



# Retail Trends Report: 2023

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VP Strategy

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# Acknowledgements



# A Process

## 1 Current State

The state of Consumers, Tech, and Retailers at the end of 2022

## 2 Expectations for 2023

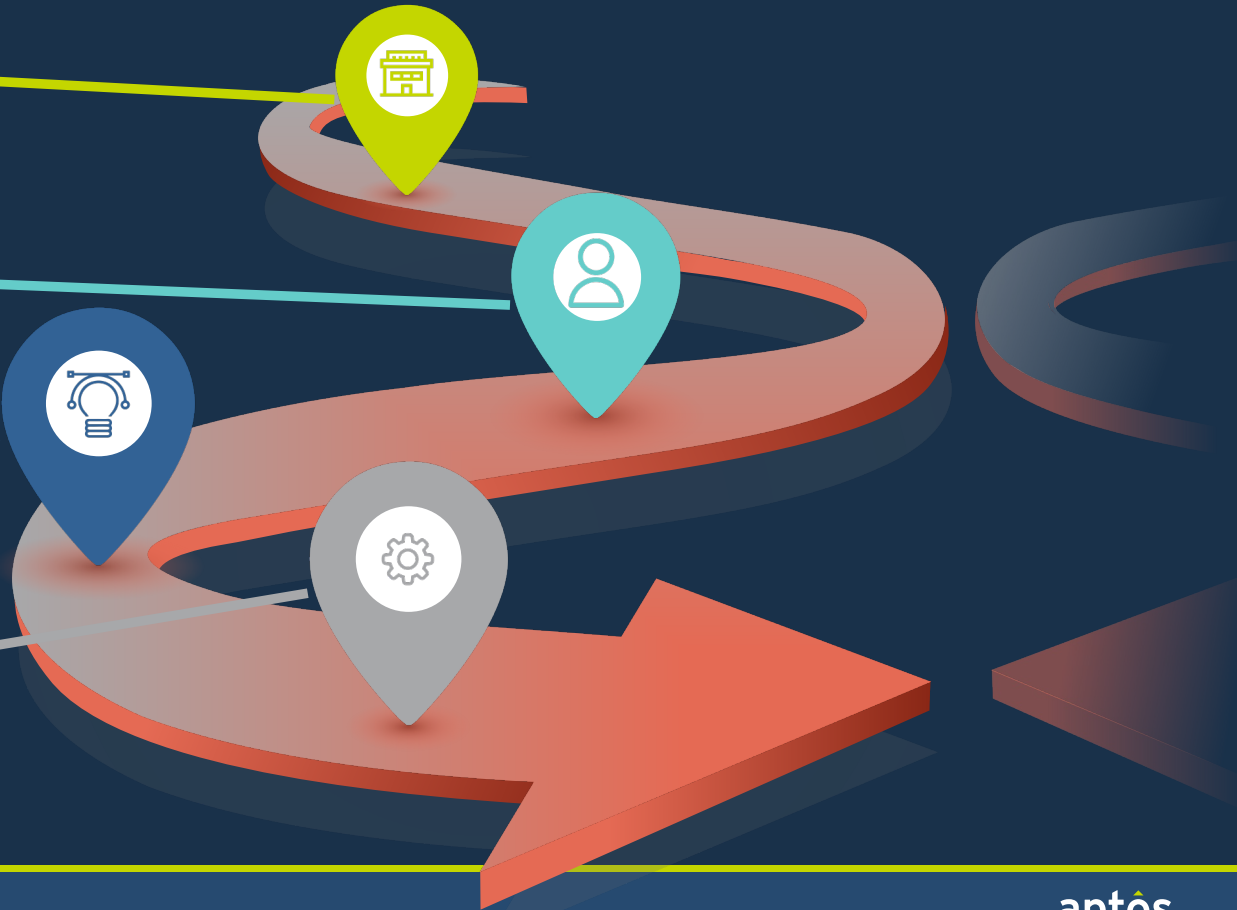
What do consumers want and how are retailers responding?

## 3 Capability Gaps

What retailers will need to do but can't

## 4 Tech Priorities

Which gaps are retailers prioritizing for tech investment?



## ▶ State of the World in 2022

State of the World in 2022

# Consumers: “Permacrisis”

- Will there be a recession?
- Will I have a (good) job?
- Will the world end?
- When will this all be over?!?



State of the World in 2022

# Consumers: “Permacrisis”

- Will there be a recession?
  - (Will consumers believe a recession is coming?)
  - Greater confidence in the now vs. the future
  - Inflation has peaked, maybe
  - High interest rates
  - Lower disposable income in 2023
- Will I have a (good) job?
- Will the world end?
- When will this all be over?!?



State of the World in 2022

## Consumers: “Permacrisis”

- Will there be a recession?
- **Will I have a (good) job?**
  - Tech hiring freezes/layoffs as headline news
  - 2M “missing” workers in the US alone
  - Unemployment low and holding steady
  - Generally high confidence in labor market
  - Expectations of higher cost / lower wage increases
- Will the world end?
- When will this all be over?!?



State of the World in 2022

## Consumers: “Permacrisis”

- Will there be a recession?
- Will I have a (good) job?
- **Will the world end?**
  - Russia, Ukraine, and the threat of nuclear war
  - China tensions, end of zero-Covid, potential for new Covid mutation that escapes vaccines
  - N Korea, Iran, who knows what else? Any of these could topple any economic stability
- When will this all be over?!?





State of the World in 2022

## Consumers: “Permacrisis”

- Will there be a recession?
- Will I have a (good) job?
- Will the world end?
- **When will this all be over?!?**
  - Craving hope and a sense for a brighter future
  - Prioritizing mental health and self care
  - All about how they *feel* – and they want brands to help them with that





