

Top 7 Takeaways for Retailers in 2024



Insights & innovations from NRF 2024



INTRODUCTION

The National Retail Federation (NRF) Big Show, held at the Javits Center in New York City is the flagship retail technology event. Every year, the conference sets the tone for trends shaping the industry over the year (and beyond). It's a gathering where the pulse of retail's future is taken and is unmissable.

With a myriad of discussions, panels, and exhibitors, sifting through the noise to find actionable insights can be daunting. VTEX, Pivotree, and Insider teamed up to distill the essence of NRF 2024 and bypass the usual fluff. This is not your run-of-the-mill recap article; it's an ebook laser-focused on the trends that matter in the retail landscape.

Why should you care? Because in retail, staying ahead means not just keeping pace with current trends but anticipating future ones. So, let's dive into the key trends that will define success for retailers and brands in the coming year.



TAKEAWAY 1: RISE OF THE AI-WASHING PHENOMENON

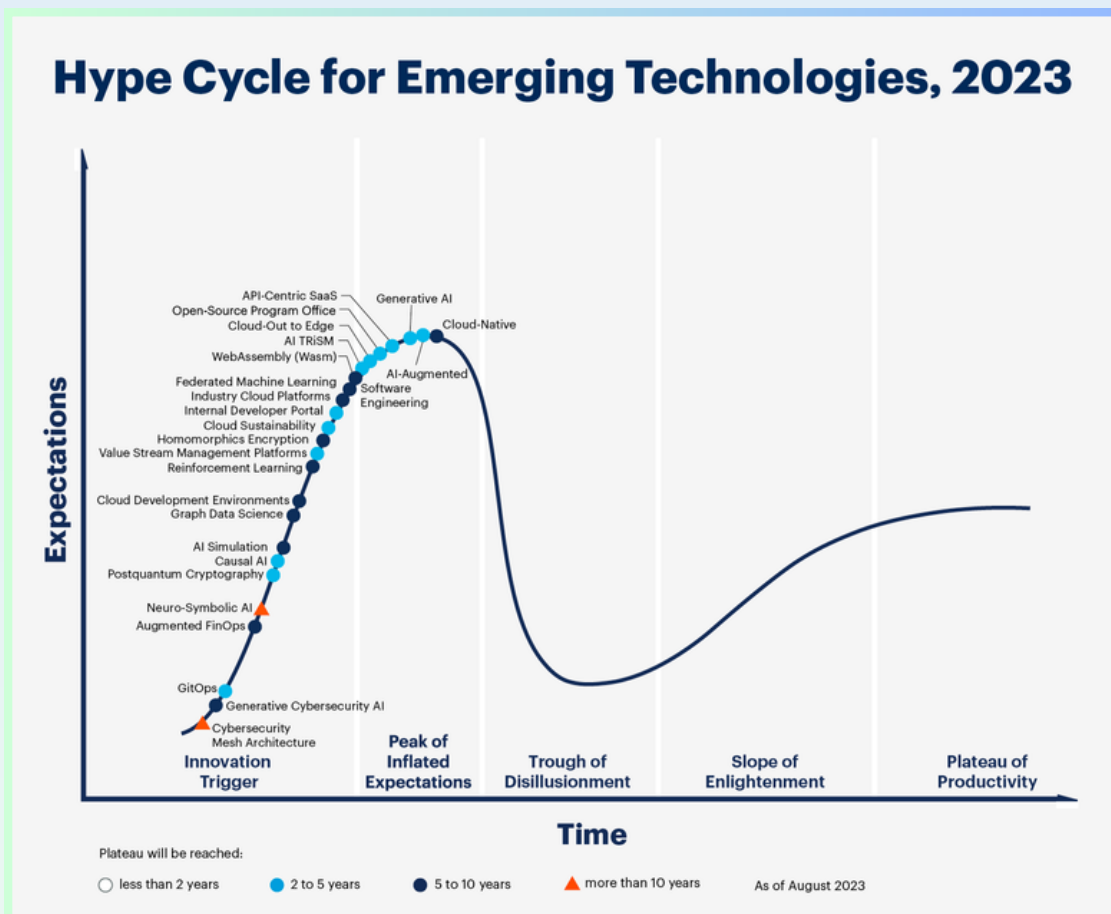
It was impossible to walk the floors of NRF 2024 without hearing about Artificial Intelligence (AI) and Generative AI. Last year, AI was rapidly making its way up the hype cycle and had a noticeable presence at NRF 2023; this year, there was a dramatic increase in the number of vendors and retailers branding their products and experiences as “AI-powered.” In fact, 283 out of 1,000+ exhibitors at NRF flaunted "AI" in their promotional materials. We dub this phenomenon “AI-washing,” representing a rush to capitalize on AI's cachet, often without substantive contributions to the customer experience.

