

GRIP

**Retail Report 2022
Challenges & Opportunities**

Challenges & Opportunities - Agenda

- The New Retail World
- The Numbers
- Freight disruptions - Supply chain issues
- Managing inventory-you are in the NOW business
- How to keep the fickle retail customer happy and satisfied
- How to use technology to attract the younger generation
- Challenges of managing overseas vendors
- Conclusion: Key strategies to survive and thrive
- About GRIP

Welcome to the New World of 2022 & Beyond

The next few years will present retailers with a unique window of opportunity. Adversity and shortages create opportunity. The Renaissance Period emerged from the Bubonic Plague. The Roaring 20s emerged from the Spanish Flu. And as we emerge from the global pandemic, The New World is coming and you need to be ready. This is a cyclical pattern of history that has been repeated over and over.

Post COVID retail shopping trends are clear, consumers will continue to shop online, they will continue to return to brick and mortar stores but will expect contactless shopping, full retail experiences and most importantly, they will want to believe that it will be safe.

The Numbers

- In the EY US Future Consumer Index, 93 percent of American consumers said that shopping in stores in the future will be important to them.
- Product availability has increased in importance by 58 percent since before the pandemic.
- Inflation, an unrelenting demand for capacity, and the labor shortage could raise shipping rates by 3% to 5% in 2022.
- The customer buying journey isn't a simple process of visiting a store and buying a product anymore. 73% of customers used multiple channels during their shopping journey.
- In one Gartner survey, 95% of retail CEOs said they planned to increase investments in digital capabilities.
- An NRF study found that 40% of shoppers think convenience at checkout is the most important.



Supply Chain & Freight Disruptions



Supply Chain & Freight Disruptions

Don't get your hopes up for a fast resolution.

- Soaring inflation, tightening cargo capacity, and a shrinking labor market only add up to one thing for today's retailers: more pain.
- Written by Citi's global chief economist Nathan Sheets, the bank's analysis: While strains may ease in coming months, Citi said, "these supply chain pressures are likely to be present through the end of 2022 and, probably, into 2023 as well."
- Freight rates will not normalize until the systemic market disruptions in container shipping, caused by the pandemic, are reduced significantly. "The crisis has turned the ocean transportation sector into both a seller's market and an inefficient, unreliable sector," he says. "Furthermore, shippers pay much more for a deteriorated service."
- Bottom Line: Hope for the best but be prepared for the worst.



Peak Supply Strains?

U.S. supply-chain strains are still hovering at a heightened level

Activity Transportation Prices Inventory Labor



Source: Oxford Economics' U.S. Supply Chain Stress Tracker

Inventory - You are in the NOW Business



Inventory – Less is Not Better

- High up on a very long list of challenges for retailers is how to think about planning inventory for 2022. Forecasting is complex in any environment, but the industry is dealing with supply chain constraints, rising inflation, shortage of raw material, labor, truck drivers, and much more.
- In addition, each unique customer journey with its various assortment and fulfillment options complicates determining all the ways inventory can be moved around further.
- The main takeaway: it is time to stop treating inventory as just a balance sheet entry – with the principle that less is better.
- Inventory (the right inventory) is an asset, not a liability.



Inventory - OSA is Everything

Stockouts are very costly:

- Lost Sales
- Reduced Customer Satisfaction & Loyalty
- Bad social media reviews
- Loss of customers and reputation (There is no store that you can go to and buy your reputation back.)

Inventory shortages are predicted to remain in place for the foreseeable future.

OSA - On-shelf availability has become more important than ever for your success.



Inventory - Empty Shelves do not Write Paychecks

- Companies practicing just-in-time inventory management were caught off guard with insufficient product quantities when the pandemic hit, and online consumer spending skyrocketed.
- While inflation may slow purchasing power in 2022, cargo capacity issues will continue to wreak havoc with near-empty shelves in stores and warehouses.
- In a study, it was found that in case of low on-shelf availability, as much as 50% will choose a substitute product, 40% will most likely leave empty-handed, and 10% will head to a competitor to meet their needs.



How to keep the Fickle Retail Customer Happy



How to keep the Fickle Retail Customer Happy

It's impossible to delight customers without informed, engaged employees. With global talent shortages at record highs, Gartner researchers called on retailers to hone a “total experience strategy” uniting customers and employees for a stronger “multiexperience” across digital interactions. IDC analysts said that by 2026, 90% of the top 2000 retailers will employ edge computing to harness the explosion of data in stores for better workforce productivity and customer experience while reducing costs by 20%.