State of the World in 2022

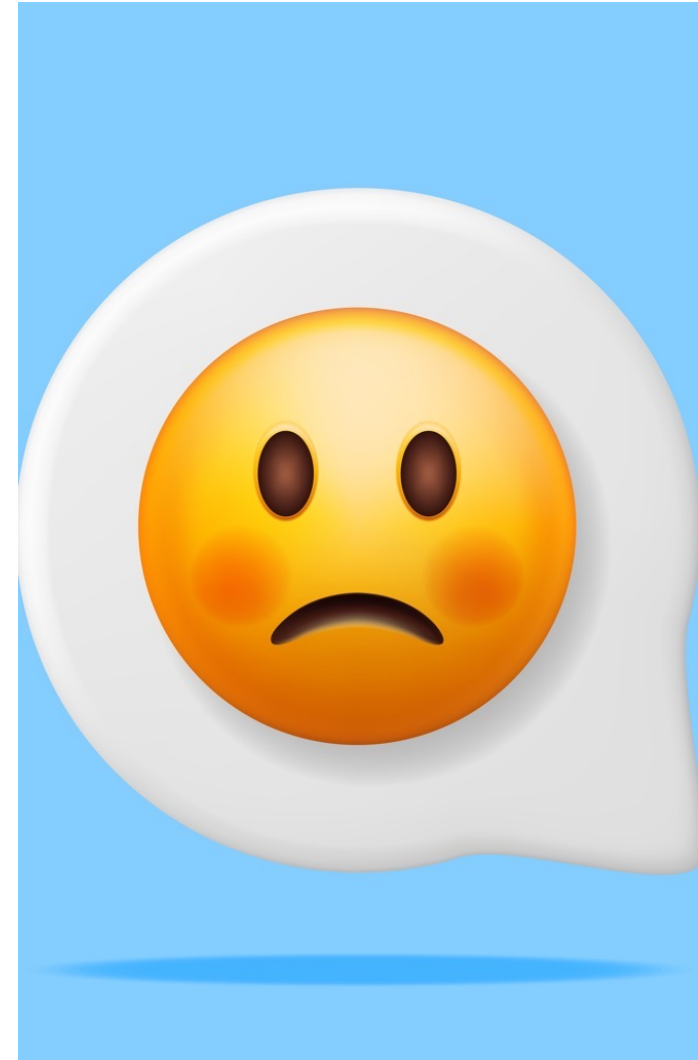
## Technology Advances: The Tech Winter

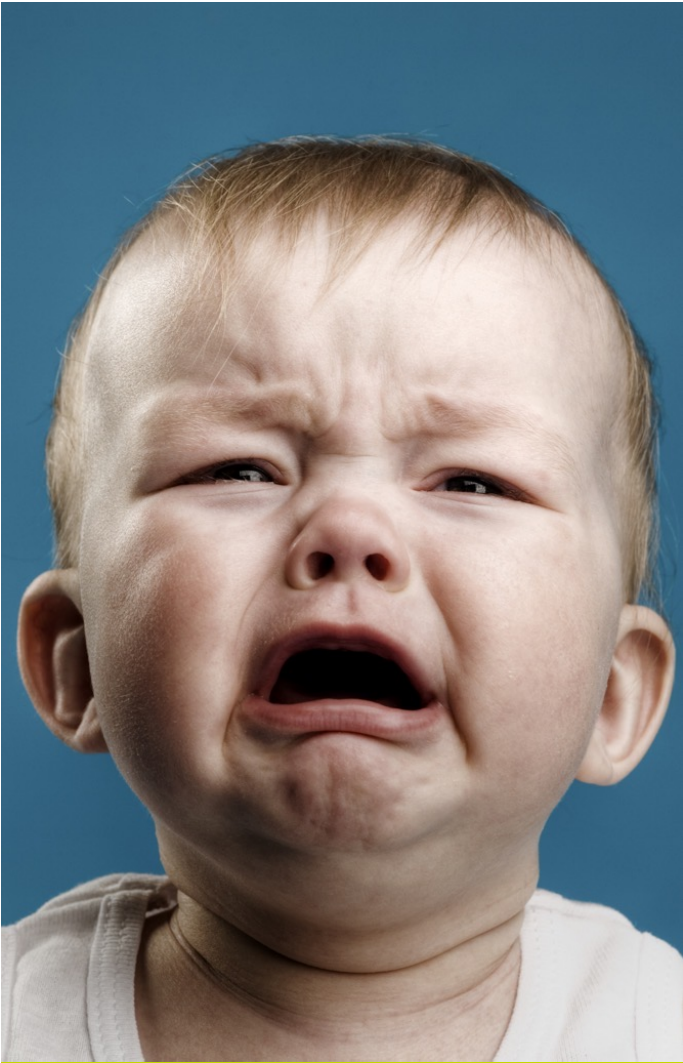
- The Metaverse Backlash
  - Not a 2023 thing
- The VC Funding Freeze
  - An opportunity for traditional brands & retailers
- Crypto Winter
  - Retailer acceptance of Bitcoin is falling
- Social Media's Coming Downfall?

State of the World in 2022

## Social Media's Coming Downfall?

- Digital CAC is still very high
  - Estimated at \$129/year for a fashion customer in 2021
  - 2022 up 222% over 2013
- DTC thrived when CAC was low but struggled when it went up
  - And "thriving" is a stretch – Casper S-1 in 2019 exposed big vulnerabilities
- Death of Cookies
  - Meta's expected \$10B loss in 2022 due to Apple alone
  - 75% of consumers are still opting out of cross-app tracking, 2 years later
- Social Media meltdowns



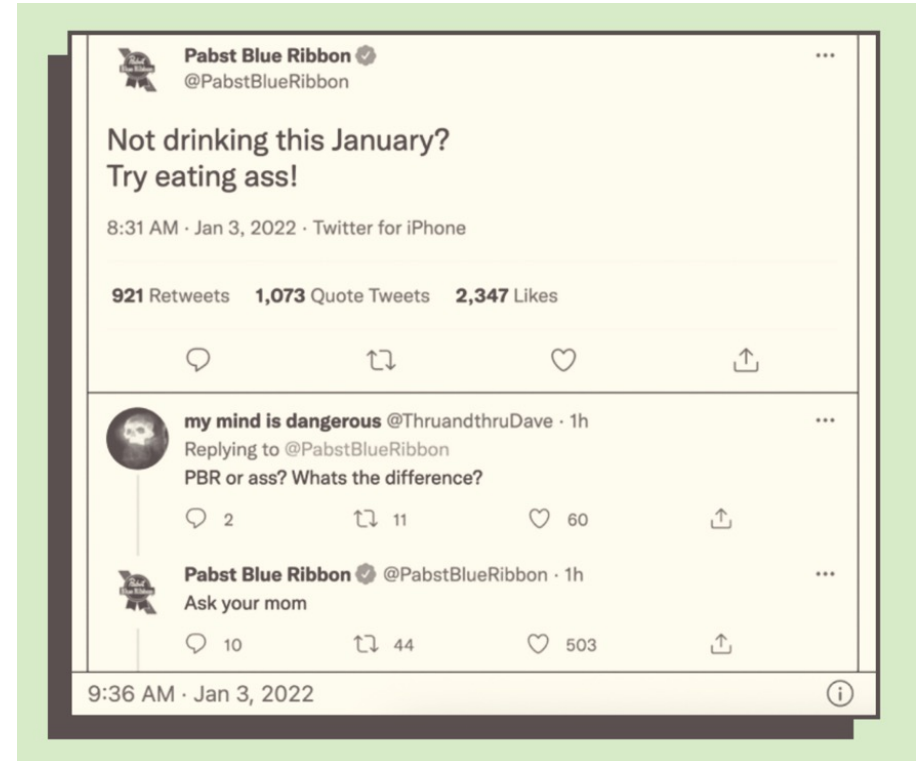


State of the World in 2022: Tech Winter

## Social Media's Meltdown?

- Documented negative impact
  - The Facebook Papers
  - Instagram's negative impact on teens
  - Algorithms that drove rage, radicalization, the poaching of endangered animals and even pogroms against ethnic minorities
- Growing backlash
  - Twitter exodus & Musk chaos, Zuck's layoffs, TikTok's US government ban (step 1?)
- All coming for capitalism:
  - "I found a great deal" → "You can find great deals too" → "Corporations are greedy" → "We're not buying what you're selling – and we're changing the world for the better because of it!"
- Rise of anti-consumerism & the belief that it and capitalism are destructive

# Future Commerce: Visions 2022



## Future Commerce: Visions 2022

*Maybe we weren't meant to have humorous interactions with every brand that exists on the supermarket shelf.*

*Maybe that kind of public discourse quickly devolves into cheap shot insult comedy. Maybe the gladiator arena of the current environment causes us to cheer on the bloodsport, and forget the humanity of the people at the center.*

*Insiders #114: Brand Up Comedy*



- 
- **Supply chain disruption is evening out but the potential for more exists**
    - Longer-term supply network questions & disruption
    - Labor shortages
    - Freight high but coming down, fuel costs still high
    - Too much inventory & also not enough
  - **Rising costs + softening demand + too much inventory = tough margins**
    - Purchase behavior is still unsettled
    - Digital channel growth is not enough going forward

Retailers coming out of 2022:

**Extremely Uneven**



## ▶ Expectations for 2023

# Expectations for 2023: The Economy

## Very Low to Flat Growth in GDP

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- Europe's inflation will be higher than US – their central bank can't use interest rates to slow inflation as it's mostly driven by high fuel costs (vs overheated demand). The UK is particularly exposed (mortgage rate resets coming)
- US inflation may have already peaked
- China's growth is already revised much lower and still does not reflect expected Covid surge from end of zero-Covid policies – so it is not going to be a savior for global companies + increased hostility to foreign brands

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- Rate hikes attracting more investment in dollars
- Impact on emerging markets and their debt

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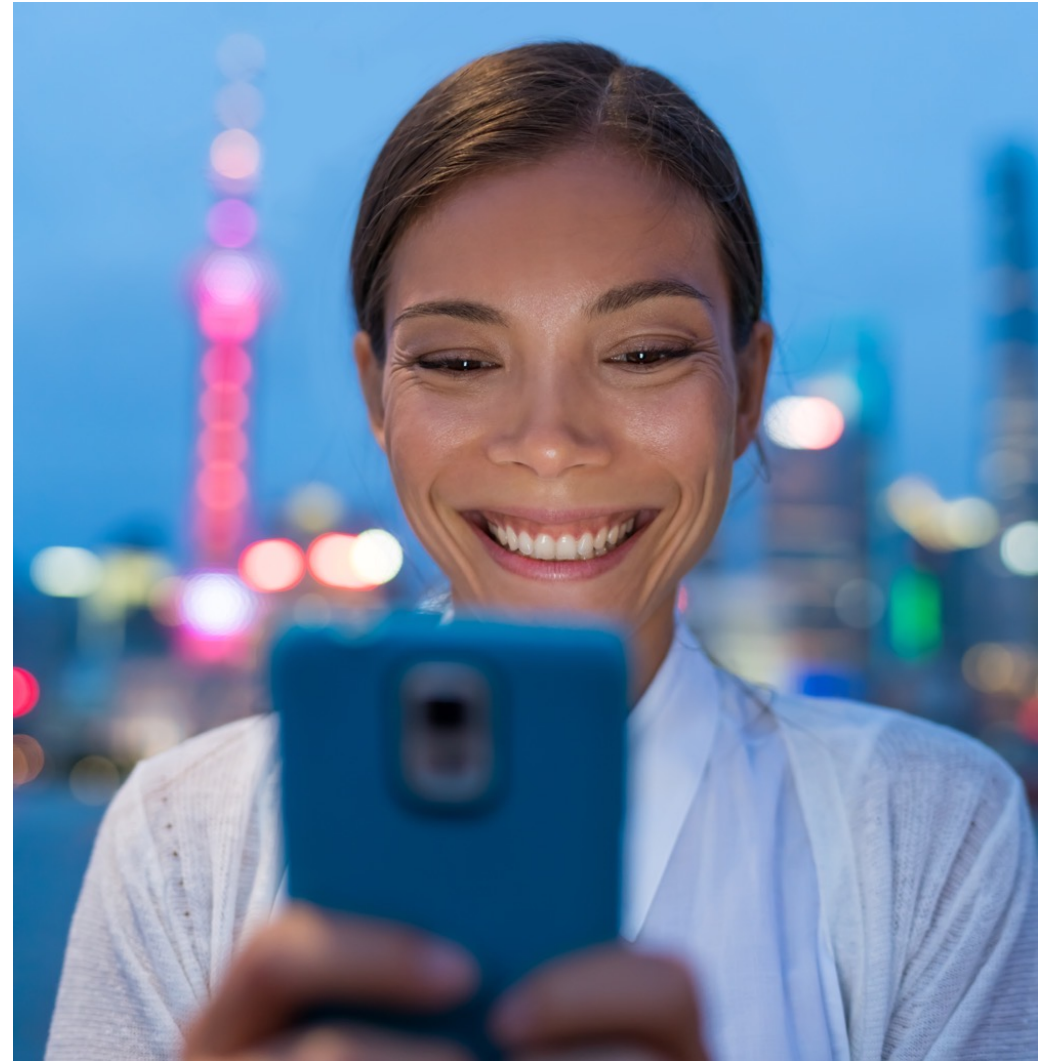
## Uncertain Consumer Spending – But Fashion Will Be Down

