Shopping Reinvented

How retailing industry can safeguard its future in the decade ahead?

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RETAIL ASIA CONFERENCE & EXPO

This report is customised for Retail Asia Conference & Expo 2020.

EUROMONITOR INTERNATIONAL

The data included in this document is accurate according to Passport, Euromonitor International's market research database, at time of publication: October 2020

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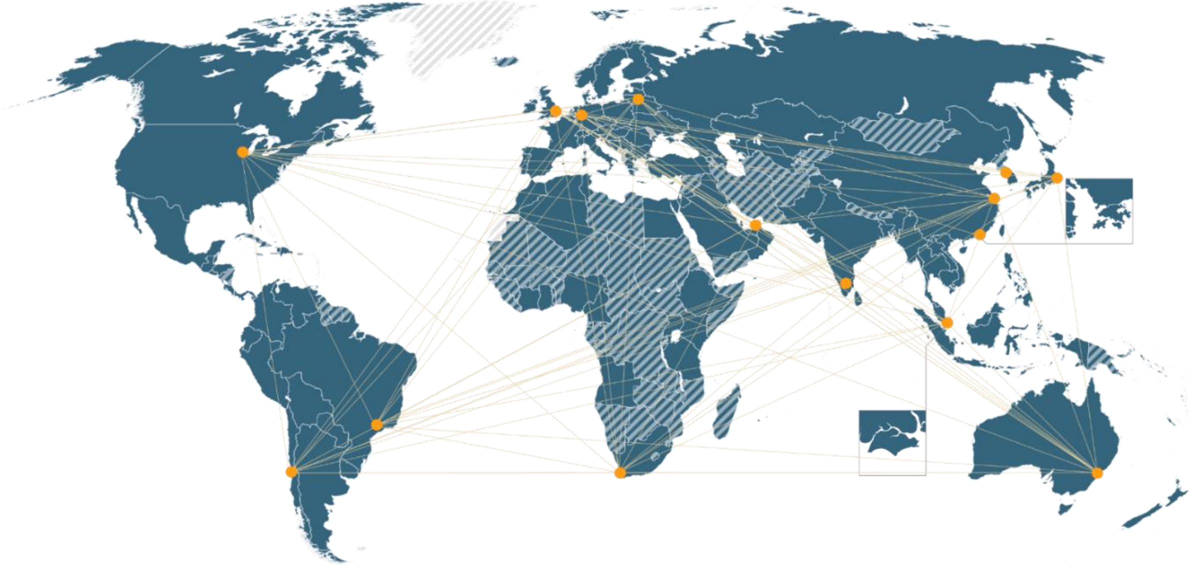
Strategic and Tactical Global Market Research

provider with over 40 years researching international markets



15 OFFICE LOCATIONS

London, Chicago, Singapore, Shanghai, Vilnius, Santiago, Dubai, Cape Town, Tokyo, Sydney, Bangalore, São Paulo, Hong Kong, Seoul and Düsseldorf

