



Smart Retail

The future of retail

What's in store for your store?

At Philips Lighting, that's a burning question – and one that guides how we work and the products we develop. So we brought our team together for the future of retail scenario planning, starting with the question: how will people shop in the future? We don't have all the answers, but we believe we've tapped into the trends.

Today's shoppers are more likely to enter a store via a smartphone than a storefront. With 60% of all shopping now digitally influenced¹, the retail playbook has been rewritten by voice assistants, mobile and apps. And as 3D printing, drones, robots, chatbots and virtual and augmented reality lead the next wave of innovation, the disruption has only just begun. So where is shopping headed?

The future that emerged from our scenario planning is exciting. Far from being obsolete, brick-and-mortar experiences will evolve to take shopper expectations to new heights, earning an even bigger place in their hearts.

Local retail experiences will take center stage. Partnering with brands, local retail leaders will create relationships beyond the point of purchase to rejuvenate the high street and their communities.

Department stores and other global brands will shift their focus to become more experiential, inspiring loyalty through compelling lifestyle experiences based on customer profiles and preferences.

Behind the scenes, voice assistants in thinking homes will manage routine purchases via digital stores, freeing people to shop for fun.

And as shopping becomes even more personalized and experiential, a new era of custom design will blossom, as shoppers connect directly with makers over the world via virtual showrooms and brands become more collaborative, sharing their tools and supply chains.

Full of positive change, these ideas inspire us – and we hope they inspire you too.

Whatever the future holds for you and your business, we're excited about making retail magic happen.



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Parik Chopra
Business Segment Leader –
Retail and Hospitality, Philips Lighting

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1. Deloitte, 2016: The new digital divide.

How we created 'Retail Futures'

This started with a series of scenario planning exercises inspired by retail knowledge gathered from interviews, research and data-driven insights. Scenario planning is a method to prepare for an uncertain future. It works by challenging our assumptions and generating

multiple plausible views of what the future may hold. We started with the question: what will shopping be like in years to come? After identifying and validating top trends and drivers, we imagined how they might play out to arrive at each Retail Future.

The future of retail scenarios

What's shopping like in the future?

Fun, immersive and sensory – and anything but routine.



“ Shopping is all about fun and unique experiences now that my daily essentials are ordered for me.”

1. It's local

The high street is full of restaurants and small shops stocked with local brands. It's a vibrant hub for the local community.

- ✓ High-concept curated stores
- ✓ Hyperlocal sourcing
- ✓ Friendly faces and service
- ✓ Co-owned by community
- ✓ Background brands

“Making connections between people is important – that is why (food) festivals are doing so well.”²

Sabien Duetz, Bien Innovation

71% of US consumers prefer to buy from physical stores³

85% want to 'touch and feel' items before buying⁴

3 of the top 4 food trends for 2016 are local as feel good markets, specialist and artisanal stores thrive⁵

2. It's experiential

Big brands match experiences to customer life moments, inspiring loyalty and data sharing.

- ✓ Omnichannel lifestyle experiences
- ✓ Retailtainment draws people offline
- ✓ Personalized advice and service
- ✓ Valued rewards

“The future of retail will be increasingly hedonistic... Hedonistic retailers will survive. Shopping will be more fun.”

Cor Molenaar, Professor of E-Marketing, Erasmus University, Rotterdam

4x more sales when shoppers use personal shoppers at Chinese department store Lane Crawford⁶

50% of sales are driven by personal appointments at Lane Crawford Shanghai⁷

“Accessible exclusivity”: Topshop's London flagship store offers a Style Advisor

50+ data scientists behind Stitch Fix's personal stylist recommendations

3. It's automated

Everyday purchases are effortlessly convenient with smart homes that anticipate your needs.