- Fashion had 2 unexpectedly good years during the pandemic
- But inflation impacts in food and fuel are expected to hit 2023 where fashion spending will be more discretionary to consumers than it was in 2021 or 2022
- US fashion spend will decline 1.0%, UK will be flat, and China will grow by 2.5% - in real terms, it will be a steeper decline thanks to inflation

Expectations for 2023

## China in Focus

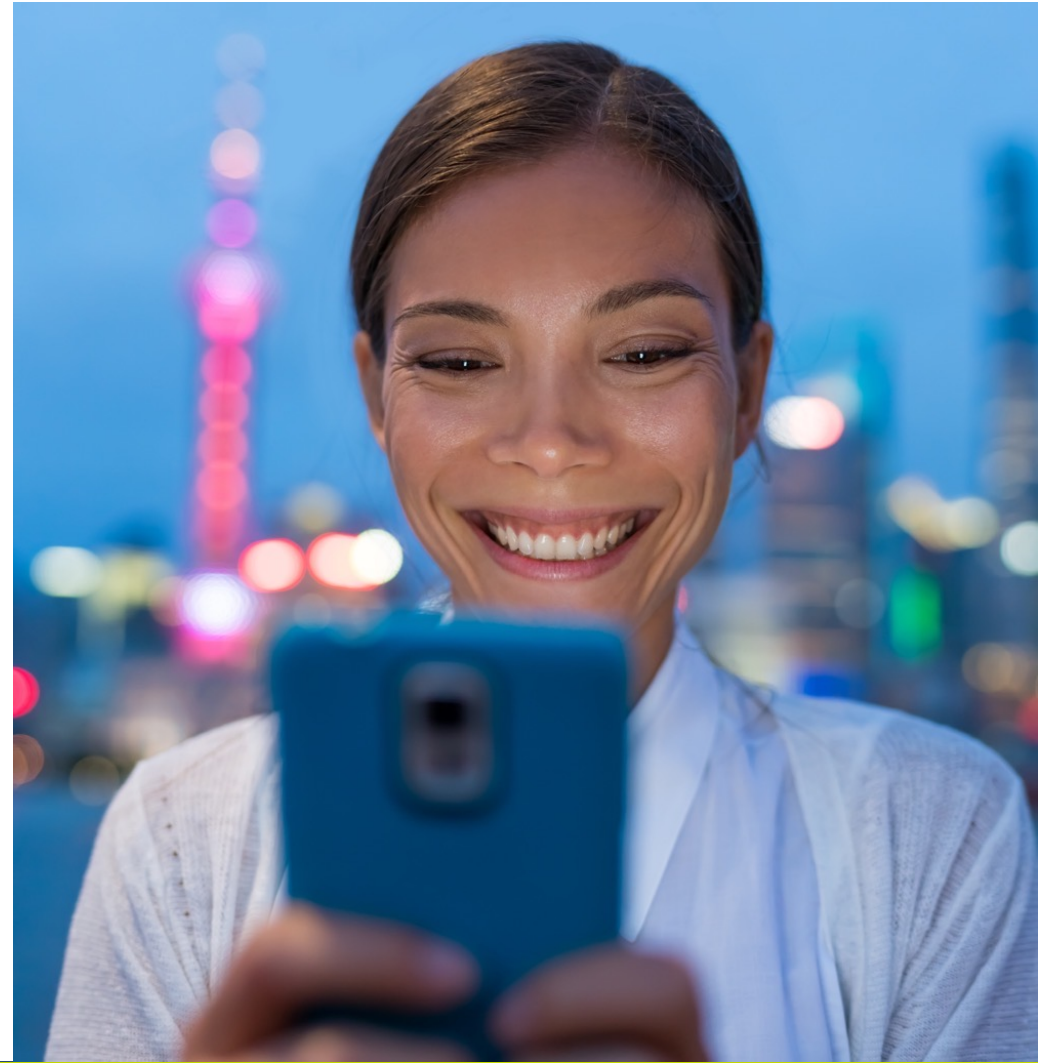
- End of zero-tolerance Covid policy means current emerging Covid surge
  - Disruption to consumer spending and work outputs
  - Possibility of creating a mutation that escapes vaccine immunity globally
- Increased tensions particularly between US and China
  - Tariffs, exports
  - Protectionism internal to China – making it more difficult for Western brands to operate in China, giving room for native Chinese brands to grow
- Manufacturing challenges
  - Work disruptions continue due to Covid
  - Tensions are driving brands to look elsewhere for manufacturing capacity
  - Clothing manufacturers in particular are looking to broader SEA – Vietnam, Indonesia, Malaysia – for sourcing capacity, as part of a broader “near-sourcing” evaluation



Expectations for 2023

## China in Focus

- Consumer challenges
  - Consumers are now voluntarily limiting activities, including shopping
  - Still have not seen the return of the Chinese tourist shopper
  - Consumer spending will still grow in China but at a much lower rate than anticipated – basically flat when accounting for inflation (which is much lower in China) – this does not account for end of zero-tolerance
  - **Chinese government crackdown on rise of tech influence, particularly for under-18: “Generation F” for “Generation Firewall” or “Generation Focus”, where screentime is limited by law**



Expectations in 2023

## Tech Advances

- Livestreaming
- Retail Media Networks
- RFID & IoT
- NFC
- Blockchain, Web3, NFTs
- Applied AI
- Generative AI
- Robotics
- XR & Metaverse
- 5G/6G
- Bionics – exo & brain/computer
- SynBio – eaten, worn, or used – for fashion materials especially
- NextGen batteries
- Wireless electricity
- Holograms





# Generative AI, just to see if you're paying attention

DALL-E2: "Miss Piggy as a runway model at a Versace fashion show as photographed by Annie Leibovitz"



Try #1



Try #2

Try #3  
was too  
creepy to  
download  
(I needed  
to specify  
female)