100 COUNTRIES

in-depth analysis on consumer goods and service industries

+ 210 COUNTRIES AND TERRITORIES

demographic, macro- and socio-economic data on consumers and economies

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Overview

Today’s retailing industry

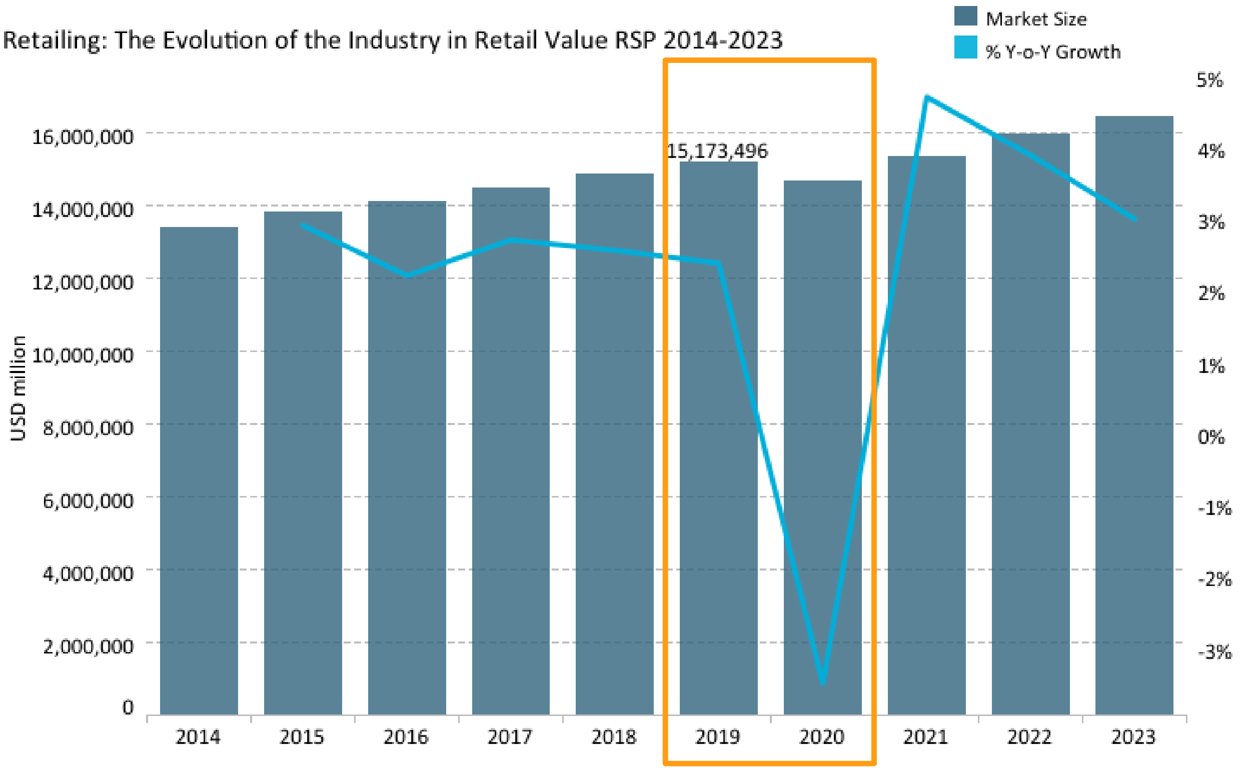
Who are tomorrow’s shoppers?

What will the retail environment in 2030 be like?

Today’s retailing industry

Global Outlook – Impact of COVID-19

Retailing: The Evolution of the Industry in Retail Value RSP 2014-2023



Source: Euromonitor International Passport System

COVID-19 Pandemic will cause retail sales to decline by 3.5% globally in 2020 – approximately USD500 billion. The pandemic required temporary closure of many stores, weakened consumer demand and increased the costs for many retailers.

Consumers have increasingly turned to e-commerce during the pandemic, with markets like South Korea and China recording strong increase. E-commerce intermediaries, marketplaces, delivery platforms and social media services all play a role towards this growth.

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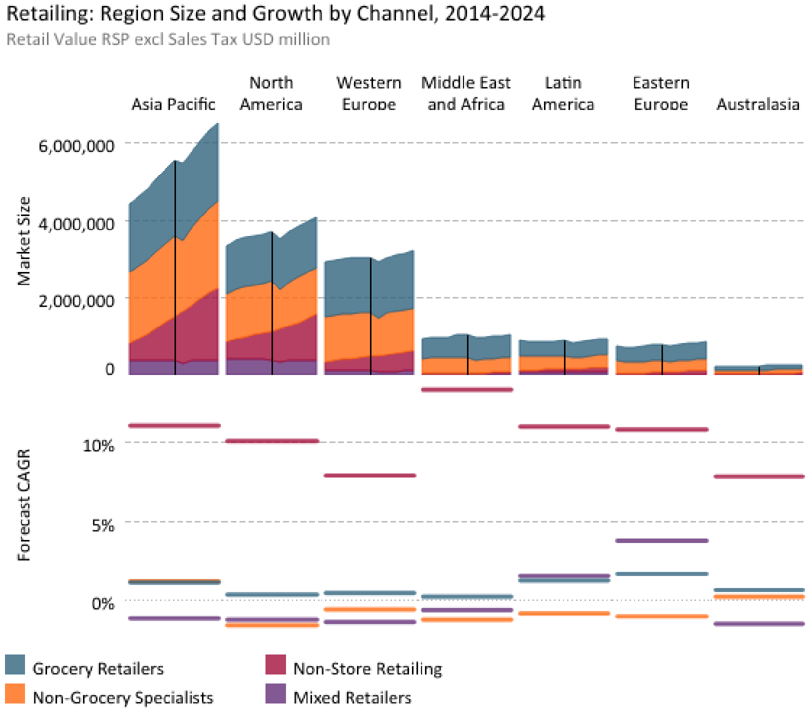
Channel and region analysis



