

RETAIL PREDICTIONS 2019

Retail Predictions 2019 - with a focus on TECH

Politics, economics, social, technology, legal and environmental

MARCH 2019

Executive summary 1/2

The retail sector is struggling. Competition from online has hit bricks-and-mortar retailers hard. Environmental concerns have led customers to question packaging and farming practices. And the preference of many consumers to favour “experiences” over stuff has eaten into overall demand. That said, some retailers are well positioned to appeal to millennial customers and their values.

In the FMCG sector also there is a new reality: the rise of challenger brands. Pitching themselves as greener, more local, more authentic or healthier than mainstream products, these upstarts often sell directly to consumers via online channels and use social media to attract attention. Often they start out by using manufacturers that produce packaged foods under contract, often for big food companies or retailers. This outsourced manufacturing capacity has been an important factor. Without it, few would have been able to turn their ideas into real products at scale.

There is a danger, when forecasting the future of retail to only look at technology or to only look at Amazon. Naturally both will have to feature heavily, but there will be more to the future of retail than just

Amazon.

It is a straight line, from the technological to the economic to the social, then the political. It makes sense to take a step back and look at the wider picture. For the next years we are forecasting:

In the political sphere we are pessimistic about there being more trade wars, tariffs, and the roll back of globalisation in future. In this context a post Trump president might be able to save a lot of broken porcelain. Retailers (and all other economic actors) will need to watch currency movements and their impact on supply chain and therefore cost of goods, ranges and inflation. All this could change radically going forward.

In the economic sphere the polarisation of big becoming bigger and radical bifurcation means for the big players that scale demands increase, in other words, the winners will be the discounters Aldi/Lidl and the big online platforms Amazon and Alibaba. Another point follows from this. Only the biggest players will have the means to invest into new tech at scale (AMZN drones, Go stores or Google and Facebook etc) This will only increase the competitive moat between the winners and losers.

Coming cost pressures and tech innovation will mean a rise of automation in the supply chain, again driven by the platform players and their growth requirements.

In the social sphere the impact of social changes on retail is immense. As the mass market erodes, new consumer “tribes” appear and demand new products, services and means of communication. There is a shift to radical individualism, and the question for retailers is how to serve this best? The retail sector is struggling. Competition from online has hit bricks-and-mortar retailers hard. Environmental concerns have led customers to question packaging and farming practices. And the preference of many consumers to favour “experiences” over stuff has eaten into overall demand. That said, some retailers are well positioned to appeal to millennial customers and their values.

Coupled with this uncertainty is the fact that everything is becoming a lot more short term, trend/fashion cycles become ever shorter, so that clothing retailers will all need to copy Zara’s model of onshoring to varying degrees. Vertical integration (especially in combination with digitalisation) will become the watchword.

Executive summary 2/2

The technology impacts on the retail/FMCG sector over the next coming years will be massive it is safe to predict. There will be big impacts from technologies such as shelf edge pricing, solutions for replenishment & OOS management.

In terms of store formats Amazon Go stores will set the new convenience standard, but there is a tight use case for these types of stores as well. We are not convinced a “just walk out” technology environment would be a success in a more service heavy store – such as a luxury boutique (or department store Harrods) for example. Secondly such a new template always opens up new space for the “antithesis” as well. In this case this would be a tech free organics retailer, with a USP of being as “natural” as possible. (Funnily enough Amazon could cover both ends of the market through its ownership of Whole Foods)

We are convinced that the tech impact will be massive at the back end: voice will be used in warehouse operations, robots in every stage of the supply chain, AI in pricing, mark downs, staffing scheduling and OOS management etc. And lastly there will be a huge impact on last mile

innovation (from drones to delivery robots) and more, stretching all the way to driverless vehicles.

In the legal sphere we foresee the following issues impacting retail over the coming years. One issue could be the so called tech lash, which could result in the break up of Facebook, Amazon, Google etc. A completely unrelated topic also in the legal sphere is the coming cannabis legislation and liberalisation across many western states, with Canada in the forefront at the moment.

On a different note, store opening hours in the bricks and mortar world are set to see liberalisation. On the one hand in an environment where online is open 24-7, restrictive store opening hours seem to be an anachronism. On the other hand automation will give rise to many new opportunities, with stores being operated staff less or in other words glorified vending machines.

In the environmental sphere there is a concerted move from activists all the way to the UN to tackle plastic waste not just in the oceans and eventually a move to ban plastic packaging. This could result in a boom for

loose pick and mix style dispensers in stores and of course reusable nets for fresh fruit and vegetables and baked goods.

What is clear is that health & wellness, organic, vegan are all trends that will continue – and the environmental sphere is perhaps the biggest driver for tech innovation in coming years.

Environmental concerns around vehicle emissions and carbon footprints will affect online (grocery) deliveries, with many cities and towns in the affluent West at the brink of collapse as far as delivery vehicles and gridlock are concerned. Shared infrastructure could be one solution. This would also make sense from a cost perspective. Going forward online retailing will also ask for a different logistics set up we believe – with one solution being hubs set up outside towns to be shared by retailers.

Key questions answered

What will happen to the rise of populism? What will happen to globalisation and frictionless trade? And what does it mean for retail?

What businesses will benefit from the coming slowdown in global growth? Is there a space between the platform behemoths Amazon and Alibaba and the discounters Aldi and Lidl?

What is the impact of the millennial shopper and how will this evolve going forward? Will the success of FMCG challenger brands continue?

Where is tech taking us? Which breakout innovations will make their way felt in grocery retailing in 2019-20?

What is the future of loyalty? How can retailers move away from assessing shopping behaviour at the transaction stage to the vital emotional need states before? How can they gain deeper insights into consumers' minds, feelings, motivations and what they love? How can they generate true loyalty? Will 2018 see the transformation of loyalty programmes due to IOT and voice? Will AI deliver?

Will robots take over the supply chain and last mile delivery?

Which online DC automation system promises more success? Will it be Amazon's based on kiva or Ocado/Swisslog's? What are the Amazon stats? What are Ocado's?

What are the average cost implications and benefits of robotics – what are the limitations?

How will retailers and logistics companies tackle last mile and first mile problems in future? Will it all be about robot deliveries and driverless cars?

What will the stores of the future look like? Is it all about Amazon Go and eradicating barriers to payment?

What will be the impact of the described trends be on consumers, ranges, operations and the sector as a whole?

What will be the biggest changes in the legal background affecting retail and FMCG?

How will environmental concerns drive the biggest innovations in future?

Features & Benefits

FEATURES

A comprehensive guide into political, economic, social, technology, legal and environmental trends of the future and their impact on retail and FMCG

Extensive analysis on some of the most innovative and disruptive technologies developed by established and upcoming companies

Impact and predictions of how every significant technological development will impact consumers, ranges, operations and the sector as a whole

BENEFITS

Understand how the trends featured will change the behaviours of both retailers and consumers

Become aware of the latest projects from the established tech giants like Amazon, powerhouse retailers as well as the disruptive technologies developed by startups.

Gain insights into the opportunities and dangers posed by innovative technology, how shopper behaviour will change and how to respond to remain relevant with consumers.

Get a clear picture of how retailing will look like in future and stay a step ahead of the competition

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Thought provoking analysis combined with actionable recommendations