While AI will undoubtedly become a monumental force with the potential to transform retail, the buzz far outstrips the tangible benefits currently available to retailers and brands. This discrepancy suggests a need for skepticism among retail



decision-makers, urging them to look beyond the hype and evaluate the real-world applications and benefits of AI tools for their bottom lines.

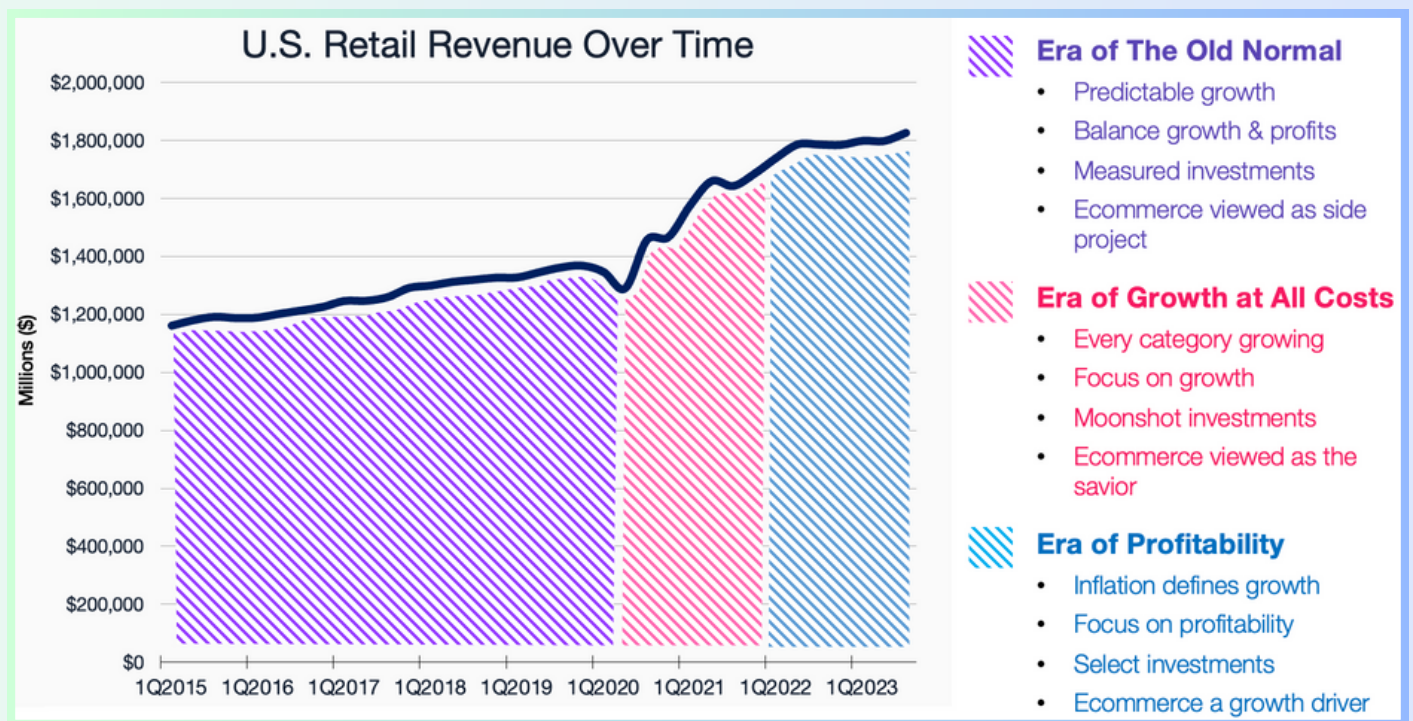
For those brands and retailers, the message is clear: keep AI on your radar but tread carefully. The AI revolution in retail is more of a marathon than a sprint, and we are still in the early days. Gartner recently placed Generative AI on the “Peak of Inflated Expectations” on their [2023 Hype Cycle for Emerging Technologies Success report](#). Success will come to those organizations that invest wisely, distinguishing between genuine innovation and mere hype, and build for the long term.



