

Cover Story

Retailing



Will the future be a subtle compromise between innovation and tradition?

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In Luxembourg, as elsewhere, retail is at a decisive turning point in its history. In the near future, it will have to face many major challenges. Faced with the economic and technological changes that affect society as a whole, as well as rapid changes in consumer behaviour, retailers must rethink their approach. But how? Should we move towards a more technology-centred approach or, on the contrary, refocus solely on the fundamental values of commerce? What if the solution lies in finding a happy medium between these two options?

Before considering the future of retail in Luxembourg, it might be useful to look at the present situation, because the changes to come are already taking shape. According to the latest available figures, in 2023, retail trade represented 10.9% of total employment - or 53,200 jobs - and 6.21 billion euros in added value - or 8.6% of GDP. For the same year, its turnover was 7.92 billion, an increase of 12.3% compared to 2021. In addition to these promising figures, there is another positive indicator, from data collected by the Chamber of Commerce during its *Baromètre de l'Économie* survey for the first half of 2024. Luxembourg retailers have become more confident about the future after a particularly difficult year in 2023. Their level of confidence now exceeds that of neighbouring countries and is approaching the eurozone average.

A mixed situation

These encouraging figures should not, however, obscure the sector's grey areas. Although the consumer confidence indicator has generally increased in 2024, it remains well below the levels observed before 2020. Similarly, while six-month profitability forecasts are improving, they remain more pessimistic than those for other sectors and well below those formulated before

2020. Investments are becoming increasingly difficult for retailers to bear, and 20% of them do not plan to make any in 2024 and 2025. This uncertainty also has consequences for workforce forecasts, which are deteriorating: only 14% of retailers plan to create jobs in the next six months. Furthermore, access to credit has become a major obstacle for many retailers: 30% of them are experiencing difficulty in obtaining financing. For comparison, this figure was only 11% in 2019.

While the global economic situation marked by multiple recent crises (pandemic, tensions on supply chains, rising energy prices and inflation) helps explain the difficulties encountered by the retail sector, it does so only in part. National peculiarities also come into play. According to the World Competitiveness Yearbook 2024 of the International Institute for Management Development (IMD), Luxembourg has suffered a loss of competitiveness and recorded its worst ranking to date. While it had never been ranked below 20th place, the country was downgraded to 23rd place worldwide, a drop of 10 places in just 2 years. This poor performance can be explained by two main factors. The first concerns wage costs. Luxembourg has the highest average hourly labour cost in Europe: taking 2010

as the index of 100, the nominal unit labour cost was 160 in Luxembourg in 2023 and 157.3 for its retail sector compared to 124.8 for the eurozone, all sectors combined. The second factor relates to the loss of real labour productivity per hour worked. This is particularly severe for the retail sector: 76.3 in 2023 for retail compared to 95.6 for the entire Luxembourg economy and 109.1 for the eurozone, still with a base of 100 in 2010. This mixed situation is enough to raise concerns, and the retail sector will have to explore several avenues to bounce back. But what are these avenues and how can they be exploited?

“Consumers have become increasingly connected, mobile, autonomous and demanding. Their purchasing processes have become considerably more complex”



Localize.lu: an essential tool

As part of the *Pakt Pro Commerce*, the commercial register was initiated in 2019. This database aims to provide detailed and comprehensive data on the commercial landscape, its structure and geographical distribution. Companies from other sectors such as the hospitality industry, crafts and services are also listed in this register. Launched in March 2023, *Localize.lu* quickly established itself as the flagship tool of this project. Thanks to land registry data, this free service allows companies wishing to develop to have access to a wealth of useful information: an interactive map to better understand the current competitive situation, statistics on the evolution of their business sector and socio-demographic data to better assess the potential of new commercial sites.

■ More information: www.localize.lu



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Tailor-made development path for retailers

The House of Training offers a wide range of training courses for retail professionals. These courses cover various themes, such as e-commerce, customer experience and service, sales and marketing, purchasing and negotiation. A comprehensive offer in the field of "Entrepreneurship and Business Management" is also available to master the essentials of creating, taking over and managing a business. The House of Training has also developed certification courses for four professional profiles: store manager, sales manager, sales advisor and purchasing and supply manager.

These training and certification courses are available either in person or online, or in a hybrid format.

