

# RETAIL REVOLUTION: TRENDS SHAPING RETAIL IN 2024 AND BEYOND

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# INTRODUCTION

Retailers must prepare for another year of marketplace disruption. The true state of the consumer in this post-pandemic world can be unpredictable at best. Yet, waves of distortion, like snarled supply chains and corrosive inflation, are beginning to ebb. So, where does that leave the future of the industry?

We can expect 2024 to remain just as complex as 2023. The past few years have seen a rise in consumer spending, but the past few quarters have seen it slow down. As uncertainty dwindles around the corner, staying on top of the latest trends, tools, and strategies is a proactive step to staying on top.

Here, we take a closer look at the key challenges retailers are facing today, the top trends, and why staying up to date is vital for continued success.



# KEY CHALLENGES RETAIL FACES IN 2024

In the past decade, there has been a significant transformation in the retail industry, with an increasingly informed consumer market, new technologies, and changed employee expectations. Naturally, change brings about opportunities, as well as obstacles.

Here are the most pressing challenges facing retailers and their frontline workforce today:

## DELIVERING ON THE CUSTOMER EXPERIENCE

Customer expectations include the desire for a more conscientious brand. Retailers must take note of this and adjust the experience to meet the customer's evolving needs. Focusing on customer demands improves custom loyalty. Yet, how do you navigate cautious consumerism and heightened expectations?

## RELIANCE ON LEGACY SYSTEMS

Technology becomes a burden for retailers that continue to rely on outdated systems. It can lead to a daily source of frustration for staff, interrupting workflows and capturing inaccurate data. However, when used effectively, the right tools can supplement employee productivity, improve the speed of customer service, and reduce human errors.

## 5 CHALLENGES FOR THE 2024 RETAIL LANDSCAPE

- 01** Supply chain disruptions and material scarcity
- 02** External events and unpredictable circumstances
- 03** Managing customer expectations and worries
- 04** Multi-year effort to find new supply chain connections
- 05** Adapting to shifting retail trends

## ADDITIONAL CHALLENGES:

- Optimizing internal communication and centralizing data management
- Global uncertainties, geopolitical issues, and unforeseen events disrupt supply chains
- Adopting and leveraging tech to enhance operations and customer experiences
- Striking a balance between maintaining profitability and offering competitive prices
- Balancing profit motives with corporate social responsibility and ethical sourcing

# SHOW, DON'T TELL

Although the green movement began in the 60s and 70s, it didn't take much corporate root until the mid-90s. As more businesses made green pledges to protect the environment and foster sustainability, the campaign caught on, giving brands who promoted it a competitive edge.

Fast forward to today. Consumers have heard enough broken promises. As they become more environmentally conscious and informed, it's harder for companies to "fake" having a green initiative. People are holding their feet to the flames and expecting them to show, rather than tell them about green procedures and systems in place.

A consistent brand that reflects a customer's values across all touchpoints, creates more trust and authenticity. 88% of consumers say authenticity is a key factor when deciding what brands to support.<sup>1</sup>

