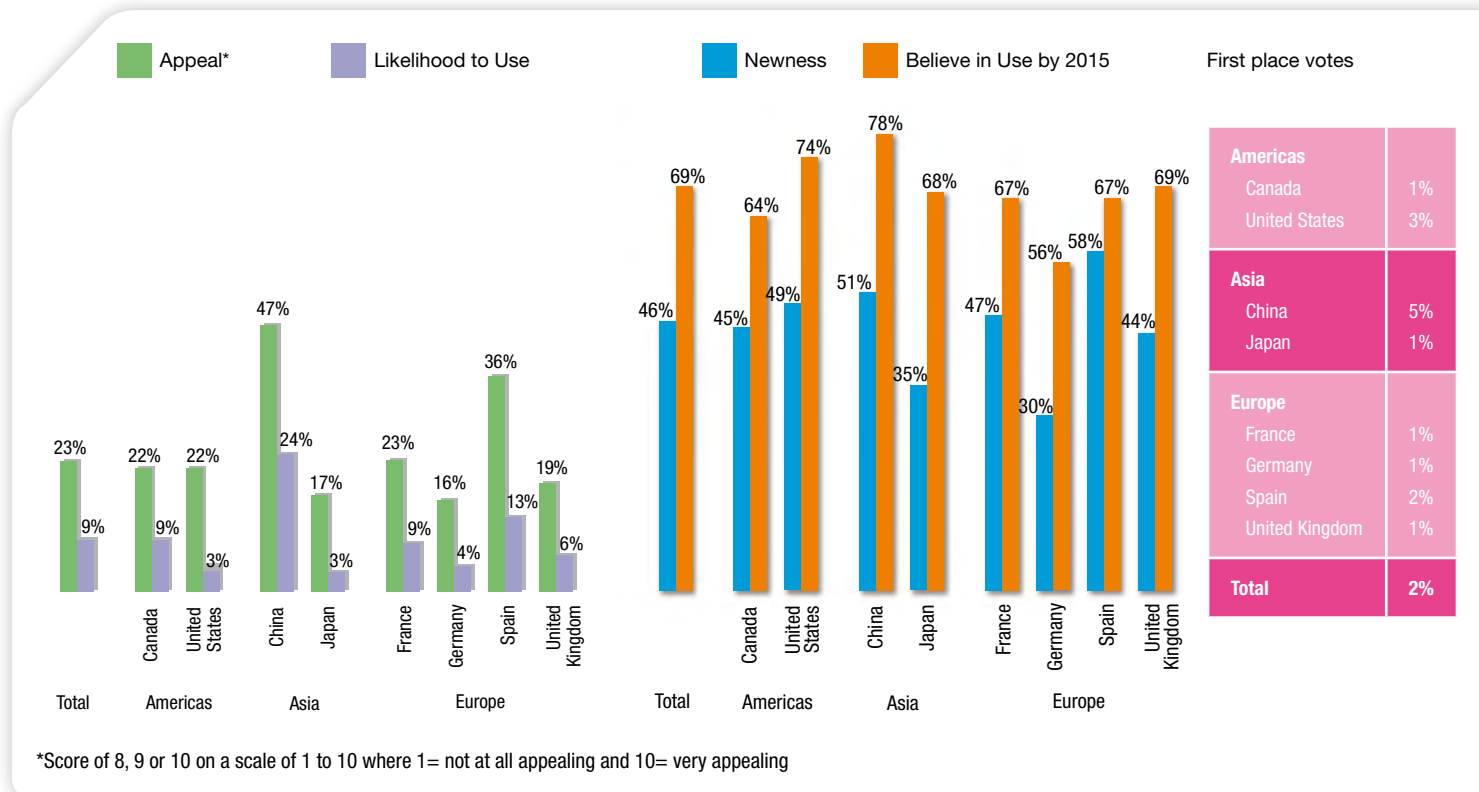
Was this innovation often in first place? The answer is no. The use of a mobile device for placing orders or arranging

delivery won only 2% of first-place votes globally. If retailers want to put this kind of technology in place, they should take note. Are existing mobile capabilities not meeting customer expectations? Will tomorrow's mobile devices make it easier for us to shop?

What TNS says:

"As mobile phones and other mobile devices adopt increasingly sophisticated functionality, it's likely there will be significant demand for activating a shopping trip while on the move. This will work especially well for routine, basic food, beverage and household purchases, but in reality there are no limits to how widely this could be adopted. Shoppers will certainly be able to conduct a variety of transactions regardless of their location, or the time of day. Retailers will naturally want to respond to this opportunity."