Source: Gartner, 2023

TAKEAWAY 2: WE'RE STILL IN THE ERA OF PROFITABILITY

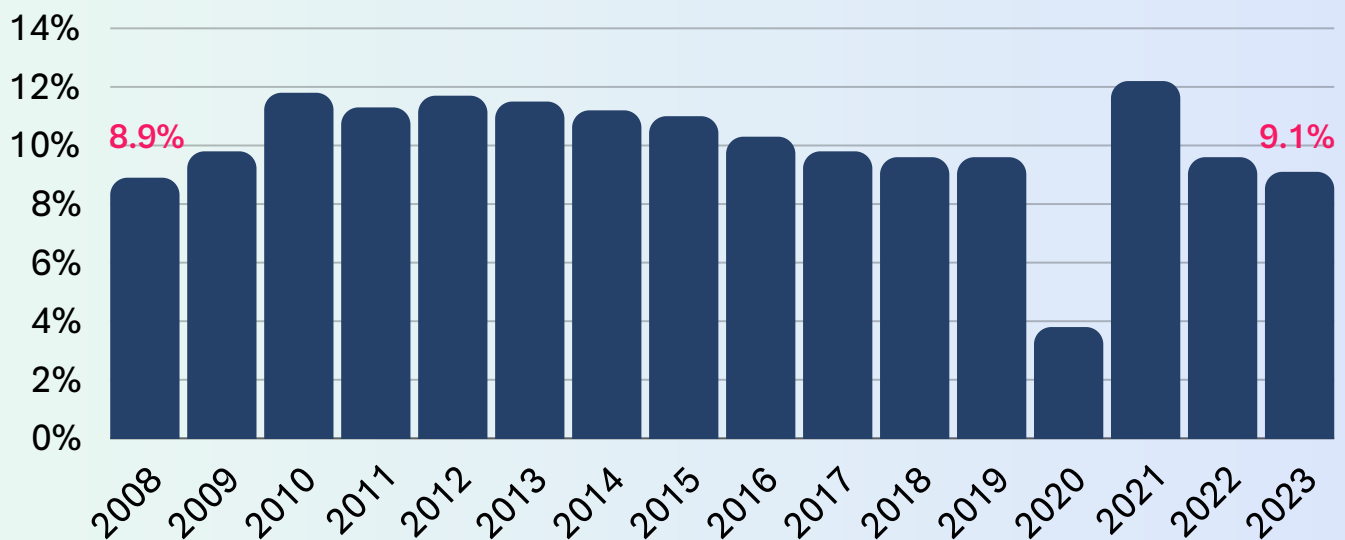
A glance at the U.S. Department of Commerce's most recent [retail trade report](#) reveals a retail sector that has experienced significant transformation. Just over the past five years, we have undergone three distinct eras, with the most recent shift towards prioritizing profitability over unchecked growth. This "Era of Profitability" is characterized by added scrutiny of investments and an unwavering focus on margins and unit economics at retailers and brands.



Source: U.S. Census Bureau, Advance Monthly Retail Trade Survey, January 2024

Supporting this trend, a study by Wells Fargo and FactSet highlighted a contraction in retail margins in 2023, marking it as the least profitable year since 2008 (not including 2020, for obvious reasons). This conversation about profitability and margins was a backdrop at NRF 2024 and the central theme echoed through the halls and sessions.