- ✓ Predictive and profile-based shopping
- ✓ Automated top-ups of daily necessities
- ✓ Voice-assisted smart services

“Automatic shopping will happen for products people know they want. It is easier to shop via Alexa than normal online shopping – it is faster.”⁸

Nadia Shouraboura, Hointer

The global smart home automation market is growing 26.3% annually from 2013 to 2020, reaching US\$21.6b by 2020⁹

More than a fifth of smart speaker owners are now shopping via voice¹⁰

Auto ordering API connected devices can use Amazon Dash Replenishment Service to order new supplies whenever they're needed

22% of voice assistant owners reported that they shop using voice commands e.g. re-orders, shopping lists¹¹

4. It's personalized

Consumer markets explode into microniches served by designer makers who create one-off pieces.

- ✓ Microentrepreneurs
- ✓ Co-creations by consumers, makers and brands
- ✓ Virtual reality (VR) access to maker studios
- ✓ Uniquely personalized products

“The retailer or distributor will disappear... The only middle man left is the one with whom you can co-create.”¹²

Pieter de Vuyst, InSites Consulting

Alibaba's Buy+ transports shoppers to a virtual mall using cardboard VR headsets and smartphones

80,000+ businesses used Maker's Row to connect with American manufacturers online from 2012-2015¹³

2. Philips Lighting interviews and research, 2016

3. TimeTrade State of Retail Report, 2015

4. TimeTrade State of Retail Report, 2015

5. National Restaurant Association, 2016: What's Hot culinary forecast

6. Business of Fashion, 2017: How Personal Shopping Makes People Spend

7. Business of Fashion, 2017: How Personal Shopping Makes People Spend

8. Philips Lighting interviews and research, 2016

9. Transparency Market Research, 2015: Home Automation Market – Global Industry Analysis, Size, Share, Growth, Trends and Forecast 2014 – 2020

10. Koetsier, J. “22% Of Amazon Echo And Google Home Owners Shop By Voice; Sales Doubled In 2017.” Forbes.com. <https://www.forbes.com/sites/johnkoetsier/2018/01/09/adobe-echo-google-home-sales-doubled-in-2017-and-22-shop-by-voice/#2f815b031931>.

11. Koetsier, J. “22% Of Amazon Echo And Google Home Owners Shop By Voice; Sales Doubled In 2017”, 2017. <https://www.forbes.com/sites/johnkoetsier/2018/01/09/adobe-echo-google-home-sales-doubled-in-2017-and-22-shop-by-voice/#2f815b031931>

12. Philips Lighting interviews and research, 2016

13. Forbes, 2015

Scenario 1: It's local

The local high street is a social and inspiring place for the community. With stores personalizing every path to purchase, the journey is seamless wherever customers choose to engage with the local community. And with expert shop assistants invested in their experience, they always feel welcome in store. A percentage of the store profits helps support things the local community cares about.

In 2017 Amex's annual US shop local event 'Small Business Saturday' hit record highs with **108m participants** shopping at small independent retailers or restaurants.¹⁴

56% of consumers are more likely to shop with retailers who know them by name.¹⁵

Opening a physical store can boost a retailer's website traffic from local customers by 52% in six weeks.¹⁶