## GREEN FATIGUE

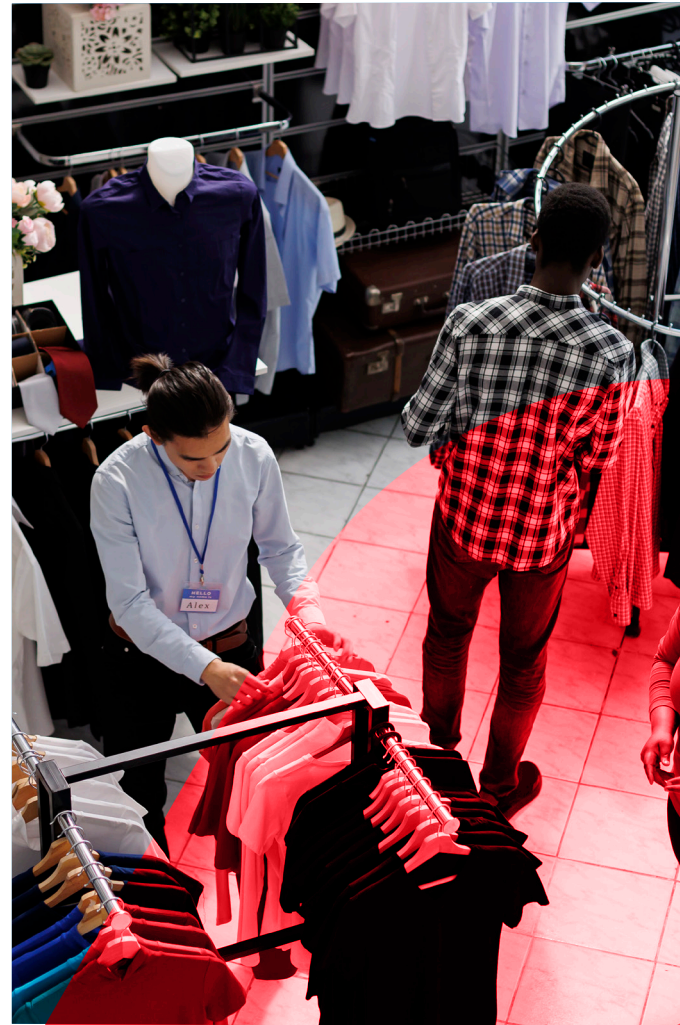
Many consumers, at this point, are experiencing "green fatigue." This is when sustainability talk has become so ubiquitous, it blends into background noise. Consumers become disengaged and skeptical of big promises.

There is an increased awareness in real sustainability vs. faux green marketing. A recent report found that 60% of consumers believe companies simply make up their green claims.<sup>2</sup> Today, merely operating with less harm to the planet isn't enough.

## MAKING A REAL DIFFERENCE

Shoppers want to buy from stores that offer real solutions and are genuinely working to be regenerative. Companies need to better communicate their green initiatives and engage customers in the conversation, putting tangible time and effort into working on sustainability in depth.

Retailers must look to adopting sustainable practices, like offering eco-friendly products, reducing packaging waste, and implementing environmentally conscious supply chain strategies.



<sup>1</sup><https://www.inc.com/amy-balliett/in-age-of-brand-authenticity-most-marketers-are-missing-mark.html>

<sup>2</sup><https://www.mintel.com/consumer-market-news/consumer-attitudes-towards-sustainability/>

# GENERATIVE AI

Artificial intelligence has always been a friend to the retail sector, and this year is no different. Reports rank the retail sector as second among global industries in its spending on AI technologies.<sup>3</sup>

A new study conducted by the IHL Group has revealed that retailers who have already embraced AI and machine learning (ML) tools are experiencing noteworthy success, achieving 2.3x more growth in sales and 2.5x more growth in profits, for the year 2023.<sup>4</sup> Projections for 2024 indicate a similar trend.

## WHO'S USING GENERATIVE AI?

In 2023, Chat GPT became the fastest-growing internet app of all time, with an estimated 100 million monthly users in just two months.<sup>5</sup> The ability to generate text on the platform has allowed retailers to automate a variety of tasks, from creating sales newsletters to press releases and emails.

Although AI technology isn't new (it's powered by the likes of Amazon, Google Maps, and Netflix), the biggest development comes in generative AI. Generative AI has specifically helped the retail industry as of late and has the most potential to change the industry.

## HOW'S GENERATIVE AI BEING USED?

Companies like Anthropic and Amazon Web Services (AWS) are building large language models that retailers can use to perform tasks like:

- Create compelling product copy
- Optimize website images
- Summarize product reviews
- Respond to customer inquiries
- Accelerate marketing content

It's also the same engine that will recommend products.

Companies must look at how they can embrace all forms of artificial intelligence to better align with consumer expectations, reacting to their growing awareness and confidence in the same apps.

Retailers can use AI to improve efficiency and processes, balanced with a human touch.

