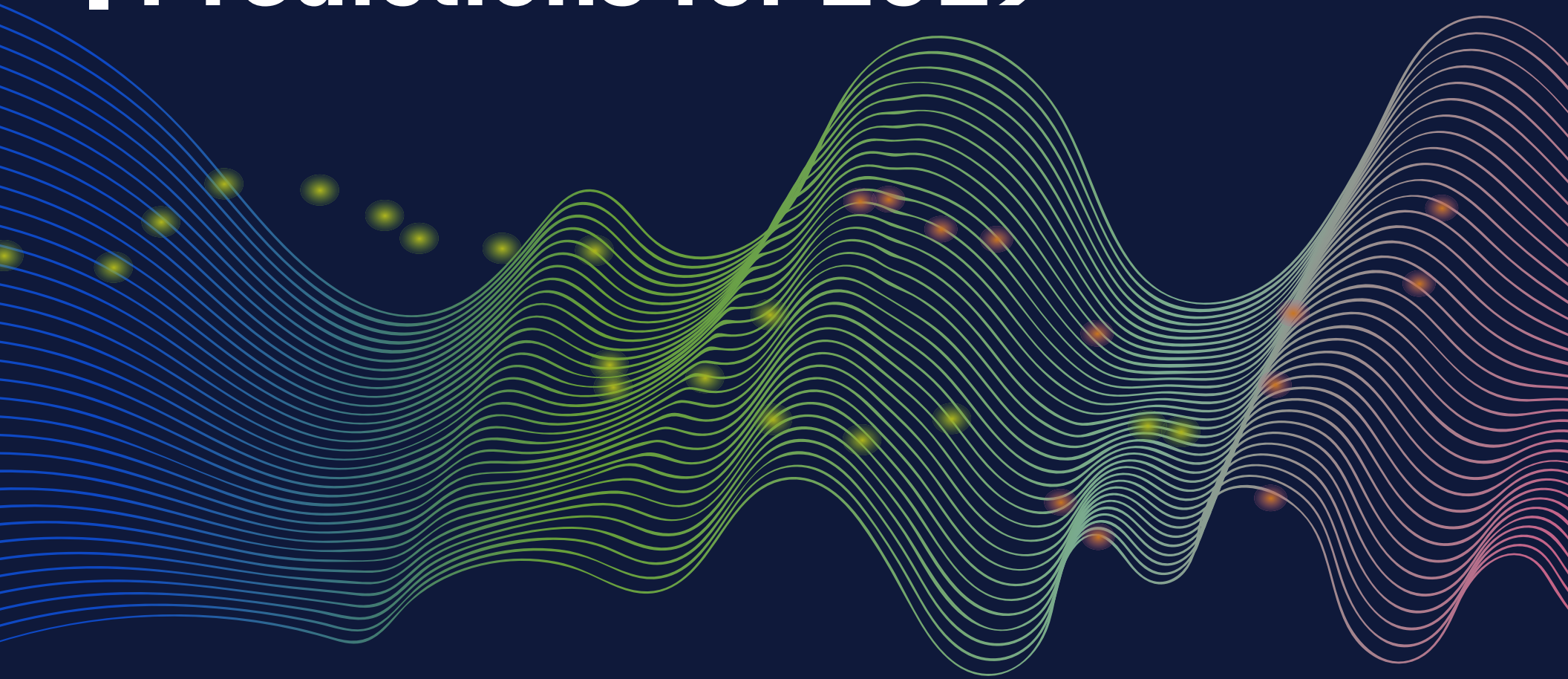


2019 INSIGHTS

# 8 Retail & Logistics Predictions for 2019



# The world is changing faster than ever

3,800 additional retail stores<sup>1</sup> closed their doors in 2018, eCommerce continued its rise to prominence—growing more than 18%<sup>2</sup> year-over-year, and the retailers who survived took drastic measures in order to meet consumers' ever-rising expectations.

Kohl's took an unexpected turn and partnered with Amazon, allowing returns<sup>3</sup> in more than 100 stores in an attempt to boost store traffic, while Walmart acquired 5 more companies<sup>4</sup>, adding on to its substantial eCommerce portfolio, and, as we all know, the long-standing Toys R' Us closed its doors for good.

