




# The Curated Future

Why less selection, not more, will  
be the defining retail trend in 2018.



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## Executive Summary

If 2017 was the year that retail shook off its dead weight, 2018 will be the year that a new world of retail starts to take shape. Thanks to the digital economy, major gatekeepers are being eliminated while independent and digitally native brands flood the marketplace by the thousands.

In 2018, we'll hit a saturation point. As more brands enter an increasingly crowded market, consumers and retailers alike are facing a paradox of choice, finding it hard to differentiate one brand's claim from another. Quality, not quantity, will become the defining trend as consumers turn towards businesses that can offer a curated retail experience, rather than those that simply offer the most product.

In their hunt for more curated goods that speak directly to their needs, consumer behavior will be driven by their hunger for trusted recommendations rather than a simple promise of "variety" or "convenience".

Rather than having to select from a sea of goods, it will fall on retailers to make better buying decisions that will resonate with their consumer. As a result, retail buyers responsible for stocking stores will start demanding better tools to facilitate B2B (business to business) buying - a trillion dollar market currently divided between 1.2 million retailers.

These tools will be particularly important to the 99 percent of retailers who don't currently benefit from the same economies of scale as Walmart and Amazon. In the face of intense competition, these retailers will seek to join together to consolidate their power and improve their economies of scale while increasing their products' speed and efficiency to shelf.

**The  
Past**



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17

## Gone are the gatekeepers

2017 was the year we saw the last vestiges of old world retail fade away for good. While laggards like Sears accepted their fate, other equally established but more adaptive companies like Target and Best Buy dedicated themselves to a new direction and worked hard to distance themselves from their peers.

This massive shakeup, while completely disrupting the retail landscape, has been a long time coming. For generations, major retailers and brands came together to make money, convincing consumers that choosing between Schick and Gillette or Hefty and Glad was any choice at all.

What they didn't take into account was how much and how quickly digital-first companies like Amazon and Dollar Shave Club would change the game. Sick and tired of the cash flow and regulatory requirements that come with selling in big retail, brands moved online to sell directly to consumers.

Without convenience, pricing or selection to differentiate themselves, it's no wonder that over-extended retailers began to feel the pressure.

With the power shifted away from retailers, new brands began flooding the market. No longer facing prohibitive startup costs and armed with targeted adwords as their mechanism for distribution, new brands found it easier than ever to grow.

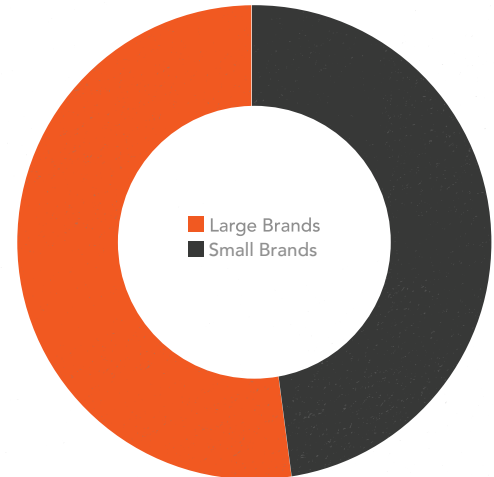
# The new players

90 percent of surveyed brands in 2017 said they expect to grow aggressively [3] - but how? The most ambitious will be venture-funded, going directly to the consumer and targeting established name brands in commodity categories like deodorant, mattresses, and soap. Others will use local trade shows, online advertising or crowdfunding platforms to build products designed to appeal to a smaller but identifiable set of long-tail customers.

From 2011-2015, smaller brands managed to shift \$18 billion USD away from their larger, more established competitors [4], changing the landscape for entire industries. Today, in food and beverage alone, small brands account for almost 50 percent of all retail grocery trade dollars [5].



Small brands account for almost 50% of retail grocery trade dollars.



## The hollowing out of the middle

The beneficiary in all of this? The consumer. In an independent study, Hubba found that consumers' buying habits can be increasingly broken down into two major groups - "savers", who are limiting their spending in an attempt to stretch their budgets and "selectionists", who can afford to be choosy and search for products of a higher quality [6].

For savers purchasing commodity products, big players are taking the vast majority of this market. Amazon and Walmart have all but taken over the grocery category while dollar stores and off-price chains own the rest of lower margin business.

The battleground will therefore fall to winning over selectionists and their high margin purchases. But where will they purchase their products?