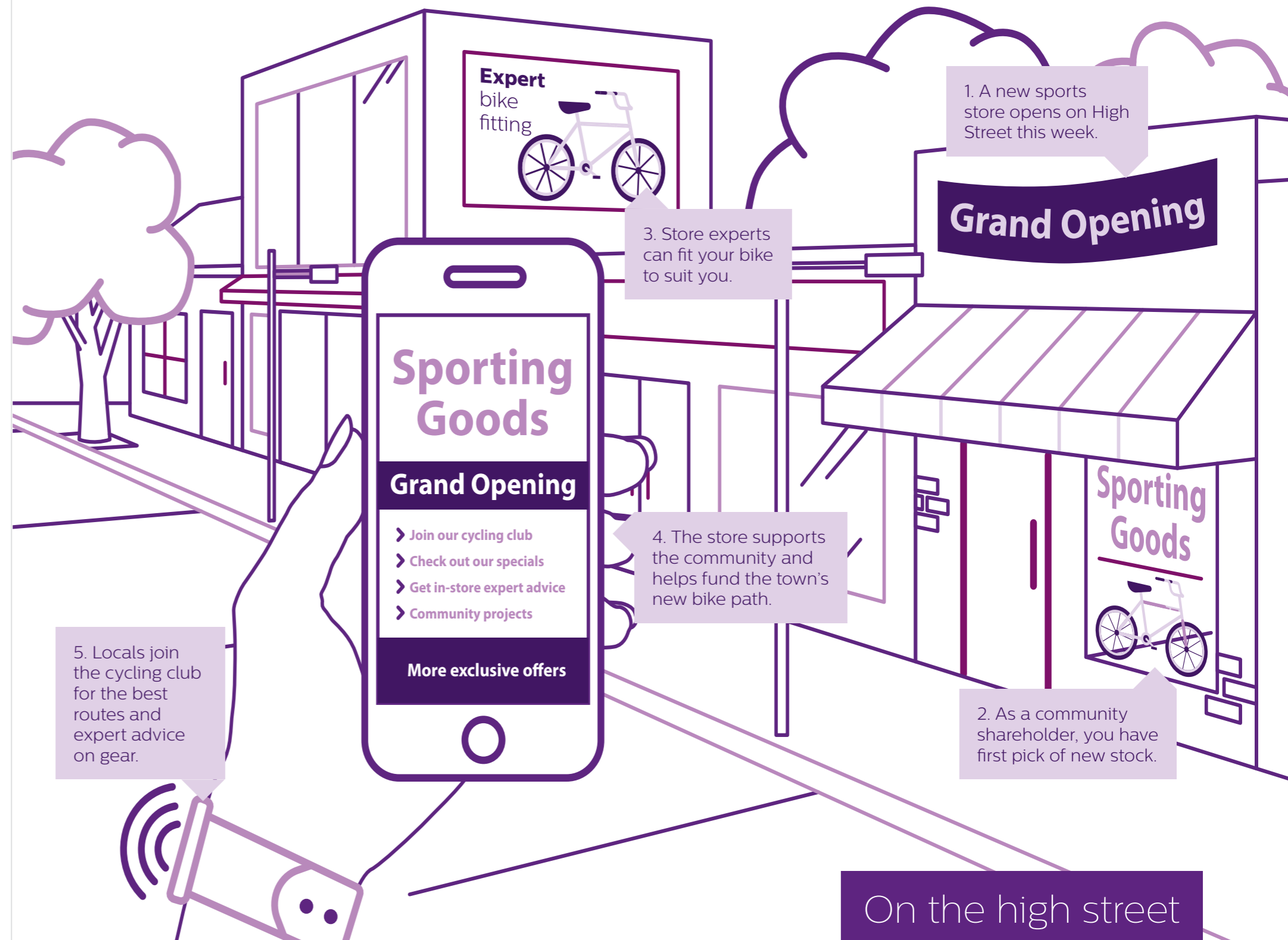
"Retailers that can figure this out - telling the brand stories - will be filling a big white space... Millennials... don't buy things, they buy stories."

Christopher Brace, CEO,
Syntegrate Consulting, New York

14. Philips Lighting interviews and research, 2016

15. American Express, 2017: Small Business Saturday Consumer Insights Survey

16. Pandolph, S. "Here's how brick-and-mortar boosts online engagement." BusinessInsider.com <http://www.businessinsider.com/heres-how-brick-and-mortar-boosts-online-engagement-2017-9?international=true&r=US&IR=T>



On the high street

Top 6 trends

Curated

Hundreds of eclectic individual shops all over town replace lookalike branded stores, making the high street a hub for shoppers.

Personalized

Local tastes and brands come together in delightful experiences tailored to customer needs, revitalizing how shoppers interact with retailers.

Face-to-face

Individual advice powers retail and shopping revolves around the people who run stores and serve customers, not brands.

High concept

Info and edu stores teach people how to do new things and where food and other products come from. They come and go with the trends.

Co-owned

Profit sharing gives people a stake in their communities. By spending locally, they can support community initiatives.

Invested brands

Brands engage communities via local partnerships, community support, crowd funding events and pop-up moments.

Scenario 2: It's experiential

The world's biggest brands are redefining how they engage with today's consumer. They know their customers and what they love – and reward them for their loyalty. They're becoming lifestyle centers, offering food, coffee and even salon services in store. For customers, this means brands that are there for them at every stage of their life, anticipating the products and experiences customers enjoy the most and providing them in a way they can trust.