<sup>3</sup><https://www.idc.com/getdoc.jsp?containerId=prUS50454123>

<sup>4</sup><https://www.ihlservices.com/news/analyst-corner/2023/12/retailers-that-use-ai-enjoy-over-2x-sales-growth-and-nearly-3x-profit-growth-compared-to-competitors/>

<sup>5</sup><https://www.theverge.com/2023/11/6/23948386/chatgpt-active-user-count-openai-developer-conference>



## EXPERIENTIAL SHOPPING

Today's customers are perfectly aware of the different channels they can purchase a product from. That's why they're going into a retail store for the experience. Otherwise, it's something they can typically scroll through their phone and buy on a lunch break. These people are not just looking for a product, but a purchasing experience.

The technology in physical stores can range from using AI and augmented or virtual reality (AR/VR) to classes, events, and demonstrations. It also means continuing to equip employees with devices and tablets that provide more accurate, on-the-spot assistance (like stock levels, tailored recommendations, etc.).

## RENEWING THE CUSTOMER EXPERIENCE

To stay competitive, brands must be constantly renewing and reinventing the customer experience; and retailers keep raising the bar. For example, Crate & Barrel's flagship store in New York City's Flatiron district is a multi-story, 23,000-square-foot space reimagined store with an on-site interior design studio.<sup>6</sup> This translates to a shoppable virtual store, completing the circle for an omni-channel experience.

Other retailers are also blurring the physical and digital worlds, upping the ante on brick-and-mortar shopping experiences. Zara shoppers can use the Store Mode feature in the app to display only products and sizes immediately available at a physical location.<sup>7</sup> The app is drawing the consumer in, where the experience is continued and customized on the shop floor.



<sup>6</sup><https://www.prnewswire.com/news-releases/crate--barrel-opens-new-flagship-store-in-heart-of-new-york-home-design-district-301990621.html>

<sup>7</sup><https://www.zara.com/us/en/help-center/StoreMode>



## IMMERSIVE REALITY

Immersive reality is about tech-driven retail that brings a 3-D experience to shoppers via augmented and virtual reality. Shoppers who have a positive experience with virtual representations of products are more likely to buy, and less likely to return items.

Clothing brand, Reformation, offers a tech-driven experience where shoppers use a tablet to select items they'd like to try on.<sup>8</sup> Garments are then automatically sent to a personalized "magic wardrobe" fitting room. Shoppers can even request an alternative size in the fitting room, and just wait for it to arrive through a two-way closet.

## GENERATION ALPHA

Generation Alpha is taking hold of the retail reins and were digital natives at birth (born in and after 2010). These individuals have grown up using smartphones and tablets and while they don't have disposable income just yet, they are poised to upend long-standing precepts about retail. In other words, they have plenty of influence on shopping decisions already.<sup>9</sup>

While it's easy to assume their comfort with technology would make them partial to e-commerce, they share an affinity for in-store shopping. Members of this generation lean hard into retail experiences, preferring to frequent shops where they can be hands-on with a new gadget.

However, Gen A is still less inclined to crave physical ownership. That means, retailers need to get innovative. The future of shopping meshes with both their digital proficiency and proclivity for a more sustainable culture.

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<sup>8</sup><https://www.forbes.com/sites/brinsnell/2023/07/07/reformation-opens-a-new-nyc-flagship-taking-its-tech-forward-retail-to-the-next-level/?sh=1e87bb7841d5>

<sup>9</sup><https://nrf.com/blog/generation-alpha-already-impacting-back-class-shopping>



# HYPER-PERSONALIZATION

In 2024, the challenge for retailers is delivering a hyper-personalized journey for consumers, without crossing the boundaries of privacy. Companies are using AI-driven personalization techniques to pull customers in, and then deliver through brick-and-mortar experiences.