There were record holiday sales, and online shopping surged 17% with mobile accounting for 31% of those sales<sup>5</sup>. It was a big year and the momentum will only continue into 2019.

Turns out, the only constant is change.

## HERE ARE THE TOP 8 PREDICTIONS FOR 2019:

1. Retailers discover the secret to avoiding Amazon
2. In-store is back in style
3. Delivery promises get personal
4. Unboxing experience opens new opportunities
5. Tech won't save you, people will
6. Flexibility starts with the supply chain
7. There's a new mall, and it's cool again
8. Supply chains will save the world



# 1. Retailers discover the secret to avoiding Amazon

39% of FLEXE employees say that retailers and brands will take sales into their own hands this year.

**Prediction: Retailers and brands will continue to refine their retail strategies to not only avoid Amazon, but grow in spite of it.**

Amazon is the undisputed eCommerce king. To date, their business is unparalleled, and partnering with them comes with some significant risks (sellers sacrifice customer and sales data, as well as branding).

But, digitally native brands like Glossier, Brandless, Everlane, and Reformation are succeeding by actively reinventing the retail experience—making it possible to avoid Amazon as a sales channel.

**FLEXE opinion:**

“In 2019, we’ll see further decentralization of eCommerce. The industry will move away from giants like Amazon as more companies are able to compete with one- and two- day delivery times. We’ll also see physical stores making a resurgence as consumers want more choices in how they shop.”

The “anti-Amazon” movement focuses less on the “hyper-transactional” business model that Amazon has built. Instead, these businesses have built lifestyle brands that inspire their shoppers, and incentivize loyalty through simple and reliable customer experiences—from navigating their websites, to the post-purchase experience, to returns.

No one can create the infrastructure that Amazon has, but they don’t have to. With new logistics technologies, such as on-demand warehousing and fulfillment, freight forwarding, end-to-end visibility, and more, retailers and brands can more easily create an omnichannel strategy that gets their brand in front of their customers on every channel, while also ensuring a consistent delivery experience.



## 2. In-store is back in style

**Prediction: More eCommerce brands will open physical retail spaces to connect with their customers, following in the footsteps of Warby Parker, Bonobos, Glossier, Everlane, and Casper.**

From legacy to new entrants, retailers and brands will create more in-store experiences to increase engagement with shoppers. Physical stores are one of the only growth channels<sup>6</sup> left for digitally native brands, and storefronts offer the human interaction that eCommerce lacks.

According to Sitel Group's 2018 Index Report<sup>7</sup>, "70% of consumers still want human interaction versus bots" and brands are taking new and inventive approaches to providing this human component.

Pop-up shops have become a go-to choice for both smaller brands looking to acquire new audiences, and legacy department

stores like Macy's and Nordstrom who are using them to generate buzz and niche traffic. In a recent survey<sup>8</sup>, 19% of fashion and beauty brands saw pop-ups as their greatest marketing opportunity for 2019.

Retailers like Nike and Sephora are creating digitally-driven in-store experiences to stand out in their customers' minds. Nike's new store concept, Nike Live, features highly personalized services, product selections, and experiences for its in-store shoppers based on customer data.

Sephora's new digitally connected store<sup>9</sup> features a "Beauty Hub" where customers can virtually try out its products and then get product recommendations automatically sent to their online profile—seamlessly melding the in-store and online experience.

REI has focused on providing value through "expertise experience." They have a highly-trained staff of outdoor enthusiasts and a host of in-store services such as personal outfitting, gear repair, a climbing wall, and even educational classes. Customers get a level of expertise and guidance that they simply can't get anywhere else—earning them an immeasurable amount of brand trust and loyalty.

### **FLEXE opinion:**

**"In-store shopping experiences will be more exhibition-focused rather than just about the transaction."**

A close-up photograph of a wooden chess piece, possibly a king or queen, resting on a white measuring tape. The tape is marked with numbers from 22 to 36. The background is dark and out of focus.