94%

of shoppers say their decisions are more likely to be influenced by in-store demos than ads.

12,500+ products, 100 3-D views

Australian department store Myer and eBay built the world's first VR store – shoppers can turn, twist and even look inside the top 100 products to see the details.¹⁸

“Customers expect store employees to be experts. Millennials see them almost as a friend that gives them better experiences.”¹⁷

Tom de Ruyck, InSites Consulting

17. Philips Lighting interviews and research, 2016
18. Accenture, 2016: Holiday Shopping Survey



An exclusive look into next season

Global brands immerse you in life experiences

Top 6 trends

Lifestyle

Global stores offer the perfect lifestyle with omnichannel experiences tailored to every customer's life stage.

Knows me

Shoppers are offered global tastes and brands that delight them every time with exclusive access to new products that appeal to them.

Experiences

VIP packages with outfits, refreshments, transport, events, product previews, seminars, offers and immersive digital experiences.

Personal advisor

Customer loyalty is rewarded with highly attentive one-on-one service that peaks at customer milestones to create special events.

Rewards

Customers share their data freely to earn experiential loyalty benefits tailored to them, including membership milestone celebrations.

Virtual shopping

Virtual changerooms and showrooms let customers experiment with products and preview them using virtual and augmented reality.

Scenario 3: It's automated. The smart home...

The trend toward voice-controlled smart homes is growing fast with 45% of home renovations incorporating smart systems or devices.¹⁹ By 2021, voice-controlled smart home devices are expected to represent almost 30% of smart home device spending.²⁰ Have an appointment you need a reminder for? Need something restocked? Your home will be one step ahead. Simply tell your voice assistant – but it's likely she's already used your calendar to remind you or your profile to order it.

Global smart speaker market size is slated to surpass USD 13 billion by 2024.²¹

Subscribe and it comes to you

- **Essentials:** Dollar Shave Club, Alice and Amazon.
- **Clothing:** MeUndies, Manpacks, Busted Tees, Threadless and Fabletics.
- **Meals and groceries:** Gousto, HelloFresh and Marley Spoon.

