

2024 Premier’s Vocational Education in Schools Scholarship

Industry Connections in Retail

Global Trends and Innovations

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# Introduction

Retail is dynamic and a constantly evolving industry and as educators, we must stay at the forefront to best prepare our students. My report investigates the changing retail industry on an international scale. The United States and Europe are home to some of the most successful, progressive, and customer-focused based businesses globally. By exploring different models, trends, and innovations from such industry leaders, we can enrich our knowledge and understanding of the retail environment.

# Focus of Study

The focus of this study was to investigate global trends and technologies soon to impact Australia, and how we can best prepare students for the future. This report will focus on four widespread trends recognized during the investigation, including:

1. The Proliferation of Generative AI
2. The Development of the Smart Store
3. The Immersive Retail Experience
4. The End of Linear Retail and the Growth of the Circular Economy

Planning this tour involved extensive research into global retail markets and included:

* Attending the National Retail Federation (NRF) Retail Big Show in New York City
* Attending eTail Australia in Sydney
* Industry visits and interviews with retailers
* Engagement with and interviews with other retail educators

# Significant Learning

### Proliferation of Generative AI

The retail industry is always evolving according to customer demand and available technology. Artificial intelligence (AI) is used in retail to predict and leverage customer behaviour and their online interaction with a website. It is also used to improve efficiency in forecasting and inventory management and aid with marketing and product development. Since its introduction to the retail industry, Generative AI (GenAI) has evolved, and businesses now have access to generative content creation, generative software, and generative experiences. There are many benefits of introducing this technology, most notably innovation and sustainability.

However, many retailers referred to concerns regarding a talent gap in potential employees as roles are being reduced and/or altered due to such technologies. Our students must be educated about the capability of Gen AI and its impacts to ensure they have the knowledge, skills, and resilience to work in such a dynamic environment.

When attending NRF and the eTail conference, AI was the topic of conversation – ChatGPT, Open AI, CoPilot, Gemini, Grok, and Neuralink were commonly mentioned. Businesses are using this technology to maximise efficiency and improve the customer experience. The most common examples of how retailers are using AI include strategies to improve demand forecasting, personalised product recommendations, cashierless technology, inventory management systems, and customer analysis.

Estée Lauder’s Frank Maassen (Global Supply Chain CEO) and Sivakumar Lakshmanan (Vice President and GM of Software Solutions at Zebra Technologies) discussed their strategic response to forecasting challenges and how the successful integration of AI helped to improve fill rates and inventory reduction. Since COVID, consumer purchases have changed, causing customers to purchase based on needs. This made demand forecasting difficult, particularly for companies selling a large range of products and brands. Estee Lauder showcased that with the correct tech-driven strategy, their forecasting accuracy increased by 9%. The company worked alongside Zebra Technologies to implement antuit.ai into their systems. This AI-powered, cloud-based SaaS Solution helped to forecast automatically by tracking consumer purchases at a faster rate. This shifted the business from a sell-in strategy to a sell-through strategy, leading to substantial improvement in the bottom and top lines.

In another example, Melissa Ludack (Vice President of Data Science for Target) and Cari Covent (Head of AI and Emerging Technology at Canadian Tire Corporation) shared how AI can be used to drive revenue, enhance operations, and create frictionless customer and team member experiences. Covent emphasised the importance of developing an AI strategy and using it as a catalyst to shift the mindset of the company. The company found that AI tech helped to increase its human-centered approach and consumer experience by using digital shopping assistants. Like CTC, Target also introduced the use of online chatbots, which helped to provide more on-demand customer service. Whether Generative AI is an assistant to employees or an assistant to the consumer, the way companies create system solutions is imperative to improve the way we work and to enhance the consumer experience.

Regarding risks and lessons of early AI adoption, Sara Long (Ecommerce Lead from The Kraft Heinz Company) spoke about being patient and allowing time to train the AI. The Heinz Kraft Company is currently using Junction AI to acquire data from different platforms to ensure their products are ranked higher in consumer searches. They are also looking at how this technology can help create images and be more interactive for the consumer. Soon they will introduce a platform that allows customers to take images of their pantry and have recipes automatically created based on pantry staples. This immersive consumer experience will enhance food retailing for customers using the technology.

The NSW Retail Services Curriculum Framework outlines that students are required to work effectively in a service environment, engage the customer and sell to the retail customer. Within these units of competencies, students must have a thorough understanding of the nature of the industry, including current and emerging technologies. Without adequate education in this area, students cannot truly understand the impact of AI on operational duties and service delivery or be up-to-date with new and improved work practices. As Gen AI helps to personalise the consumer experience, the definition of what it means to provide quality customer service has changed. To engage and sell to the retail customer, students need to be aware of the updated policies and procedures for customer interaction in this way.