A hyper-personalized customer experience is one in which the preferences and products explored in one channel, influence the consumer's experience in another. While this is not a novel idea for retailers, the advent of large language models (LLM) and other technologies, further increases its significance.<sup>10</sup>

## TOOLS FOR HYPER-PERSONALIZATION

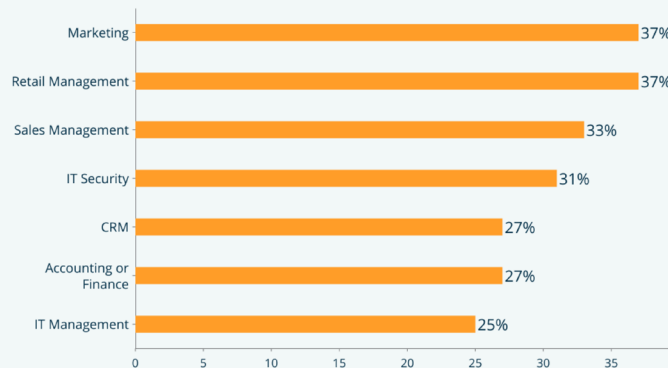
Modern retailers are investing in advanced technologies to personalize every part of the buyer's journey. This includes using data analytics, machine learning, and AI to better understand customer preferences. This helps to deliver customized product recommendations and services.

Large language models are also being pre-trained on big data and have proven valuable at delivering feedback based on a relatively small number of inputs.

## WHAT DOES HYPER-PERSONALIZATION LOOK LIKE?

Imagine a consumer spends a few hours researching an Apple product, then receives a personalized recommendation in-store, based on that browsing history. It's about a brand that you love and have purchased from before, recognizing you the minute you cross the threshold of a physical store.

### Marketing and IT are among retailers' top priorities for 2024 software investments



Source: Capterra 2024 Tech Trends Survey  
Q: Thinking about your organization's budget for the next year, which of the following software tools are top priorities for investments? Please select all that apply.  
n: 439 retail industry professionals



<sup>10</sup><https://nrf.com/blog/2-ways-ai-powering-next-generation-retail>

# DRIVING INTELLIGENT GROWTH

Grow smarter, not faster. For today's retailers, driving growth will take some standout creative measures. In 2024, 94% of top U.S. retailers are prioritizing unit growth, with cautious consumerism expected to continue.<sup>11</sup>

## SHRINKING STORE SIZE

The average store size in the United States is the smallest it's been in at least 17 years, reflecting profound changes in the way people shop.<sup>12</sup> This doesn't exactly reflect a drive for e-commerce. Especially since demand for retail space is still going strong, with a 4.8% rate of available retail space in the third quarter of 2023, the lowest figure in the 18 years the data has been tracked.<sup>13</sup>

Shoppers have a growing distaste for giant emporiums, which is softening the demand for department stores and big box spaces.

The average store size will continue to shrink. In 2023, retailers signed leases averaging 3,200 square feet (about the area of a tennis court), the smallest size since companies began tracking the data in the early 2000s.<sup>14</sup> Due to shoppers' waning attraction to mega stores, expect a smaller footprint to continue trending.

## SMALLER INVENTORIES

As consumer expectations shift more toward experiences, there isn't as much of a need for wide open spaces. Rather than fill a sprawling department store with an array of products, many brands have started using data from online orders, social media, and foot traffic to customize smaller inventories at physical stores.

Retailers are also using collected data to bolster store infrastructure, making it easier for customers to pick up and return items they bought online.