Source: Euromonitor International Passport

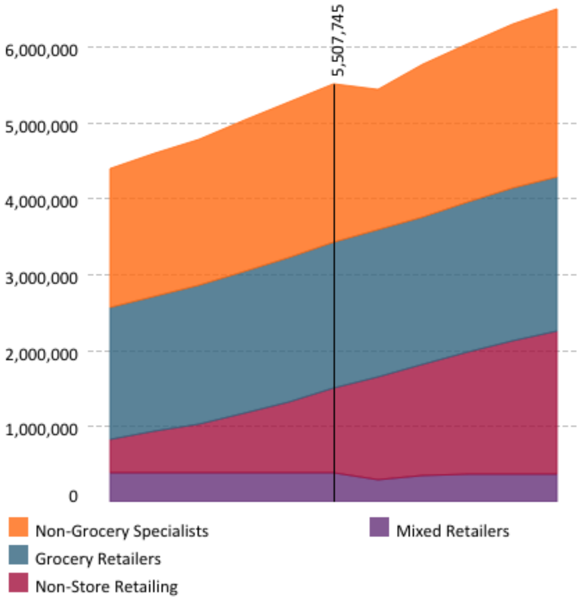
Apparel and footwear specialist, department stores, homewares and home furnishing specialist are set to see the strong sales decline in 2020. Combined, these three channels will see sales decline by USD543 billion in 2020.

E-commerce and modern grocery retailers, by contrasts have seen sales increase due to home seclusions and quarantine. Euromonitor projects that e-commerce will increase by USD443 billion in 2020. Modern grocery channels which include hypermarkets, discounters, supermarkets, convenience stores and forecourt retailers are expected to see sales increase by USD111 billion.

Asia Pacific remains the strongest market in size and growth rate and is expected to recover the quickest after Covid-19 because of minimal impact from lockdown measures, pre-existing economic problems and lack of political change and dysfunction.

Deep Dive into Asia Pacific

Asia Pacific: Evolution of Retailing, 2014-2024
Retail Value RSP excl Sales Tax USD million



Asia Pacific: Absolute Growth by Channel
Retail Value RSP excl Sales Tax USD million

Source: Euromonitor International Passport

Several markets in Asia Pacific, including Japan and Taiwan, managed to avoid the nationwide lockdowns and kept relatively low number of Covid-19 cases. While customers are still turning to e-commerce, retailers in these markets face less challenging outlook in comparing to other regions.

India presents a counterexample. In response to quickly growing case numbers, India enacted a month-long shutdown of non-essential retailers between April – July. Unemployment spiked somewhat higher in India as well, which contributes to the more negative outlook for remainder of 2020.