### 3. Delivery promises get tailored

**Prediction: Retailers will get smarter about their delivery promises, offering more options based on customer data.**


As consumers, we'll always want more. "Even when they don't yet know it, customers want something better." - Jeff Bezos<sup>10</sup>

It's no longer enough to offer same-, next-, and two-day delivery. The truth is, customers want choices about how, when, and where they get their purchases.

During the 2018 holiday shopping season<sup>11</sup>, major retailers like Amazon, Walmart, and Target rolled out more buy-online-pickup-in-store (BOPIS) options and last-minute seasonal shipping promotions, giving their customers every possible method to purchase.

This year, more retailers will dig into customer data, leveraging personal purchasing history as well as macro trends, to expand delivery options to their customers.

**37% of FLEXE employees say next-day delivery will become the new norm and 48% said the biggest industry news from 2018 was the record sales days for Black Friday and Cyber Monday.**



## 4. Unboxing experience opens new opportunities

### **Prediction: More retailers will enhance the unboxing experience.**

The unboxing experience is the moment a customer opens and unpacks their eCommerce order. With any order, the most important thing is that packages are delivered safely and undamaged.

However, as eCommerce sales increase, businesses are turning to the unboxing experience to differentiate because it is the first direct contact customers have with your brand and your products. It's also one of the most underutilized touch points in eCommerce.

Apple was one of the pioneers in the unboxing experience. They figured out that well-engineered product packaging adds excitement and validation for premium purchases. People like beautiful things.

Today, Sephora always throws in additional goodies with each purchase, and Glossier fulfills their orders in custom-branded packaging that includes an additional makeup pouch, samples, and stickers.


Delivering exceptional customer experiences is more than a good website, on-time delivery, and easy returns.

You want your customers to feel good about their purchases and excited to get them. Enhancing the unboxing experience elevates your brand and encourages loyalty.

This year, we'll see a lot more retailers and brands curating the unboxing experience to drive loyalty, customer satisfaction, and add a little something unique.

**"For ecommerce businesses, the shipped package represents the most direct touch point and connection with a customer."**

Richard Lazazzera, Shopify, "How to Create a Memorable Unboxing Experience for Your Brand"



## 5. Tech won't save you, people will

**Prediction: We'll see record growth in supply chain employment. Supply chain and retail professionals will become the next software engineers—sought after and paramount to transformation efforts across retail categories.**

Retail formats and supply chains have benefited from huge investments in tech—from AI to voice to drones. Unfortunately, all the tech in the world won't save you by itself. You still need the people behind the tech to figure out how to apply it, and enhance the customer experience in order to survive.

The new supply chain professional needs to be highly skilled and forward-thinking in order to support the new world of commerce and the logistics that underpin its success.

**"You can collect all the data you want, but it won't help you if you can't understand it well enough to make decisions or react when something goes awry."**

Kevin Kryscio, Senior Director, Supply Chain Distribution & Logistics  
Ace Hardware

Dale Rogers, ON Semiconductor Professor of Business at Arizona State University, asserts that supply chain experts are already in high demand, "In 2017, we had 1,600 supply chain management students at the W.P. Carey School of Business at Arizona State University. And every year, that number grows."<sup>12</sup>

In addition, Harvard Business Review<sup>13</sup> reports that supply chain jobs "have significantly higher-than-average wages, and account for much of the innovative activity in the economy."



## 6. Flexibility starts with the supply chain

**Prediction: Retailers and brands will ruthlessly invest in new, innovative technologies to increase structural flexibility in their supply chains.**

"Structural flexibility" is the ability to react to market changes with speed and precision across your warehousing and fulfillment networks.

Traditional warehousing solutions are not flexible; they're static, clunky, and require long-term contracts. They were not designed to support dynamic businesses with decentralized demand.

**FLEXE opinion:**

**“Omnichannel support becomes a necessity for logistics services. With online brands moving into physical retail, and retail brands focusing efforts online, they'll need a more comprehensive logistics solution that is managed from one, centralized location.”**

Unfortunately, to meet customers' diverse demands, retailers and brands need a warehousing and logistics solution that is flexible and responsive.

Retailers and brands that can scale their networks by adding or subtracting locations can also shorten the last mile of delivery to customers while optimizing capacity and services.