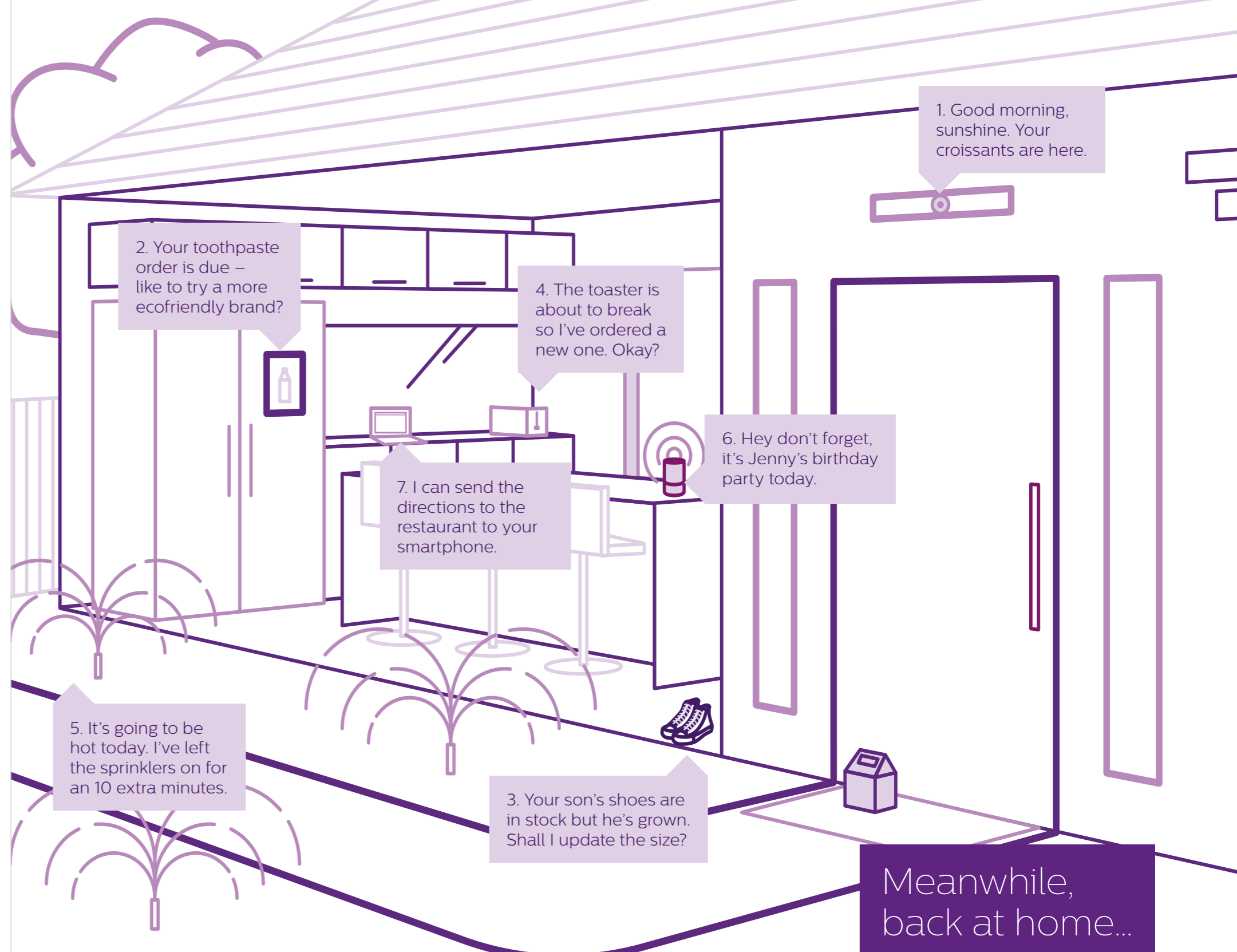
“2017 is the year voice becomes a mainstream ‘operating system’ as we attain ‘good enough’ speech recognition.”

Sarah Guo, Greylock Partners

19. Get Piper. “45% Of Home Renovations Include Smart Home Technology.” <https://getpiper.com/45-of-home-renovations-include-smart-home-technology/>

20. ABI Research. “ABI Research Deems Voice Control the New Breakout Start in Smart Home Technology.” <https://www.abiresearch.com/press/abi-research-deems-voice-control-new-breakout-start/>

21. Research report by Global Market Insights



Meanwhile,
back at home...

Top 6 trends

Automated

Utilitarian online purchases are automated, freeing shoppers to focus on shopping that's fun.

Predictive

Everyday items are topped up automatically, helped by proactive suggestions. Appliances are replaced before they break.

Profile-based

Service providers offer shoppers products based on shopper profiles and suggest new options, offers and substitutions.

Voice assisted

Shoppers interact naturally with voice assistants, who take care of the household for them, asking questions when they need input.

Product sampling

Regular services provide new items to try each month, making it effortless to shop. Simply keep what you like, return the rest.

Alerts

Homes align sounds, aromas and lighting to alert shoppers when deliveries arrive or to enhance enjoyment of products.

Scenario 4: Meet the makers

In future, you'll be able to buy unique clothing, homewares and other products that fit you and your needs perfectly. Every product will be a way to express yourself. The era of customized manufacturing and supply chain capability has already begun, with online platforms like Maker's Row, BriteHub, ELSE, and Amazon Launchpad leading the way. Footwear brands Converse, Adidas, Vans and Nike have all incorporated mass product customization into their online business models, giving customers unprecedented choice and almost limitless selection.

US\$2.4trn value of the global apparel industry in 2016.²²

Online marketplaces

- **Etsy:** 1.9m active sellers, 31.7m+ customers, 45m products.²³
- **Amazon Handmade:** 5000 sellers in 60 countries.²⁴
- **Taobao:** 423m active buyers, 101.1b RMB total annual revenue.²⁵

3-D inventory

Alibaba wants to make it as easy for Taobao merchants to set up a VR store as a web page.