### The Development of the Smart Store

Another recognisable trend is the transformation of the physical retail space and the development of the smart store, automating retail trading platforms through transformative technology. To automate these processes, Radio Frequency Identification (RFID), POS terminals, smart shelves, smart carts, video cameras, big data technology, and many other solutions can be used. Since the pandemic, the consumer has changed drastically, most notably in the 39% increase in e-commerce (CommBank). With the drastic shift to the online platform, many stores in the US, UK and EU are creating smart stores and seamless omnichannel experiences that make shopping increasingly more accessible for consumers.

Checkout-free apparel shopping, such as Amazon’s Just Walk Out Technology in Amazon Go Stores is a perfect example of transformative smart stores. The technology was made possible through the advancement of Radio Frequency Identification (RFID), which works as a one-to-one sensor. Amazon tech sought to improve this by using Ultra-High Frequency Radio Frequency Identification (UHFRFID), enabling sensors to operate one-to-many. This allows products to be scanned and monitored on a larger scale and with more accuracy. This technology not only speeds up the check-out process but also optimises labour within the workplace; reduces theft with analogue technology to gather data; improves inventory management processes through automation; and reduces operating costs and improves accuracy.

In a study carried out by the company, 45% of GenZ consumers prefer frictionless checkout. As the technology is portable, affordable, and causes minimal disruption to a store’s layout, such tech will soon transform Australian retail stores.

Another example of leading-edge technology is smart shopping carts (Figure 1 example). AI-powered smart carts allow shoppers to completely bypass checkout lines using sensors, cameras, weight scales, and barcode scanners, detecting the items consumers pick. This technology will soon revolutionise the way consumers experience the physical retail space and comes with several other benefits, including:

* Helping consumers locate products in the store
* Recommending products to help consumers make more informed purchases
* Communicating current offers and discounts to help the consumer save money
* Automatically detecting the item the consumer picks and displaying a running subtotal
* Saving the consumer time as it reduces wait times
* Personalising the shopping experience and makes it more convenient
* Increasing customer satisfaction, return rate and overall profits



Figure 1 - Amazon Smart Cart (image supplied by Holly Cohen)

Zebra Technologies Corporation is an American mobile computing company that manufactures and sells marking, tracking, and computer printing technologies to the retail sector. Recently showcased at the NRF Retail Big Show, Zebra's Modern Store Framework is helping businesses optimize inventory management to elevate the customer experience. Zebra's Work Cloud technology is changing the way businesses operate by optimizing budgets, managing costs, and forecasting sales. It also streamlines task assignments and provides instant completion notifications. Smart Stores are also becoming a reality with Zebra's cutting-edge technology that automatically senses and records the location and movement of store merchandise. RFID, handheld technologies, wearable devices, and automatic inventory scanners are all used to track and provide real-time data without exhausting the labour force. Zebra's POS Solutions help make the checkout process seamless.

Like Zebra Technologies, Lowe’s Hardware is also a leader focused on developing the physical retail space. When attending NRF, Lowe’s Hardware presented the changing trends they experienced. Seemantini Godbole (Executive Vice President, Chief Digital and Information Officer at Lowe’s) discussed the company's move towards seamless e-commerce by advancing omnichannel capabilities. One strategy to help blend the omnichannel journey and create a smart store experience is the investment into the LoweBot, designed to help customers find products and keep them up to date on current promotions. Similarly, Hanshow Technologies has also introduced robot tech with the SPatrol Robot which monitors shelves and customer traffic. They have introduced intelligent store solutions through self-checkout kiosks, smart trolleys, and Electronic Shelf Labelling (ESL), which can now be seen in participating Woolworths stores across Australia.

### The Immersive Retail Experience

Immediately after the pandemic, the post-COVID consumer changed as shoppers demanded faster, safer, contact-free shopping experiences. They became more aware of how they interacted with stores and demanded that the in-store experience go beyond that of the online experience. It is this consumer change that continues to challenge physical retail conventions, pushing the industry to create more immersive experiences. Large retailers in New York, Paris, and London have proven to successfully meet and go beyond this expectation. Retailers here invest highly in innovative store formats to develop a setting that encourages shoppers to interact with products and their brand in new ways. Increasing student exposure to these sites, experiences, and services, will only enhance their success in the workplace as they develop the skills to interact in the changing retail environment.