■ More information: www.houseoftraining.lu

Consumers are increasingly connected and mobile

Consumer behaviour has significantly evolved in Luxembourg and elsewhere in recent years and this trend has only been accelerated by the Covid crisis. Consumers have become increasingly connected, mobile, autonomous and demanding. Their purchasing processes have become considerably more complex: they trust comparison sites and comments left by internet users more than traditional sales arguments and interact more and more within social networks. These, particularly under the influence of influencers, play an increasingly predominant role in purchasing decisions. According to a study carried out in 2021 by STATEC (National Institute of Statistics and Economic Studies of the Grand Duchy of Luxembourg), 86% of those registered on social networks (mainly Facebook, Instagram and LinkedIn) connect to them every day, 32% more than 5 times a day and 17% more than 10 times a day. Among the many reasons given for going online, the search for information on a product or service before buying ranks high.

E-commerce has also become a well-established habit in the country. The results of a recent survey by the Luxembourg Digital Federation eCOM are eloquent in this regard: 70% of consumers surveyed buy online at least once a month and 40% at least once a week. 35% even say they buy more than half of their usual consumption on the internet. However, faced with this strong demand, the local offer remains relatively limited even if it has grown significantly since 2019 and it is mainly foreign e-shops that benefit from it. According to the Cross Border Commerce (CBC) platform, cross-border e-commerce represented a total turnover of 179.4 billion euros excluding travel in 2022 and Luxembourg occupied first place with a share of 1.8 billion euros!

Digitalisation: an essential step?

To respond to consumers' intensive use of digital technology and continue to generate in-store traffic, retail businesses seem to have no choice but to strengthen their online presence, particularly via social networks. This is the concept of the social store. By choosing the most suitable social network



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to their customers and adopting a dedicated content strategy, based on texts, photos and videos, retailers can attain several objectives: creating a closer bond with their existing customers, encouraging them to visit the store through communications and marketing actions (in-store discount codes, geolocated advertising, games, contests or promotion of in-store events) and attracting new customers. Another not insignificant advantage is thanks to social networks, retailers can interact directly with customers to answer questions, resolve problems and generally improve customer experiences.

According to the Retail Report 2024 of the *Observatoire National des PME*¹, more and more retailers are adopting a multichannel strategy and selling their products through an online store in addition to their in-store business. This strategy allows customers to enjoy a seamless and integrated shopping experience, whether they are online or in-store. Physical stores can serve as pickup

- 01.** Consumer behaviour has changed considerably in recent years in Luxembourg as elsewhere.
- 02.** Today, consumers are increasingly connected.
- 03.** Influencers are playing an increasingly dominant role in consumers' purchasing decisions.
- 04.** In Luxembourg too, e-commerce has become a well-established habit.

1. https://retailreport.eco.etat.lu/2024/RETAIL_REPORT_2024.pdf



Fanny Bervard
 Founder,
 Romantico Romantico Studios

“Tomorrow’s commerce will have to be both physical and virtual”

Your brand specialising in the creation of unique jewellery is present both online and in a pop-up store. How do you see this hybrid model evolving in the years to come? Do you think that tomorrow’s retail will still require a physical presence?

Combining e-commerce with a pop-up store was not our initial strategy, but a practical solution to enter the market. When I launched the brand five years ago, resources were limited and pop-up stores offered us an accessible alternative to present our products. Today, it is clear that this alternative has played a crucial role in allowing us to create a direct connection with our customers. Even if physical stores represent a significant cost, this presence remains essential.

Our online presence is just as fundamental. It is a major support for our physical sales. Many of our customers discover our products on the Internet before coming to the store to see them up close. I remain convinced that the commerce of tomorrow will require a combination of the two to succeed.

Online commerce is constantly evolving. What challenges do you anticipate for companies in your sector in the coming years?

For me, one of the main challenges is personalisation and maintaining a quality relationship with our online customers. We have therefore set up a live chat to fill this lack of physical contact. We are also working on an augmented reality solution that will allow our customers to visualise the jewellery on themselves. That said, this technology will never replace the tactile and visual experience of a physical store, but it will offer a new dimension to the online customer experience.

Does social media play an important role in your marketing strategy?

We mainly use Instagram to promote our brand, as it is the platform that generates the most financial returns and engagement. We also collaborate with influencers, especially those who have an engaged audience, even if it is small.