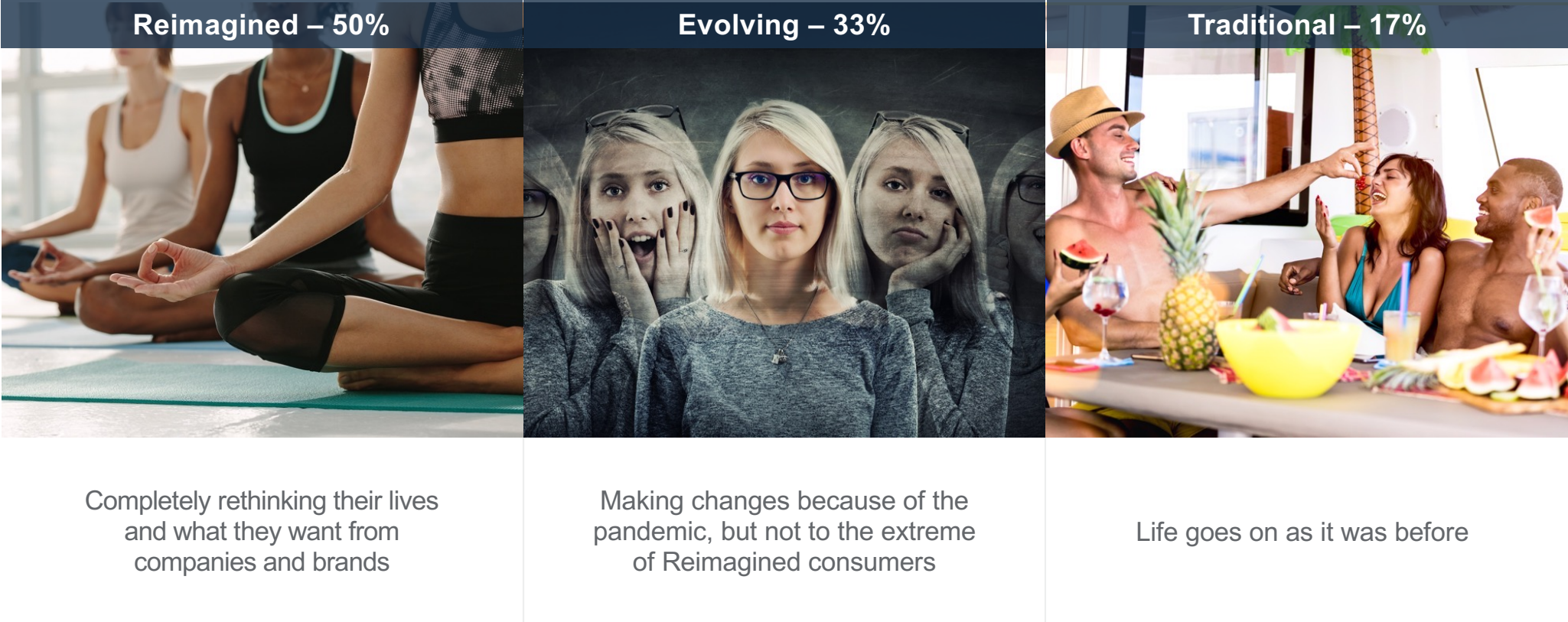


Try #4

*Note: Miss Piggy, "muppet", and Versace would all be protected brands/images*

Expectations in 2023

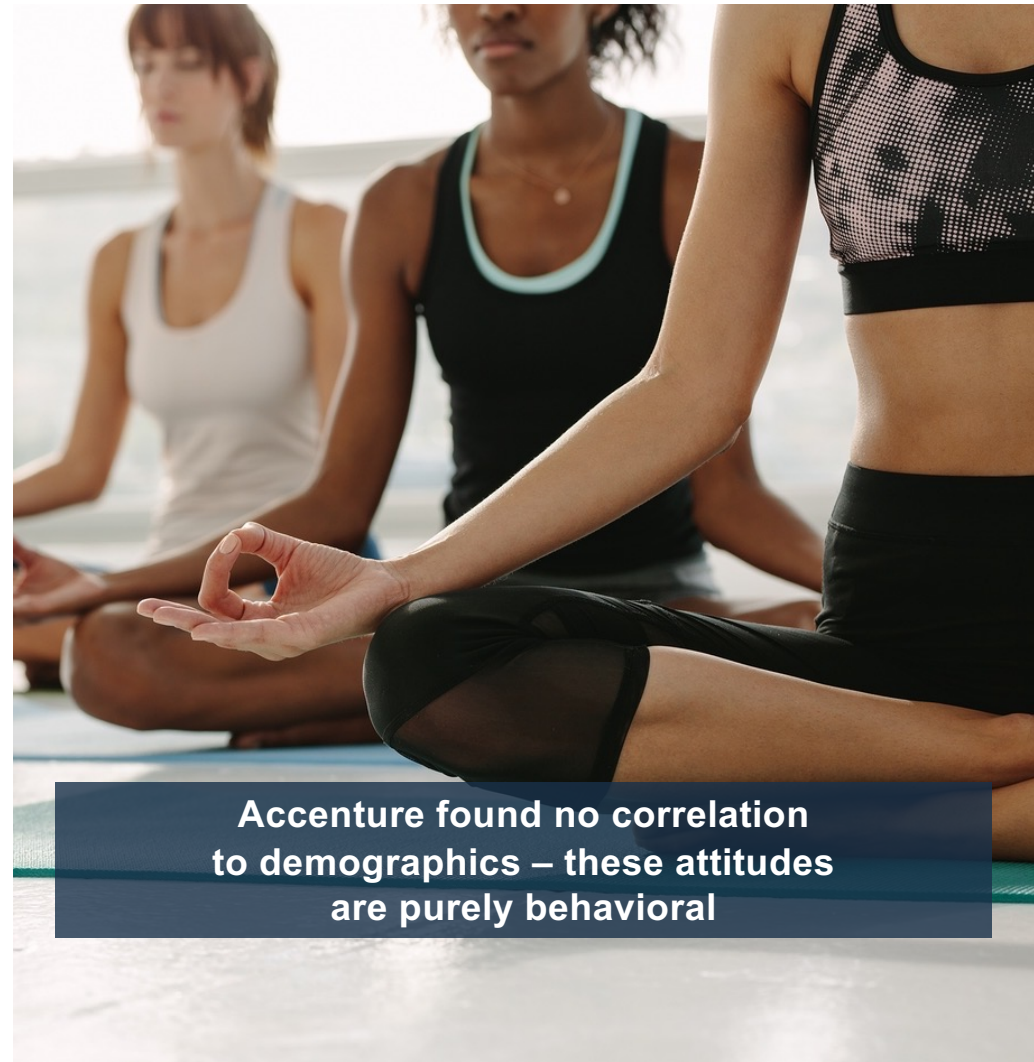
# Consumer Behavior Drivers: Pandemic Impact



Expectations in 2023

## Key Differences

- 72% of Reimagined consumers **expect companies they do business with to understand and address how their needs and objectives change** during times of disruption vs. 27% of Traditional
- 66% of Reimagined say they **expect brands to take more responsibility in motivating them to live by their values** and to make them feel more relevant in the world vs. 16% Traditional
- 72% of Reimagined said they think **companies are just as responsible as governments for the health of societies** vs. 42% of Traditional



Accenture found no correlation to demographics – these attitudes are purely behavioral



Expectations in 2023

## Consumer Behavior: Spending & Confidence

- High income, luxury buyers will be relatively unimpacted by inflation & uncertainty
- Middle income buyers are now starting to cut back spending and trade down. Still a willingness to spend on “small luxuries”
- Low income buyers have already started to cut back spending and trade down wherever possible. Expect extreme deal-seeking behavior

Expectations in 2023

## Physical Realities

- Despite tech layoffs, 2023 is expected to continue to see sustained Work From Home adoption
- Possibility of hybrid work – in the office 2-3 days per week – but this won't be enough to bring regular consumer spending back to downtowns
- Home sales & mortgage interest rates keep owners locked into their current homes
- High rent + WFH flexibility continues to send renters looking for nomadic or low-cost living



## ▶ How This Could Play Out

# First, Keep in Mind Megatrends:



**Consumers' time is precious**

- They want to spend less time shopping, more time on “life”
- Lots of pressure on free time



**Retailers' path to growth has changed**

- Digital saturation before physical – going global early
- Digital business models reduce asset requirements



**Recombinant Innovation drives tech adoption**

- Consumer & business tech adoption is driven by combining underlying technologies in new and innovative ways

How This Could Play Out

# Five Dominant Consumer Behaviors in 2023



**Wellness**

Moving beyond more specific terms like “fitness” or “health” to mean something broader – mental, physical, emotional, proactive & preventive.



**Less is More**

Tied to wellness, a belief that scaling down and using less (owning less) is an important contribution to the overall health of Earth and us, by extension.



**Actionist**

An expectation that the only way to get change is to agitate for it. The next step in cancel culture, an extension of the demand for greater transparency.



**Manifesting Optimism**

Weariness of “permacrisis” is leading consumers to focus more on optimism and how to create positive outcomes.



**Decentral**

Starting to see the results of decentralized technology, and an accrual of benefits to consumer “creators”.





## Wellness

Moving beyond more specific terms like “fitness” or “health” to mean something broader – mental, physical, emotional, proactive & preventive.

# Wellness

## Consumer Drivers:

- Over-consumption is unhealthy
- Technology is being used to make us unhealthy – “dark patterns”  
“protection from The Algorithm”
- Even entertainment & leisure should have “functional” benefits
- Loneliness is unhealthy, and there is too much loneliness
- “Disposable” is unhealthy
- Social media is unhealthy
- Resilience is something to invest in
- Local is “more healthy” than global

## Retail Implications:

- Consumers increasingly expect retailers to help them interrupt “bad behavior”, like over-consumption – slow consumption
- Retailtainment is not enough – it needs to contribute to wellness and well-being
- Retailers and brands are expected to contribute to fostering connections and combatting loneliness – and this needs to be executed at an authentic, local level
- Brands need to put an end to “disposable” products and practices (this applies to how they treat employees too)



## Less is More

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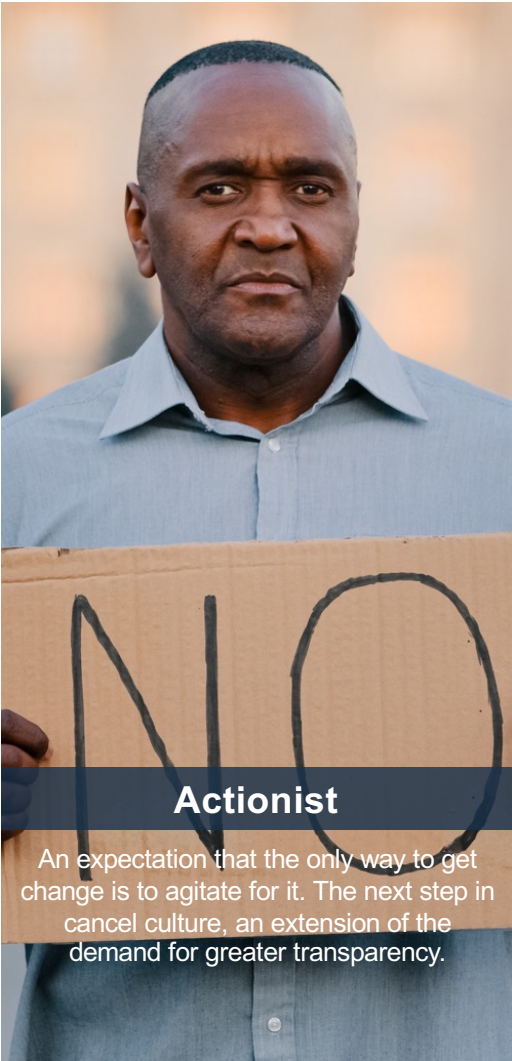
# Less is More