Key strategies to improve the customer experience

- Offer consistent customer service across all channels.
- Train staff frequently on new sales strategies.
- Talk to your customers on a regular basis.
- Personalize the customer experience.
- Make your checkout process seamless and friction-free.

How is your brand creating innovative shopping experiences for customers?

Brands are utilizing virtual home experiences as a medium for retail

Trend - Companies are launching virtual home shopping experiences to market products during the COVID-19 era. These gamified platforms are engaging with playful interactivity and comfort aesthetics that entertain consumers and also allow for the visualization of a product in one's space.

Insight - As government-imposed COVID-19 measures are highly restrictive to brick-and-mortar retail, individuals have turned to online shopping for their daily needs—whether that is because they want to play it safe or save themselves the hassle. Aware of the potentials of technology in virtual environments, many are looking for digital experiences that are immersive and this demand arises from a consumer need for entertaining distractions during a difficult time.



Shoppable Digital Homes

Mashable Home is a Virtual Shopping Experience with Items from Walmart



In-App Virtual Escape Rooms

IKEA is Challenging Snapchat Users to Escape a Messy Room



Virtual Beauty Boutiques

bareMinerals' Virtual Villa is an Immersive Shopping Experience

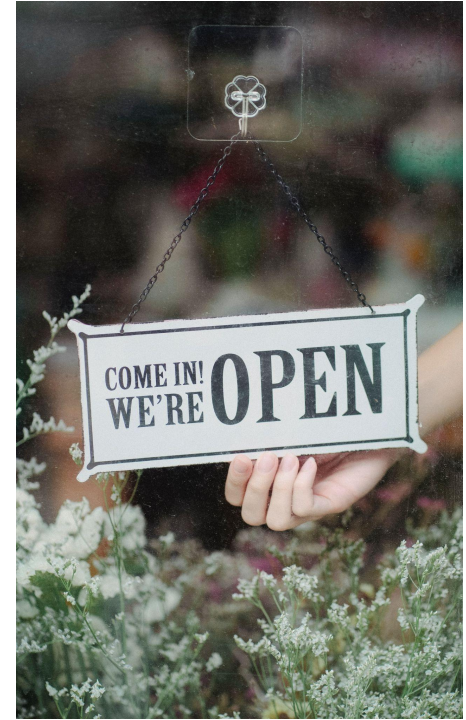


Shoppable Home Film Sets

Sam's Club's VR Home Recreates National Lampoon's Griswold House

The Retail Environment is Evolving Rapidly

Consumer preferences for how they shop and what they buy have shifted rapidly during the COVID-19 crisis, as have their priorities for when they shop and how they receive their purchased merchandise. These shifts provide a perspective of what post-pandemic shopping might look like and offer retailers opportunities to give customers experience-full shopping—shopping that is enjoyable, safe, contactless, streamlined, click-and-collect, and meets their specific requirements.



You Must Deliver New Retail Experiences

Retailers need to adjust their brick-and-mortar offerings and transform their “supply chain in the store” to better support associates as they pick and pack the products customers order online and then deliver those items to the customers’ cars or to the in-store counter where they will be picked up. While not overlooking e-commerce, retailers will focus on ensuring the customer’s in-store shopping is contactless to reduce touchpoints, streamlined to reduce time in the store, and click-and-collect to meet consumers’ increasingly shifting demands. These characteristics add up to enjoyable, safe, experience-full shopping for the consumer.

Using technology to attract younger customers



Younger customers are Demanding Change

- More than half of retailers believe that more customers prefer app-based smartphone solutions for self-scanning shopping, rather than legacy dedicated handheld scanners. A similar proportion (59.5%) cite increased demand from customers wanting to use the technology to access more product information to help them make more conscious purchase choices.
- To better attract a younger customer base, retailers must optimize their online channels to appeal to a younger audience. Millennial and Generation Z consumers are avid researchers. They spend a significant amount of time studying and evaluating brands before picking from whom to buy.
- During the exploratory stage of the customer journey, they check the company's social networks for reviews, recommendations, and comments posted by others who have used the product or service or interacted with the company.