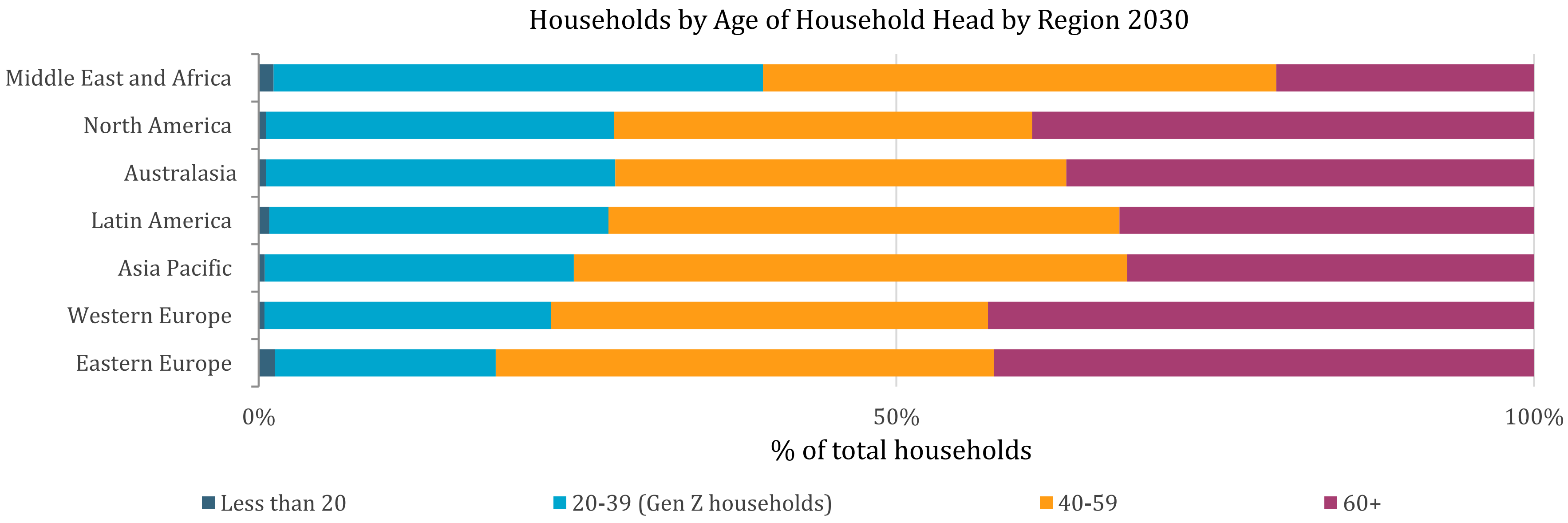
Store based channel summary

Grocery retailers	Sales through essential outlets like supermarkets and pharmacies were allowed during lockdown, while other stores were completely shut or forced to limit their operations. Even after lockdown, consumers have continued to spend cautiously on non-essential products, due to financial uncertainty and low consumer confidence. Furthermore, travel restrictions and the closure of foodservice outlets have increased dependency on home-cooked food, benefiting grocery retailers.
Non–grocery retailers	The non-grocery channels that faced mandatory store closures are expected to face weak demand from consumers during the second half of 2020. Channels focused on discretionary goods such as apparel and footwear specialists are likely to see consumers cut back on their spending among difficult economic conditions. This darkens the outlook for many specialist retail channels.
Mixed retailers	Department stores are expected to have the longest recovery among all store types. Department store brands in Taiwan have shifted towards holding online VIP sales. While on the other hand, home variety stores records growth because in home seclusion provides opportunities for tissue and hygiene, home accessories which are key categories sold in these stores.

Who are tomorrow’s shoppers?

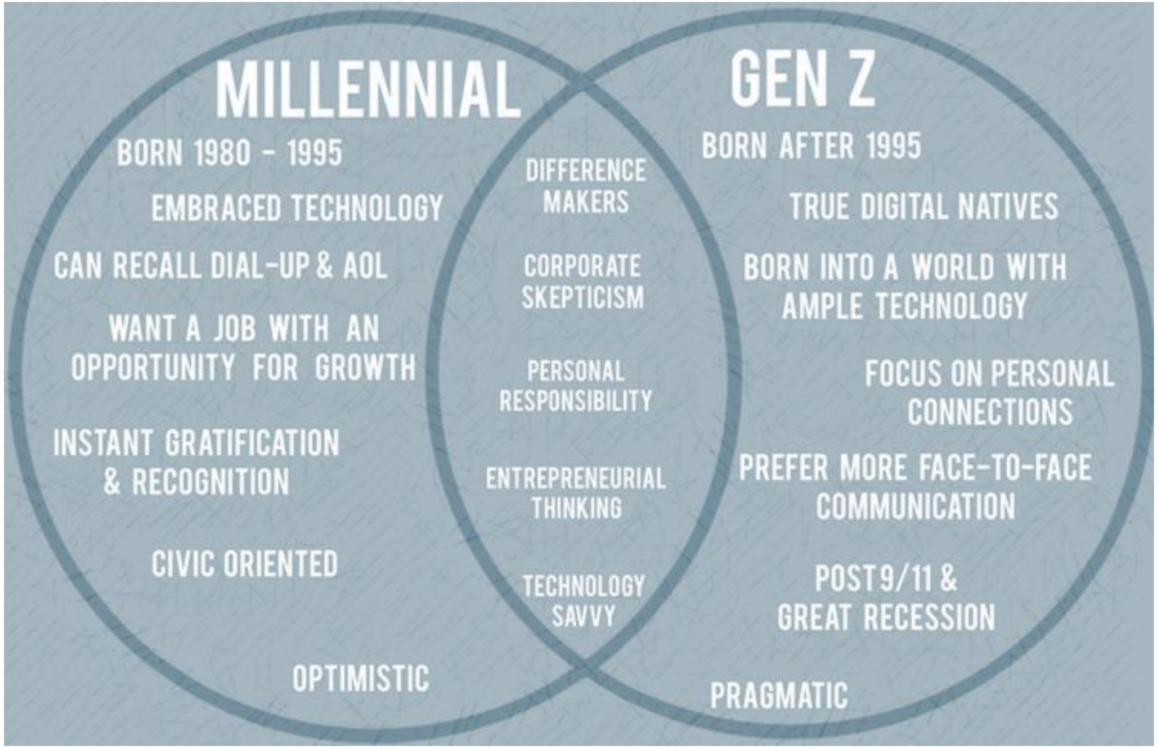
Who are tomorrow's shoppers?