For the supply chain, advancements in automation will continue to make operations hyper-efficient. AI, robots, IoT, and other supply chain innovations are all starting to prove themselves as effective new technologies, but increasing structural flexibility starts with warehousing and fulfillment.

A study<sup>14</sup> found that in 2019, 72% of companies will be using robotic process automation. Kroger recently became the first retailer to use fully autonomous vehicles<sup>15</sup> to make grocery deliveries. And on-demand warehousing is enabling companies to add pop-up fulfillment centers closer to their customers so they can shorten delivery times in the all-important last mile, as well as more nimbly react to changes in the market.





## 7. The mall is cool again

**Prediction: More malls will shift their focus to emphasize value-based brands, locally-driven offerings, and services that better cater to surrounding communities.**

In 2019, the “Retail Apocalypse” will claim more victims. Last year’s closure of iconic toy store, Toys R’ Us, proved that brand equity and name recognition won’t be enough to save retailers. Struggling legacy brands will continue to close stores and eventually cease to exist altogether if they can’t drastically restructure their business to meet modern consumers’ demands.

**25% of FLEXE employees predicted that in 2019, there would be more significant store closures like Toys R’ Us, if retailers don’t quickly adapt to meet new consumer demands and buying behaviors.**

Fortunately, experiential in-store environments are making malls cool again. Twenty percent<sup>16</sup> of malls have begun rebranding themselves by removing the word “mall” from their names, and modern malls are curating spaces that consumers actually want to spend time in—giving priority to restaurants and services and allocating just 35% of space<sup>17</sup> to retail.

For example, in Seattle, there’s an outdoor mall thriving in spite of the disrupted retail landscape (and the Seattle weather). Developed in the 1950s, University Village has only continued to expand throughout the recent retail struggles.

In 2016, it laid plans to add an additional 100,000 square feet<sup>18</sup>. Its success is due to its highly curated selection of offerings—a mix of locally-owned boutiques, upscale retailers, and restaurants—but also to its commitment to the community around it. Regular community events such as playdays for kids, yoga, happy hours, and on-site childcare make University Village a gathering place for residents of the surrounding neighborhoods and local university students.



## 8. Supply chains will save the world

**Prediction: Even more retailers get on board with recycling, collaborative logistics, and innovations to increase sustainability in their supply chains.**

Increases in efficiency and new technologies in supply chains are undoubtedly great for the end consumer, but perhaps most importantly, they're good for the environment.

According to a recent survey<sup>19</sup>, one-third of firms worldwide are targeting more sustainable supply chains and recently 43 retailers signed the Fashion Industry Charter for Climate Action<sup>20</sup>, committing to reaching net zero emissions by 2050. This comes as a result of the rise of fast fashion and its massively negative environmental impact.

Apparel has become the second largest industrial polluter<sup>21</sup> after oil, and consumers are beginning to take notice. Everlane's huge success with its "Radical Transparency"<sup>22</sup> promise, Girlfriend Collective's massively popular leggings made from recycled water bottles, and the rise of ethically sourced and lab-made<sup>23</sup> diamonds, all stand as proof that customers want—and will pay for—more sustainably-made products.

**"We live in a technology-focused world that is increasingly aware of the effect we're having on our environment ... The ongoing transformation of the retail industry needs to include a greater focus on "greening" the supply chain."**

- Stephen Beard, Director of Global Fulfillment and Logistics, Tile



# Conclusion

The retail and supply chain industries will continue to transform—hopefully in tandem.

The future of retail and commerce is underpinned by the logistics that support every package, delivery, and movement of goods.

Retailers and brands that want to stand out and thrive amidst the change must turn to new technologies that will transform their logistics strategies and operations.

