

# Future Analysis and Impact on Retail Futures

Rui Wang

Winchester School of Art, The University of Southampton University of Southampton, SO23 8DL

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**Abstract:** The fundamental purpose of this report was to critically reflect on the ‘Future of the Retail Store’ utilising knowledge on the subject that was covered during the module as well as additional knowledge from literature and research. The two key factors that will change the fast fashion sector in the future is technology and growing concerns over the environment. The findings of the analysis revealed the following trends: Disruptive innovation will enable firms to produce cutting edge fashion items with multiple purposes, which cutting overheads as well. Increased use of technology to enhance customer experience. Shopping in stores will not be obsolete but will become a luxury experience. AdSmart advertising will become popular to reach mass audience. Fast fashion retailers will use most sustainable practices to reduce environmental impacts.

**Keywords:** Future of the Retail Store; Technology and growing concerns over the environment will change future fast fashion

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## Introduction

The purpose of this report is to critically reflect on the ‘Future of the Retail Store’ utilising knowledge on the subject that was covered during the module as well as additional knowledge from literature and research. This report will be written specifically focusing on fast fashion sector. Since this report investigates ‘future of the retail store’ within the fast fashion industry, it is essential for the read to comprehend the definition of fast fashion. As described by Coello and Chang<sup>[7]</sup> ‘fast fashion’ is a contemporary term coined by fashion retailers that refers to mass production of inexpensive clothes as promptly and as regularly as possible, as a reaction to latest trends. Fast fashion is practiced by retailers such as Zara, Topshop, and H&M. When evaluating trends in retail sales, online sales only accounted for 5% of sales in 2009, whereas this percentage had increased to 20% by the year 2010. This reveals that fast fashion is swiftly shifting from high streets to e-commerce due to changing consumer lifestyles and increase convenience<sup>[4]</sup>.

## Analysis

### Context

Since the lockdown because of coronavirus, brick and mortar stores have increasingly witnessed a dramatic decline in their profits, forcing some retailers to completely close few of their stores to save operating expenses<sup>[7]</sup>. The number of visitors to the store has decreased with the increase of confirmed cases since the appearance of COVID-19. While high street retailers have observed decline in profits since the beginning of lockdown, retailers who utilise an integrated approach of being on the high street as well as online, are using this current retail environment to increase their online presence.<sup>[25]</sup> For example, despite having to shut down 3,785 stores across 39 markets during the pandemic, Zara (fast fashion retailer) reported their net sales increased by 8% as it was boosted by a 23% surge in online sales<sup>[23]</sup>. As a result, it can be summarised that the current retail environment is dull in the high street due to stores being shut down and consumers staying home during the pandemic, whereas online sales are increasing enabling online retailers to increase their presence within the e-commerce retail sector<sup>[25]</sup>.

### Conflict Theory

First reports of fast fashion, which was during the industrial revolution in the 1800s, shows the industry introduced textile machines, factories, and ready-made clothing. This was also the era where clothing started to be made in bulks as well as in a range of sizes, in comparison to being made to order<sup>[19]</sup>. Increased production of clothing in bulks allowed then retailers to see a spike in their profits, and this is how the concept of fast fashion was designed<sup>[1]</sup>. Slowly moving onto 1900s to 1950s, by this time there were increased number of clothing factories as well as sewing innovations, however majority of clothing productions were still being undertaken within households or small workshops<sup>[12]</sup>. WW2 preceded an increase in standardised production for all clothing due to restrictions on fabrics and functional styles<sup>[21]</sup>. During the 1960s, the younger generations started to embrace cheaply made clothing in order to stay up to date with new trends, as well as reject the sartorial traditions of their older generations<sup>[12]</sup>. Increased demand for clothing was becoming more prominent, which led to textile mills opening across the developing world, enabling the US and European countries to save costs of production<sup>[1]</sup>. 1960s to 2000s were when fast fashion actually started to evolve, with Zara, H&M and TopShop being few of the key players in the sector currently<sup>[21]</sup>. Comparing the modern-day fashion industry to the fashion industry in the 1800s, it is evident that there have been dramatic changes in terms of clothing. In their modern day, customers are able to purchase apparel on their electronic devices which no one could have predicted in the 1800s<sup>[19]</sup>. For the future, it can be argued that

there will be increased usage of automated technology beyond the warehouse within the fast fashion industry which will cut down the need for manual labour<sup>[21]</sup>.