Retail EBIT Margins, 2008-2023



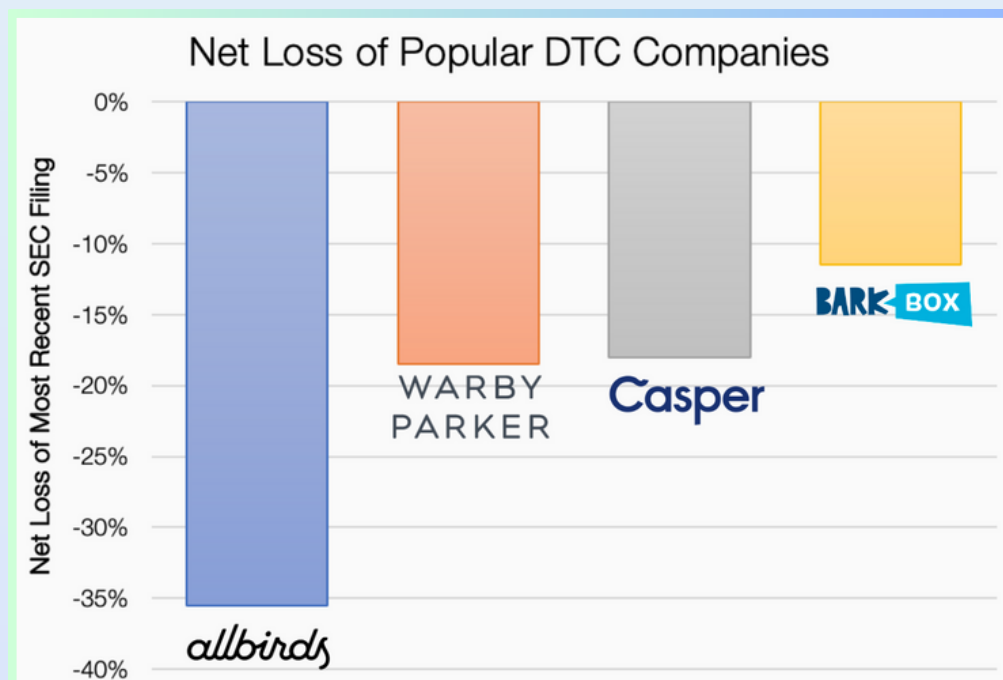
Source: FactSet, Company Reports, Wells Fargo Securities, LLC

The implications for retailers and brands are clear. In an age where every dollar counts, the onus is on merchants to make smart investments that bolster the bottom line. Whether it's adopting a new technology or refining marketing strategies, the key question remains: how will these investments influence profitability? This lens of financial prudence will be indispensable for navigating the year ahead, and likely many more to come.

TAKEAWAY 3: THE NON-EVOLUTION OF OMNICHANNEL IN RETAIL

The term “omnichannel” first appeared at NRF around two decades ago, but its importance has never been more pronounced. The promise of a seamless customer experience across all channels is now a core expectation for consumers, not a differentiator. Today, vendors market the merits of omnichannel while major retailers like Lowe’s highlight their shift from a channel-specific approach to a customer-centric one.

And the pitfalls of a single-channel focus can have grim results. The best example of this is in direct-to-consumer (DTC), where none of the public purely-DTC companies like Casper, Allbirds, Warby Parker, or Barkbox are close to profitable, despite their well-designed products, innovative marketing strategies, and



Source: SEC Filings, 2020 - 2023

Note: Casper filing from FY2020, company went private afterward

fanfare that the DTC category has received. This serves as a stark reminder that in today's retail environment, omnichannel is not just an option; it's a necessity for survival and success.

Retailers and brands are thus encouraged to break down silos and foster a culture of collaboration and cross-channel integration. The future belongs to those who can navigate the complex web of customer interactions with agility and coherence, ensuring a consistent and compelling brand experience wherever the consumer chooses to engage.



"Omnichannel is no longer a differentiator but a fundamental necessity for survival. NRF 2024 emphasized this shift, with major players adopting a customer-centric approach in ecommerce. The struggles of DTC companies highlight the importance of breaking down silos and fostering cross-channel integration. In today's retail environment, success hinges on navigating customer interactions with agility, ensuring a consistent brand experience across all touchpoints."

Meyar Sheik
Global President, Insider

TAKEAWAY 4: A DATA STRATEGY IS MORE IMPORTANT THAN EVER

Shifting privacy regulations have turned digital advertising on its head for retailers and brands. Apple's 2022 iOS 14.5 [privacy changes](#) and the imminent depreciation of third-party cookies on Android necessitate different advertising practices. While many brands and retailers hope that Google will kick the can down the road once more, savvy retailers are establishing strategies that foster direct, trust-based customer relationships. Merchants must prioritize collecting and leveraging first-party data to remain competitive, ensuring personalized customer interactions.