“People are looking to be part of the process. For millennials, expression is such a core value of what we espouse and what we purchase.”

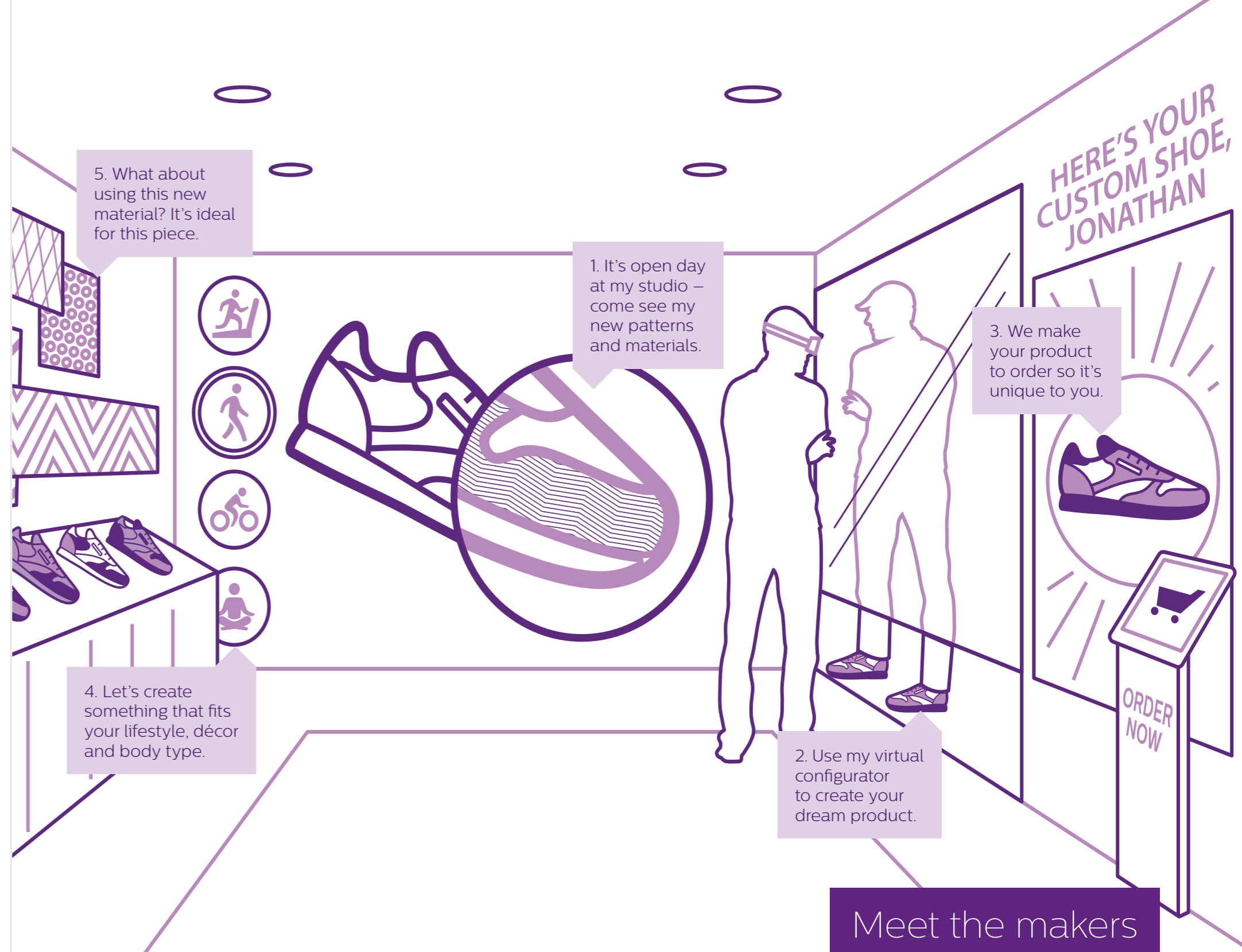
Aubrie Pagano, Bow&Drape

22. The Business of Fashion and McKinsey & Company, 2016

23. Etsy, 2017

24. Forbes, 2015

25. Alibaba Group, 2016



Meet the makers

Top 6 trends

Open brands

Brands survive by giving makers access to their materials, designs and manufacturing so they can build whatever niche markets want.