### Consumer Drivers:

- A rejection of unbridled consumerism
- Multi-function products over single-purpose or single-use
- Tied to multi-function – genderless, accessible to all, inclusive, esp. fashion
- Tech only if it serves/curates for “me” - simplifies
- The rise of young luddites, rejecting the algorithm
- Paying attention to how products are made – embracing products that use less, recycle more

### Retail Implications:

- Assortments need to narrow and focus on multiple uses, non-binary, inclusive
- Retailers are at risk in their use of personalization if it is perceived as promoting “unconscious consumption”
- Putting tech less front & center in stores
- The 3 R’s: Rental, Resale, Recycle, and bonus R emphasizing consumer reuse/upcycle
- Manufacturing, packaging, shipping



## Actionist

An expectation that the only way to get change is to agitate for it. The next step in cancel culture, an extension of the demand for greater transparency.

# Actionist

## Consumer Drivers:

- Being “authentic” or passively contributing is no longer enough – companies must be actively making things better
- Transparency expectations are rising – tech should be used to provide “radical” transparency
- It’s not enough to “cancel” a company for something a consumer doesn’t like – they have to actively engage with the company to change. Boycotts are not enough.

## Retail Implications:

- Greenwashing is a death knell – and it’s not enough to reduce impact. Investment has to offset past impact.
- Expectations of seeing all the way into the supply chain – meeting the people.
- Expect much more intense blowbacks for missteps. Expect that simple apologies are not enough and that symbolic gestures will only fan the flames



## Manifesting Optimism

Weariness of “permacrisis” is leading consumers to focus more on optimism and how to create positive outcomes.

# Manifesting Optimism

## Consumer Drivers:

- Demand for solutions rather than just an emphasis on problems and how bad they are – focus on a hopeful future
- An emphasis on “future proof” and proof of having thought through long-term impacts
- Not about “living forever” – emphasis on living WELL (but also forever)
- Tied to wellness, an emphasis on fun, “kidulting”

## Retail Implications:

- Fun can be considered “functional” entertainment
- Distraction from bad news has to be balanced with being realistic about bad news – but demonstrating resilience, support, enablement in the face of bad news
- Beware falling into nostalgia-only – that can be a basis for fun, but not the only one. And who are you appealing to with this nostalgia? Gen Z’s fascination with the 80’s



## Decentral

Starting to see the results of decentralized technology, and an accrual of benefits to consumer "creators".

# Decentral

## Consumer Drivers:

- Continued expansion of virtual goods & impact on brand loyalty
- Greater frictionless interoperability – super apps, passwordless security, composability/no-code
- Expansion of creator economy – new capabilities, new business models

## Retail Implications:

- For luxury and status goods, virtual fashion will continue to be a thing. Unclear how much it will be impacted by crypto crash, though
- Watch out for erosion of physical brand loyalty – Future Commerce stat is troubling: 75% of US consumers surveyed said you can love a brand without ever owning anything it makes
- Making room for consumers as creators – enabling or at least blessing a creator ecosystem
- Pay attention to super apps – not in 2023, but coming down the road