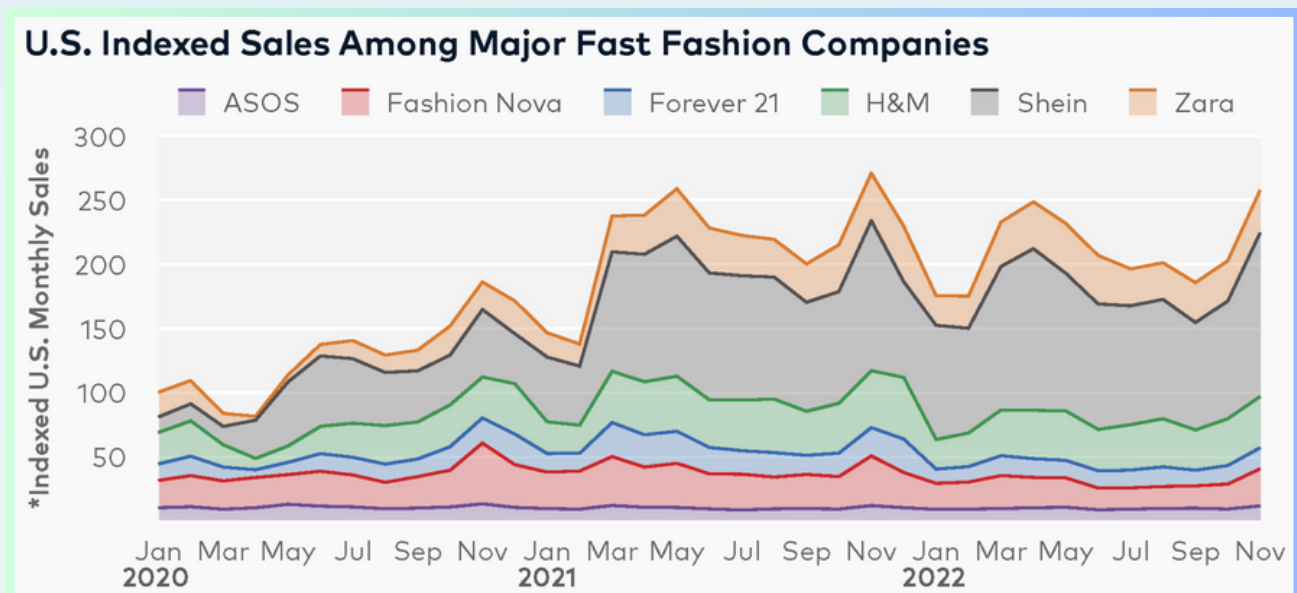
As traditional advertising becomes less effective, retailers are exploring new engagement models such as live shopping, SMS marketing, and conversational commerce. These methods not only enhance customer engagement but also build a valuable first-party data reservoir, enabling more personalized and effective marketing strategies that drive loyalty and sales.

The importance of a solid data foundation extends into AI. As mentioned, AI technologies present a massive opportunity for merchants to enhance customer experiences. But these AI models are only as good as the data you train them with. Thus, investing in robust data management systems is the groundwork for leveraging AI and securing a competitive edge.

TAKEAWAY 5: CHINESE RETAIL GIANTS ARE MAKING NOISE

The ascendance of Chinese retail giants, particularly Temu and Shein, in the U.S. market marks a significant shift in retail. For instance, in 2023 Temu saw more traffic in the U.S. than Target and Shein was the largest fast fashion retailer in the U.S. Despite this, their operational models and strategies remain under-explored by most Western merchants. Their success is partly attributed to the innovative use of technology and social media for hyper-personalized consumer engagement and streamlined supply chains, presenting a formidable challenge.

The appeal of platforms like Temu and Shein lies in their ability to create engaging shopping experiences catered to the psychology of modern consumers. They utilize a mix of aggressive marketing, transparent fulfillment, and highly dynamic, gamified, promotions.