Maker brands

Creative entrepreneurs create powerful personal brands using big brand tools and supply chains, operating from virtual reality shopfronts.

Co-creation

Shoppers rarely buy products off the shelf. Instead they use online tools to modify standard designs, showing makers exactly what they want.

Virtual showcases

Shoppers visit virtual reality warehouses to interact with makers in their studios and view their latest creations.

Microniches

Makers adjust products to suit every shopper and microniche using customer data, feedback and preferences.

Innovation

Grass-roots experimentation with materials and processes drives new design trends and a vibrant community of microentrepreneurs.

What's your retail future?

Share it with us and we'll help you use intelligent lighting to bring it to life.



Magnetic stores

Attract shoppers with LED façade lighting and signage that expresses your unique brand identity – everything from showstopping to intimate and subtle. Use luminous glow effects, patterns and projections to mark your store as a destination. And make it feel like the third home.



Amazing new experiences

With Philips Indoor positioning, shoppers' smartphones can guide them to what they want to buy using location data from your store's LED lighting, showing them the latest offers so they can shop more efficiently – at the best price.



Shopper insights

Connected lighting can shed light on what's happening in your stores. By introducing smartphone apps, you can profile and study customers to better understand their in-store and device use habits, over time and in real time. And ensure you deliver them a customized experience.



Convert, convert, convert

The right lighting boosts sales by accentuating products' most appealing qualities and guiding shoppers toward merchandise. With 60% of shopping decisions made in the fitting room, flattering lighting can have a powerful effect on sales.



Dynamic displays

Create displays that are as exciting as they're effective by adjusting lighting zones and layouts instantly. Change the mood with the season or as new stock arrives. And use captivating interactive lighting displays to showcase featured products.





Mouth-watering arrays

Grow herbs and crops indoors or keep food fresher for longer and bring out appetizing colors and textures with special LED light recipes that entice customers to buy while helping to reduce food waste.



Greener operations

Adjust lighting to the daily rhythms of your store; for example, by dimming lights during restocking you can reduce energy consumption by up to 16% and save the planet.



Loyalty building

With the right lighting you can create compelling brand experiences that shoppers are inspired to repeat and share. Your store's unique ambience can be a powerful drawcard, making every visit an unmissable experience.



Interactive moments

As part of a thinking home, Philips Hue lighting can make retail more immersive, fun and personalized. With lighting recipes triggered by e-commerce events, light displays can alert shoppers when an item is in stock, is shipped or has arrived.



Control

Keep an eye on your stores' lighting installations and operate light shows remotely with our ActiveSite cloud platform allowing you to monitor, manage and maintain architectural LED lighting installations via any web browser.

See how we're helping retail's visionaries transform shopping at www.philips.com/smartretail

Achieve your vision with **connected lighting**

✓ **Destinational**

The only limit is your imagination. Create standout effects, make your window displays pop and your sales floor convincing and intuitive.

✓ **Dwell-worthy**

Create desire, increase dwell time and boost sales with special lighting effects and customized lighting to differentiate your brand.

✓ **Delightful and insightful**

Use indoor navigation and location based services to deliver great new customer experiences and wayfinding while revealing insights about customer needs.