What are your plans for the future?

First of all, finding a permanent store where we can really create our universe. We are also expanding our range by offering decorative objects since the beginning of this year. Internationally, we are targeting the Belgian market after Germany. We plan to use a reinforced online communication strategy, as well as collaborations with magazines and stores in Belgium.



Raphaël Bouchet
Director,
Cloche d'Or Shopping Centre

“We design and manage our shopping centres as real living spaces”

What activities does your shopping centre offer to boost the customer experience? Can you share some recent examples of successful events and their impact on footfall and sales?

Our Cloche d'Or shopping centre, like all the centres managed by Nhood Services, aims to offer much more than just entertainment. We organise various differentiating and immersive events to strengthen interaction with our customers. For example, during the Paris Olympic Games, we set up the Urban Golden Games in July and August. This event offered our visitors the opportunity to discover and learn urban sports such as break dancing or BMX, disciplines that made their debut at the last Games. This unique event in Luxembourg shopping centres contributed to a significant increase in weekend attendance, particularly on Saturdays. For its part, the Kirchberg Shopping Centre, also managed by Nhood Services, hosted the “Cosmos” event last June, a unique experience merging art and the cosmos with the exceptional participation of Claudie Haigneré, the first French and European woman to have been into space.

How do you see the future of shopping centres in the face of changes in consumer behaviour and the rise of online commerce? What sustainable and eco-responsible practices does the Cloche d'Or Shopping Centre implement to attract customers?

We design and manage our shopping centres as real living spaces where the customer experience is paramount, with a particular emphasis on the quality of services and the customer journey. At the Cloche d'Or shopping centre, we are implementing numerous initiatives with a positive impact on the planet. For example, we collect rainwater to maintain the shopping centre. In the summer, we use free cooling – a natural ventilation system that exploits the temperature difference between the inside and outside of the building – to cool the centre at night. We also offer quiet hours where lighting is reduced and background music is turned off in the common areas to welcome people with autism spectrum disorders, hypersensitivity disorders and customers who simply want to enjoy a quieter shopping session in a peaceful environment.



05. 06. Many retailers are increasing their online presence, particularly through social media, to drive in-store traffic.

07. The click and connect technique encourages in-store visits, where additional sales may then occur.

points for online orders and offer customers the convenience of picking up their purchases quickly without shipping costs. This approach, known as click and collect, encourages in-store visits, where additional sales may occur. Additionally, stores can use technologies such as interactive kiosks to allow customers to browse the online catalogue, check product availability, and even place orders directly from the store. This solution combines the benefits of the online experience with the advantages of physical retail, such as the ability to see and touch products before purchasing them.

Artificial intelligence for modern retailing?

Artificial intelligence (AI) is also transforming retail by bringing sophisticated tools that improve operational efficiency.

In physical stores, AI can play a significant role in inventory management. With algorithms that can analyse large volumes of historical and current data, retailers can accurately anticipate customer demand, avoid



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“Artificial intelligence is transforming retail by bringing sophisticated tools that improve operational efficiency”

excess inventory, minimise out-of-stock issues, streamline inventory management, reduce warehousing costs, and increase in-store product availability.

AI can improve customers in-store experience. Technologies such as facial recognition and smart sensors can personalise their interaction in real time. For example, a customer entering a store can be recognised by the system, which can then offer them promotions or personalised recommendations based on their previous purchases or preferences. Smart sensors installed in stores

can also analyse customer movements within the store. This data, collected in real time, is valuable for understanding which products or sections attract the most attention and which are the least frequented. Using this information, retailers can reorganise the layout of products to maximise their visibility, optimise the placement of high-potential products and thus improve the effectiveness of the sales strategy.

AI isn't just about analysing customers. It can play a key role in workforce management. By analysing customer flows, AI can predict peak periods and enable better human resource planning. This ensures that retailers have enough staff at critical times to provide quality service while avoiding unnecessary costs associated with oversizing teams during quieter periods.

Another major benefit of AI in physical stores is the reduction of in-store theft. Integrated with surveillance systems, it can analyse customer behaviour in real time to identify suspicious movements or anomalies. By detecting potentially fraudulent behaviour, AI can alert staff immediately and enable them



Pop-up stores: a future path for local retail?