By 2030, **Generation Z those aged 20-39 by 2030** will be the largest population segment worldwide and will take over the role of homemakers and household heads impacting the family consumption patterns.



Source: Euromonitor International Passport

What is the difference between Millennials and Gen Z?



Source: Youthministryinnovators.com

Millennials are those who are born between 1980 to 1995, whereas Generation Z are those born between 1996 to 2009. Millennials adapt to technology while Generation Z are born into technology. They are also the most ethically diverse and educated in history.

Five key traits that summarize Gen Z

- **Digital natives**
- **Individualistic**
- **Pragmatic**
- **Open-mind**
- **Socially responsible**

Generation Z household trends

Mature homemakers	Gen Z will be aged over 30s when they form families and have children. They are likely to postpone starting their own family as they prioritise personal interest such as education or career over marriage and children.
Gender fluidity	Gender roles will be fading in future, retailers will be catering to a larger and unconventional audience base. They will also be multiple decision makers in the home.
Family diversity	Forget about the picture of mom and dad and two kids. Generation Z's family is multicultural and no more heterosexual, brand will need to avoid any cliched advertising.
Cocooning	It is consensus that Generation Z will relatively be wealthier thanks to their Generation X parents. You can spot Generation Z, despite their young age, already started saving for their house. With continuous cocooning trend and spreading of COVID-19, it's plain to see people will want to live in smart and comfortable homes.

How are retailers attending to Generation Z's values?

Hornbach - German DIY retailer	Lunched a gender neutral marketing strategy with campaign featuring a woman working sweat and dust on her house – audiences can see her strong inclination towards homeownership, her pragmatism as she decided to take the matters into her own hands. Traditionally, home improvement categories have historically targeted towards male consumers. The advertisement breaks stereotypes and taps into the concept of fading gender roles.
Tom Ford - American fashion designer brand	Tom Ford launched the genderless lips and boy's collection with a breakthrough campaign which featured male models wearing lipstick. The lips and boy's collection feature 50 feminine and masculine shades. These colors were named after men with examples like Magnus, Federico, Tony, Hiro and Roberto. In order to adapted to the men's market – they have also released a clutch size version for easy carry in men's pockets. Since then, fashion brands like Givenchy and Chanel have followed its footsteps to explore the world of men's cosmetics.
Heineken's – Beer manufacturer	The 'Cheers for all' campaign features a juxtaposition of a waiter bringing a cocktail and beer to the table and assuming that it's the man beer and the woman's cocktail, but the truth is the opposite. In the next scene we see another waiter bringing a plate of salad and a burger and passing salad to the women and the burger to the man to make the same mistake again. This advertisement specifically targets the younger generation into reminding them on the core values that everyone should feel free to enjoy the drink they prefer.

What will the retail environment in 2030 be like?

Motivators for shopping in store

In-Store Shopping Motivations, 2020

Source: Euromonitor International Lifestyles Survey, n=41231

Despite consumers shifting towards online channels, it is important to remember that physical outlets remain a critical part of today's shopping journey, in terms of both brand engagement and purchase execution.

As 46% of connected consumers want to try before they buy, due to the desire to try and buy on, the two most popular categories for in-person purchases are apparel accessories and beauty personal care products. While technologies such as virtual reality or 3D imaging may be able to mimic the in-person experience outside of the physical outlet, other characteristics of in-store shopping may be harder to replicate.

Even in 10 years time, physical outlets will continue to play a role in how consumers browse for and buy goods, though retail stores will have evolved by then to better serve a more informed, impatient and internet-connected shopper.

