



IN PARTNERSHIP WITH

TOSHIBA

2025 State of the Industry

Store Innovation

Physical stores are evolving into multi-purpose platforms for commerce, fulfillment, and customer engagement.

Based on a comprehensive study of 440 retail technology and business leaders across North America, Europe, Latin America, and Asia, this report examines how leading retailers are building the foundation for tomorrow's stores, today.

Physical Retail's Next Chapter: From Sales Channel to Business Platform

Global retailers like Walmart, Zara, and Coop Alleanza 3.0 are transforming their stores into integrated hubs that combine commerce, fulfillment, media, and customer engagement. Beyond modernization, this is a fundamental rethinking of how physical retail space creates value.

Digital-physical integration is accelerating: Retailers like Shoemart are implementing swift checkout and smart fitting room technologies, showing how stores can match digital convenience while amplifying physical advantages.

Space utilization is evolving: The rise of hybrid fulfillment models shows how retailers are extracting more value from their square footage, whether through dark stores, micro-fulfillment centers, or flexible formats.

Stores are becoming media platforms: Physical locations now serve as powerful advertising channels, with retailers monetizing their foot traffic and in-store digital displays while gathering valuable first-party data.



Leading retailers are already making this transition. German multinational retail group MediaMarktSaturn is [transforming itself](#) into a "customer-centric omnichannel service platform" investing heavily in new store formats, experiences, and services.

Natura's flagship stores in Brazil serve as community hubs where customers can attend workshops on sustainability, beauty tutorials, and product-making demonstrations. These events foster deeper connections with the brand.



Stores Unlock Multiple Revenue Streams

Leading retailers are building business models that combine traditional retail with subscriptions, services, and community programs. This shift requires new ways to measure success, as traditional sales metrics no longer tell the complete story of a store's value.

Membership drives loyalty: Retailers are finding success with premium subscription programs that blend exclusive products, priority services, and special experiences.

Community creates stickiness: Store spaces are being reimagined as gathering places that host events, workshops, and social activities – turning occasional shoppers into regular visitors.

Sustainability sells: Circular economy initiatives like repair services, resale programs, and recycling centers are creating new revenue streams while strengthening customer relationships.

Store Innovation Needs a Foundation to Flourish

Successful store innovation starts with the right foundation: flexible systems that can deploy new capabilities quickly, modular infrastructure that reduces maintenance costs, and standardized connections that enable smooth integration of new technologies.

A well-designed foundation combines technology and operations to make innovation practical and affordable. This infrastructure lets retailers test concepts rapidly, roll them out efficiently, and maintain consistent operations across hundreds of locations.



Even as Macy's closes over 150 mall-based anchor stores, it continues expanding its "Market by Macy's" platform. The retailer recently opened its fourth small-format Bloomingdale's store "[Bloomies](#)" in New Jersey, demonstrating how established infrastructure can enable scalable format innovation.

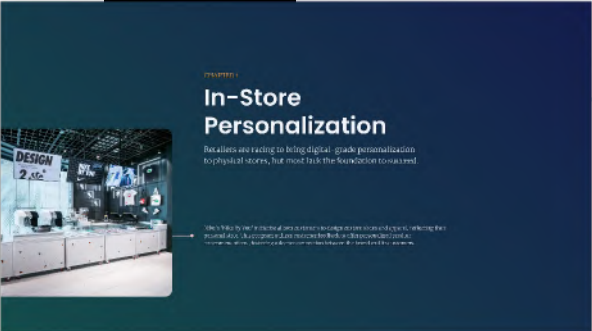
While venture-backed startups Showfields and b8ta pioneered an exciting marketplace model for physical retail, both have now [closed their doors](#). Their story highlights how even breakthrough retail concepts need robust operational foundations to scale beyond flagship locations.



Four Pillars of Store Innovation Success

We surveyed 440 retail technology and business leaders across four continents to understand how they're approaching store transformation. Their insights reveal a clear roadmap for the future of physical retail, built on four key foundations.

All data in this report is from the “2025 State of the Industry: Store Innovation” survey. Detailed survey methodology, industries covered, and respondent firmographics are available [at the end of the report](#).