Pop-up stores are gaining ground in Luxembourg. This is particularly the case in the capital, where rents are an increasingly significant obstacle. To address this challenge, the City of Luxembourg launched a pop-up store project at the end of 2019 aimed at encouraging entrepreneurs, creators or start-ups to assess a new product, service or concept in direct contact with customers. In concrete terms, the City offers several sales or exhibition spaces available for rent in the busiest pedestrian areas. The rental period varies from one to six months and the rent ranges from 625 to 2,250 euros depending on the retailer's situation. Since the launch of this project, more than 80 pop-up stores have opened in Luxembourg City.

■ More information:
dec@vdl.lu or (+352) 4796 5000.



Social retailing: a new frontier for online shopping

Social retailing is booming, transforming social networks into sales platforms. For example, Facebook and Instagram shops allow businesses to create in-app stores where users can directly purchase products without leaving the app. More recently, TikTok introduced direct shopping options that give brands the ability to display and sell directly through videos or livestreams.

While this new practice offers undeniable advantages such as a simplified purchasing process, an immersive experience and a source of inspiration to discover contemporary brands and products, it also raises questions such as the reliability of sellers, the security of transactions, overly intrusive marketing and the protection of sensitive data.

“Tomorrow’s commerce will not be entirely and exclusively digital.”



to intervene quickly and effectively.

AI offers equally impressive possibilities for online retailing, especially in the personalisation of services with tailored recommendations, adapted to the tastes and specific needs of each customer. Chatbots or conversational agents, also powered by AI, can provide valuable support to online customer service. Available 24/7, these virtual assistants can handle a multitude of tasks, from answering frequently asked questions to managing orders and resolving minor issues. Companies adopting a multichannel strategy benefit from AI to centralise and analyse data from different channels – whether physical or online sites – thus providing an overview of customer behaviour. This overview helps create consistent and fluid shopping experiences, where each interaction, regardless of the channel, is part of a logical continuity. For example, a customer might begin their product search online, receive personalised suggestions based on their preferences, and then be offered a special deal when they visit the physical store to complete their purchase.

The integration of augmented reality (AR), virtual reality (VR), and the metaverse into e-commerce is another major advancement supported by AI. AR allows customers to visualise products in 3D in their own environment via their smartphone, providing an immersive shopping experience. For example, they can see how a piece of furniture would fit in their living room or virtually try on clothes, reducing the uncertainties of online shopping. On the other hand, VR allows for the creation of fully virtual stores where customers can browse and interact with products as if they were physically present in the store. The metaverse takes this experience even further by offering a digital space where consumers can interact with brands and products in an immersive virtual environment.

AI can also be used to optimise social media interactions. Using advanced algorithms, AI can automatically generate text, images, and even videos tailored to the preferences of the target audience. It can identify key moments to run ads or promote specific products based on online discussions and



08. Artificial intelligence (AI) is transforming retail by bringing sophisticated tools: for example, it can play a significant role in inventory management.

09. 10. AI can improve the in-store customer experience. Technologies like facial recognition and smart sensors can personalise the interaction in real time.



user interactions. It can also facilitate comments and reviews on social media, automatically sorting positive customer feedback and identifying reviews that require an immediate response. It can automate responses to frequently asked questions, allowing for continued customer interaction outside of business hours.

What support is available to help you make your digital transition a success?

Although digitalisation and artificial intelligence offer considerable advantages for ensuring the sustainability and growth of your business, their use is not without challenges. Their integration into sales and marketing processes requires specific technical

skills and financial resources that many retailers do not necessarily have. Fortunately, there is help and support to overcome this barrier.

The most important of these are the SME Packages, set up by the Ministry of the Economy. These support and financially help, through a flat-rate subsidy of 5,000 euros, SMEs in any sector that plan an investment of between 6,650- and 25,000-euros excluding VAT to improve sustainability, customer service or digitalisation. The SME-Sustainability programme concerns all projects aimed at ameliorating the environmental impact by reducing energy or water consumption, improving waste management or reducing the carbon footprint. The SME Packages-Service programme supports

all projects relating to improving customers' experience, whether in the customer journey and the atmosphere of the commercial space, customer relations or adapting products and services to customer expectations. The SME Packages-Digital programme, for its part, targets all projects for implementing a digital tool, from more efficient digital marketing to electronic invoicing and a more effective organisational system (cash register, software specific to the business sector, integrated management software or enterprise resource planning (ERP), etc.).

