

l'œil

de L'Observatoire Cetelem

July 2019

in depth study of new
consumption trends

www.observatoirecetelem.com

The five challenges facing retail



“Focus on the minutiae. Address the details first and then move on to the rest. Reject the arrogance of ideas that claim to describe all reality. Trust the intuitions that are born and the embryos that continuously emerge”.

La nuit est encore jeune, Collectif Catastrophe

This year, L'Œil is making the most of the summer break to focus on what lies ahead for retail and, therefore, for our day-to-day lives. As e-commerce becomes ever more popular and the expectations of a new generation of consumers come to the fore, retailers are being forced to adapt. They will need to if they are to stay afloat, not least by coming up with new models. After more than half a century of consumption founded on accumulation, price cutting and status symbols, retail needs a full reset in order to retain its appeal. Imagining what it might look like in the future could help us understand how it will meet the challenges ahead. L'Œil has identified five key challenges that retail will need to address. It will present a different challenge every Monday in July, illustrated by some of the stories it covered between September 2018 and the present.

L'Œil de L'Observatoire Cetelem analyses micro-facts on consumption, revealing the emergence of new manners of spending.

Editorial Director: Sally Guilbert

Communication: Patricia Bosc – patricia.bosc@bnpparibas-pf.com

Designer and Writer: Patrice Duchemin

Design: Lords of Design™ / Drawings: Fred Chance™

Turning customers into members of a community

Consumers have always been seen as buyers, first and foremost. Sometimes they are viewed as loyal customers by brands that offer them the chance to be members of a “club”, by becoming a cardholder or accumulating points when they spend above a certain amount. It is as though owning a product or a card is enough to trigger a sense of belonging to a brand.

With the appearance of social media, brands have gradually become topics of conversation, rather than just objects of desire. The thoughts of influencers and fans now sit alongside official brand messages, forcing brands to communicate differently, through continuous news updates about their latest products, events and collaborations. This allows them to instil those who are interested in what they do with a feeling of belonging to a living community. Gradually, brands are shifting their focus onto becoming places to meet.



Transforming customers into brand contact points

A year ago, L'Œil reported on the latest initiative by General Motors in the United States, dubbed Maven, which enables owners of its vehicles to rent them out when they are not using them. Individuals connect via the manufacturer's dedicated digital platform, which lists all the vehicles available, together with their location. The vehicles can be unlocked and started with a smartphone. Through this scheme, the brand is not only initiating a new mobility solution, it is also reinventing its relationship with buyers. Indeed, while sharing a car may be a good way of discovering a new model and learning about the latest innovations, it also allows users to **come into contact with other owners of the brand's vehicles** and thus benefit from their opinions and experiences. Not to mention that it brings the brand and its various propositions **into people's conversations**, and is far more effective in doing so than advertising via traditional media, for instance. Shaping the future of motoring not only means coming up with new designs and new levels of performance, it also means **thinking about relationships**.
<https://www.mavendrive.com/#/>



Breaking away from one's original core business to offer new living spaces

At the end of 2018, Italian denim giant Diesel signed a partnership with property developer Bel Invest Group to launch its first residential complex in Miami. The building will be constructed in the Wynwood pedestrian district and will feature 143 dwellings decorated with products by Diesel Living and designed to appeal to younger generations by catering for their lifestyles, work habits, social media interactions and leisure pursuits. A month ago in France, retailer Maison du Monde opened its first hotel. The establishment in Nantes features 47 rooms decorated in five different styles, where customers can “feel at home, only better”. It is easy to imagine that the shops, hotels and apartments of the future will be almost indistinguishable from each other, **thus blurring our perception of what is private and what is public**. Indeed, there are already quite a few hotels that endeavour to make guests feel truly at home, not to mention offices and shops designed to resemble apartments.

<https://www.maisonsdumondehotel.com>



Touting one's stores as meeting places

Early this year, L'Œil reported on the launch of fashion website Make my Lemonade's first point of sale near Paris's Canal Saint-Martin, which also offers evening and weekend pottery, sewing and embroidery workshops (priced at €5 an hour), as well as a café and a haberdashery. The retailer also sells three or four sewing patterns from each of its collections, as voted for by Instagram and Facebook users, which customers can also make in the store. When online retailers decide to set foot in the real world, they usually struggle to design a point of sale that looks like anything that has been done before. **The idea here is to spend quality time in the shop and share the experience with others**. This strengthens their bond with customers, while making the latter feel that they are experiencing something unique, which they will inevitably share on social media. It also spreads the feeling of belonging to a community.