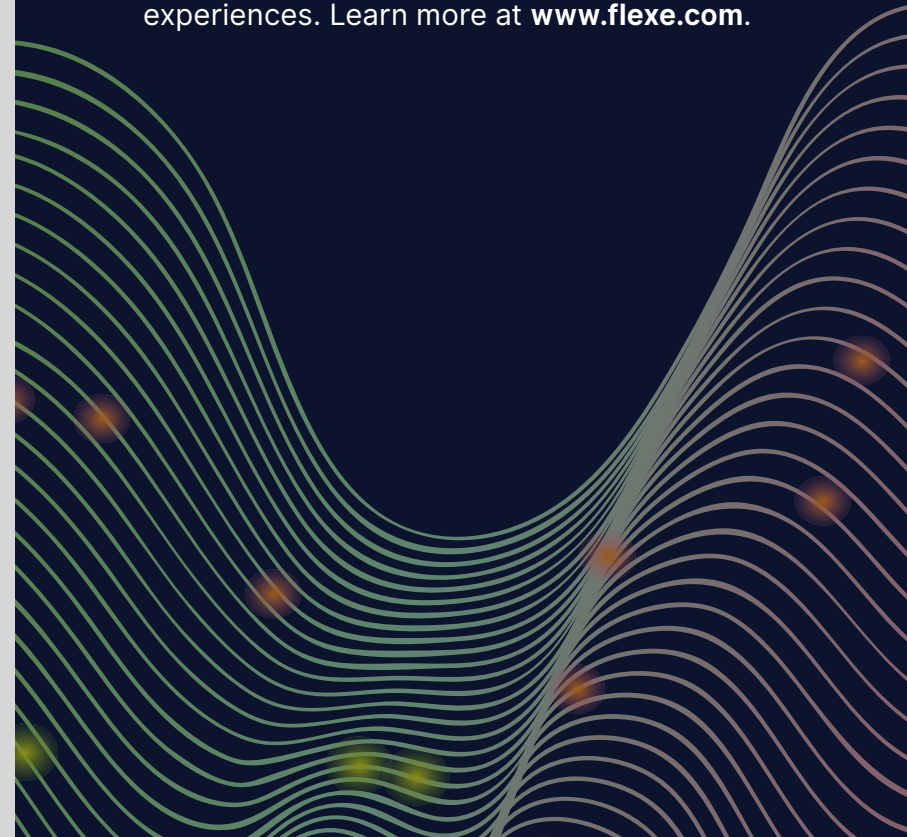
We will not end the year with fully autonomous warehouses, automated drones for delivery, or fully integrated AI. But, advancements in technology will ensure every business can create the customer experience and delivery promise their customers deserve (and demand). This year will be full of change and exciting to watch.



## ABOUT FLEXE

FLEXE is the leader in on-demand warehousing, helping forward-looking brands create structural flexibility across their warehousing and fulfillment networks. With the FLEXE technology platform, a network of more than 1000 warehouses, and a team of logistics experts, retailers and brands use FLEXE to create dynamic eCommerce fulfillment networks and resolve warehouse capacity constraints.

Based in Seattle, the FLEXE team is dedicated to transforming the supply chain industry and helping clients create exceptional customer experiences. Learn more at [www.flexe.com](http://www.flexe.com).