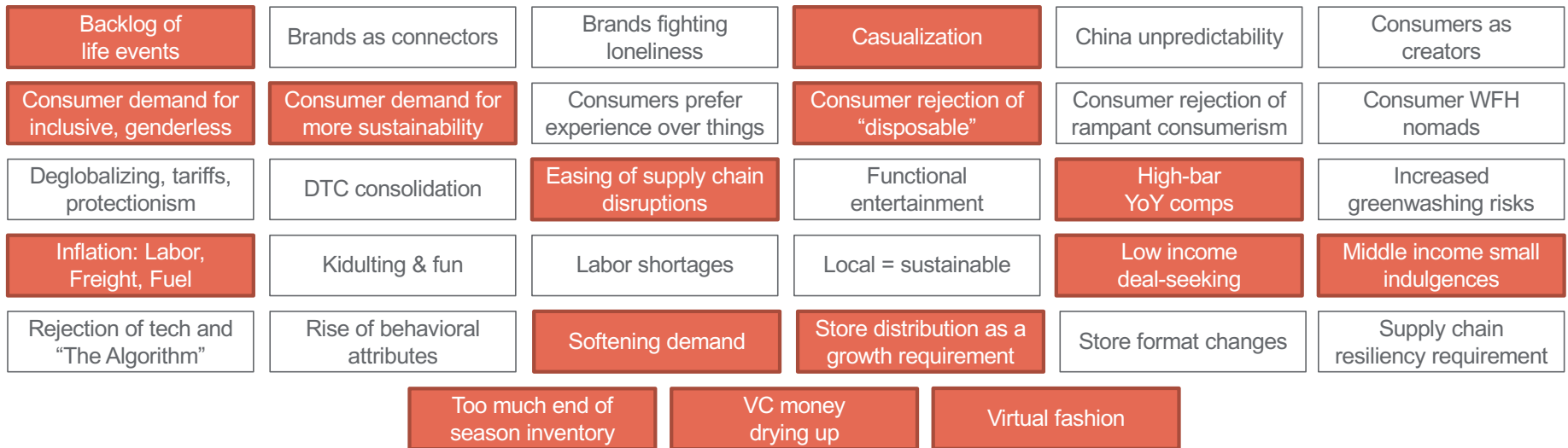
## ▶ Retail's Response

Expectations in 2023

# Mapping Retail's Response

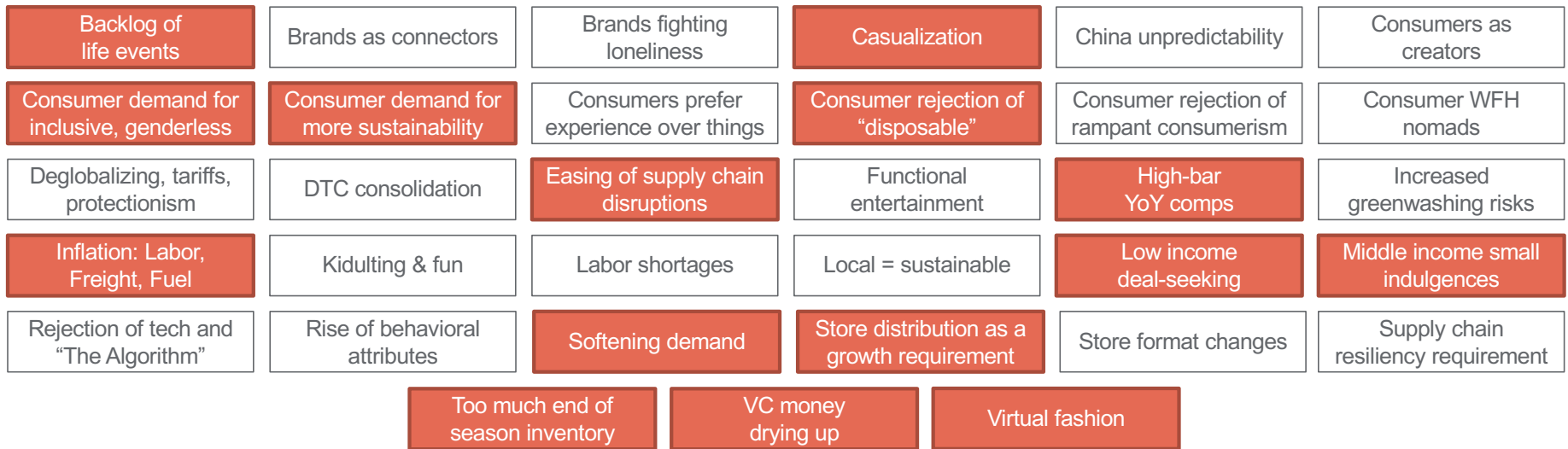


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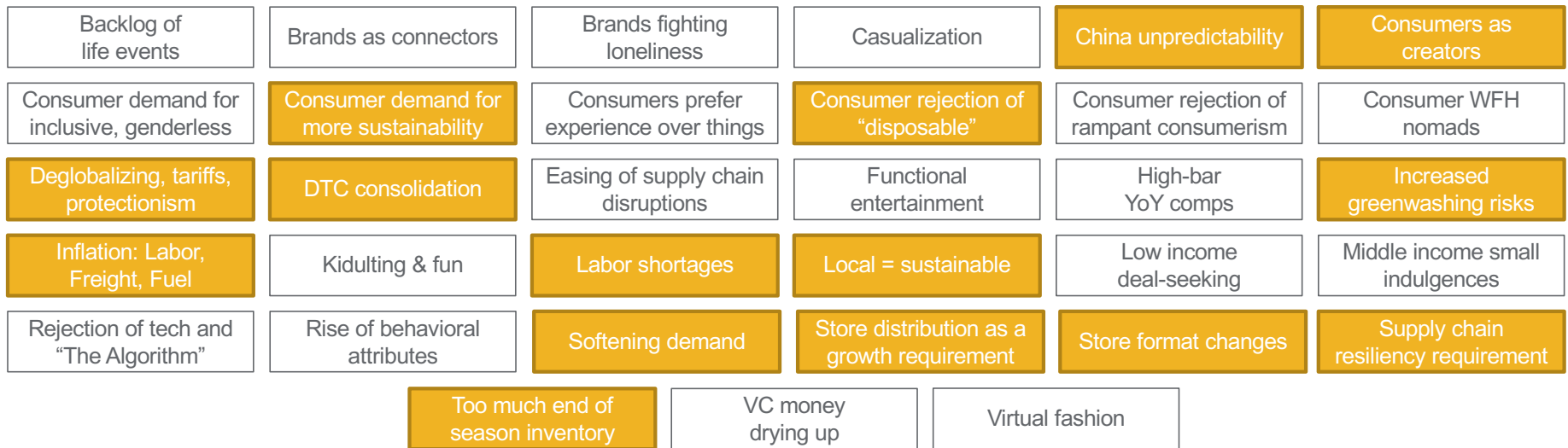


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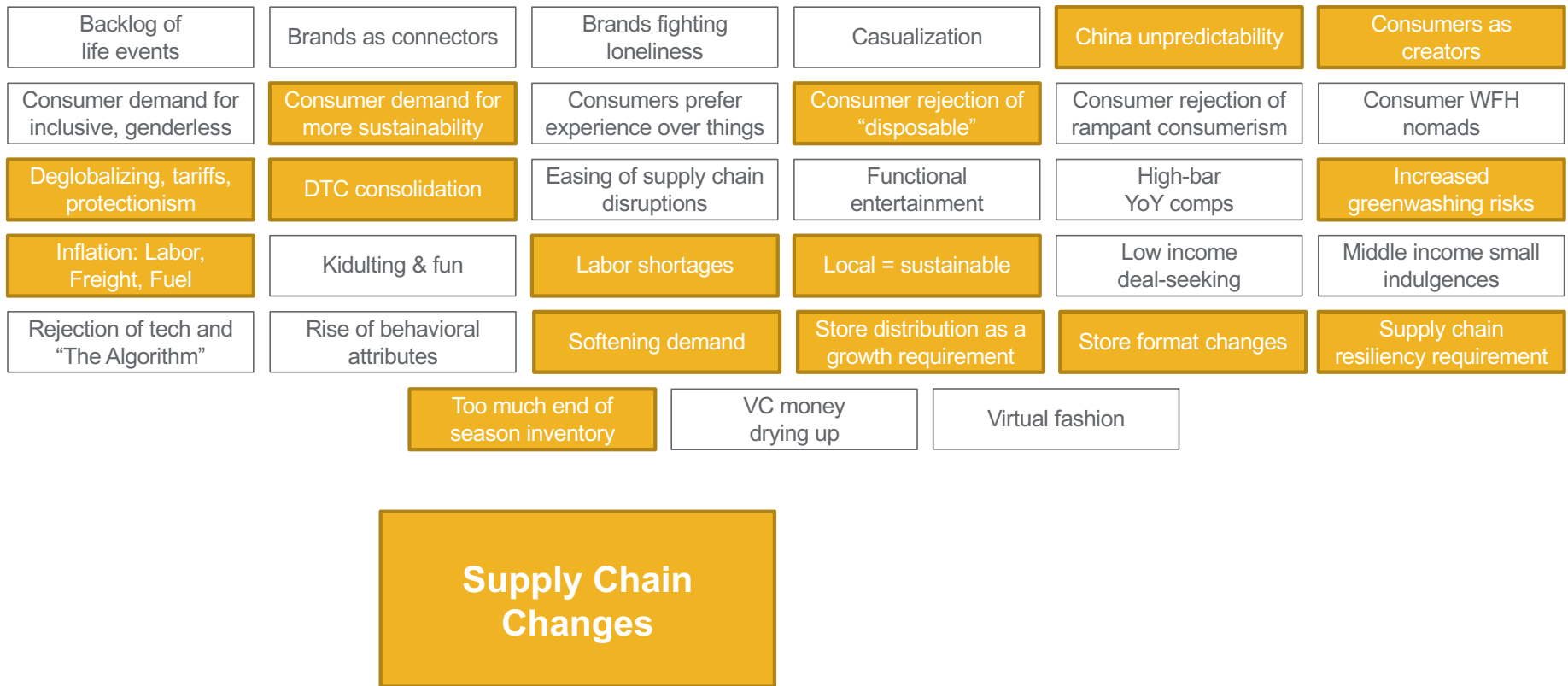


**Inventory Performance**

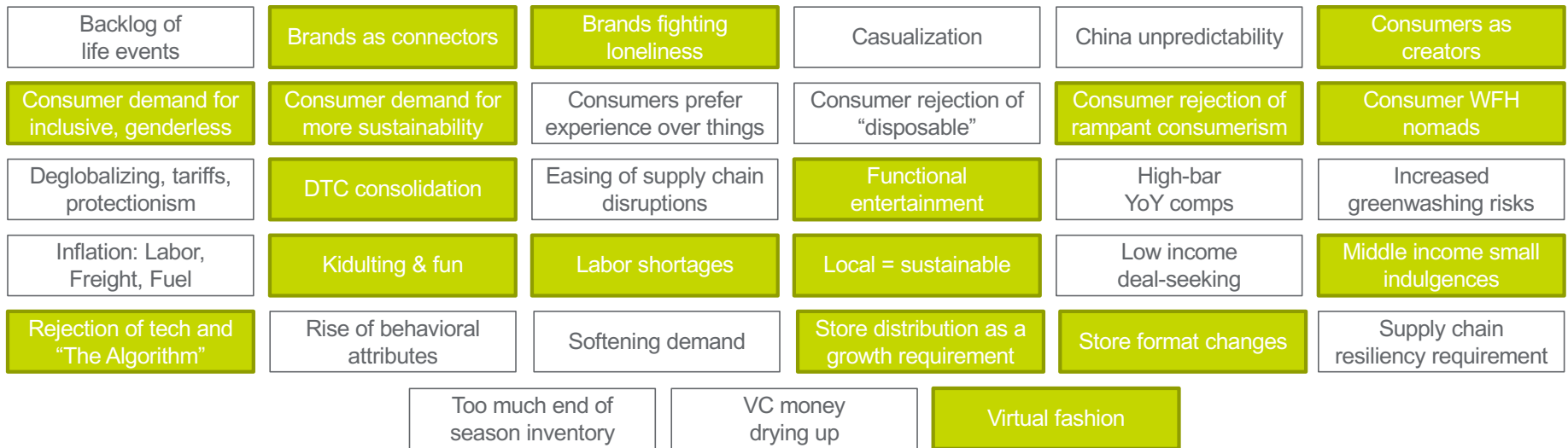
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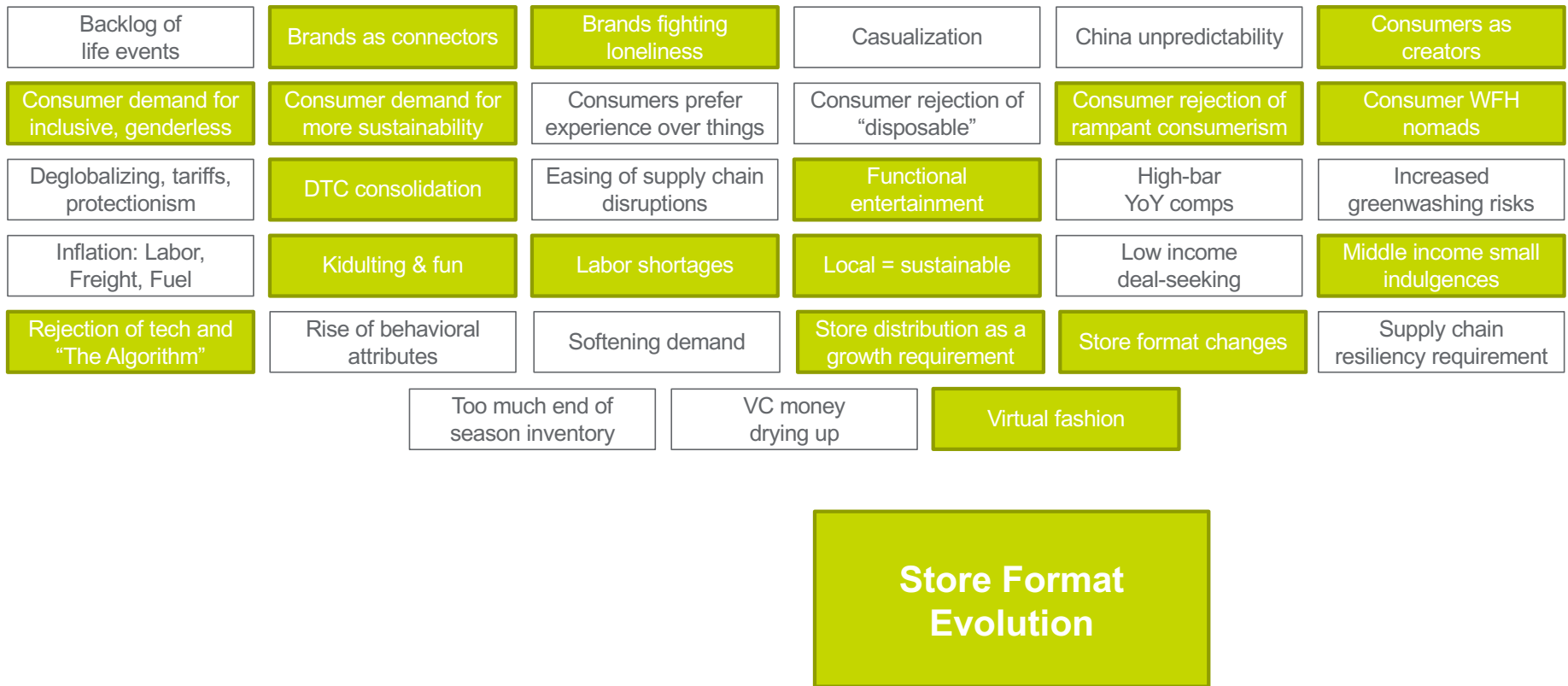
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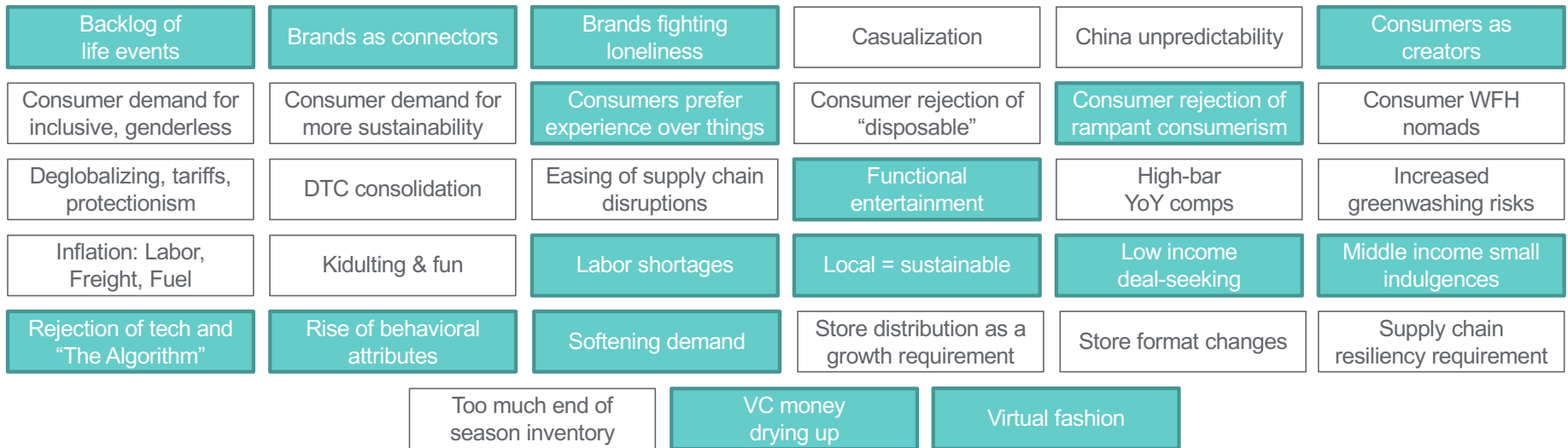
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# Mapping Retail's Response

