

RETAIL & CONSUMER

# TRENDS REPORT 2016

Key shifts likely to make waves in retail in 2016.

**Smollan** is a leading retail solutions company. We deliver growth for our clients by covering every aspect of how their brand is managed at the point of purchase.



# EXECUTIVE SUMMARY

The retail landscape has shifted and changed dramatically over the past five years.

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We've seen the rise of newcomers and the fall of some of retail's most established brands. Shopper expectations have risen exponentially as consumers demand a more connected, seamless, personalised retail experience.

Retail today and the retail landscape of the future will offer more challenges and opportunities than ever before. To understand this dynamic industry, we have researched and collated trends and forecasts that shed some light on key shifts likely to make waves in retail in 2016.



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# GLOBAL UPDATE

Regional dynamics of the global retail landscape

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## NORTH AMERICA

- Growth channel: Discount stores
- Top retailers: Walmart, Kroger, Costco
- Total sales of top 3 retailers: \$619bn
- CAGR, 2015-2020: +7.7%
- Modern vs. traditional trade split:



## LATIN AMERICA

- Growth channel: Discount stores
- Top retailers: Walmart, Casino, Cencosud
- Total sales of top 3 retailers: \$94bn
- CAGR, 2015-2020: +8.6%
- Modern vs. traditional trade split:



## AFRICA & MIDDLE EAST

- Growth channel: Hypermarkets & superstores
- Top retailers: Shoprite, Lulu Group, Walmart
- Total sales of top 3 retailers: \$25bn
- CAGR, 2015-2020: +9.9%
- Modern vs. traditional trade split:



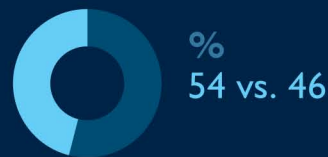
## ASIA & OCEANIA

- Growth channel: Convenience stores
- Top retailers: Seven & I, AEON, Woolworths (AUS)
- Total sales of top 3 retailers: \$190bn
- CAGR, 2015-2020: +6.6%
- Modern vs. traditional trade split:



## CENTRAL & EASTERN EUROPE

- Growth channel: Hypermarket & superstores
- Top retailers: Schwarz Group, Magnit, Metro Group
- Total sales of top 3 retailers: \$54bn
- CAGR, 2015-2020: +9.3%
- Modern vs. traditional trade split:



## WESTERN EUROPE

- Growth channel: Convenience stores
- Top retailers: Schwarz Group, Tesco, Carrefour
- Total sales of top 3 retailers: \$238bn
- CAGR, 2015-2020: +4.8%
- Modern vs. traditional trade split:



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# KEY RETAIL TRENDS

The following trends are emerging in response to continued pressure on the global economy as well as the influence of technology in the retail space.

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The increase in the formation of buying groups across the globe will lead to tougher negotiations with suppliers



1.

## CONSOLIDATION OF MAJOR PLAYERS

In a climate of falling market share, high-profile buying alliances and mergers are a way for key players to maintain margins and boost scale. This was especially prevalent in the second half of 2015, where we saw frenetic activity in Europe as several major retailers formed buying alliances in reaction to declining market share.

The increase in the formation of buying groups across the globe will lead to tougher negotiations with suppliers as retailers become more powerful. It could also lead to less product and brand variety, especially as buying groups improve the quality, perception and cost of private label products across categories.



## 2.

## SMALLER STORES

The convenience channel has had one of the fastest rates of growth in physical grocery channels over the past five years. Leading players have already begun developing smaller convenience concepts with smaller product ranges that are tailored to specific neighbourhoods with more innovative product offerings.

This will allow retailers to expand into new areas like commercial buildings, offices, rail stations and will also provide suppliers with the opportunity to innovate products and use technology to maximise customer experience. Understanding shoppers through loyalty schemes will be a key element in selecting the right product range for the right shoppers in the right locations.





Health and wellness is one of the fastest growing categories

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3.