<https://www.makemylemonade.com>

Making it easier to disseminate one's offering

For more than 50 years, consumption has been synonymous with accumulation. Always bigger, always better, always more fashionable. This model is showing its limitations, now that it is confronted with the question of the meaning behind this perpetual quest and its effects on the environment. As a consequence, new forms of consumption are beginning to emerge, where every purchase features an element of responsibility.

Consumers have not given up on consumption. They simply want it to better reflect their current preoccupations and help them feel less self-centred. Consumption is reinventing itself by replacing accumulation and ownership with circulation and utility. A new vocabulary is emerging that might seem paradoxical: making money as you spend, by renting to others so as to be able to buy more often and buy something better, both for yourself and your community. The contract that binds brands and retailers to their customers is undergoing a deep revision.



Utility trumps ownership

Earlier this year, L'Œil reported on a unique proposition that was being trialled by shoe retailer Bocage (Eram group) in six pilot stores and with 50 of its cardholding customers: a shoe rental system christened Atelier Bocage, which, in exchange for a €39 monthly fee, allows subscribers to wear a pair of shoes for two months before returning them to the store to be reconditioned and repackaged for subsequent sale on the second-hand market. In addition, if a subscriber wishes to keep the shoes for more than two months, they can purchase them at a 60% discount. At a time when the environmental credentials of fashion companies are being increasingly scrutinized (fashion is the second most polluting industry in the world), Bocage's initiative contributes to **the emergence of a new economy, one characterised by circulation rather than accumulation.** Here, the digital and "physical" channels are not separate, but complementary: customers find shoes on the website and select a pair in the store, before returning them to the point of sale so that they may be sold online second hand. In its own unique way, this rental-based approach contributes both to **stimulating people's urge to purchase** and to **reinventing the relationship between customers and retailers.**

www.latelierbocage.fr



Selling while offering the chance to earn money

In March, car rental firm Ucar launched **Ucar2Share, a service that allows customers to finance the purchase of their vehicle by making it available for rental via a dedicated app.** The company takes care of cleaning, insurance, breakdown recovery and repairs. Thus, Ucar is beginning to draw the contours of the consumption of tomorrow, where it will be possible to **buy a product while feeling as though one is also earning money.** This is a way of catering for consumers' hunger for surprises, while giving them the sense that they are part of **a movement of people who are reinventing their habits,** without necessarily giving up on their desires. The success of future consumption models will depend on their ability to **reinvent consumption without diminishing it or associating it with feelings of guilt.** Instead, consumption will be an individual act that also serves others.

<http://ucar2share.com>



Shrinking one's offering to enhance one's desirability

L'Œil recently highlighted the propensity of luxury brands to use the "drop" technique (inspired by US skatewear brand Supreme), which involves selling a **limited product range to boost desirability** and ensure higher resale values. Burberry offers exclusive items that are available for just 24 hours. Vuitton and Céline make a portion of their collections available before their official launch. Meanwhile, Moncler has developed Moncler Genius, which each month releases a collection of new items by a specially invited designer. With their limited editions, these brands are going against the grain of the retail calendar and attempting to **provide consumers with the excitement that comes from new products, but also from the possibility that they may not be able to get hold of them.** The "drop" technique also **draws millennials into real-world stores,** often attracted by the potential to profit from the resale of items. And this isn't the least of its virtues, given that many of these consumers could someday forget that shops exist.

Leaving one's traditional domain

Faced with consumers who are increasingly mobile and curious, brands can no longer remain confined to their stores and their traditional offerings. They are going to have to enter uncharted territory. They will need to draw closer to their customers via new services or by raising their profile in people's minds, so as to get social media users talking about them.

Having a presence where it is least expected is now both a strategy and an overarching philosophy for brands. And because the question of DNA and legitimacy carries less weight than in the past when it comes to justifying the appearance of brands in different markets, some of them now see this new imperative as an excuse to reinvent themselves. Audacity is now essential.



A pragmatic move from the virtual realm to the real world

Last September, L'Œil expressed its surprise when a Birchbox hair salon opened in Paris, given that the brand had built its reputation on the web by selling beauty-themed subscription boxes. Birchbox had previously opened a physical store for customers to find out about its products and experience them for themselves, but this hair salon marks a new step forward **by simultaneously enhancing the brand's expertise and strengthening its relationship with buyers**, because to book an appointment they have to visit the website. This is a fresh opportunity to introduce or reintroduce consumers to its products. And old-world retailers would do well to take a leaf out of the same book: start with a website, then open a showroom, followed by a point of sale where customers can meet each other, before launching a specialist high-street store to reinforce the brand's expertise and expand its initial offering: **a virtuous diversion that sits somewhere between pragmatism and opportunism.**



