



Hammerson



Retail Innovation: Past, Present... and Future

FOREWORD

I'm delighted to present the findings of our 2017 retail and consumer research report, which seeks to uncover the ways in which technology and innovation have been shaping the retail industry throughout recent decades. This marks not only our fifth annual report in partnership with retail specialists, Global Data, but also Hammerson's 75th anniversary, celebrating the dynamism and diversity of our ever-evolving sector.

Whilst the rise of technology is often characterised as a relatively recent phenomenon, our research demonstrates that innovation has been disrupting and shaping the retail industry for decades. Advancements in the motor industry and the democratisation of household appliances such as refrigerators, for example, are emblematic of some of the most significant catalysts for change in the retail industry in the Twentieth Century.

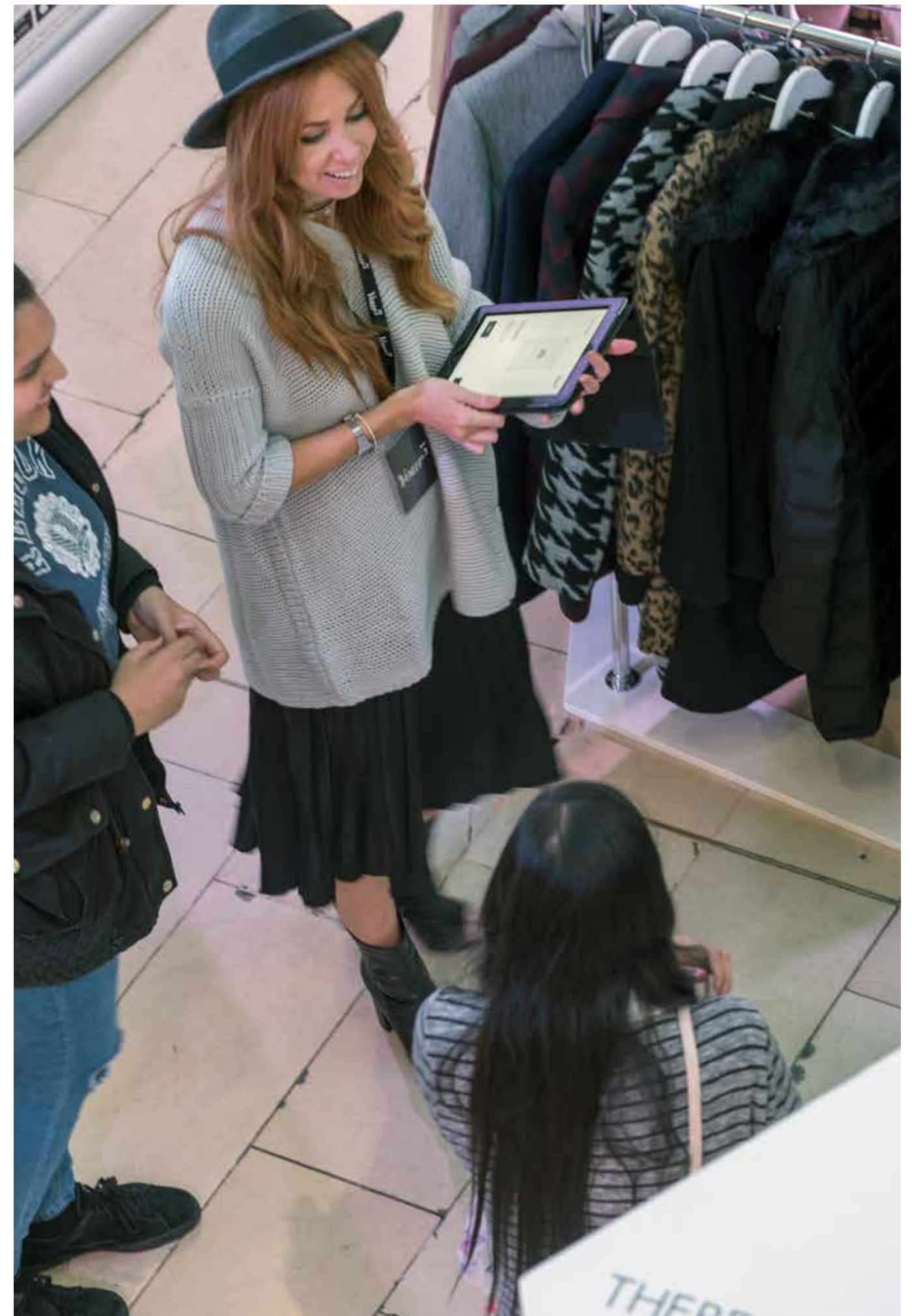
Fast forward to recent years and it's clear that the growth of technology has shifted up a gear. But our research, which includes insight from major retailers John Lewis and Debenhams, demonstrates that innovation has benefited both consumers and retailers. The rapid adoption of mobile technology has empowered