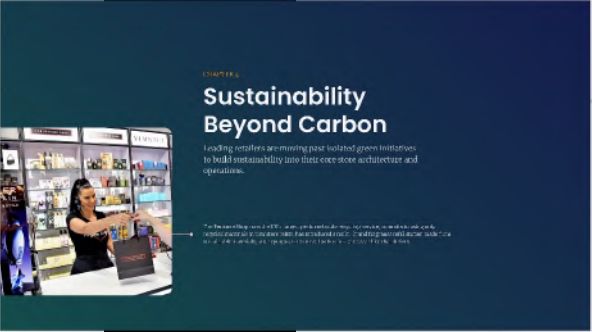
Chapter 1
In-Store Personalization
Retailers are racing to bring digital-grade personalization to physical stores, but most lack the foundation to succeed.



Chapter 2
Rapid Experimentation
Forward-thinking retailers are bringing digital-native testing and learning capabilities to physical stores, creating a blueprint for faster innovation.



Chapter 3
Operational Excellence
A new operational architecture is emerging that balances innovation and security needs through mobile-first, intelligence-driven systems.



Chapter 4
Sustainability Beyond Carbon
Leading retailers are moving past isolated green initiatives to build sustainability into their core store architecture and operations.

CHAPTER 1

In-Store Personalization

Retailers are racing to bring digital-grade personalization to physical stores, but most lack the foundation to succeed.

Nike's 'Nike By You' initiative allows customers to design custom shoes and apparel, reflecting their personal style. This program utilizes customer feedback to offer personalized product recommendations, fostering a deeper connection between the brand and its customers.



Advancing Store Experience Integration

The retail industry stands at a critical juncture in personalization strategy. While digital personalization capabilities have matured significantly, physical stores represent both a challenge and an opportunity.

Our research reveals a clear recognition of personalization's value, but also highlights the complexity of bringing digital-grade personalization into stores.

The gap between current capabilities and strategic ambitions is substantial – yet it also represents a significant opportunity for differentiation. Leading retailers are tackling this challenge by reimagining their technology architecture to enable true cross-channel personalization.



Only 9%

of retailers have industry-leading integration between digital and physical channels.

46%

of retailers struggle to link digital and physical touchpoints.

Despite retailers ranking in-store personalization as a top revenue driver, only **28%** have real-time customer analytics deployment in stores.



Smart Stores Need Smart Foundations First

The promise of intelligent stores depends fundamentally on retailers' ability to connect and activate their data ecosystem.

While stores now capture vast amounts of data through IoT (Internet of Things) sensors, cameras, and customer interactions, most organizations struggle to transform this raw information into meaningful experiences.

The current wave of Point of Sale (POS) modernization offers a critical opportunity to address this foundation, but retailers must look beyond simple system replacement to tackle the deeper challenges of data integration and intelligence. Success requires a fundamentally new approach to store data architecture.



Only 19%

of retailers rate their AI/ML capabilities as "industry leading" or "above average"

53%

cite difficulty integrating diverse data sources as their top challenge

44%

of retailers intend to explore Unified Commerce platforms over the next 12 months.

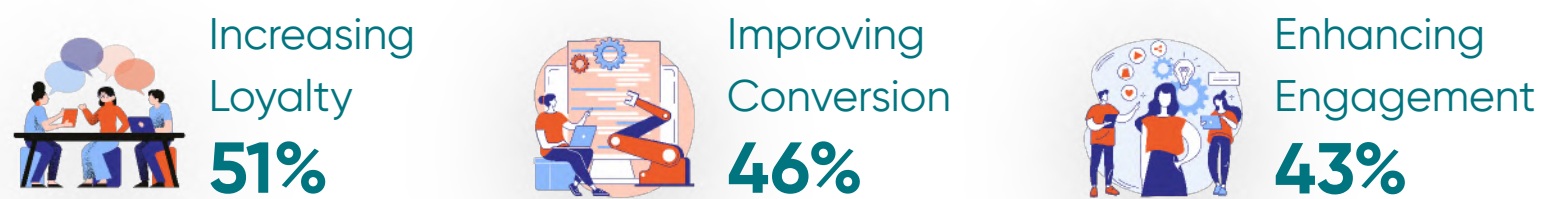


Store Associates: Retail's Asset, Technology's Blindspot

The industry's approach to unified store experiences reveals an interesting disconnect. While retailers are investing in customer-facing metrics and technologies, the human element of store experience presents a significant opportunity area.

The current adoption patterns of clienteling tools, alongside the relative focus on associate experience, suggest an opportunity to build more comprehensive experience strategies. Effective experience orchestration flourishes when technology and associate enablement work together as part of a unified approach.