This coming autumn, the Ministry of Economy is expected to set up a new SME Package focused on AI. At the same time, Luxinnovation, Luxembourg's national innovation agency, will launch a new programme called Fit4 Digital-AI and dedicated to AI. It will allow companies to have a specialised consultant approved by Luxinnovation diagnose the capacities and opportunities for adopting AI solutions and to define a quantified and detailed action plan to implement the solutions identified in this inventory. This new tool will complement the existing Fit4 performance programmes that allow SMEs to benefit from the help of specialists and public subsidies in order to improve their overall efficiency in innovative, sustainable and digital transformation approaches (Fit4



“Despite the rise of e-commerce, it cannot replace the sensory and social experience of visiting a store.”

Innovation, Fit4 Sustainability, Fit4 Digital). These should be simplified in the near future. Their accessibility will now be open to all types of companies, regardless of their size. Their procedures and conditions of participation will be standardised, with the introduction of co-financing rate thresholds based on the size of the companies.

The illusion of fully digital commerce

Should we conclude that tomorrow’s commerce will be entirely and exclusively digital? Certainly not. Digital is not a panacea and has its limits. Social networks, for example, although essential for connecting with customers, can saturate and fragment the user experience and tend to lock them into their past preferences, without considering their evolution. Algorithms, designed to maximise engagement, favour the repetition of similar content, which hinders the discovery of new products or services and

reduces the diversity of choices offered to consumers. Online commerce suffers from a lack of physical and sensory interaction and limits the ability of consumers to evaluate certain products such as clothing, jewellery or furniture in a tangible way. In addition, the standardisation of interfaces and online purchasing processes creates a uniformity that can erode differentiation between brands, transforming shopping into a simple transaction rather than an enriching experience.

Future technologies also raise questions. AI promises greater personalisation but raises questions about the humanity of commercial interactions. Chatbots and automated recommendation systems often replace human interactions with standardised digital exchanges that feel cold and detached and restrict the customer experience to a series of impersonal transactions. In addition, the intensive use of personal data to power these systems raises major ethical concerns,



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particularly in terms of privacy and security. As for augmented reality, virtual reality and other metaverses, they certainly offer immersive and interactive experiences, but are still far from delivering on their promises for the moment. They are now more like expensive gadgets with no real added value than truly transformative tools for retailers and their customers.

Amazon's abandonment of cashier less stores is in this regard revealing of the excess of all technology. Launched with great fanfare in 2016 in the United States, these ultramodern grocery stores immersed the customer in a fluid and mobile world in which the act of purchasing became almost transparent. Customers simply had to scan a QR code at the entrance before taking products from the shelves. Their purchases were automatically billed to their account without going through the checkout. But this feeling of freedom came at a price: customers had to agree to be subject to biometric

11. 12. 13. The arrival of digital technology should not, however, eclipse what makes the shopping experience so rich, for example, human.



Robert Goeres
President,
Luxembourg Retail Federation

«La créativité est au cœur du métier de commerçant»

The Luxembourg Retail Federation (LRF) was established on 17th November 2022. What is its role within the Luxembourg Confederation?

Our federation brings together all retail players, whether they are small traders or large shopping centres. We defend their interests with political authorities, act as spokespersons for the sector and develop strategic partnerships with key players such as ADEM or the House of Training. Our affiliation with Luxembourg Confederation allows us to work closely with other federations on common issues.

In the current context where the flexibility of work, including Sunday opening, is increasingly debated, what is your organisation's position on this subject?

It is essential to adapt the rules in force to the evolution of our society. The working hours, including Sundays, set by the Labour Code, no longer correspond to current needs. In reality, it is consumers who, through their presence and choices, determine the viability of businesses. This is why it is essential that store opening hours are aligned with customer expectations.

In the face of persistent recruitment challenges in retail, how does the LRF support its members to attract and retain talent?