# The Future

**and the  
paradox  
of choice.**



# Paradox of choice

In a bid to satisfy selectionists' needs, there's been a major increase in D2C (direct to consumer) businesses. However, we see a saturation point approaching: As more brands enter this crowded market, consumers and retailers alike are facing a paradox of choice, finding it hard to differentiate one brand's claim from another. We see that in today's buying patterns: 38 percent of US consumers are highly influenced by recommendations

from a friend or family member because they're looking for guidance [9]. Today's consumers are so inundated by ads and viral content, it's hard to sort the lies from the truths. Eventually, it gets hard to differentiate the claims of Casper Mattresses from those of Sealy and digital D2C companies start to feel less like innovators and more like the new normal.







## Less is more

If the last decade of retail was about providing a wide variety of goods, the next generation of successful retailers will win consumers thanks to thoughtful curation. These stores will focus on recommending products and carry less inventory overall. They'll be able to maintain a smaller footprint and, in many cases, curate a varied assortment for one specific type of customer, offering a new kind of "one stop shop" aimed at providing goods across several different product categories.

This will serve every aspect of a consumer's lifestyle, rather than just offering the bare necessities. Additionally, we'll see service-led companies like yoga studios and restaurants pad their bottom line by selling products to a captive audience.

*"Retailers are reconsidering size in favor of productivity, measured by profit per square foot."*<sup>[10]</sup>

Most of these companies will take the traditional retail form but many may not look like retailers at all. Influencers, subscription boxes, product review sites, and anyone else who is able to exchange trust for revenue will also win. Ultimately, consumers will reward those who can shorten the decision-making cycle.

Regardless of form, the trend will be the same: The next generation of successful retailers will rely on the ability to reduce the paralysis that comes with too many choices and curate a relevant assortment of products for their consumer.



When looking for new products,  
75% of the methods buyers use involve  
no digital technology whatsoever. [13]

## Who will curate for the curators?

Walk this trend down the value chain just one step and you'll find retailers who, much like consumers, are struggling to deal with this oversaturated market. An influx in new brands means that large and small retailers alike are being inundated by pitches for their "next bestseller". With 88 percent of our surveyed brands trying to find new ways of getting samples to buyers [11], wading through product after product has become a full-time job for buyers. 70 percent of interviewed buyers said that they wished they could better predict what products to carry [12], making it clear that, like consumers, they aren't sure exactly whose claims to trust.

These smaller independent stores have less cash flow flexibility and limited space to carry unsold goods. With more than half of surveyed retailers actively trying to fill their inventory with new product [14], they'll need to make careful buying decisions and be able to earn a margin.

To be able to compete effectively, this growing network of emerging retailers will turn to technology to work together and make the right buying decisions. With 40 percent of interviewed members asking for an independent B2B rating system [15], it's clear that it makes business sense. Companies like Hubba who provide the technology to link those retailers together to increase their power, will be at the driving end of this revolution.

Altogether, SMBs represent a buying power that outstrips many big name competitors. [16] Combining forces will enable them to negotiate better margins and payment terms. A seamless exchange of information will become more common. Ask any retailer just how open they are at their local BIA meeting and they'll tell you that they stay guarded. They're a community, yes, but they're also in competition. However, by joining retailers from across the country, in geographic areas where they are not physically competing, there will be less need to hoard competitive secrets.

A large, bold, orange 3D number '50' with a percentage sign '%' to its upper right. The number has a dark grey shadow beneath it, giving it a three-dimensional appearance.

50% of interviewed members report  
using Hubba once per week. [1]

## Retail is everywhere

Walk down a busy street today and you'll see the new world of retail begin to take shape. Stores, coffee shops, gyms, pop-up shops and art installations, all heavy on identity, all targeting a very defined consumer in order to offer a perfectly curated experience- one that just so happens to include products for sale. As platforms and applications like Hubba make it easier to quickly find, stock, and sell the right product at a margin that makes sense for everyone, this pace will only increase.

This is the way it should be. Retailers own the relationship with the customer and offer an experience that customers are willing to pay for in margin. This balancing of the scales, puts brands in their rightful place as well. Competing to offer the best product they can instead of trying to own both sides of the equation.

While we understand it's not all this simple or clear cut, we truly believe that this is where the industry is headed. As we watch this play out on a micro scale through our 75,000+ members, we look forward to being on the right side of history and help the growing community of diverse, independent retailers and craft brands take up their fair share of the market.



## CITATIONS

[1] Amazon Prime Subscribers Outnumber Gun Owners: <https://www.l2inc.com/video/amazon-prime-subscribers-outnumber-gun-owners>

[2] 2016 Retail and Consumer Product Trends - Strategy - PWC: <https://www.strategyand.pwc.com/trends/2016-retail-and-consumer-products-trends>

[3] Small to Medium-Sized Enterprises and Big Box Retailers: A Hubba Independent Study December, 2017

[4] to [17] Ibid.