Source: Bloomberg Second Measure 2023

While many experts criticize Amazon.com for having a noisy UI, Temu is on another level. The business models of these U.S.-focused Chinese retailers are heavily reliant on promotions and rapid inventory turnover, capitalizing on the demand for quick, affordable, and trendy products. Temu, Shein, and others will have to improve their operational efficiency to avoid the fate of Wish.com, but so far they have made a big impact on U.S. retail.

To remain competitive, U.S. retailers and brands need a two-pronged strategy. Firstly, they must invest time in understanding these Chinese platforms, from user interface design to customer engagement tactics. Secondly, improving their own personalization and targeting strategies will be crucial. This might include adopting advanced analytics for better customer insights, and developing a more agile, responsive supply chain to deliver speedier and more efficient fulfillment.



"The rapid rise of Temu and Shein is a wake-up call for U.S. retailers and brands. These companies are redefining speed and personalization in retail, leveraging AI and social media in ways we've yet to fully embrace. Merchants must take the threat seriously and learn from them or risk obsolescence (remember Sears?) It's crucial to strategize to serve consumers of the future and not just the past."

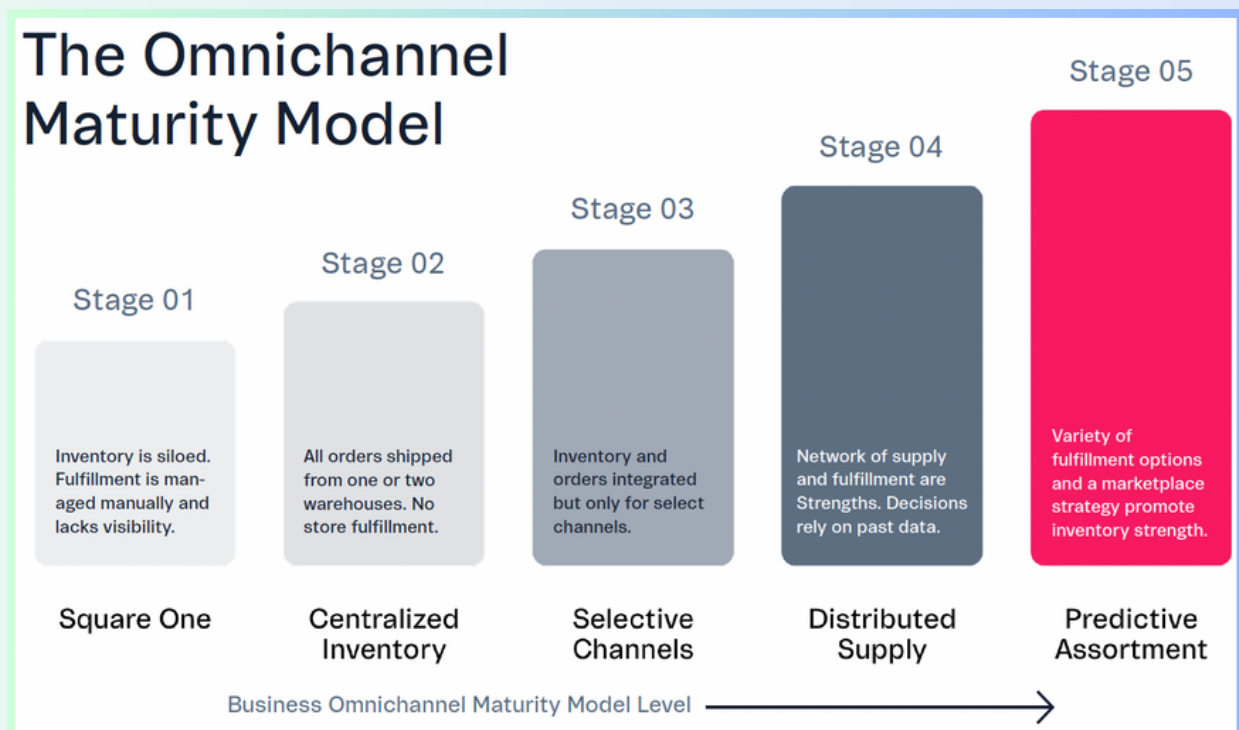
Jordan Jewell

Analyst in Residence, VTEX

TAKEAWAY 6: SUPPLY CHAIN EFFICIENCY IS STILL IN STYLE

While the inventory chaos of 2021 is behind us, smart merchants are still improving efficiency. Supply chain optimization is not merely a trend but a necessity for retailers and brands focused on margins. For example, in 2023 Amazon made a [strategic reorganization](#) of its fulfillment network, reducing product transit distances by 15%. Doing so lowered costs while also improved delivery times. These adjustments not only expedite deliveries but also improve sustainability.