Dreaming up unique points of sale

In February, L'Œil reported on Mon P'tit Decat', mobile containers created by Decathlon to present a selection of products relating to the sporting event at which they are set up. A few months later, it was Kiabi's turn to announce the launch of its containers, to coincide with its 40th anniversary. This was the retailer's way of increasing its visibility in city centres. Its *Boîte à Bonheur* (Box of Happiness), set up for a trial period in Lyon, Marseille and Rennes, comprised two converted shipping containers. One served as a photo booth, the other as a showroom. These easy-to-install containers are to retail what food trucks are to restaurants: a way of **reaching new audiences and contributing to the vibrancy of an area through special events**. All are equipped with digital terminals that allow retailers to help customers familiarise themselves with the latest digital tools in an intimate setting, which traditional stores sometimes struggle to do. **By being at the heart of an event and creating new forms of relationship with customers**, containers seem to have everything it takes to update the image of retailers.



Offering services that save time

In April in Amsterdam, household appliance manufacturer Miele launched the Miele Laundry Club: a service that collects dirty laundry from the homes of customers and returns them washed and ironed within 48 hours. In Chicago, Procter & Gamble's laundry detergent brand Tide is trialling a dry-cleaning service via lockers that are accessible 24/7 thanks to the Tide Dry Cleaners app. These are installed in apartment blocks, office buildings and local shops. Regardless of their original market, brands today are all driven by the goal of developing new value propositions in the form of services, which is as much **a way for them to stand out in a competitive market as it is to cater for consumers' hunger for surprises**. Each of these initiatives is an opportunity for them to showcase their know-how, to **create new points of contact** (delivery services, lockers, neighbours) and to demonstrate that they listen closely to the day-to-day concerns of their customers. Freeing up people's time to let them enjoy other pursuits can also become a brand's ambition.
<https://mieelaundryclub.com/en>
<https://www.tidedrycleaners.com>

Learning to share

To reinvent itself, a brand need not necessarily alter its identity or enter new markets by launching totally new ranges. It can simply expand its natural territory to reach a wider audience, whether this territory is geographical, emotional or linked to a particular area of interest. **Sharing to modify one's perception, to highlight complementarity, to make the most of fresh points of view or even to take advantage of the customer traffic of other brands. There are numerous motivations at play.**

Sharing something with other brands is also about underlining the virtues of reconciliation and working together in a world in which conflict tends to occur more spontaneously. Why should opposition be the default position? Seeking allies rather than engaging in conflict is always the best way of reinforcing one's leadership. Retail is no exception to the rule.



Bringing retailers together to save city centres

In February, L'Œil covered the story of a new store in Vichy, the result of an alliance of three retailers already familiar to city dwellers: Nicolas, Comtesse du Barry and De Neuville. Dubbed "Savour Histoires de Gourmets" (a name chosen with international expansion in mind), the store allows the three brands to have their own individual area, while also featuring shared spaces to showcase their products together. Here, **the relationship has been cemented as much by the location as by the spirit of the venture**, the shared values of quality and tradition, and a common target audience of gourmet consumers. It is also built around their underlying intention, which resembles the pursuit of a cause, because by teaming up they are providing their own **answer to city-centre desertification**. For a few years now, brands have been setting up "collabs" to get people talking about them and reach new audiences. So why be surprised when retailers follow the same rationale?



Selling without giving customers the impression that they are spending

Since early April, the Galeries Lafayette store in Lyon's Part Dieu shopping centre has been trialling a new service in partnership with peer-to-peer marketplace website good-dressing.com. Once the buyer has paid online, the seller has five days to bring the item to the store. 24 hours later, they receive credit on a gift card to the value of the sale, which they can spend in any Galeries Lafayette store or on the retailer's website. No commission is charged for the service. This allows the department store to **generate additional traffic and attract attention other than through its offering or its prices**, two excessively competitive areas of focus. By taking up a position **at the intersection between physical and virtual retail**, it can also **reach a population that is more connected, younger and also more willing to "have fun" with consumption**. Lastly, giving Good Dressing sellers gift vouchers by way of payment contributes to the store's turnover and helps reach new customers, **without making them feel that they have spent any money**. The more people engage in interaction and even meeting face to face, rather than simply making purchases, the closer to reality the concept of a community store becomes.

<http://www.galerieslafayette.com/magasin-lyon/le-good-dressing/>



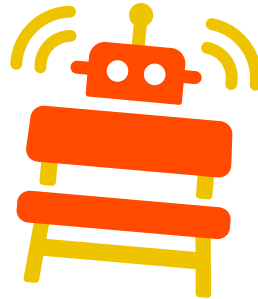
Is it time for supermarkets and local shops to stop being on opposing sides?