Backlog of life events	Brands as connectors	Brands fighting loneliness	Casualization	China unpredictability	Consumers as creators
Consumer demand for inclusive, genderless	Consumer demand for more sustainability	Consumers prefer experience over things	Consumer rejection of "disposable"	Consumer rejection of rampant consumerism	Consumer WFH nomads
Deglobalizing, tariffs, protectionism	DTC consolidation	Easing of supply chain disruptions	Functional entertainment	High-bar YoY comps	Increased greenwashing risks
Inflation: Labor, Freight, Fuel	Kidulting & fun	Labor shortages	Local = sustainable	Low income deal-seeking	Middle income small indulgences
Rejection of tech and "The Algorithm"	Rise of behavioral attributes	Softening demand	Store distribution as a growth requirement	Store format changes	Supply chain resiliency requirement

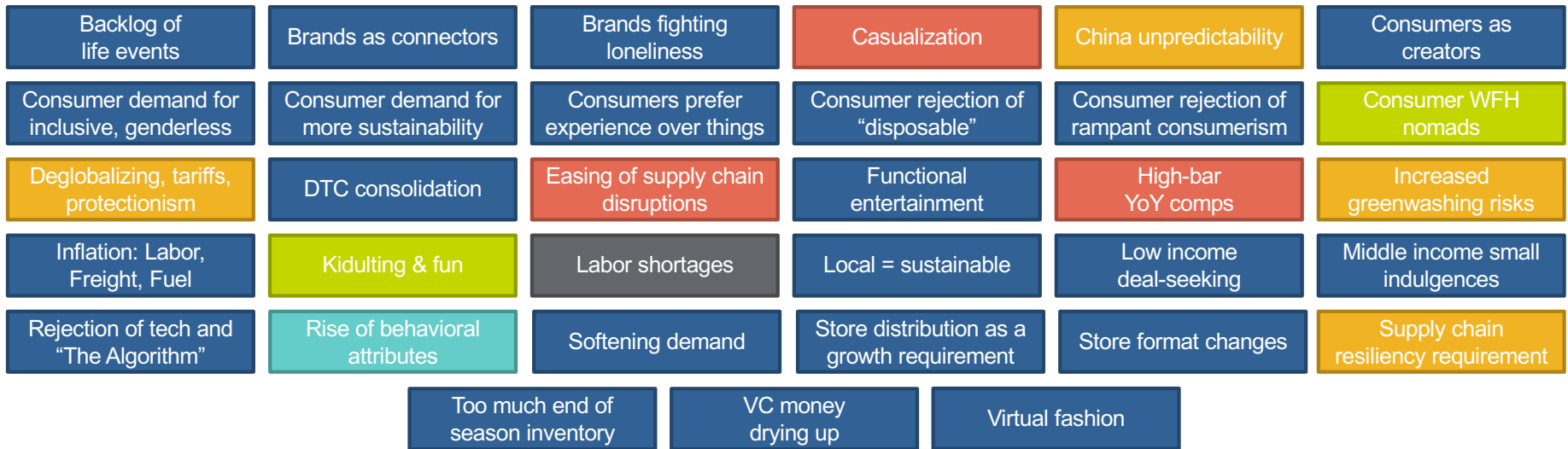
Too much end of season inventory

VC money drying up

Virtual fashion

First Party Data

# Mapping Retail's Response



**Inventory Performance**

**Supply Chain Changes**

**Store Format Evolution**

**First Party Data**



## ▶ Retailer Priorities in 2023

Retailer Priorities in 2023

# Inventory Performance



**Simplified Assortment**

**Margin Obsession**

**DTC Consolidation**

**Alternative Retail**



# Simplified Assortment

## Characteristics:

- Need to reduce number of styles
- Need to reduce number of colors, sizes, potentially even the need for sizes
- Genderless influence
- Reduce opportunities for over-inventory and returns
- Make sure simplified isn't also boring
- Fewer bets = bigger risks of getting it wrong

## Retail Implications:

- Assortment optimization (though always with the challenge of limited implementation success)
- Assortment analytics and performance metrics
- Size profiles
- Assortment testing



# Margin Obsession

## Characteristics:

- Balancing higher costs against softness in consumer demand – no quarter to raise prices
- Increased pressure on omni fulfillment to sell at best margin
- Monitoring margin very closely
- Real-time inventory position

## Retail Implications:

- Real-time inventory visibility
- Margin performance analytics & metrics
- Margin view of omnichannel fulfillment
- Omnichannel fulfillment optimization



# DTC Consolidation

## Characteristics:

- Snapping up “cheap” DTC brands that are faltering
- Quickly adding DTC brands to distribution
- Platform approach to brand management

## Retail Implications:

- Common merchandising platform, managed by brand
- Consolidated inventory & performance view across brands