consumers, providing instant access to price and product information, crucially enabling more informed purchasing decisions. And the adoption of technology both in-store and online has enabled retailers to improve business efficiency, manage stock and gain greater insight into how customers want to shop.

Neither the consumers we polled nor our retailers seemed willing to commit to some of the emerging technologies that more niche brands are experimenting with. Drones, 3D printing and haptic technology may well find a role in the shopping journey of the future, but for now the focus is very much on technology that adds real and tangible value.

Encouragingly, both brands and customers still see the physical store as central to the retail experience. Indeed, our retailers emphatically agreed that the store portfolio will remain a fundamental part of their strategy in the future, with John Lewis viewing its shops as the 'tangible manifestation of its brand'. And with Global Data research indicating that 87% of non-grocery retail is influenced by a store, it seems evident that technology is not the enemy at the gate, but rather an opportunity for landlords and retailers to embrace.

David Atkins,
Chief Executive, Hammerson



RETAIL INNOVATIONS THROUGH THE DECADES

“

Consumers' disposable income and the choices available to them have increased steadily during the 20th Century, but nothing has changed consumer habits as fast as the internet which still continues to grow and change behaviours.

John Lewis

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1947

Co-op opens first
self-service supermarket
in Britain.



1976

Hammerson opens **Brent Cross**, the first American-style mall in the UK anchored by John Lewis, Fenwick and M&S. Brent Cross now welcomes over 12 million customers every year.

1984

Mrs Snowball places the first **online shopping order** from her living room in Gateshead. Pioneered as an initiative to help the elderly, this new shopping method used a technology called Videotex, which enabled a shopping order to be sent down a phone line to the local Tesco.



2003

38 years after the first **credit card** was released in the UK, chip and pin readers began to replace credit card signatures. As well as being a fast and efficient method of payment, the new system has helped to combat fraud. Subsequent advances in contactless and mobile payments have further improved the instore payment process.



1964

UK's first large-scale, edge of **city superstore** opens in West Bridgford, Nottinghamshire, attracting 30,000 visitors on the opening weekend.



1979

The **barcode** makes its debut at a branch of Key Markets in Spalding, Lincolnshire, marking the end of checkout staff manually typing in price tags. As well as reducing time at the till, the barcode also made it easier to record every transaction, improving stock management.

TESCO

1995

Launched nationwide in 1995, **Clubcard** helped to cement Tesco's rise to become the dominant force in UK grocery retail. Providing an unprecedented level of detail into its customers shopping habits, Clubcard enabled Tesco to predict and react to consumer trends.

2007

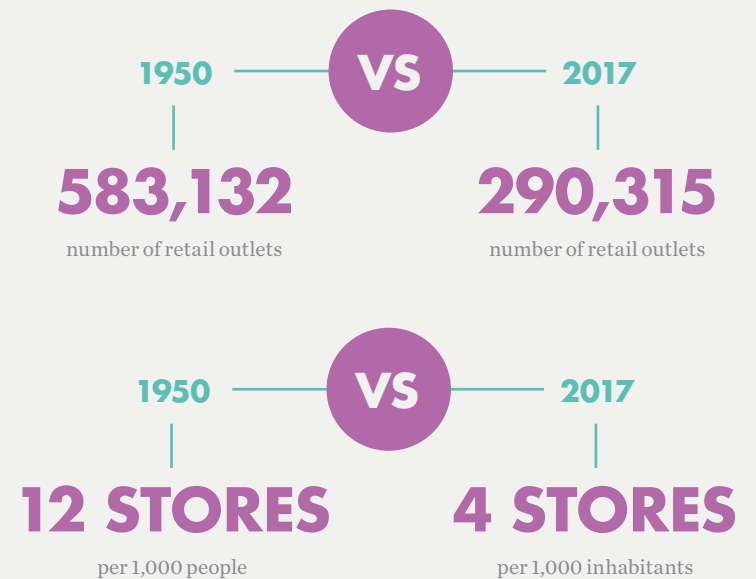
Perhaps the biggest revolution in modern shopping habits has been the rise of **mobile**. Since its UK launch in November 2007, the iPhone and its smartphone competitors have been reshaping the way we shop.