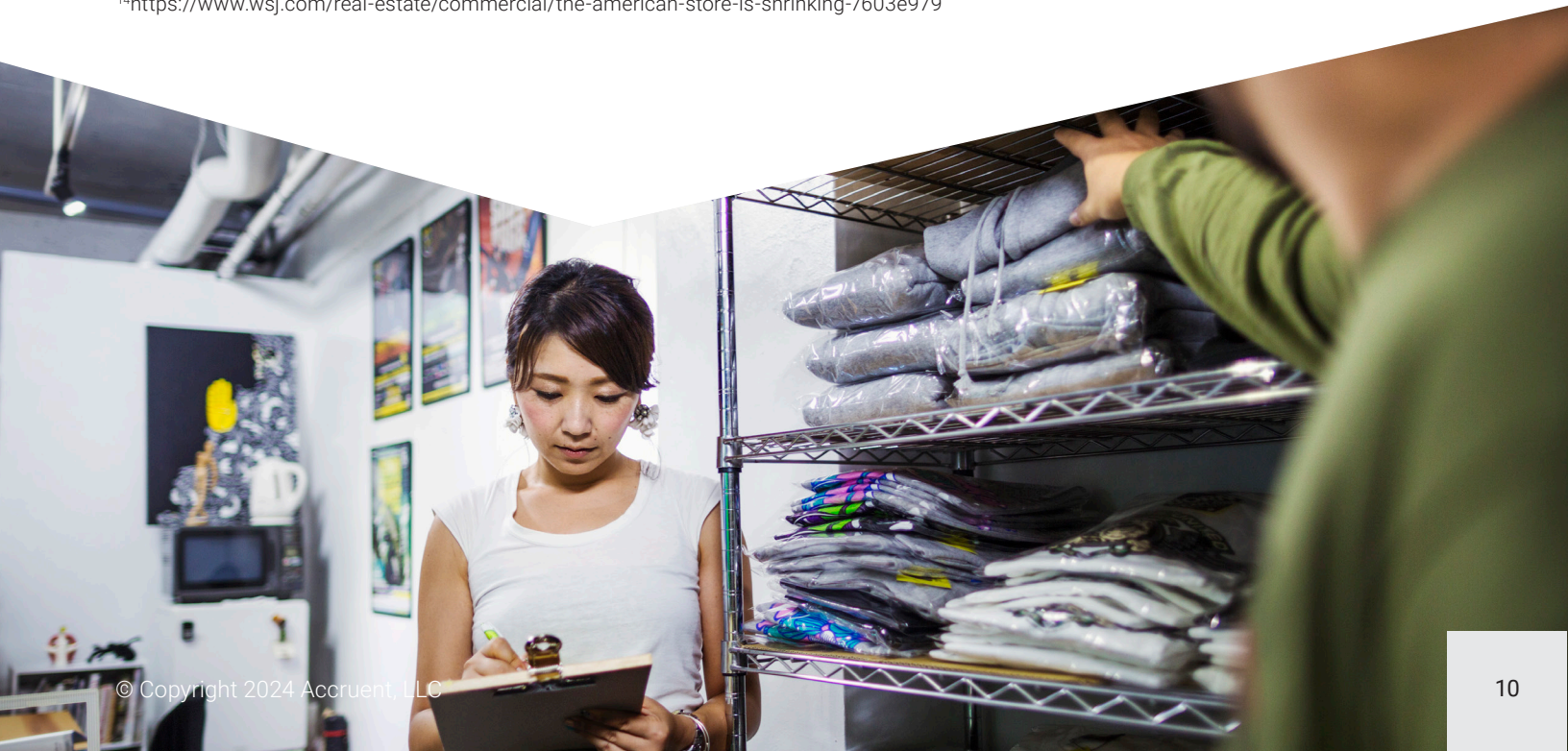
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<sup>11</sup><https://www.acosta.group/acosta-groups-retail-predictions-for-2024/>

<sup>12</sup><https://www.wsj.com/real-estate/commercial/the-american-store-is-shrinking-7603e979>

<sup>13</sup><https://www.convenience.org/Media/Daily/2023/December/13/1-American-Stores-Are-Shrinking>

<sup>14</sup><https://www.wsj.com/real-estate/commercial/the-american-store-is-shrinking-7603e979>



## ADVANCED TECHNOLOGIES

Innovative and disruptive technology is aimed at making the retail experience “seamless” for shoppers. According to a recent study, 63% of shoppers are using an app on their phone while inside of a store.<sup>15</sup> That number increases to 80% for Gen Z and 81% for Millennials.

Retailers need to integrate marketing, trade, and retail media spend, targeting specific consumers and “need states” with in-store merchandising. This helps to grow sales, maximize the budget, and improve margins.

## AI AND ML OPTIMIZATIONS

Retailers are already using artificial intelligence and machine learning for personalization and demand forecasting. Now, they are expanding its usage to other areas, like labor optimization,<sup>16</sup> fulfillment decisions, and dynamic pricing. As the costs of these advanced technologies come down, more retailers will have access to these tools.