# Alternative Retail

## Characteristics:

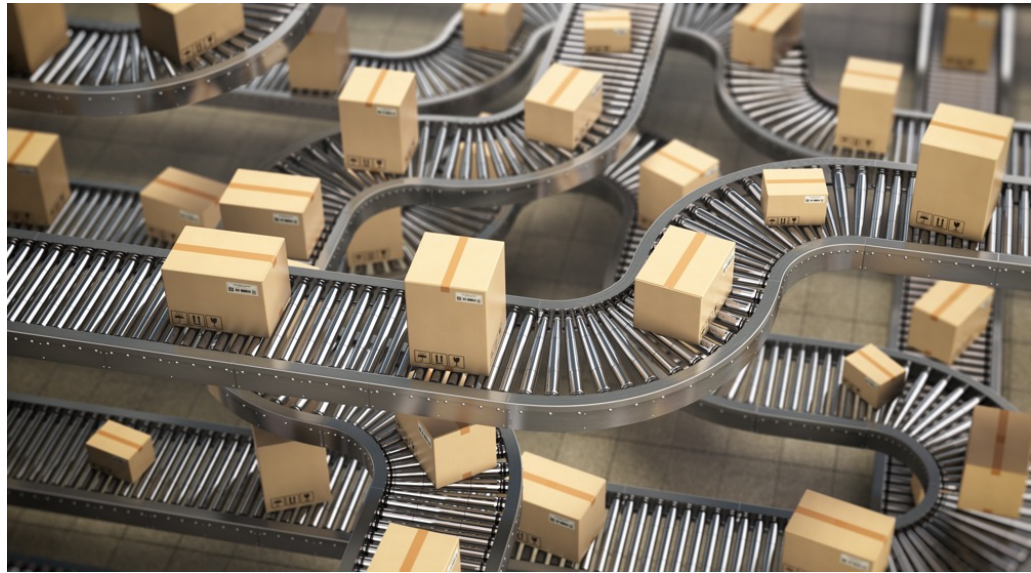
- Rental
- Resale
- Recycling
- Reuse/upcycle

## Retail Implications:

- Rental or resale platform partnerships – RTR, ThredUp
- Recycling tie-in to loyalty
- Product customization in stores

Retailer Priorities in 2023

# Supply Chain Changes



**Omni Agility**



**Supply Network Shifts**



# Omni Agility

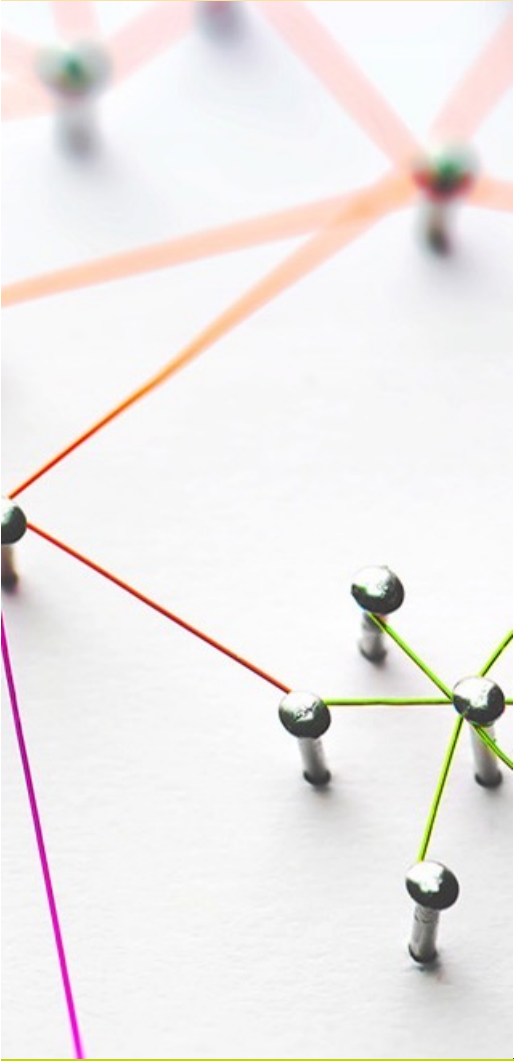
## Characteristics:

- Focus on need to sell over-stocked inventories at best margins with least extra movements
- Increased complexity to manage as retailers look to expand the portfolio of stores and reach more into smaller cities
- Real-time inventory visibility to reduce safety stock requirements
- Positioning inventory closer to customers as faster, cheaper, greener

## Retail Implications:

- Real-time inventory visibility
- Margin view of omnichannel fulfillment
- Omnichannel fulfillment optimization
- Dynamic safety stock
- Allocation optimization
- Store clusters
- Store fulfillment performance
- RFID back on the map





# Supply Network Shifts

## Characteristics:

- Sourcing rationalization
- Near-sourcing
- Shifting around production risk (i.e., diversifying out of Europe or China)

## Retail Implications:

- This is a long-running trend that in 2023 will focus attention on Network analysis, risk assessment, location & partner analysis

Retailer Priorities in 2023

# Store Format Evolution



Labor Automation



Portfolio of Formats



Events & Community



Smaller City & Neighborhood Locations



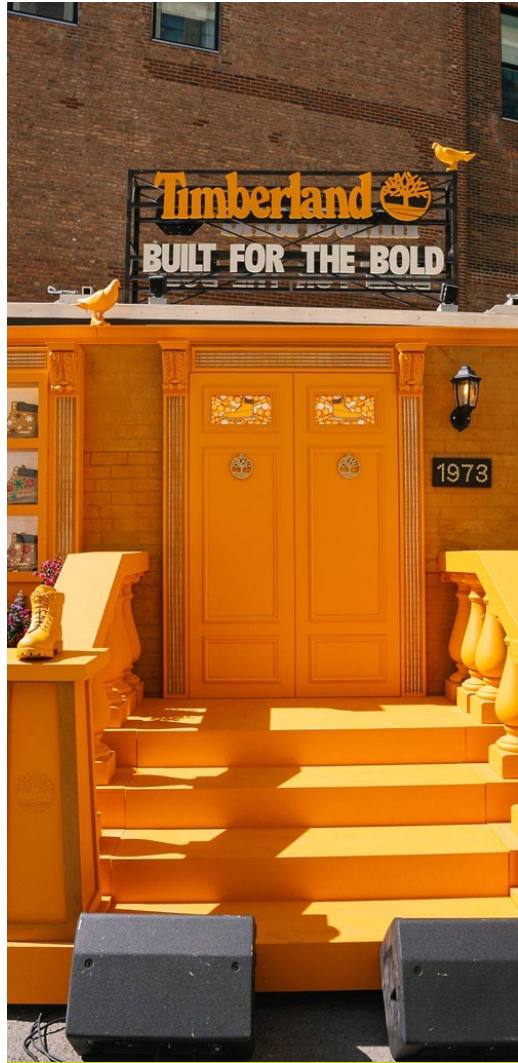
# Labor Automation

## Characteristics:

- Finding ways to do more with fewer employees in a store
- While also expanding the variety of things that a store does

## Retail Implications:

- Mobile POS
- Mobile store fulfillment
- Mobile inventory management
- Mobile customer service
- Endless aisle / save the sale



# Portfolio of Formats

## Characteristics:

- Retailers are still experimenting with formats within a geography – offering a different range of services at each location or designating one store to be the “main” provider of a specific service within a geo

## Retail Implications:

- Geo-based omni analytics & performance
- Store performance metrics
- Store clustering



# Events & Community

## Characteristics:

- Creating local events that drive traffic to stores
- Creating community spaces to hold events
- Pet / family events

## Retail Implications:

- This will be a long-running trend that impacts store design and will take 5-10 years to unfold, but it will have impact on HW considerations and customer interaction & cashwrap designs



## Smaller City & Neighborhood Locations

### Characteristics:

- Creating smaller formats, more flexible formats that reach into smaller pockets of target customers in smaller cities

### Retail Implications:

- Pop-up POS / truck-based POS

Retailer Priorities in 2023

# First Party Data



Modern Loyalty



Unlocks



Influencer Extensions



# Modern Loyalty

## Characteristics:

- A loyalty program that spans channels and types of benefits
- The ability to support a freemium to subscription model
- Benefits that aren't just promotions

## Retail Implications:

- Loyalty
- Customer data





# Experiential Promotions

## Characteristics:

- Offers and benefits that focus on experiences rather than discounts

## Retail Implications:

- ?? The issue with this desire is that there isn't a lot of tech to support it – and it's labor intensive, so difficult for brands to execute



# Unlocks

## Characteristics:

- Premium access and experiences
- Easter eggs
- Secret notices or opportunities

## Retail Implications:

- NFT-based loyalty
- Virtual goods on virtual platforms



# Influencer Extensions

## Characteristics:

- The ability to turn fan consumers into influencers or affiliates
- The ability to turn employees into influencers or affiliates
- Creating ways for fans to express their brand love through digital participation in real decisions related to the brand (should we offer this product, for example)

## Retail Implications:

- ?? There aren't a lot of tech platforms that do this out of the box

## ▶ Wrap Up

# Key Take-Aways

- Consumers will not have as much disposable income to spend in 2023
  - Eurozone will be hit the hardest, Covid impacts on China yet to be determined
  - Clothing will be hit the hardest as most discretionary, and coming off of experience-driven spend
- Technology disruptions to consumer behavior that would impact retail are not a 2023 thing
- Retailers had an “okay” holiday – not bad enough to prevent them from spending on overdue tech refresh
- Consumers want more from brands & retailers than ever before – you will not survive just “selling stuff”
- Retailers have four key focus areas for the next few years:
  - Inventory performance
  - Supply chain changes
  - Store format evolution
  - First party data