TECHNOLOGY HAS BEEN SHAPING AND DISRUPTING TRADITIONAL RETAIL MODELS FOR DECADES



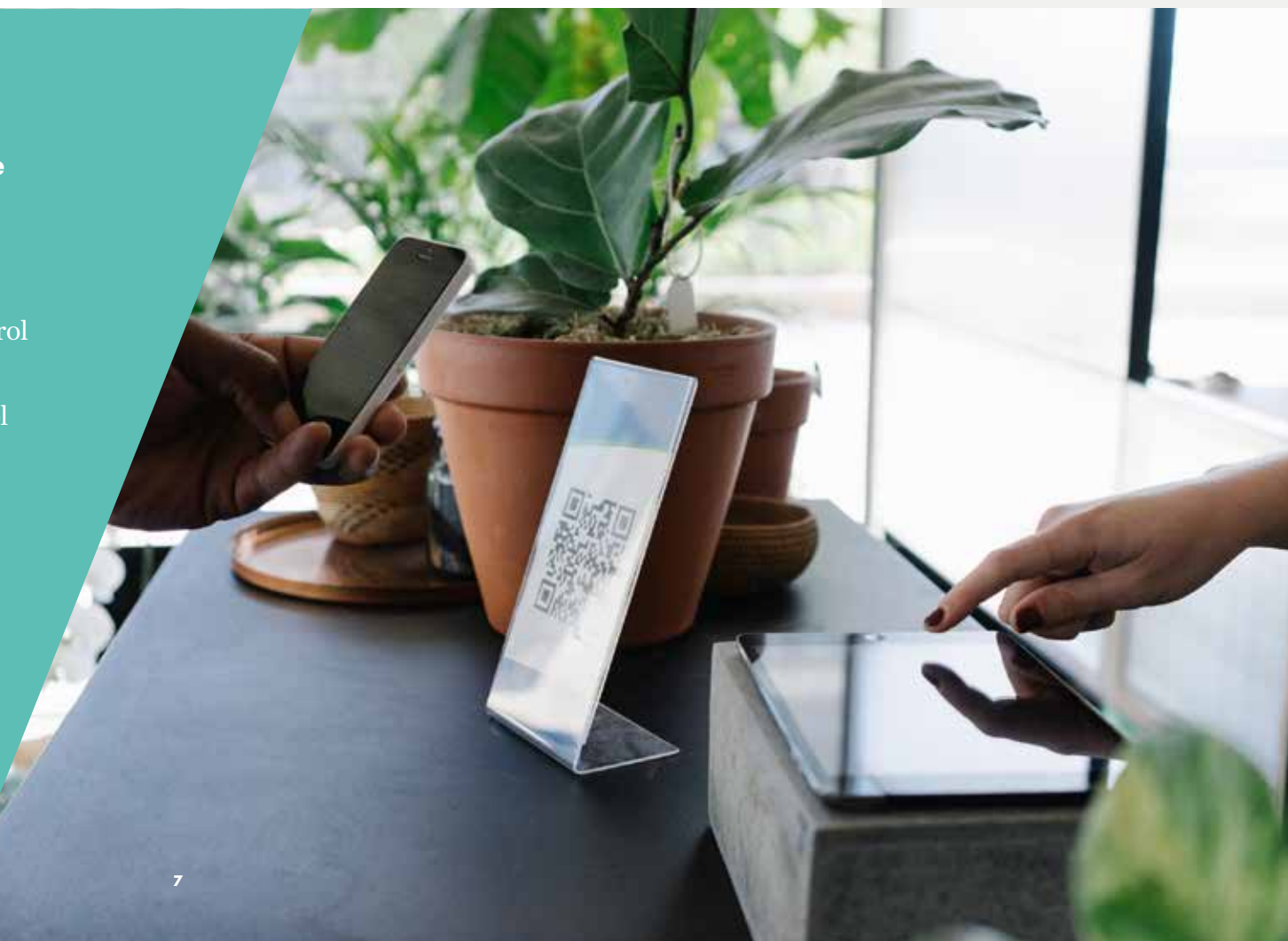
**BETWEEN
1950-2017**
the number of retail outlets halved



Between 1950-2017 the UK household changed beyond recognition thanks to a surge in technology.