## COMPUTER VISION

Advancements in machine learning and the increase in computing power have enabled a myriad of computer vision solutions. For example, “Just Walk Out” technology has removed checkout friction, while providing store analytics about consumer behavior data.<sup>17</sup> The system uses RFID tags to automatically track purchases as customers exit the store.

Computer vision is also used to identify people via their palm print, making loyalty and payment faster. This type of advanced technology simplifies the in-store experience, reducing labor costs, eliminating human errors, and collecting useful metrics, through every touchpoint.

## SEAMLESS AUTOMATION

Retailers are now looking to automate more tasks with solutions like device management, modern self-checkout, fulfillment robots, and RFID adoption. In-store employees continue to train on improved tools for inventory management, sales, and training, enabling a more efficient and knowledgeable workforce.

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<sup>15</sup><https://chainstoreage.com/five-retail-predictions-2024>

<sup>16</sup><https://aws.amazon.com/solutions/retail/workforce-management/>

<sup>17</sup><https://techcrunch.com/2023/09/19/amazons-new-just-walk-out-cashierless-checkout-system-uses-rfid-tags-to-track-apparel-purchases/>



## CLOSING THOUGHTS

The retail industry is rapidly evolving, and the challenges faced by businesses are both dynamic and diverse. As we navigate the reality of a more informed consumer market, it becomes crystal clear that the ability to adapt and innovate will be the determining factor of success.

One of the universal challenges retailers face is the imperative to deliver an unparalleled customer experience. As consumer expectations soar past the sun, retailers need to be more than just providers of product. They need to curate an experience that aligns with evolving consumer values.

The need for AI cannot be understated, as legacy systems burden even the best salespeople. It not only enhances productivity, the right technology can significantly enhance profit. The retail experience itself is undergoing a paradigm shift from immersive reality to experiential shopping, companies are now compelled to create personalized encounters that go beyond the transaction.

Smart growth strategies, propelled by data-driven decisions, are essential for prioritizing customer needs. Those who embrace innovation, prioritize sustainability, and focus on creating an authentic experience for consumers, will emerge as industry leaders. The retail landscape of 2024 is complex and demanding, requiring creativity, agility, and a customer-centric approach for continued success.

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## HOW ACCRUENT HELPS

Accruent delivers an integrated suite of solutions tailored for retailers to manage the entire retail real estate lifecycle effectively. Our products are purpose-built for retail to address contemporary challenges, enabling retailers to enhance efficiency, reduce costs, and maximize profitability.

These solutions include:



### Streamline Real Estate Management

[Lucernex](#), Accruent's comprehensive real estate management solution, provides retailers with a centralized platform to manage the full real estate lifecycle. This includes portfolio optimization, transaction management, lease administration, and space management, enabling retailers to make informed decisions and optimize their real estate investments.



### Enhance Visibility and Control

[Accruent Observe](#) enables retailers to connect, monitor, predict, and control multiple equipment types across their facilities. This real-time visibility empowers them to optimize maintenance and energy efficiency, improve air quality, maximize employee wellness, and preserve the health of commercial refrigeration systems.



### Achieve Energy Efficiency and Sustainability Goals

[Accruent Observe for Energy Management \(AOEM\)](#) empowers retailers to analyze and act upon critical energy consumption needs and metrics. This includes energy usage monitoring, benchmarking, and anomaly detection, enabling retailers to fight energy surges, control volatile costs, and meet sustainability goals.



### Gain Peace of Mind with Peak Facility Performance

[ServiceChannel](#) is a facilities management platform aiding retailers in streamlining operations, enhancing asset performance and optimizing maintenance processes. With a centralized system for facility, asset, and maintenance management, ServiceChannel enables retailers to enhance visibility, make more informed decisions, and attain operational goals.

## SPEAK TO A SPECIALIST



### Accruent, LLC

877.345.3999 | [www.accruent.com](http://www.accruent.com)