The retail landscape in New York goes beyond the ordinary shopping mall experience. New York is home to the second largest mall in America, the American Dream Mall, which houses over 140 retailers and 80 food and drink options. However, it is the entertainment options within the centre that attracts consumers, as they can visit two theme parks - Dream Works Water Park and Nikelodeon Universe. In addition, customers can visit the Big Snow (an indoor snow field), along with 26 alternative entertainment options such as mini golf, laser tag, mirror maze, museums, and an aquarium. Like the American Dream Mall, Hudson Yards also prioritise immersive and experiential retail. Although the shopping centre offers consumers hundreds of retail and food options, it is known for the experiences available. Consumers can visit The Edge, The Shed, The Vessel, Sports Centre and the City Climb. The centre operates seasonally, offering themes from around the world, and is currently launching its Backyard at Hudson Yards series. This will see backyard cinemas, musicals, and concerts carried out to provide customers with an experience beyond traditional shopping. New York’s retail landscape has and continues to evolve rapidly. The disruptive, immersive, and innovative retail experiences that are coming from the city will soon filter to shoppers globally.

Like New York, Paris is known as one of the largest fashion capitals in the world. During the pandemic, Paris had to transform the shopping experience, by using the digital platform to create more immersive experiences. French fashion heavily relied on brick-and-mortar retailing, but with the closure of stores, retailers were forced to transform to stay connected with their customers. Galleries Lafayette designed a new online shopping experience called Exclusive Live Shopping. Customers were guided by a personal shopper or brand ambassador via video conference and could enjoy a tailor-made and unique shopping experience from home. This concept of personalised shopping and educating consumers has continued post-COVID. Not only does the department store offer personalised shopping experiences, but customers can also attend the wellness centre or participate in several cooking classes within the food halls. Galleries Lafayette is known for their three-story food court and pastry lessons, where visitors and tourists can learn to make the French classic, the macron.

London is also known as a retail capital. Although Regent and Oxford Street are known for their shopping strips, it is the maintenance and development of the department store that remains most popular in London. Harrods is known as one of the most ‘architecturally exciting places to shop in the world’ due to its mosaic roof in the Harrods Food Hall and the Egyptian Escalator. Like Galleries Lafayette, Harrods also offers visitors brand experiences within their wellness hub and food courts. The Tiffany and Co. Café and Prada Café are two major attractions within Harrods. These retailers then offer opportunities for brand-based tours and education. For example, Prada offers personalised shopping, guiding visitors through all sectors of their brand and educating the customer on new products, such as Prada Beauty. It is this concept of experiencing something unique, that continues to transform the retail industry in London, and this has extended beyond department stores. Gym Shark recently opened their first retail flagship store in 2022 and offers a customer experience beyond any traditional sportswear brand. The store features a juice bar and wellness centre, offers free gym classes, personalisation of products, and a one-to-one shopping experience that can also be conducted virtually. Providing such immersive and one-off experiences is what now drives competition in London’s retail market, and this will seek to expand globally if businesses wish to compete.

It is evident from such examples that physical retail is not dead, but just revolutionising by connecting and making the experience immersive and seamless. Students need to look beyond traditional retail to find career opportunities and success. Employees are now expected not only to provide customer service, but create spaces for consumers to experience and immerse themselves. The NSW Retail Services Curriculum Framework states that students are required to work effectively in a service environment and engage the customer. Within these units of competencies, students must have a strong understanding of the nature of the industry and be able to deliver additional levels of service beyond a customer’s expectation. To understand the changing nature of service culture, students need to investigate and be exposed to immersive and experiential retailing.

### The End of Linear Retail and Growth of the Circular Economy

The circular economy is becoming increasingly more prioritised amongst consumers. As the planet can no longer cope with mass consumerism, the concept of consumer guardianship is now a priority over product ownership. This change and transition to environmentally sustainable shopping habits came as no surprise when 88% of people who saw ‘Blue Planet 2’, indicated a change of lifestyle to support the sustainability of the planet. A study carried out by Stockholm Resilience Centre (2023) shows that 6 out of 9 planetary boundaries have been exceeded. As these statistics are hard to ignore, governments are beginning to provide support to the retail sector. For example, due to mass consumerism and the cost-of-living crisis, governments are subsidising repair costs for retail businesses and the European Green Deal is looking to implement the Right to Repair Law. With these changes, one of the largest retail disruptors is clearly environmental sustainability and this is driving the end of linear consumption. The perception of what ‘new’ means is inevitably changing in retail.