The experience more trend

Attitudes towards experiences, 2020

Source: Euromonitor International Lifestyles Survey, n=41231

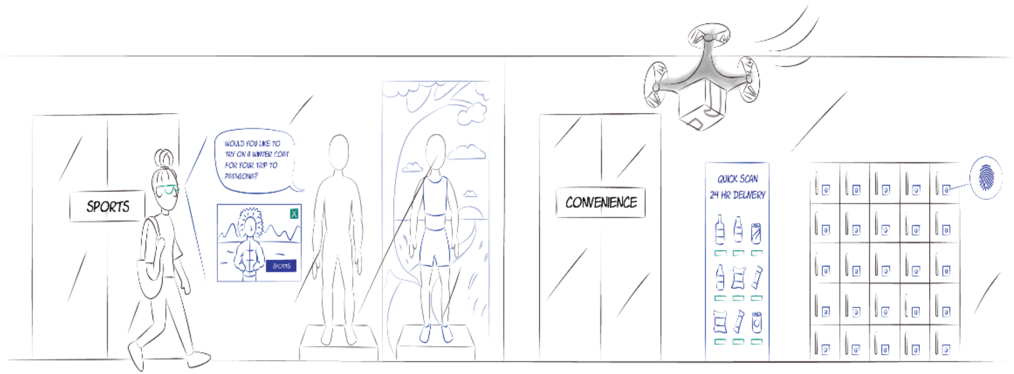
"Experience more" is one of the eight megatrends identified by Euromonitor. Millennials will lead this change, with 57% of connected consumers finding it important to spend on money on experiences.

As well as prioritizing experiences over buying more possessions, consumers are also more demanding of the experience brands provide. They are placing more emphasis on cultures and accessibility to international exposure for both intangible and tangible goods.

As 67% of consumers long to experience cultures that are different from their own and 72% feel that international products are more available than five years ago. Being connected anytime, anywhere is impacting a variety of sectors, including the importance of the shopping experience in retail.

The future grocery store

Shop windows will become more interactive, with consumers being able to order popular items while walking by the store. Orders placed while consumers are on the go will be available via lockers outside the store. Store staff will be able to fulfill orders and place them in a locker from a storeroom. Consumer access could be granted through biometric identification.



Source: Euromonitor International

Since replenishment purchases can be automated by 2040, we expect the idea of purchasing goods in a physical store will center around impulse purchases and irregularly purchased convenience goods that do not lend themselves to a reoccurring subscription.

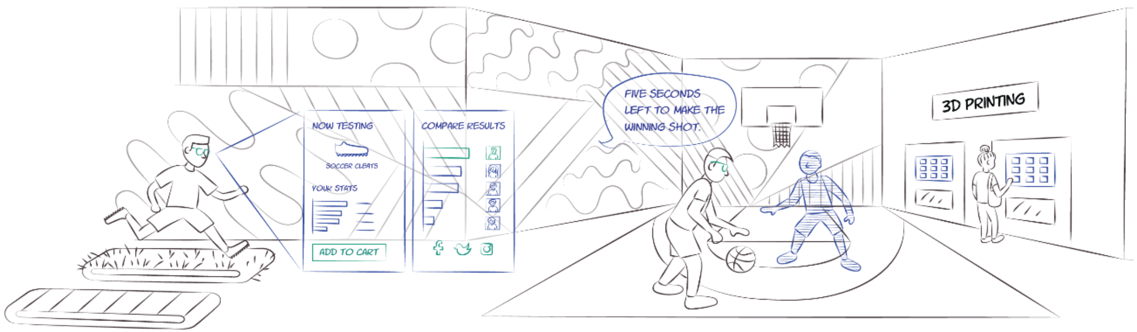
Technology like wearables and injectables and voice will guide consumers in store and robots will be leveraged for customer service and inventory management.