Recent [VTEX research](#) revealed that over 55% of retailers are still in early stages of omnichannel maturity. Investing in inventory, fulfillment, and order management can progress you along the maturity curve, which is critical to remain competitive.



Source: VTEX, 2023

TAKEAWAY 7: A PRAGMATIC APPROACH TO COMPOSABILITY

For the past 3 years, composable commerce has emerged as a focus area for retailers and brands hoping to modernize their ecommerce infrastructure. Composable commerce offers a plethora of benefits for organizations that are stuck on legacy monolithic tech stacks, where it takes weeks to implement new features and up to 80% of IT budgets are spent solely on maintenance. By embracing composable commerce, retailers and brands leverage best-of-breed technologies in the hopes of creating tailored solutions that better meet technology and business needs. However, there are also hidden pitfalls of going all-in on composable commerce.



One of the conversation points at NRF 2024 was around “pragmatic composability,” a new paradigm that retailers and brands are taking when they architect modern digital commerce systems. Instead of decoupling everything and creating a fully best-of-breed architecture, which involves leveraging over a dozen disparate applications with different code bases, data models, and development frameworks, pragmatic composability advocates for a more balanced approach. This approach centers around a composable and complete commerce platform and integrating a select number of strategic best-of-breed applications that deliver measurable business benefits.



"Adopting a composable commerce approach requires careful planning and execution. Businesses need to evaluate their existing ecosystem, identify areas for improvement, and select compatible components that align with their strategic business objectives. Additionally, effective governance and integration orchestration are essential to ensure seamless communication and data flow between different solutions."

Joel Farquhar

SVP, Commerce & Technology Strategy, Pivotree

CONCLUSION

The NRF 2024 Big Show offered a window into the retail industry's direction, with clear emphasis on the importance of profitability, skepticism in AI, omnichannel strategies, supply chain efficiency, the impact of Chinese retail innovations, pragmatism in composability, and the crucial role of data management. As retailers and brands look to the year ahead, these insights serve as a roadmap for navigating the complexities of the modern retail landscape. Success will hinge on their ability to adapt to these shifts - while not getting caught up in momentary trends. Every retailer and brand must prioritize customer engagement and leverage technology to drive growth and profitability in an increasingly competitive market.



Looking to improve your digital commerce technology strategy in 2024? Continue the conversation by talking to one of our commerce experts.

About VTEX



VTEX (NYSE: VTEX) is the enterprise digital commerce platform where forward-thinking CEOs and CIOs smarten up their investments. Our composable and complete platform helps brands and retailers modernize their stack and reduce maintenance costs by rapidly migrating from legacy systems, connecting their entire value chain, and making inventory and fulfillment their strength.

As a leader in digital commerce, VTEX is trusted by more than 2,600 B2C and B2B customers, including Carrefour, Colgate, Motorola, Sony, Stanley Black & Decker, and Whirlpool, having over 3,400 active online stores across 38 countries (as of FY ended on December 31, 2022). For more information, visit www.vtex.com.

About Pivotree



Pivotree, a leader in frictionless commerce, strategizes, designs, builds, and manages digital Commerce, Data Management, and Supply Chain solutions for over 200 major retailers and branded manufacturers globally. With a portfolio of digital products as well as managed and professional services, Pivotree provides businesses of all sizes with true end-to-end solutions.

Headquartered in Toronto, Canada, with offices and customers in the Americas, EMEA, and APAC, Pivotree is widely recognized as a high-growth company and industry leader. For more information, visit www.pivotree.com or follow us on [LinkedIn](#).

About Insider



Insider— a single platform for building individualized, omnichannel experiences—enables enterprise marketers to connect customer data across channels and systems, predict their future behavior with an AI intent engine, and build individualized customer experiences.

Marketers use Insider's platform to deliver consistent and engaging experiences across channels like Web, App, Web Push, Email, SMS, and Messaging Apps (WhatsApp, Facebook Messenger), and more.