With regards to disruptive theory, fast fashion can be labelled as a disrupter of the fashion industry, due to gaining the ability to innovate and reduce costs through disrupting the market<sup>[12]</sup>. It can be arguably said that in the future fashion will focus more on the sustainable aspects of manufacturing. Currently the fast fashion sector is among the top sectors of producing waste<sup>[19]</sup>. In a world where the number of eco-conscious and climate activism consumers are increasing, fast fashion brands will adopt more ethical and sustainable practices in the future to stay relevant among customers and to ensure that customer wants are met<sup>[1]</sup>. One current day fashion practice that will change in the future is degrading non-sustainable fabrics to make clothing and instead use sustainable fabrics. By doing so, firms will be contributing to producing less wastage, thus contributing to an environmental benefit<sup>[22]</sup>. Disruptive innovation will also allow fast fashion retailers to experiment various styles that can be worn to express themselves, but also be useful to the customer simultaneously<sup>[13]</sup>. For instance, research is being undertaken to produce solar powered items of clothing which can be used to charge phones while people are on the move<sup>[21]</sup>.

## Community

In terms of localisation, there are several factors that has been delivered which effect the fast fashion industry. Examples include staying relevant within the market segment, increasing global presence, mitigating cultural sensitivity, etc<sup>[15]</sup>. One way in which the fast fashion sector can involve a sense of community both locally and internally as a brand is through ensuring localisation ia achieved through localising the merchandise according to the target market in each location<sup>[5]</sup>. This is essential since the global market is unique and customers from different countries and backgrounds have differing style<sup>[6]</sup>. As a result, when localising merchandise to a specific country, brands need to ensure they tailor the merchandise to meet the needs of the specific target market<sup>[5]</sup>. Additionally, when localising, it is essential that no mistakes are made<sup>[17]</sup>. For instance, getting the wrong merchandise style for each country can lead to decreased sales which will affect sales dramatically. Conservatism is the main feature of Arab clothing. It is unwise to put exposed clothes in Arab shops for sale. Intensive investment in localisation ensures retailer satisfy customer wants and allows customers to browse products that match their style. This enables the firm to have increased customer intimacy due to increased customer shopping experience<sup>[15]</sup>. The downside of localisation is the costs associated with it. Localisation in not inexpensive and most certainly is not affordable for small retailers. However, Keane and Morschett <sup>[17]</sup> argues localisation is worth investing in as the payoffs are unbelievable as evidenced by Zara who spends most of its budgets on localisation and not marketing<sup>[6]</sup>.

## Commerce and Connectivity

When the term ‘frictionless trading’ was coined by retailers, the term literally meant “lack of friction” and was used to describe increased ease and lack of hassle<sup>[11]</sup>. However, since the development of this term, several innovations have occurred which has reshaped customer shopping habits, resulting in a slight change of meaning for the term “frictionless”<sup>[16]</sup>. Currently, frictionless does not just mean increased ease of less hassle, but the meaning has expanded to greater speed, personalisation, and wow experiences<sup>[8]</sup>. The way in which a retailer can gain competitive advantage utilising the concept of frictionless is through using big data and Artificial Intelligence (AI) to predict customer needs, followed by personalised adverts which assists in increasing customer engagement<sup>[14]</sup>. Integrating buying opportunities as seamlessly as possible into the everyday activities of shoppers through personalized adverts, reduces the amount of time and hassle involved in the steps between desire for a product and receiving it<sup>[25]</sup>. This is extremely beneficial in the future retail environment as majority of the customers will have a ‘I want it now’ attitude which brands will have to keep up with to ensure customer satisfaction and sustain their market base<sup>[11]</sup>.

In recent years, stores have witnessed increased usage of technology to ensure customer engagement and enhance customer shopping experience. In the future, the fast fashion industry will utilise Augmented Reality (AR) technology within their stores that enables customers to turn clothes to life instore using the AR app<sup>[8]</sup>. Experiences such as this emphasis that in the future, technology will be more prominent within customer shopping habits<sup>[11]</sup>. There is also possibility that customer service assistants within stores can be replaced by robots in the future who will be able to assist customers to find items they are seeking for and searching for product information<sup>[21]</sup>.