Pat McCann,
Director,
Retail & Shopper Europe



Innovation 10: Meet the sales assistant that's a hologram

Holographic Sales Assistant: Shoppers will interact with an in-store hologram that can answer questions and facilitate merchandise transactions.

What consumers say:

A large percentage of shoppers (70%) rate the holographic sales assistant as extremely or very new and different. But it is also the innovation that has the fewest people (42%) believing it will be in widespread use by 2015. Consumers in the United Kingdom and Germany are

particularly skeptical about seeing in-store holograms within this timescale (32% and 30%).

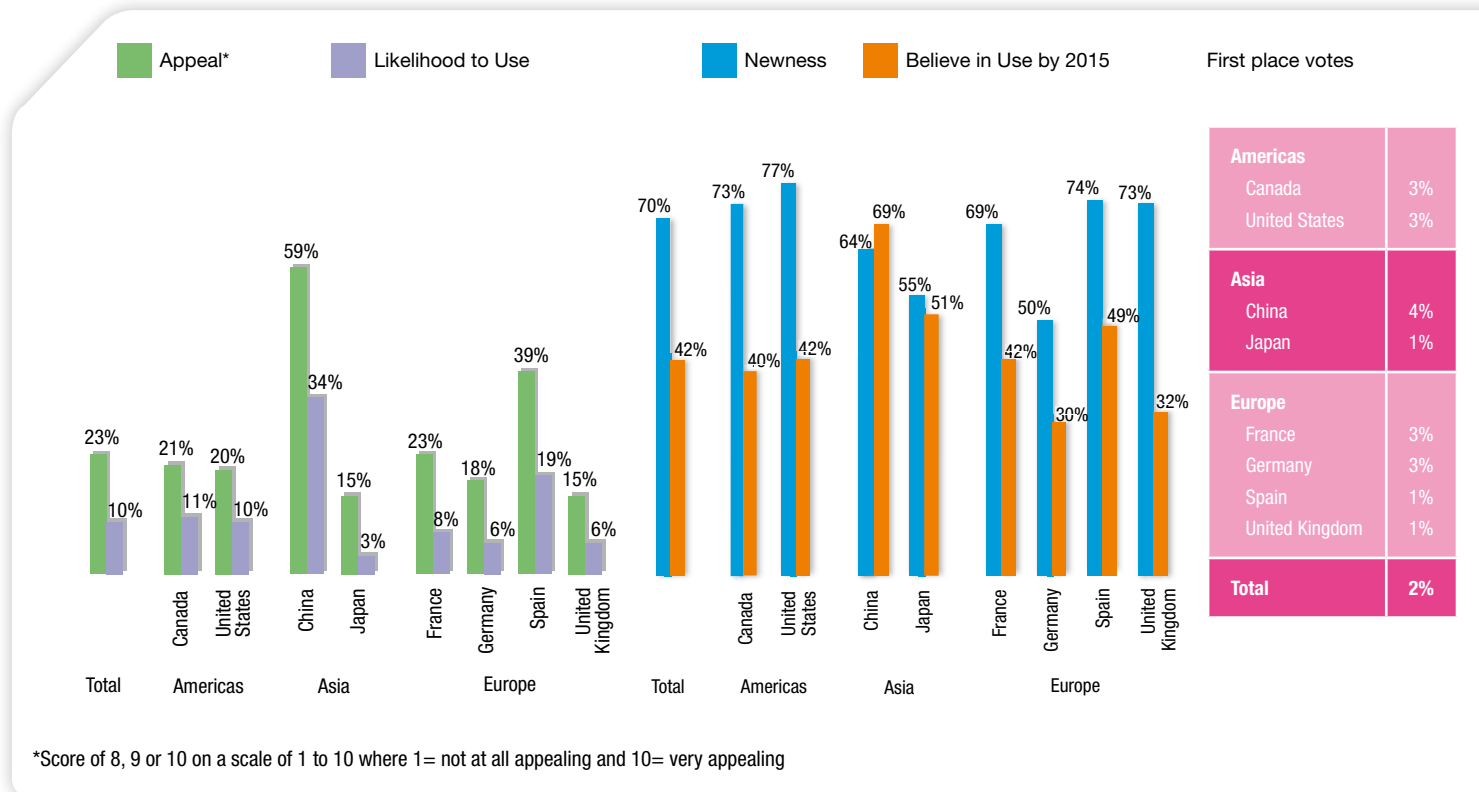
This innovation gets a low appeal rating. Just 23% rated it as 8 or above, so it appears shoppers are not keen on seeing

holographic sales assistants in the retail environment. Presumably they'd prefer good old human beings to play the role of staff. There were two notable exceptions though with 59% in China and 39% in Spain giving this innovation a high appeal rating of 8 or above.