Retailers' top business objectives for enhancing in-store shopper journeys through personalization



Current in-store personalization technology adoption:



Only 13%

cite "improving associate experience" as a priority, suggesting a missing link in the experience chain

CHAPTER 2

Rapid Experimentation

Forward-thinking retailers are bringing digital-native testing and learning capabilities to physical stores, creating a blueprint for faster innovation.

Wakefit, an Indian D2C sleep and home solutions brand, has rapidly transformed its brick-and-mortar stores into hubs for live streaming commerce by converting warehouses into studios and upskilling floor associates as digital experts.



RAPID EXPERIMENTATION

The Economics of Experimentation Must Change

Retailers face a clear innovation paradox. Despite strong appetite for growth through innovation, most organizations lack the foundational capabilities for efficient experimentation.

This gap is particularly evident in the contrast between retailers' growth ambitions and their limited investment in testing and scaling capabilities.

Forward-thinking retailers are breaking this cycle by building systematic approaches that reduce risk and complexity, creating a practical blueprint that smaller and regional retailers are beginning to follow.



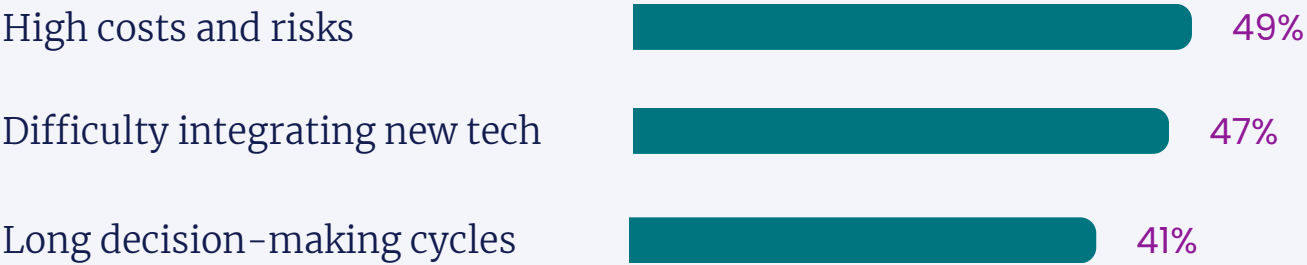
41%

of retailers say the ability to quickly test and scale new in-store technologies would help them drive revenue growth.

73%

of retailers expect a modern store technology stack to help reduce time-to-market for new store innovations.

Retailers are weighed down by key challenges in enabling rapid experimentation and innovation.



The Modular Store Imperative

The future of store innovation depends on modularity in both hardware and software systems, but retailers are caught between the promise of flexible architecture and the reality of their current technology stack.

While most retailers understand the value of modular systems, their technology adoption patterns reveal a disconnect between strategic intent and tactical execution.

This gap is particularly visible in how retailers approach core store systems – they want flexibility but often default to end-to-end solutions out of operational necessity.

40%



of retailers expect store technology modernization to lead to a lower total cost of ownership of store technology.

However, few retailers have industry-leading capabilities across key areas of their store technology architecture:



48%

of retailers intend to explore modular point-of-sale systems over the next 12 months.

RAPID EXPERIMENTATION

Bringing Digital Agility to Physical Retail

The stark contrast between digital and physical innovation capabilities is most visible in testing and optimization. While e-commerce teams can A/B test and optimize continuously, store teams lack the tools and infrastructure for rapid experimentation.

Leading retailers are bridging this gap by bringing digital-native practices to physical retail – enabling quick testing of store layouts, checkout configurations, and customer journeys with the same agility as their digital counterparts.

Retailers' top business objectives for enabling rapid experimentation in stores:



Retailers' current adoption of experimentation enablers:



CHAPTER 3

Operational Excellence

A new operational architecture is emerging that balances innovation and security needs through mobile-first, intelligence-driven systems.

Metcalfe's Market, a Wisconsin-based family-owned grocery retailer, has transformed its store operations by implementing advanced self-checkout systems and integrated backend solutions. This transformation has streamlined daily accounting processes, optimized staff utilization, enhanced inventory management, and enabled data-driven decision-making through comprehensive reporting capabilities.