“What the customer wants is control over what they are getting when. If they are busy, they want control over when they try products on, when they pick purchases up. It is about control.”

Debenhams



In 1950, the vast majority of retail outlets were local independents as only 1 in 6 households owned a car and just 2% had access to a fridge.

By 1981 60% of families had access to a car, leading to a growth in out of town stores which offered more space and more efficient and productive management.

Technology has enabled retailers as well as consumers, improving efficiency, stock management and customer insight.

“There is no doubt that technology has enhanced and improved our business efficiency, whether its accurate records of stock or insight it gives us into how our customers want to shop. The biggest challenge is the investment required to stay ahead of the game in a competitive market.”

John Lewis

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CUSTOMER ADOPTION OF TECHNOLOGY



SMARTPHONE

Despite the relatively recent phenomenon of m-commerce, the adoption of mobile technology has been rapid, with the growth in ownership of smartphones even in recent years continuing to impact retailer strategies.



TABLET

Mobile is the most important channel for the growth in online retail with growth in tablet ownership much less rapid.

Unsurprisingly, the frequency of browsing and researching products on mobile devices has increased over a similar time period:

Frequency of browsing or researching product (including price checking) using a mobile device:

ONCE A WEEK

58% of shoppers 2015

68% of shoppers 2017

Frequency of purchasing products via a mobile device:

ONCE A WEEK

25% of shoppers 2015

34% of shoppers 2017

“

Over recent decades the biggest change in consumer behaviour has to be the way that online and offline work together, and more recently the way in which mobile has affected that. You have an online environment, offline environment and mobile which is online in the offline because you are in a store, checking the price of the item, how it might be sold elsewhere online, contemplating ordering online if they do not have your size, whether you don't want to carry it so you get it delivered to home.

Debenhams

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“

Technology is the over-arching theme that has led to innovation in how the customer shops and pays.

John Lewis

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Technological advances over the past 5 years have further empowered customers to research effectively before they make purchases:

Compared with 5 years ago, what impact would you say technology has had on your approach to shopping?

£
59%

say they are more likely to check and compare prices



58%

say they spend more time researching products



31%

say that options for delivery, collections and returns have a bigger influence on where they shop

“

This matches major retailer investment plans: The customer collection system and the ability it gives our customers to link online purchasing to in-store visits is the store level change that has had the greatest impact on our business.

John Lewis

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%
46%

are more likely to search for bargains, special offers and voucher codes



10%

say they have become more impatient when it comes to waiting to pay for things in shops

CONSUMER RESPONSE TO TECHNOLOGY

Whilst the vast majority of people say that they enjoy using technology, it's fascinating to see the main concerns that people have around the proliferation of devices. Interestingly, social interaction rather than security tops the list of concerns:



84%

of people agreed that people spend too much time looking at their smartphones and tablets in public



80%

of people say that technology, such as smartphones and tablets, has meant that people are less likely to talk to one another



65%

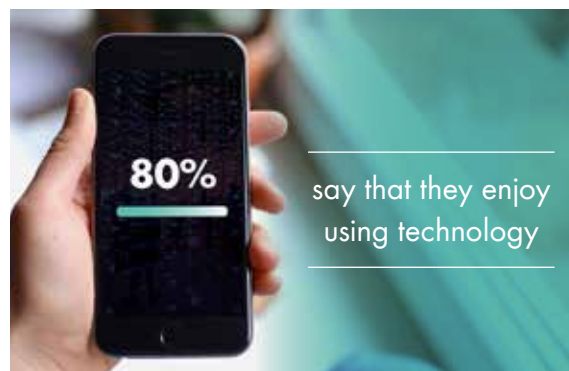
of people say that they worry about the security of personal information when using computers, tablets and smartphones

“

Retail is about experience as much as product purchasing, and increasingly our customers expect inspiration and choice. We remain committed to investment in our shops which we see as the tangible manifestation of our brand.