What TNS says:

"Technology will continue to reshape the retail interface, and the pace of change will accelerate. Shoppers can be excused for assuming hologram sales assistants would lack the human touch. But paradoxically, shoppers are frequently overwhelmed by too much choice and this technology will provide welcome reassurance and help at the point of purchase, particularly for high-value or complex purchases. And when the shopper has acquired all the information they need, they can still speak to staff to get further assistance. Once shoppers see holograms in action, they'll like the idea of having a knowledgeable alternative to the traditional warm human being."

Dan Stanek,
Executive Vice President,
TNS Retail Forward



Innovation 11: Join a social network site to find the hottest stores, trends and products

Shopping 'Social Network' Website: Shoppers share information about the hottest stores, designers, trends and must-have products – all online. Retailers and suppliers will be able to monitor social networking sites to find out what consumers want and take early action to develop and stock those products.

What consumers say:

Nearly 80% of consumers believe that using social networks to find out the latest information about retail will be in widespread use by 2015, although a low 29% of people rate it as extremely or very new and different. This indicates that the first waves

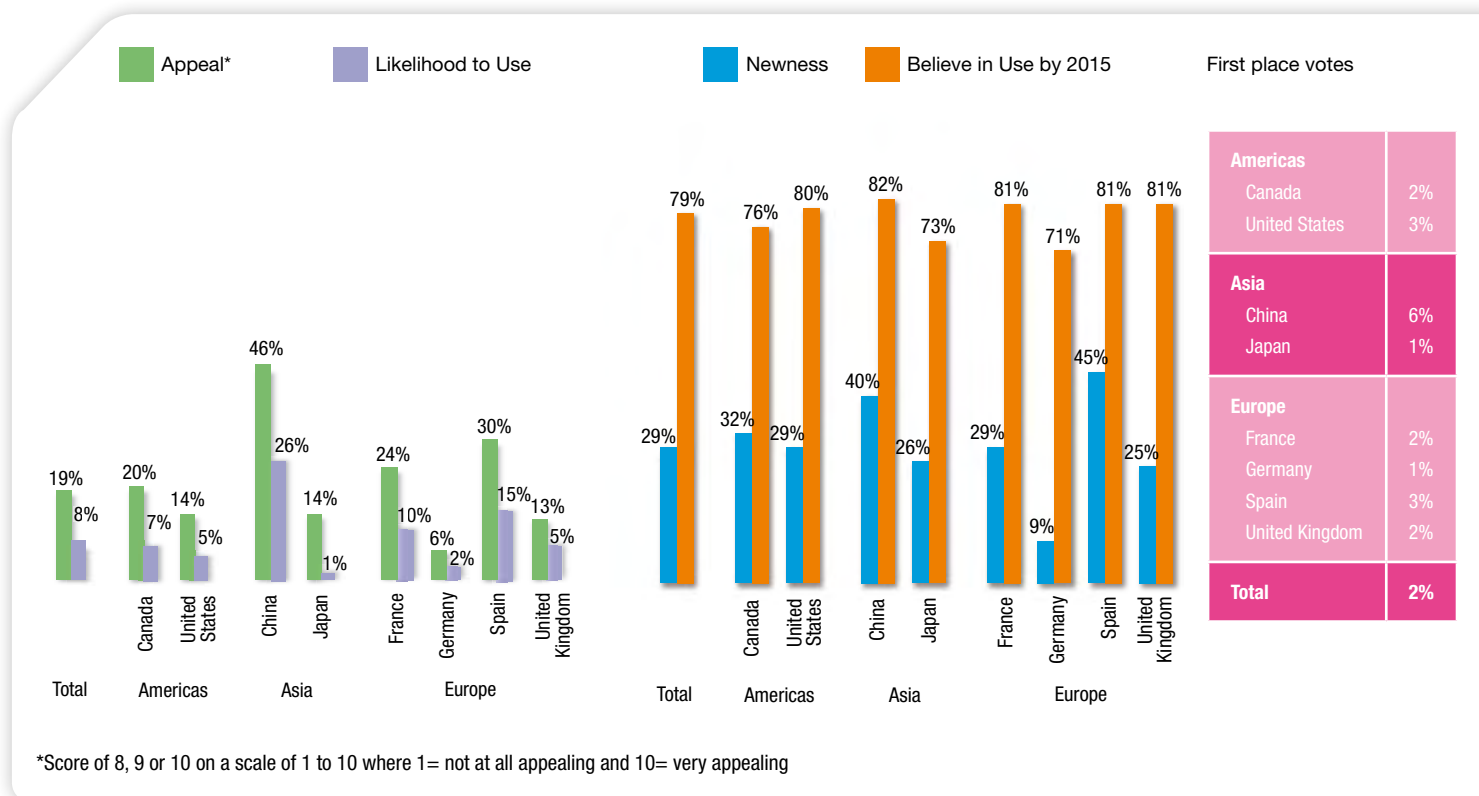
of this innovation are already in existence. A likelihood to use score of 8% and an appeal rating of 19% indicates however, that consumers are still reluctant to use social networks in this manner. This is especially true in Japan (1%), Germany (2%), United