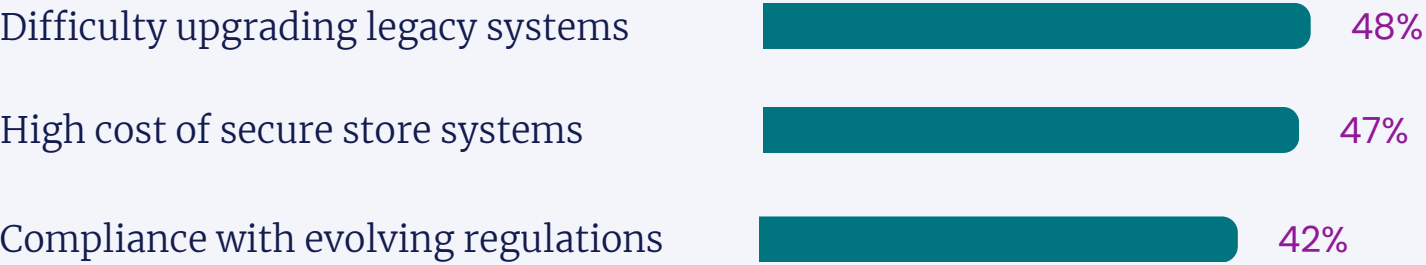


Balancing Security and Innovation

The retail industry faces a critical challenge in balancing store security with the pace of innovation. As stores become more connected – from point-of-sale systems to inventory sensors to customer recognition technology – retailers must protect both digital assets and physical merchandise while maintaining their innovation momentum.

This challenge is particularly acute as stores handle more sensitive customer data and face sophisticated threats across both cyber and physical domains. Success requires reimagining store security architecture to protect assets, people, and data while enabling new capabilities, though this remains one of the industry's most complex challenges.

Retailers' top challenges in ensuring agility, security, and loss prevention within store operations:



Only 7%
of retailers rate their data security and compliance as "industry leading".

38%
struggle with balancing security measures with operational flexibility.



Modernizing Store Operations

Store operations stand at an inflection point. While retailers have high expectations for modernization's impact on key metrics like labor costs and checkout speed, few have yet developed the architectural foundations to deliver on this potential.

The gap between current capabilities and future aspirations is particularly evident in emerging technologies like AI and edge computing. However, this gap also signals a clear opportunity: retailers who can build the right operational foundations and expertise now will be well-positioned to capture the significant benefits that modernization promises.

79%

of retailers expect store technology modernization to improve their inventory accuracy.

75%

say their shrink rate would reduce.

71%

foresee a reduction in labor cost as a percentage of store sales.

49%

of retailers intend to explore Edge Computing solutions over the next 12 months to enhance agility, security, and loss prevention.



Mobile First, Intelligence Everywhere.

A new operational architecture is emerging, with mobile technology serving as the bridge between legacy stability and modern flexibility. This isn't just about putting tablets in associates' hands—it's about creating an intelligent layer that empowers staff while orchestrating experiences, operations, and security in real-time.

Mobile is becoming the seam that allows retailers to modernize incrementally while maintaining operational continuity and enabling associates to focus on higher-value customer engagement.

53%

of retailers plan to explore mobile-enabled associate tools over the next 12 months to enhance store operations agility.

42%

plan to empower store teams with AI-powered recommendation systems.



However, 53%

currently struggle with integrating diverse data sources.

CHAPTER 4

Sustainability Beyond Carbon

Leading retailers are moving past isolated green initiatives to build sustainability into their core store architecture and operations.

The Perfume Shop runs the UK's largest perfume bottle recycling service, commits to using only recycled materials in new store refits, has introduced a multi-brand fragrance refill station made from sustainable materials, and repurposes returned bottles in store decor like chandeliers.



From Green Initiatives to Sustainable Architecture

The retail industry is pioneering a more comprehensive approach to sustainability, integrating it into the core design of store operations.

Leading retailers are moving beyond isolated environmental initiatives to create inherently sustainable store environments through thoughtful architecture, deployment strategies, and operational models.

This architectural approach includes designing hardware systems where enclosures and physical infrastructure can be maintained while only updating internal computing components. This sustainable-by-design philosophy is reshaping how retailers design, build, and operate their stores, creating environments that are efficient by design rather than through modification.



6%

of retailers have industry-leading capabilities in terms of their store technology's ability to support their sustainability strategy and goals.

39% rate their capabilities below average or lagging.

Retailers rate carbon reduction 4th in their set of top business objectives for making store technology more sustainable.

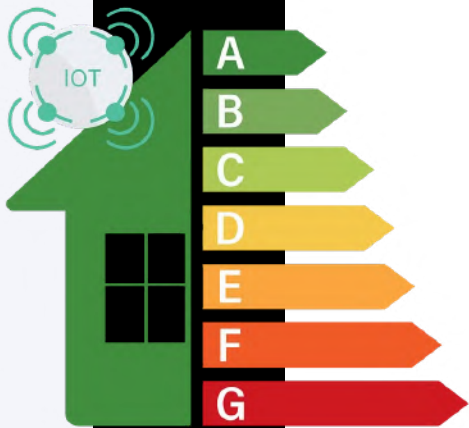


Building Sustainable Operations at Scale

While implementation challenges are significant, retailers are beginning to view sustainability through a broader operational lens – one that encompasses energy efficiency, market agility, and brand value.