John Lewis

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Younger shoppers in particular are immersing themselves in technology, with some worrying results:



50%

OF 16-24 YEAR OLDS

say technology, such as smartphones and tablets, at home has meant that they are unable to switch off from work and relax in their free time



52%

OF 16-24 YEAR OLDS

say that technology, such as smartphones and tablets, has made them more reluctant to talk to people face to face



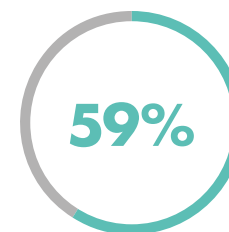
86%

OF 16-24 YEAR OLDS

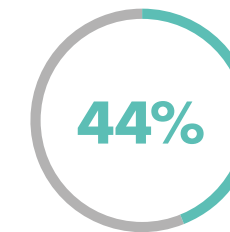
say that they often pretend to use their smartphone in awkward social situations



Despite the growth of technology, it's evident from the research that customers still value experience and the human touch.



of shoppers say they always prefer to use a till staffed by an actual person



try to avoid using self-service check outs as they find them irritating difficult to use



of customers worry about the security of using contactless or mobile payments



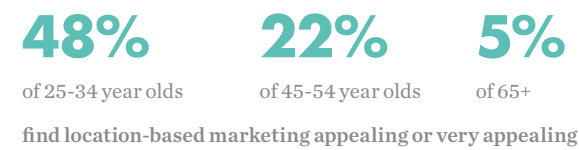
HOW DO CUSTOMERS VIEW EMERGING RETAIL INNOVATIONS?

Perhaps unsurprisingly it is the younger and female cohort who are most enthusiastic about various forms of emerging technology:



LOCATION-BASED MARKETING

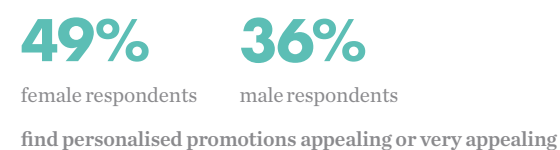
Appeals more to younger customers:



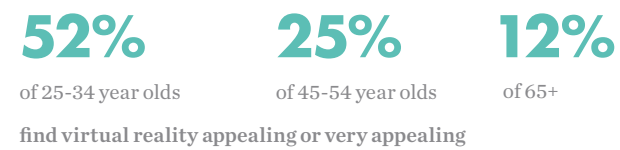
“Location based phone technology is likely to have the most significant impact on the retail landscape in the future.”
John Lewis



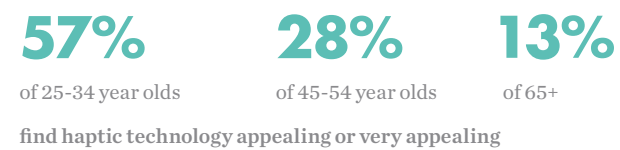
PERSONALISED PROMOTIONS



VIRTUAL REALITY



HAPTIC TECHNOLOGY

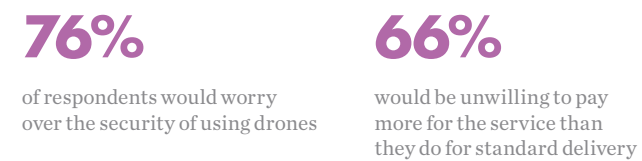


VIRTUAL MIRRORS

Are most popular with female shoppers



DELIVERY DRONES



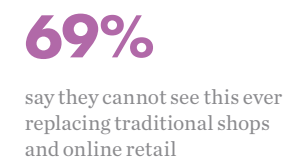
Major retailers remain alert to the possibilities of these future technologies and how they can be applied to their business, but they must add value.

“Tech to be pretty can't work. Across the world there have been lots of gadgets like virtual mirrors and models. In a practical sense, we have built tech into stores, for example digital signage, but I don't know of many case studies which show much value has been added...yet. However, you have to think there is a point where the tech adds value because of convenience, to the point where it can predict and inform what you might find interesting, or it allows you to pay without using a payment point.”

Debenhams



3D PRINTING





Hammerson