## HEALTH AND WELLNESS

Health and wellness is one of the fastest growing categories, which consumers are now driving into various store formats.

We expect to see coordinated private label ranges, dedicated health and wellness areas in store, health-focused store concepts and loyalty card schemes to influence shopper behaviour.

Furthering channel blurring, we are also likely to see supermarkets and mass retailers opening in store clinics to meet consumer demand for quick-service and low-cost diagnosis and treatment of common ailments, amid a shortage of primary-care physicians and rising healthcare premiums.



## 4.

# THE DEMISE OF DISCOUNT

Over the next few years, it will become increasingly difficult to distinguish discounters from mainstream grocers. Discounters are beginning to adopt more upmarket strategies, by having larger stores, with higher service and staff levels, featuring more fresh produce and premium ranges. While mainstream grocers are increasing their private label and discount ranges.

This however allows the risk for new less complex discounters to enter the market below them, effectively winning their original proposition.



5.

## SIMPLIFICATION IN AN UNSTABLE GLOBAL ECONOMY

2015 saw many leading retailers issue profit warnings or experience a sharp reduction in margins. Many retailers are now looking to protect their margins by focusing on their core offering and operations, simplifying their customer-facing proposition and taking a more cautious approach to internationalisation.

This will be presented in a shift from promotions to lower, more stable prices, and a reduced appetite for new products, which will simplify operations and offer consistency for shoppers.

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# KEY SHOPPER TRENDS



Nearly 75% of consumers (in developed markets) admit that they prefer to reference their mobile device than to ask a sales associate for help



1.

## CONSTANTLY-CONNECTED SHOPPERS

Today's shopper has the power of technology and demands constant connectivity with the retailer. In order to survive, retailers and brands need integrated omni-channel solutions to serve these shoppers as mobile devices play a more prolific role in the path-to-purchase than ever before. According to a study by Accenture, "nearly 75% of consumers (in developed markets) admit that they prefer to reference their mobile device than to ask a sales associate for help."

These shoppers who are driving retail innovation are socially connected, own their shopping experience, are tech-savvy, connected to the internet, expect the latest technology and demand convenience.

Successful retailers and brands are implementing solutions to utilise these valuable shopper's existing technology in order to create brand advocates and drive sales across multiple channels.



2.

## THE STORE OF THE FUTURE

We anticipate the continued adoption of mobile devices such as mPOS systems and in-store tablets to improve customer experience and assist in speedy checkout. Along with this, forward-thinking retailers will leverage the Internet of Things (IoT) in their locations to streamline in-store shopping experiences and create an interactive shopping journey.

Now more than ever, it is essential to deliver an interesting, exciting customer experience, opportunities for interaction and a sense of community in store to keep shoppers coming back.



3.

## CREATING ENGAGING SHOPPER EXPERIENCES

It is becoming increasingly important to create relevant, engaging and tailored shopper experiences to effectively win loyalty.

In order to achieve this, retailers and brands will need to utilise and carefully select useful customer data. Understanding these insights will allow retailers and brands to understand their shoppers, forecast behaviours, develop products and promotions and create personalised experiences on a mass scale.



Shoppers are now willing to exchange information for valuable and relevant promotions

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4.

## THE EVOLUTION OF LOYALTY PROGRAMMES

Traditional loyalty programmes will no longer survive in today's retail environment. Shoppers are now willing to exchange information for valuable and relevant promotions.

This exchange of information will allow for more accurate, insightful and accessible data. It will also play a pivotal role in providing information about shoppers to enable a customised shopping experience.





5.

## THE ON-DEMAND ECONOMY

Retailers and brands will have to cater for a generation of shoppers who demand instant gratification, and will need to provide the shortest, easiest and most enjoyable path-to-purchase.

Retailer partnerships, Amazon's Dash replenishment button, Domino's text ordering with emojis and Massmart's "click-and-collect" lockers at petrol stations are just a few examples of how brands and retailers are innovating in order to satisfy their shopper's needs and meeting their expectations.

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