States (5%), United Kingdom (5%) and Canada (7%), where the ratings of likelihood to use are even lower. In China, however, the appeal rating was much higher – 46% of respondents gave it a score of 8 or above.

What TNS says:

“The Internet has already revolutionised the retail space—but this will go further. Shoppers are already sharing news and views, and this trend will grow rapidly. But it won't just be a C2C conversation as retailers and suppliers will tap into what is being said. Indeed, the process will begin to resemble the mechanics of collaborative product development. Smart retailers and savvy suppliers will learn from what they hear shoppers talk about, and they'll provide more of whatever makes their customers happy. They'll learn more about the needs of consumers. This new empowerment of the public will also have a major impact on the retail world.”

Arnaud Frade,
Regional Director,
TNS Retail & Shopper ALM



Innovation 12: Walk near your favourite shops and your mobile phone will tell you about sales, products and special promotions

Sales and Product Information via Mobile Phone (Based on Location): Shoppers will opt-in to networks that send them text messages about sales, products and retailers that are relevant to the shopper's current location.

What consumers say:

The least appealing innovation is marketers using mobile phones to inform shoppers about sales, products and promotions. Only 18% of shoppers globally gave this a score of 8 or more for appeal. However, shoppers seem resigned to the fact that personalized

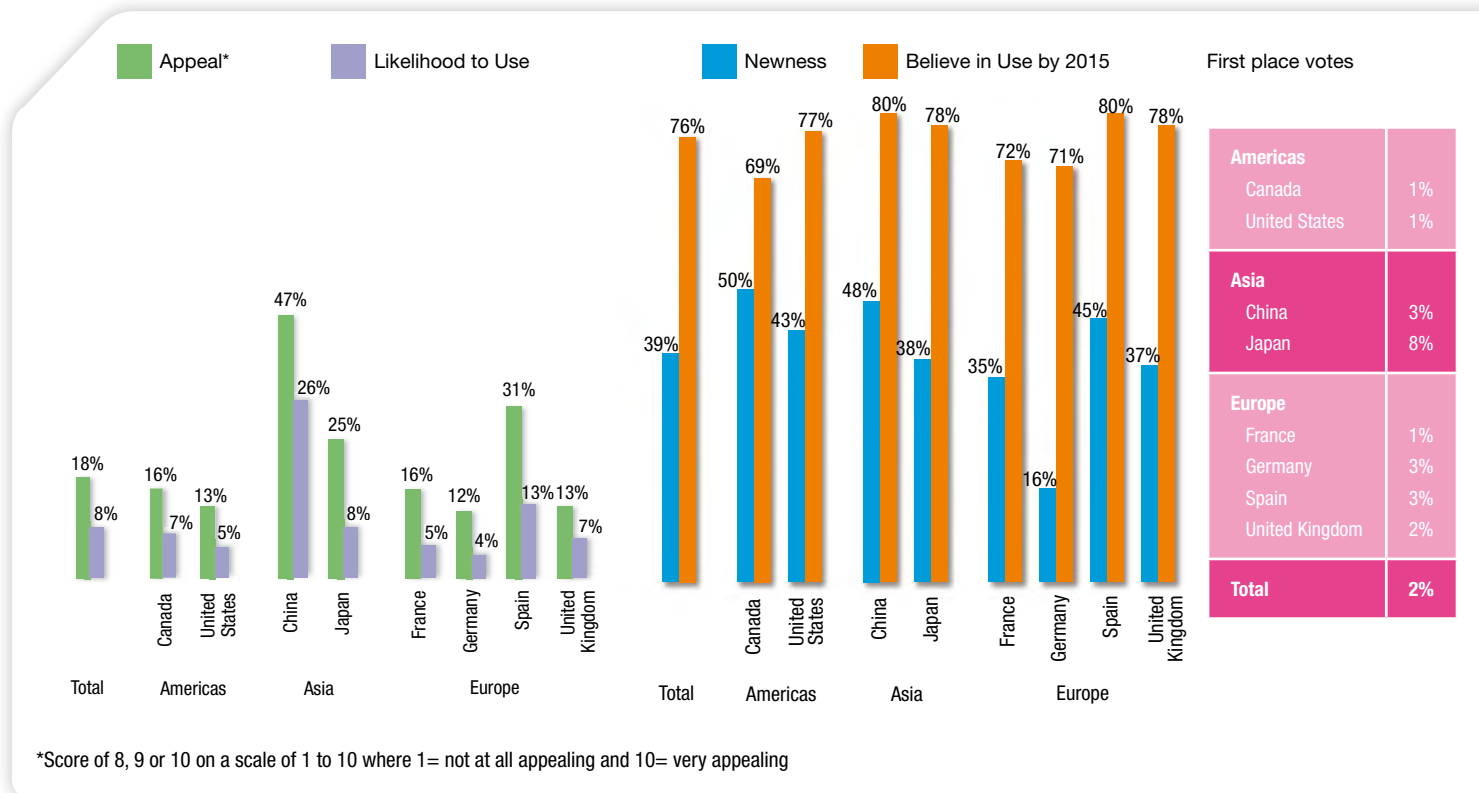
promotions to their mobile will be in popular use in the near future, with 76% of people assuming it will be widespread in 2015. This should be a warning sign to those marketers already experimenting with mobile marketing and/or looking for mobile marketing to solve

the dilemmas of fragmented consumer and media markets. Shoppers seem not to like the idea of retailers running location-based promotions that reach a mobile phone, but they seem resigned to the inevitability of this kind of technology.

What TNS says:

"Retailers looking to rush ahead with mobile marketing should take note, as there appears to be a lot of resistance out there. Shoppers will no doubt have greater access to mobile devices at home and in their hands, and miniaturization will bring increased functionality. But retailers should check how well existing mobile capabilities are meeting customer expectations. They need to understand consumer resistance, then find ways of ensuring tomorrow's mobile devices make it easier for us to shop. This also raises questions about invasion of privacy, but I'd expect shoppers to accept more intrusive marketing techniques and strategies from retailers in future years."