## Central Place Theory

First articulated in 1933, the Central Place Theory attempts to clarify the size, nature and spacing of cities as central places supplying goods to the surrounding population. Having formulated this theory, Walter (1933) was able to explain in loose terms why cities such as London, New York and Paris contain many of the top fashion destinations and stores and smaller towns around the UK and world do not contain high concentration of major shopping districts. The Central Place Theory is split into two parts: threshold and range of goods. The minimum population that is required to bring about the provision of certain good or services is called threshold<sup>[2]</sup>. Whereas, the average maximum distance people will travel to purchase goods and services is categorized into the range of goods or services section<sup>[13]</sup>. As a result, it is argued that expensive luxury goods (comparison goods) which are ‘infrequent’ in the way the consumer purchases them have a ‘higher’ threshold, revealing that customers will travel further for luxury goods. On the other hand, inexpensive (convenience) goods have lower thresholds<sup>[9]</sup>. Central Place Theory has faced criticism because the theory is based on classical, arguably unsustainable, economic assumptions such as the uniformity of consumers and travel<sup>[2]</sup>. However, Parr <sup>[22]</sup> argues the rise of shopping areas in UK towns can be advocated using the central place theory principles.

Using the Central Place Theory to analyse the fast fashion retail sector, it is evident that this theory is vital when deciding where to locate stores<sup>[13]</sup>. As argued by Parr<sup>[22]</sup> attractiveness of fast fashion retailers in the modern-day society is extremely high, especially among the younger generations. Consumers have moved forward from the concept of buying clothing few times a year (in the 1800s) to few times a month, due to wanting to stay up to date with trendy styles<sup>[9]</sup>. Fast fashion consists of inexpensive clothing, and therefore customers are willingly accepting garments of lesser quality in substitution for lower prices. Thus, they are also quick to discard items

and move onto the next trend, revealing that fast fashion is disposable fashion<sup>[13]</sup>. Since the increase in demand for fast fashion, it can be observed that fast fashion retailers have stores in places with high levels of footfall to attract more customers, but also areas in which household incomes are higher<sup>[9]</sup>. Economic status of consumers in the area is vital to maintain attractiveness of the sector as consumers with higher disposable income tend to be more mobile and bypass goods with lower threshold<sup>[13]</sup>. In the future, there are arguments that all of fast fashion will be online and that stores will be shut down to save costs. However, Parr<sup>[22]</sup> argues that customers will still enjoy the occasionally shopping spree experience where they can go in, see, touch, and try on clothing before making a purchase. Dennis, Marsland and Cockett<sup>[9]</sup> supported this argument stating that shopping for clothing in stores may become a luxury experience with fashion retailers only being in areas with higher consumer income and higher footfall, meaning those who are not in the area will have to travel for shopping. Highstreet shops may close down, however increased number of concept stores will be built as these will be most suitable for the future lifestyle of a customer who places high importance on convenience<sup>[21]</sup>.

## Content

Content within fast fashion is vital due to the needs of customers of wanting to stay trendy all throughout the year, thus fast fashion retailers need to ensure they have trendy products. According to Kotler (1967), characteristics of a product does not just lie within a physical object or part of a service. Instead Kotler (1967) states the description of a product is anything that has the ability to meet a customer need or want. This implies that shop assistants can also be considered as a product. Kotler's (1967) definition of product goes beyond just being a physical object of a service. Instead, he defines a product as anything that can meet a need or a want. This means that even a retail store or a customer service representative is considered a product. As a result, due to customers of fast fashion have high purchasing and bargaining power, it is crucial for fast fashion retailers to ensure their products go beyond customers' perceived values to ensure each retailer maintains their customer base<sup>[24]</sup>.

Ranging from core to psychological needs, Kotler's Five Product Levels model reveals the different levels of need a customer may have for a product<sup>[3]</sup>. At each level, more customer value is added. This framework suggests that there are three ways in which customers attach value to any product: either through customer need, customer want or through customer demand<sup>[13]</sup>. Fast fashion products are bought due to customer wants of liking to stay trendy with latest apparels<sup>[24]</sup>. This reinforces the fact that fast fashion retailers must have the relevant products since content is at the heart of customer experience<sup>[3]</sup>.