# CITATIONS

1. 2018. Business Insider. "More than 3,800 stores will close in 2018 — here's the full list". Retrieved from <https://www.businessinsider.com/stores-closing-in-2018-2017-12>
2. 2018. Retail Dive. "Adobe: Online spending hits \$110.6B". Retrieved from <https://www.retaildive.com/news/adobe-online-spending-hits-1106b/544933/>
3. 2018. Retail Dive. "Kohl's brings Amazon returns to 21 more stores". Retrieved from <https://www.retaildive.com/news/kohls-brings-amazon-returns-to-21-more-stores/530239/>
4. 2018. Crunchbase. "List of Walmart's 19 Acquisitions, including Art.com and Bare Necessities". Retrieved from [https://www.crunchbase.com/search/acquisitions/field/organizations/num\\_acquisitions/walmart](https://www.crunchbase.com/search/acquisitions/field/organizations/num_acquisitions/walmart)
5. 2019. Online holiday sales surge 17.4% and reach \$122 billion. Retrieved from <https://www.digitalcommerce360.com/2019/01/11/2018-holiday-season-online-sales/>
6. 2018. Glossy. "Retail is the only growth channel left: Digitally native brands are investing in, and changing, the store". Retrieved from <https://www.glossy.co/store-of-the-future/retail-is-the-only-growth-channel-left-digitally-native-brands-are-investing-in-and-changing-the-store>
7. 2018. Retail Dive. "70% of consumers still want human interaction versus bots". Retrieved from <https://www.retaildive.com/news/70-of-consumers-still-want-human-interaction-versus-bots/543324/>
8. 2019. Glossy. "Glossy research: 38 percent of fashion and beauty brands plan to launch a collaboration this year". Retrieved from <https://www.glossy.co/platform-effect/glossy-research-38-percent-of-fashion-and-beauty-brands-plan-to-launch-a-collaboration-this-year>
9. 2017. LVMH. "Sephora rolls out "New Sephora Experience" connected store concept". Retrieved from <https://www.lvmh.com/news-documents/news/sephora-rolls-out-new-sephora-experience-connected-store-concept/>
10. 2018. Inc. "Jeff Bezos Just Explained How to Achieve Customer Loyalty in Only 1 Sentence". Retrieved from <https://www.inc.com/sonia-thompson/in-1-sentence-jeff-bezos-explains-the-philosophy-e.html>
11. 2018. Retail Dive. "Will retailers' last-minute shopping plans pay off?". Retrieved from <https://www.retaildive.com/news/will-retailers-last-minute-shopping-plans-pay-off/544670/>
12. 2018. FLEXE. "Supply Chain Is the Heart of Business Today, Its People Are the Lifeblood". Retrieved from <https://www.flexe.com/collections/future-supply-chain/chapter-1-supply-chain-disrupted/supply-chain-is-the-heart-of-business-today-its-people-are-the-lifeblood>
13. 2018. Harvard Business Review. "The Supply Chain Economy and the Future of Good Jobs in America". Retrieved from <https://hbr.org/2018/03/the-supply-chain-economy-and-the-future-of-good-jobs-in-america>
14. 2017. ISG. "ISG: RPA Increasing Productivity, Not Job Losses". Retrieved from <http://ir.isg-one.com/file/Index?KeyFile=2000400287>
15. 2018. Retail Dive. "Kroger's driverless delivery pilot enters next phase". Retrieved from <https://www.retaildive.com/news/krogers-driverless-delivery-pilot-enters-next-phase/544658/>
16. 2017. CNBC. "Malls ditch the 'M word' as they spend big bucks on renovations". Retrieved from <https://www.cnbc.com/2017/10/24/malls-ditch-the-m-word-as-they-spend-big-bucks-on-renovations.html>
17. 2018. Glossy. "How digitally native brands are changing the American mall". Retrieved from <https://www.glossy.co/retail-redux/how-digitally-native-brands-are-changing-the-american-mall>
18. 2016. Seattle Daily Journal of Commerce. "On the Block: Retail is having a revolution, so why does University Village keep working so well?". Retrieved from <https://www.djc.com/news/re/bzz.html?action=get&id=12095727&printmode=true>
19. 2018. Supply Chain Management Review. "New Research Indicates Greener Supply Chains Mean More Profit". Retrieved from [https://www.scmr.com/article/new\\_research\\_indicates\\_greener\\_supply\\_chains\\_mean\\_more\\_profit](https://www.scmr.com/article/new_research_indicates_greener_supply_chains_mean_more_profit)
20. 2018. Supply Chain Dive. "Target, H&M and 41 more launch charter to reduce supply chain emissions". Retrieved from <https://www.supplychaindive.com/news/target-hm-UN-charter-fashion-supply-chain-emissions/544088/>
21. 2015. Forbes. "Making Climate Change Fashionable - The Garment Industry Takes On Global Warming". Retrieved from <https://www.forbes.com/sites/jamesconca/2015/12/03/making-climate-change-fashionable-the-garment-industry-takes-on-global-warming/#7e91312b79e4>
22. 2018. Glossy. "Everlane founder Michael Preysman: 'We're trying to rethink retail'". Retrieved from <https://www.glossy.co/e-commerce/everlane-founder-michael-preysman-were-trying-to-rethink-retail/>
23. 2018. CNBC. "Diamond market may be warming to lab-made gems". Retrieved from <https://www.cnbc.com/2018/05/11/diamond-market-may-be-warming-to-lab-made-gems.html>