Kate Ancketill (n the session, Modern Retail is Rocket Science: How can we deal with the complexity?) discussed the four different avenues of commerce, separating purchases into two sectors - own and access. “Own” includes both new and pre-owned products, whereas “access” refers to products that are purchased through subscription or rental. This conscious change is common throughout Europe and increasingly popular in the United States. Paris is known as a retail hub and fashion capital, however, consumers have shifted away from mainstream retailing to second-hand vintage products. Pre-Loved by CrushON, Bobby, Palettist Vintage, Takk Paris, Skat Vintage and Fringe Upside are some of the notable and popular second-hand vintage stores that have found success over the years, some looking to sell globally via an eCommerce platform. Similarly, Grand Bazzaar, the largest second-hand thrifting market in New York, and Manymoons, America’s first circular retailer offering consumers a 20% Give Back Credit, continue to challenge the destructive take-make-waste system that defines modern retailing.

Europe is taking the concept of consumer guardianship further with the introduction of the world’s first circular department store. TOMO is an abbreviation of the word tomorrow and opened its doors in the Netherlands in 2023. The store sells only circular and mission-driven brands, including high-end vintage products consumers can rent or buy. This movement to repair, refill, and resell has not only impacted smaller retailers but large businesses such as Kathmandu and New Balance. In recent years, these companies have introduced Kathmandu-redu and New Balance - Balance Reconsidered, where customers have the option to return old products for repair and resale. Such retailers continue to challenge how consumers view what is ‘new’ and encourage guardianship over the previously preferred ownership of products.

European governments are at the forefront of driving more environmentally sustainable practices and the EU Strategy for Sustainable Circular Textiles is pushing for the product lifecycle to be visible to consumers. The European Digital Product Passport (DPP) will help consumers access instant product information including its origin, materials used, environmental impact, and disposal recommendations. This digital record increases transparency about a product’s environmental impact and will be mandatory on all textiles sold in Europe by 2030. This environmental shift is already taking place in Australia, as Ellie Degraeve from Go for Zero points out in the session, There’s No Better Time than now to Transform your Business, that conversations have changed around sustainability and language has shifted from “should we” to “how can we”. Much like the DPP, Degraeve suggests that businesses should start with the ingredients in their product. This can be referred to as ‘designing out waste’ where retailers manufacture products with a strict ingredient checklist and conduct waste audits regularly. Studies show that by conducting business in this way, retailers can create brand advocates, educate consumers, and create a community around their brand. Lottie Dalziel from Banished (in the session, How a Simple New Years Resolution to be Kinder to the Planet) showcased how designing out waste and educating consumers encourages whole communities to become involved in more environmentally sustainable practices. Studies have shown that businesses with higher ESG metrics outperform competitors by 3%, reinforcing the fact that sustainability is good for business and will only further impact retailers in Australia.

Within the NSW Retail Services Curriculum Framework, students must have a thorough understanding of the industry, current issues and trends and safe work practices. Within work practices, students must understand the current environmental issues affecting retail services industries and be able to identify and recommend strategies to work in an environmentally sustainable manner to enhance business profits. The development of sustainable practices globally will soon affect the Australian market and by educating students accordingly, ensures they are at the forefront to become industry leaders.

# Conclusion

The global retail industry is advancing at such a rate that as educators, we must question how to adequately prepare students for the industry. Retailers in the United States and Europe are currently using technologies and responding to social trends yet to be introduced in Australia. By consistently keeping up with changing trends, participating in professional learning, and exposing our students to such information, we can adequately prepare them for the industry.

Educators in the US focus heavily on experimental (EXPERIENTIAL??) education with businesses, by using guest speakers, retail labs, and encouraging internships. With this, and information gathered from this research, we can increase the quality of the courses we provide to students. With the ongoing reform of the Australian Curriculum, we need to think about how to maximise student industry potential by educating students how leaders within the international market are operating, thus helping to create leaders within the industry and life-long learners.

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* eTail Australia – Coordinators, retailers, presenters and attendees

**New York Retailers:**

* American Dream Mall
* Hudson Yards
* Macy’s
* Many Moons
* Faherty
* 260 Sample Sale
* Grand Bazaar

**Paris Retailers:**

* Galleries Lafayette
* Officine Universelle Buly
* Merci Paris
* Arlettie
* Pre-Loved by CrushON
* Bobby
* Palettist Vintage
* Takk Paris
* Skat Vintage
* Fringe Upside

**London Retailers:**

* Harrods
* Gym Shark
* Marianne Christodoulou, Prada

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