In Craonne-sur-Arzon in the Haute-Loire (2,000 inhabitants), supermarket Super U allows its cardholders to spend their loyalty credit in around 30 small local shops (bars and tobacconists are excluded from the scheme). They simply need to present their card at the Super U store's reception desk to receive the amount of their choice (which is deducted from their loyalty account) in the form of gift vouchers that they can spend in participating stores. Why should major retailers always be in conflict with independent shops? **Why should rewards for loyalty to a particular retailer always be confined to the store's own offering**, based on an implicit principle of "monogamous consumption"? While this particular supermarket may be kissing goodbye to some of the cash its customers accumulate, because they are spending it elsewhere, **it is making gains in terms of its image, its value to the community and the publicity** it receives by breathing life into the local area. The symbolic value of this compensation should not be underestimated, while **the approach also serves as a reminder that supermarkets are local shops too.**

Astonish, surprise, astound

In an increasingly uniform world, where product ranges are becoming more and more similar - give or take a degree of quality - and where the behaviour of some is enough to prompt others to imitate them, the quest for uniqueness and astonishment that we pursue in order to enhance our existence requires a reinvention of our relationship with others.

This is something retailers clearly understand and it is not unusual to come across propositions that would have been inconceivable, not to say incomprehensible, just five years ago. These tend to confirm this need for brands to draw attention to themselves by deconstructing the ways in which they are perceived. We are now entering the age of UMOs: Unidentified Marketing Objects.



What if shops sold themselves as play areas?

Last October, to celebrate its 60th year, Franprix offered 60 of its customers the chance to take part in an *escape game* in one of its Parisian stores from 8pm until midnight. Their challenge was to solve mysteries in 60 minutes. At the end of October, Kenzo organized a video game tournament on its website, allowing the label's fans to compete to win one of 100 pairs of its latest sneakers.. **Driven by their desire to constantly offer customers new experiences**, retailers are attempting to harness the current popularity of treasure hunts and escape games. Now that you can buy just about anything online, **treating consumers to something unique at points of sale** is another way of boosting footfall. Offering them the chance to play a game could be even more of a motivating factor. This could prove very appealing to loyal customers with whom a retailer's relationship is often passionate, not unlike the bond between a sports team and its supporters. It could also attract a younger clientele that is more accustomed to various kinds of virtual battle. **We often talk about the clash between the physical and virtual worlds, but is it as common to compare what is fun with what is "normal"?**

https://www.franprix.fr/article/escape-game-de-nuit-dans-un-magasin-franprix_a23143/1



Can new products be sold alongside second-hand goods?

In November 2018, L'Œil reported on an initiative launched at the Leclerc hypermarket in Roques-sur-Garonne, near Toulouse, which sells second-hand items (covered by a 12-month guarantee). The products on offer are tested and then purchased by the retailer for more than their market value, but it pays the seller in vouchers. A few years ago, Decathlon invented the Trocathlon, which enables customers to sell their old sports equipment in its stores in exchange for vouchers. Leclerc has adopted the idea and adapted it to a wider range of products. It is not by continuously actuating the normal levers at its disposal (price, choice and quality) that mass retail will succeed in altering the perceptions of customers or changing its relationship with the latter, but **by fostering new habits and suggesting new ways of shopping**. In this example, Leclerc still seems like a good place to find bargains and make the most of one's spending power, but **this message is bolstered** by the presence of used products and the fact that the store pays sellers in vouchers. **This is a new way of striving for greater spending power.**



What if supermarkets also became restaurants?

Customers of the Albert Heijn supermarket in Amsterdam can now order hot meals, which are prepared at the store and delivered by Deliveroo within half an hour. All the dishes on offer contain at least 200 grams of vegetables. Faced with consumers who are increasingly choosing to do their day-to-day shopping online, rather than in physical stores, major food retailers are attempting **to come up with new services to maintain their appeal and their position in the competitive landscape**. With its range of hot, balanced meals, which are prepared on-site and delivered to customers' homes, Albert Heijn is fulfilling one of the key requirements of today's consumers when it comes to food, **i.e., eating better, and stepping on the toes of restaurants** by taking advantage of the skills already present at its store. It is also reinterpreting the price-choice-quality combo (without challenging its validity), which the sector commonly uses to attract customers. **Could spending power increasingly mean the power to spend better?** The next battleground for food retailers will be people's plates and not just their shopping trolleys.