## Competitive & Communication Strategies

One competitive communication strategy a fast fashion retailer can use is through providing the customers an emotional brand experience<sup>[20]</sup>. In recent years, the fast fashion sector has witnessed that the objective and functional benefits of products are less important. Instead, customers want to associate their selves with well-known brands while staying trendy<sup>[13]</sup>. Building up an emotional brand experience aids firms to engage customers on a deeper level, which transports their shopping experience<sup>[20]</sup>. Thus, this strategy can be used to generate synergy effects which can draw the customer into the brand and lead to repeat purchases<sup>[22]</sup>. Dennis, Marsland and Cockett<sup>[9]</sup> argues that in the future there will be an increased number of fast fashion firms who will market their brand providing emotional brand experience to its customers as the changes in the fashion industry reveal customer shopping experience is becoming more and more important in maintain a loyal customer base.

Personalising adverts to each customer are another way in which the fast fashion sector can be transformed. This is currently utilised by several brands to increase brand relevance among customers as well as improve company ROI<sup>[20]</sup>. Currently, personalised advertising are only carried out on electronic devices to engage customers, however it is predicted that in the future personalised adverts will also be on TVs as Channel 4 and Virgin Media are in the process of adopting Sky's AdSmart advertising style<sup>[13]</sup>. Once this AdSmart advertising style comes into play, fast fashion retailers will also step utilise this communication strategy to tailor relevant advertising to mass customer base in one go<sup>[9]</sup>. Speed and immediacy are key factors that are crucial in the rapidly evolving fast fashion sector, so AdSmart advertising will be a game changer in the market that will assist firms to achieve things that were not practical to have been achieved beforehand<sup>[10]</sup>.

## Curation

Analysing the historical changes within fast fashion sector earlier on reveals how the fashion world is evolving constantly. Due to the changes occurring within fast fashion, retailers within the sector need to ensure they adapt to customer and industry needs to stay float<sup>[13]</sup>. This means that ensuring suitability, accessibility and feasibility of products is vital, while retailers become more and more innovative<sup>[18]</sup>. For example, there will be an increase in the amount of concept stores in the future as these allows customers with one stop shopping experience which suits their busy lifestyle<sup>[21]</sup>. There will also be a rise in resale of worn items<sup>[10]</sup>. This is something that occurs currently on low levels, however Diaz Soloaga<sup>[10]</sup> predicts this will further increase in the future as more and more customers are becoming eco-conscious. The fast fashion industry is among the largest contributors of waste, and an increased number of global consumers are understanding the negative impacts of fast fashion on the environment<sup>[13]</sup>. As a result, the need for sustainable fashion has increased and resale of clothing is a suitable solution<sup>[18]</sup>.

## Conclusions

In conclusion, this report reveals that the fast fashion sector will change dramatically over the course of the next few years. Despite being around over a century, the analysis revealed that fast fashion transformed the most in recent years due to changes in customer shopping habits and lifestyles<sup>[21]</sup>. Disruptive innovation will enable firms to produce cutting edge fashion items with multiple purposes, which cutting overheads as well<sup>[19]</sup>. Another finding of the analysis was that technology will play a huge part within the fashion sector that changes the way in which the industry operates. For example, retailers will use AR technology to enhance customer experience<sup>[8]</sup>. While, online presence is increasing for fast fashion, the analysis found that shopping in stores will not be obsolete but will become a luxury experience that occurs occasionally<sup>[22]</sup>. Another finding was that AdSmart advertising will become popular as a

way in which retailers can personalise ads on TVs for mass audience<sup>[13]</sup>. The analysis also revealed that resale of clothing will be more prominent in the future due to increasing amount of concerns over the harm wastage does to the environment<sup>[18]</sup>.

Overall, this report has critically reflected 'Future of the Retail Store' using topics such as conflict theory, community, commerce and connectivity, central place theory, content, competitive and communication strategies, and curation, to assist with the analysis. The main findings are summarised above and can be summed up stating technology and growing concerns over the environment are the two key factors that will change the fast fashion sector in the future.

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## Author:

Wang Rui ,(1998.11-), female, Han nationality, Jinan, Shandong, undergraduate, Winchester School of Art, University of Southampton: Direction: fashion Marketing.