Innovations in grocery stores

Colruyt – Belgian grocery retailer	In late 2019, Colruyt installed AI-powered cameras at the checkout. This smart camera works in conjunction with scales mounted at the tills, can differentiate between 120 types of fruits and vegetables. The cameras also instantly recognise when a customer is using reusable bags provided by the grocer, automatically excluding the weight of the bag from tabulated purchase weight. Colruyt's primary purpose for installing the cameras is to make checkout faster and more efficient, but an extra benefit is a reduction in packaging waste.
Extra – Norwegian supermarket	Extra opened a little Extra supermarket in Oslo, from 7am to 11pm in June 2019. It is a typical Extra outlet, but during off hours, though the store is unmanned, customers can still access the premises using Extra's mobile app. Identification is verified using the Norwegian bank-ID system. Customers are free to roam the entire store and can pay for their baskets at automated checkout kiosks.
AS Watsons – Hong Kong's leading retailer	In 2020, the company raised its game by opening the "Play Glam" concept store. The store targets beauty lovers with its Meitukey skin analyser at the makeup zone, which analyses up to 12 skin problems and conditions with AI technology in order to provide personalized advice and product recommendation. Customers can also create a personal skin testing profile in the device, in order to monitor their skin conditions. Being able to test, recommend and try products with these AI technologies enables AS Watsons to go one step further towards development the first unmanned drug and grocery stores in Hong Kong.

The future experience center

In experience centers of the future, retailers and brands may be able to charge entry to consumers for the most memorable experiences. For example, sports fans might well be willing to pay to virtually take the game-winning shots. Consumers will be able to test product claims or try products in the context of their final usage, whether that is trying out football boots on a turf-like surface or trying on a winter coat in a cold zone.



Experience stores tap into the concept of omni-channel shopping, allowing customers to try products in a pressure free environment and then making the purchase anytime after more validation and research, which is great for tomorrow's shoppers as they are very cautions and tend to evaluate before purchases.

Source: Euromonitor International

Innovations in experience center

Samsung - digital playground	At this experience center by Samsung in London, you can roam around lecture hall, cooking class, yoga studio and concert hall. Interesting fact is that this facility is not for buying products. Consumers will be able to test product claims or try products in the context of their final usage. This is to spend time, engage with brand, test and have fun. Such experience center works as community center.
Amore pacific – Amore Seongsu	Beauty giant Amore Pacific opened the Amore Seongsu towards the end of 2019. In the style of a beauty library where customers can apply and spray over 2,300 products from 30 of Amorepacific's brands. The center also offers other services, including makeup classes, flower box and perfume making classes every month to encourage customers to participate.

Digital innovations in the future retail

Check in before check out	In the future, it will be feasible for facial recognition to identify shoppers the moment they enter a physical store, as opposed to checkout. Retailers will be able to connect that information with a database which houses a shopper's browsing and purchase history to aid store staff. With these capabilities, retailers will be able to mimic more closely what a consumer experiences online today by offering recommendations or pricing tailored to consumers needs.
Emotion-sensing shopping	Using facial recognition, retailers can profile consumers to determine their emotional state. While today's consumers are kept anonymous, it is feasible that tomorrow's consumers could become more open to such tracking, provided that it leads to a better experience. With this information in hand, retailers could identify an upset consumer and send a store associate over to alleviate the frustration. It could also be as simple as adjusting store music in response to the mood of consumers in the store.
Mass customization	Consumers crave unique experiences and products. The corporate conundrum is how to deliver customization at scale. 3D printing will undoubtedly disrupt and localize conventional manufacturing in future. Industry players are already using networks of geographically dispersed manufacturing facilities, and 3D printers have become more affordable for consumers to own for their homes or use in their local community. By 2030, retailers will be able to customize more products for consumers on site.

Key Takeaways

Key lessons for retailers to safeguard its future

Past offers perspective	Today's digital darlings—Airbnb, Uber and Facebook—rose to prominence by leveraging technology to introduce a new way of conducting business.
Data will be paramount	Data will be critical as companies offer tailored experiences and recommendations to forge one-to-one relationships with consumers.
Rate of change is only to increase	With COVID-19 speeding up the rate of digital transformation, technological advances will continue to accelerate and further redefine what it means to shop in future.
Different challenges	Next stage of development will require more infrastructure changes to bring the next iteration of commerce to life.
Consumers are the key voice	As legislation enables consumers to dictate who has access to their data, consumers in 2040 will be even more empowered in the transaction.

Situated at the forefront of innovative retail solutions, **Retail Asia Conference & Expo (RACE)** is a must-attend event that brings together the brightest minds in the retail industry to explore revolutionary ideas and cutting-edge technologies to ride the new wave of consumerism in Asia.

As the only sourcing platform for the industry in Hong Kong this year, RACE will play an exceptionally vital role in reconnecting businesses and restarting the market. This year, over 500 brands and exhibitors and 6,000 retailers, etailers, brands owners, mall operators, hospitality providers will gather under one roof to dive into a series of meaningful discussions, networking and entertainment.

Thank you

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