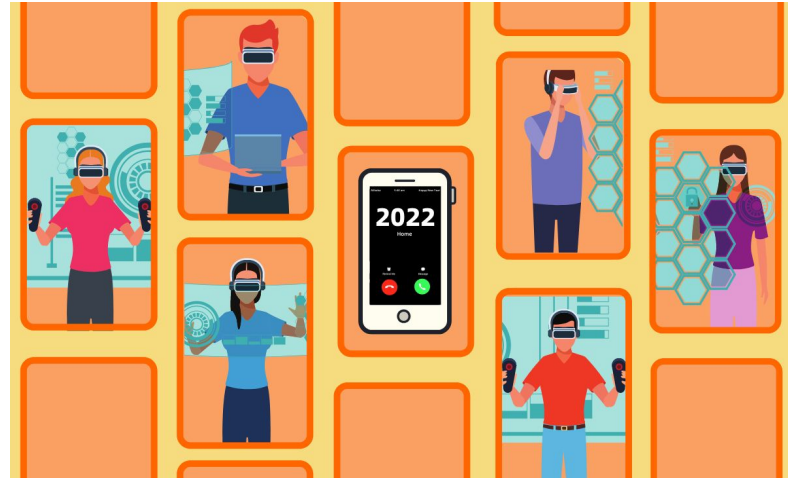
AI, VR & Dynamic Pricing are Here Today

- Today's retail industry is more dynamic than ever & is built on a new covenant of data-driven retail experiences.
- AI/ML algorithms can help you not only collect information regarding pricing trends, your competitors' prices, and demand for various items, but it can combine this information with customer behaviour to determine the best price for each of your products. This strategy helps retailers offer competitive prices to their customers resulting in increased revenue.
- E-commerce giants like Amazon have a dynamic pricing strategy in place, and they change the prices of their products every ten minutes.
- Nike uses augmented reality and virtual reality in their physical stores. Customers can scan items like shoes or clothing to view information, or they can enter a VR world to experience the different steps in Nike's supply chain so they understand how and where items are being made.



How Retailers Can Leverage the Metaverse

- As the Metaverse Movement gains tech-savvy participants, businesses must navigate these new dimensions to boost brand recognition and generate revenue. They will need to build the tools or join platforms that enable consumers to try out and test products.
- The metaverse is also opening up a new reality for consumers that blends the sensations of physical shopping with the range of choice offered by e-commerce.
- Virtual stores will create spaces for e-commerce sales and offer digital-only products for sale, such as non-fungible tokens, better known as NFTs, to dress and house avatars.



“We also believe in the metaverse,” said Patrice Louvet, CEO of Ralph Lauren, adding that he has already dressed his avatar. The metaverse is a new revenue source, in which Ralph Lauren has already sold 100,000 units. “You wouldn’t want your avatar to be running around naked,” he said during the National Retail Federation’s annual industry conference.

The China Conundrum

Challenges of Managing Overseas Vendors



Challenges of Managing Overseas Vendors

Top areas of concern to watch out for:

- Organization and cultural differences
- Language and communication challenges
- Time zone differences
- Intellectual property rights
- Tariffs and duties
- Quality control issues
- Accurate and timely delivery
- Ocean Freight (Container Availability)



Having an Experienced Partner is the Best Strategy

- The art and science of successful **overseas manufacturing** is a combination of the successful management of ALL the small steps that must be managed.
- Some companies are fortunate enough to work with a manufacturing partner who knows the ropes. Some even have an established track record for experience and manufacturing success, and knowledge of China's manufacturing landscape. Yet, most do not.
- GRIP has been doing business in China for more than 30 years and works with 500+ overseas factories.



Key strategies to survive and thrive in 2022

- You need to be prepared for the new market dynamics.
- Opportunities abound in the new retail world.
- Supply chain disruptions will continue.
- Stock up on inventory to meet surging demand.
- Invest in employees to deliver memorable customer experiences.
- Embrace new technologies & dynamic pricing.
- Develop a relationship with an experienced partner that can help navigate the New World of Retail.





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YOUR SUCCESS IS OUR BUSINESS

About GRIP

GRIP was incorporated by Charles Amash in 1980 and has grown into one of the nation's top suppliers of innovative products to the retail industry. Located just south of Grand Rapids, Michigan, GRIP features a 200,000 sq ft state of the art warehouse facility including a 2,000 sq ft product showroom. GRIP carries a product line of over 1,000 specialty tools, tarps, automotive, cleaning, LED lighting, magnetics, outdoors, household items, impulse and general merchandise. GRIP has a proven track record of excellence in supplying retail clients with innovative products, timely fulfillment, and world-class customer support. At GRIP, everything is about earning your business...one customer at a time. It's about building relationships and fostering business partnerships that will last long into the future. Our goal is to have Customers for Life. The future at GRIP is exciting and we're hoping that you can be a part of it as one of our many Customers for Life.

About GRIP

Check out our Company Website: <https://www.gripontools.com/>

GRIP Online Catalog: <https://Gripontools.dcatalog.com/v/Grip-Catalog-2022/>

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