James Sorensen,
Executive Vice President,
TNS Retail & Shopper Insights



What does this mean for retail in the future?

We live in times of dramatic change – the increasing impact of technology and the speed of its implementation is refocusing society and changing our values.

Nowhere is this more relevant than in the retail arena. But each and every technological advance has to be filtered through the lens of the shopper – and these are demanding beings. When advances such as holographic assistants and video karts were first predicted in the early nineties, shoppers were much more prepared to work with retailers. However, as an industry, we have created a generation of marketing-savvy shoppers who see such features as expected: a view amply demonstrated by this study.

There is also an interesting divergence between theory and practice as consumers' enthusiasm frequently does not translate into shoppers' satisfaction. With so many categories in the store being shopped subconsciously for habituated purchases, retailers need to offer significant benefit in terms of convenience or value to make any new concept work in-store.

At the same time, continuous over-claiming, low impact price deals and poor product development have devalued our traditional mechanics to make them meaningless. I think it likely that by 2015 price will no longer be a competitive tool: everyone will have to sell at the same low price unless they can demonstrate a palpable difference. Convenience may well be the factor that attracts the premium.

2015's successful mass retailer will sell food, food service, clothing and furnishings; retail brands will merge to become solution providers grouped under a single roof. Stores will incorporate areas of low interaction / quick process; islands of high interaction / high service; spaces for interactive



Siemon Scamell-Katz
Founder of TNS Magasin

research for later online purchase; and service points for other providers such as airlines and health clinics using a range of the emerging technologies. In consequence, in-store layout and communication will be based on the 'life shapes' of a store's shoppers.

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