✓ **Intelligent**

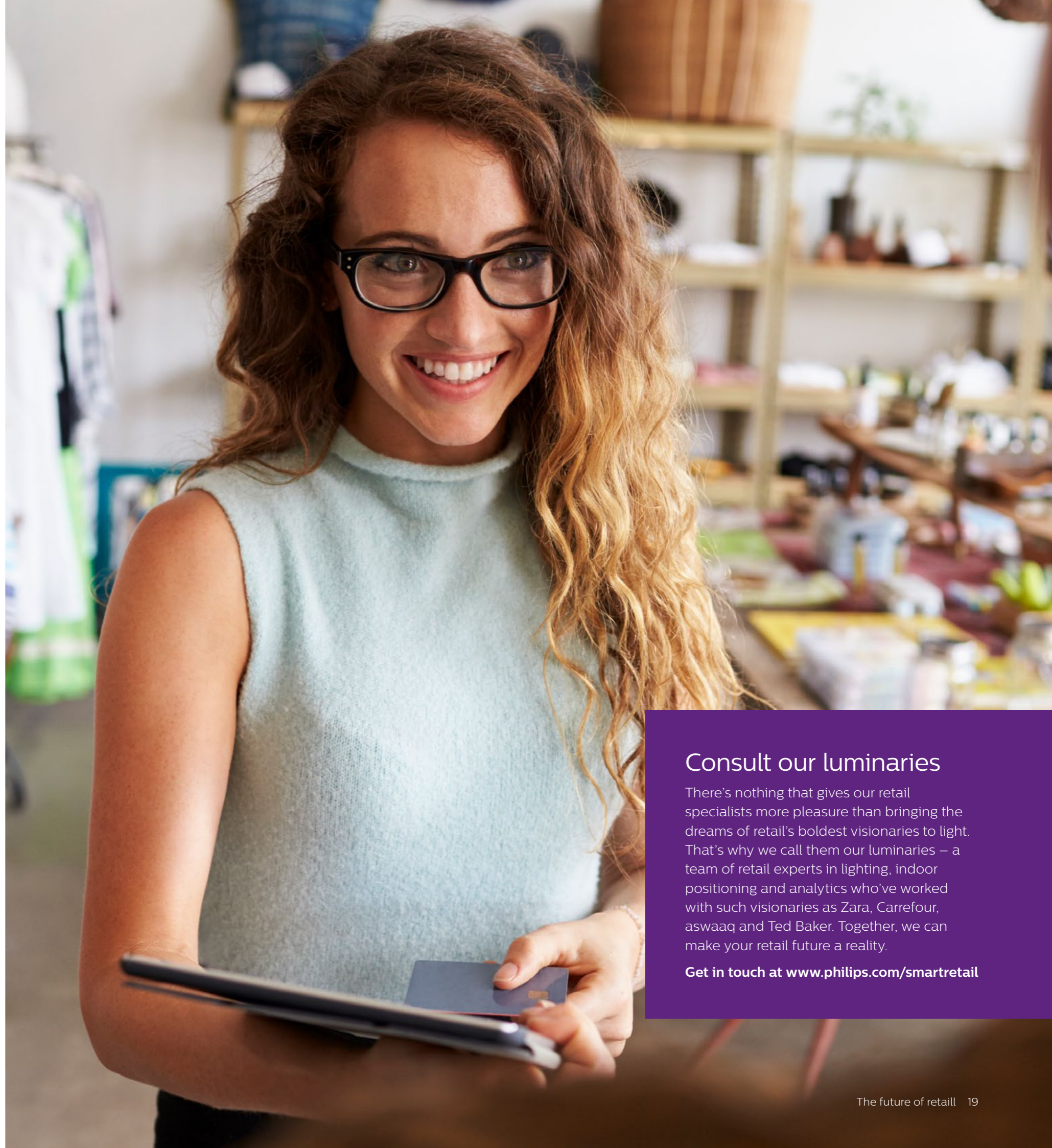
Self-reporting lighting gives you insight to adjust lighting levels and schedules, fix faults faster and reap energy savings of up to 80%.

✓ **Future ready**

Support new retail futures with flexible lighting design and Light as a Service, helping you finance and maintain lighting assets efficiently.

✓ **Visionary**

Unlock new customer experiences using the Internet of Things with our strategic alliances taking light beyond illumination.



Consult our luminaries

There's nothing that gives our retail specialists more pleasure than bringing the dreams of retail's boldest visionaries to light. That's why we call them our luminaries – a team of retail experts in lighting, indoor positioning and analytics who've worked with such visionaries as Zara, Carrefour, aswaaq and Ted Baker. Together, we can make your retail future a reality.

Get in touch at www.philips.com/smartretail