I think this problem is typical of our Western societies where recruitment is a challenge for all sectors, not just ours. However, it must be noted that retail is still too often seen as a second choice in terms of career guidance. However, more than ever the sector needs a workforce that is not only qualified, but also passionate. To change this image, our federation is actively involved. We participate in several events such as the *YEPI- Schoulfoire* education fair, organise conferences and regularly exchange with Luxembourg educational institutions. For two years, in collaboration with ADEM and the House of Training, we have been organising a *Jobday* fair dedicated to the retail sector. Each time, we highlight the many advantages of the sector: career prospects, a dynamic and diversified daily life, the satisfaction of making customers happy and above all a good dose of creativity. The profession of retailer is much more creative than we imagine: it changes and reinvents itself constantly.



Tom Baumert
Director,
Luxembourg Confederation

***“Luxembourg retail
still has a bright future
ahead of it”***

Can you remind us of the role of Luxembourg Confederation and the services it offers to members?

We are an employers' organisation comprising 22 federations from the trade, transport and services sectors. Our mission is to promote and represent the interests of our 1,800 member companies. We lobby all decision-makers at national and European levels. We regularly provide our members with sector-specific information, offer them legal support and assistance in their daily business life and assist them in their efforts to obtain CSR (Corporate Social Responsibility) certification. We also regularly offer seminars, workshops, networking events and conference cycles, as was the case last July with the third edition of the Future of Commerce, which brought experts together with political and economic decision-makers.

In particular, in the retail sector, we observe and analyse its economic development and participate in various aspects of urban and commercial planning. We also offer our expertise to cities and municipalities regarding the establishment and management of commercial sites.

In your opinion, what are the main challenges that retail in Luxembourg will have to face in the years to come?

I am rather optimistic about its future. The sector has shown resilience in the face of the many crises that have followed one another in recent years. As proof, I would like to point out its vacancy rate, which, unlike in neighbouring countries, has remained relatively stable throughout this period. Most retailers have managed to remain competitive and have adopted new business models, such as offering a unique in-store customer experience or developing a multi-channel strategy combining e-commerce and physical stores.

However, there is no shortage of challenges. The increasing administrative complexity remains a major concern for us, as it directly threatens the viability of businesses, particularly small structures. A second challenge to be addressed is that of skills and talent development, but this does not only concern retail. We are currently working in partnership with the House of Training and the relevant ministries to offer training that is more in line with the needs of the labour market in the different sectors that we represent.



14. Shopping is not a simple transaction but must remain an enriching experience for the business and the consumer.

surveillance. The stores were riddled with cameras tracking customers' paths and sensors measuring their shape and size. All of this data was recorded without the buyer being clearly informed. In addition, the system was far from perfect and generated numerous bugs. The cherry on the cake is that, according to a 2023 investigation by the American news site The Information, this automated system actually employed more than 1,000 Indian employees to watch the camera images, classify the items into product families and assign them to customers.

A necessary return to basics

While digital innovation offers powerful tools to improve some aspects of commerce, it should not overshadow what makes the shopping experience so rich: the human touch. More than ever, consumers want



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“While digital innovation offers powerful tools to improve some aspects of commerce, it should not overshadow what makes the shopping experience so rich: the human touch.”

retailers to truly understand who they are, meet their unique needs, and treat them as people, not just a source of revenue. Salespeople should not be mere intermediaries, but advisors who create emotional connections with customers through active listening and authentic, transparent, and empathetic communication. Their interactions add a dimension of trust and care that technology, no matter how advanced, cannot replicate. Despite the rise of e-commerce, it cannot replace the sensory and social experience of visiting a store.

“In reality, everything in the store must contribute to creating a unique emotional experience,” explains Frédéric Geney, former director of a luxury ready-to-wear boutique in Luxembourg who now specialises in training with his company Level Training. *“The location of the store and the atmosphere it*

creates, from the layout of the window to the layout of the products and the attitude of the salespeople, must provoke positive emotions in visitors, encouraging them to stay, buy, come back and become, over time, loyal customers and even true ambassadors. But to achieve this, you need a real passion for sales, because you can't convince if you're not convinced yourself. However, recent crises have undermined this passion. To rediscover the sacred fire and give meaning to their profession, it is essential that retailers follow appropriate training.”

Ultimately, the future of retailing will be about striking a delicate balance between technological innovation and preserving the core values that have always defined commercial relationships. The companies that will succeed will be those that can

navigate both dimensions: using technology to enrich the experience, while remaining rooted in what has always been the strength of commerce: personal connection and trust. —