Looking Back On 40 Years Of Retail – Top Tips For The Future!

Ipsos Retail Performance

We are known throughout the world for being a leader on market research and customer insight. To celebrate our 40 years in the industry, this four-part blog series looks at how the retail landscape has changed – and what the future has in store.

1975 – 1980: Recession and the rise of marketing

The relative prosperity of the 1960s compared to the austerity of the post-War years brought with it seismic changes to the way people shopped. Consumers now had more choice than ever and, fuelled by the rise in car ownership, they began to travel further to get the goods they wanted.

By the time Ipsos was founded in 1975, the UK was in the grip of recession and competition between retailers had become fierce. Shoppers were now demanding ever-lower prices, spawning the rise of no-frills outlets.

This era was also characterised by a shift from retailers simply displaying and selling products on behalf of manufacturers both trying to actively influence consumer choices. Marketing, mostly in the form of advertising and promotional campaigns, helped brands forge distinct identities and retailers were able to gain additional insight into customers' needs more than ever before.

In addition, the seeds were being sown for data-driven marketing as retailers built their own customer bases. This enabled them to segment audiences and target them with relevant communications, showcasing products they were likely to buy.

1980s – 1990s: Reaping the rewards

After the gloom of the 1970s, the following decade was marked by a period of unprecedented growth in the retail sector. Brands had responded to the recession by consolidating their place in the market through mergers, acquisition and store development initiatives.

At the same time, retailers became the dominant force in the shopping channel, moving branding away from manufacturers and taking responsibility for logistics, quality control and supplier negotiations.

Of course, this also meant that retailers paid more attention to how a store looked as they realised that positive shopping experiences often translated into sales. Consequently, they invested heavily in design, ranging, branding and location and moved towards more formulaic, branded shops

Next week, we'll look at how the economic slump of the early 1990s led retailers to restructure their operations, paving the way for market consolidation, international expansion and on-line shopping

Early 1990s: Back into brief recession

The new decade brought with it more economic hardship as the UK was plunged into recession again. Faced with high interest rates and falling house prices, consumers tightened their belts and retailers did the same. In a bid to cut costs, and pass savings on to customers, retailers looked at the supply chain, making changes in operations and management as well as developing new strategies such as category management.

In addition, the rise of shopping centres and out-of-town retail parks gave retailers greater economies of scale. These developments, facilitated by the commercial property sector and supported by local and central government, led to a more car-dependent society.

Data marketing, which was in its infancy in the last decade, became more sophisticated as retailers analysed transactions and used focus groups to find out about customers' attitudes and motivation.

There was also a proliferation of loyalty cards, which not only offered rewards for spending but also gave retailers an insight into customers' behaviour.

Mid 1990s – 2008: The halcyon years

Retail was credited with dragging the UK out of recession. The sector became a national success story as consumer spending fuelled the economy. Thanks to the availability of credit, people could now enjoy a higher standard of living and this was reflected in the number of 'mass luxury' goods available.

The process of market consolidation continued at this time, with some retailers taking a dominant position, for example, by the year 2000 seventy per cent of UK sales were generated by the top 100 retailers compared to 29,000 retailers in 1971. Many retailers also moved from national into international markets.

This period also heralded the start of online shopping. In 2006, it accounted for three per cent of retail sales and the industry developed strategies to integrate information and communication technologies. Online shopping also meant power shifted further from the retailer to customers, offering them more choice and better value.

2008 – 2013: Recession and slow recovery

Described by many as the 'worst recession in living memory', the most recent economic down turn, shook consumer confidence to the core. As house prices plummeted, and banks became reluctant to lend, people reduced their spending, particularly on non-essential goods.

Stretched household budgets saw consumers being drawn to discount retailers while the endless stream of offers and promotions meant they could be more discerning about what they bought.

Online shopping was now the norm and successful retailers knew they must adopt an omni-channel approach if they were to stay competitive. This included websites and apps, as well as traditional store formats. Some firms, however, struggled to keep pace with the digital revolution and suffered as a result.

As the recession continued to bite, retailers focused on making their own savings by driving down back-end supplier and head office costs.

2013 – 2015: Fighting back

By 2013, there were signs that the economy was on the up – however, memories of the austerity years remained and many shoppers were as budget-conscious as ever.

Once all the rage, superstores fell out of favour and instead, the supermarkets invested heavily in small convenience shops in towns and cities.

During this time we also saw retailers once again trying to meet customers' digital demands by providing a seamless omni-channel experience. Some remained cautious about technology but soon found themselves left behind.

The balance of power has tipped firmly towards the consumer and companies have to come up with ever-more creative ways of increasing engagement, whether through social media or personalised messaging. Technology allows retailers to monitor online and in-store behaviour to target customers more effectively. They are adapting to survive.

2015 and beyond: Star-gazing into the future of retailing

Retail experts now agree that the industry is changing so rapidly that we can only look one or two years ahead. We have seen digital technology enable newcomers to overhaul conventional business models – for example, Uber and Air BnB have changed the way people book taxis and accommodation using apps, online booking and peer-to-peer networks. But what's next? Below are just some of the things retailers can look out for in the near future:

It's about people, not numbers

The sector is more sophisticated than ever and retailers are investing significant resources into understanding how people think, behave and shop. The days of selling to the masses are long gone and instead firms are developing personal services using big or smart data gathered from online behaviour. This allows them to entice customers with timely communications, promotions and personalised pricing.

In a fiercely competitive market place, customers will soon be given genuine rewards for frequent visits and higher spending, in a way that moves beyond the current reward points model.

A lifestyle, not just a destination

Time is of course, a precious commodity for most consumers so retailers will look at ways of making their services more convenient. At the same time, the lines between retail, hospitality, entertainment, education and even gaming will blur so they become part of our blended leisure time. Stores, which may have suffered due to online shopping, could forge new identities as an entertainment, education or social hubs.

Less hurdles, more orders

The next few years will see some of the mundane aspects of shopping removed thanks to the so-called 'Internet of Things'. Everyday devices will be fitted with software, which facilitate repeat purchases. For instance, a coffee machine can detect when capsules are running low so an order with the supplier can be made without direct involvement from the customer.

Location, location, location

As well as spending time securing the best units in shopping centres, retailers will also have to work with digital 'landlords' such as Google and Amazon to increase visibility in search engine results. Meanwhile, as the trend for online shopping continues, marginal shopping areas could be used for other purposes such as housing, offices and community buildings as retailers focus on key stores in primary locations.

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