This expanded perspective on sustainability's role in retail operations provides a framework for justifying and scaling these essential investments.

The substantial planned investments in monitoring systems, energy-efficient hardware, and IoT capabilities signal a shift from isolated initiatives to systematic approaches.



Retailers have ambitious plans to explore and adopt sustainable store technologies over the next 12 months:



Designing Sustainability Into Store DNA

A new paradigm is emerging where modularity in both hardware and software converges with sustainability to create a more adaptable and efficient store environment.

This approach treats sustainability not as a constraint but as a catalyst for innovation, enabling retailers to update and optimize their store technology incrementally – from physical infrastructure to digital systems – while minimizing waste and maximizing resource efficiency.

The result is a store technology stack that's not just environmentally sustainable, but operationally sustainable as well.



21%

of retailers are prioritizing implementing a "circular economy" approach — focusing on reusable components, upgradeable systems, and reducing electronic waste through repair rather than replacement.

Retailers are aligning their store technology investments with their sustainability goals.

43%

of retailers say extending the lifecycle of store technologies is one of their key objectives.

50%

plan to use end-to-end service and maintenance agreements over the next 12 months.

33%

face challenges in sourcing modular systems.

53%

plan to explore modular and upgradeable store technology over the next 12 months.

Architecting Tomorrow's Store, Today.

The retail industry stands at a pivotal moment in store evolution.

While the gap between current capabilities and future aspirations remains substantial, progressive retailers are developing new approaches to store innovation that fundamentally shift how stores create and deliver value.



Three key principles will guide successful store innovation:

- **Architecture Enables Innovation:** Strong foundational architecture accelerates transformation, enabling retailers to experiment, learn, and scale new capabilities efficiently.
- **Intelligence Drives Experience:** Successful stores embed intelligence throughout their operations, creating seamless experiences that bridge physical and digital channels.
- **Modularity Creates Adaptability:** The ability to evolve is becoming retail's most critical capability. Modular architecture enables retailers to transform continuously, responding to changing market conditions with precision.

The path forward is clear: retailers who can build these foundations while managing implementation complexity will create stores capable of continuous evolution. Success requires moving beyond traditional store modernization to embrace a new architectural approach – one that makes innovation, intelligence, and adaptability fundamental to how stores operate.





Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

[incisiv.com](https://www.incisiv.com)

IN PARTNERSHIP WITH

TOSHIBA

Toshiba Global Commerce Solutions empowers retail to thrive and prosper through a dynamic ecosystem of smarter, more agile solutions and services that enable retailers to resiliently evolve with generations of consumers and adapt to market conditions. Supported by a global organization of devoted employees and partners, retailers gain more visibility and control over operations while enjoying the flexibility to build, scale, and transform retail experiences that anticipate and fulfill consumers' ever-changing needs.

To learn more, visit commerce.toshiba.com and engage with us on [X](#), formerly known as Twitter, [LinkedIn](#), [Facebook](#), [Instagram](#) and [YouTube](#).

Survey Firmographics

Incisiv conducted a hybrid online + Computer Aided Telephonic Interview (CATI) survey of 440 retail executives globally. The study was conducted from **Oct 11, 2024 – Oct 29, 2024**.

Respondents by Retail Segment

Grocery & Hypermarkets	22%
Convenience & Fuel	15%
Apparel, Accessories & Footwear	12%
Consumer Electronics	10%
Home Improvement & DIY	9%
Outdoor & Sporting Goods	8%
Department Stores	8%
Non-Grocery Discounter	7%
Other Specialty Retail	5%
Wholesale Club / Cash & Carry	4%

Respondents by Market

Europe	32%
North America	28%
Latin America	24%
Asia	16%

Respondents by Store Count

Less than 50 stores	16%
51 – 500 stores	42%
501 – 1,000 stores	28%
1,001 or more stores	14%

Respondents by Annual Revenue

<\$100M	14%
\$100M – \$499M	28%
\$500M – \$1B	27%
\$1B – \$5B	19%
More than \$5B	12%

Respondents by Role

CXO	12%
SVP/EVP	18%
VP	27%
Director	43%