

SMOLLAN RETAIL & CONSUMER

# TRENDS REPORT 2017

It is better to know some of the  
questions, than all of the answers.

---

*- James Thurber*

SMOLLAN 

# EXECUTIVE SUMMARY

Trend identification and analysis is a useful lens through which to view the combined anticipated impact of various market forces on an industry and/or population.

---

No one trend operates in isolation to the state of the economy, opportunities offered by exponential technologies, shifting population demographics and subsequent changes in consumer behaviour.

Pattern recognition in this integrated ecosystem is a vital part of the way in which brand owners and retailers can better plan for what lies ahead in an industry predicted to face greater changes in the next five years than it has experienced in its entire history.

The 2017 trends that have emerged are fundamentally not new – they contain the same overarching themes that have been prevalent for quite some time. However, the way in which these trends are playing out in retail environments has shifted as consumer expectations of the rate of innovation and personalisation accelerate.

Technology is no longer supplemental to the shopping experience, it is fundamental. However, technology alone, is not enough. Customers are seeking new and surprising products and experiences and retailers are increasingly challenged to find ways to delight their customers and strengthen loyalty.

According to the Deloitte Global powers of Retailing report,

“ it is about mastering the art and science of customer engagement to design fresh experiences, enabled by technology.”

## REGIONAL OVERVIEW | RETAIL FORECAST 2017

	TOP RETAILERS	SALES 2021 (USD BN)	GROWTH CHANNEL	WHAT TO WATCH
<b>NORTH AMERICA</b>	1. Walmart 2. Kroger 3. Costco	462.0 128.4 122.8	Discount stores at +5.7% (CAGR, 2016-2021f %)	<ul style="list-style-type: none"> <li>• More high profile consolidation.</li> <li>• Amazon Go launch in Seattle (early 2017) will showcase the latest instore automation technology, opening up opportunities for retail tech solution providers.</li> </ul>
<b>LATIN AMERICA</b>	1. Walmart 2. Casino 3. Carrefour	66.0 24.2 29.3	Discount stores at +11.8% (CAGR, 2016-2021f %)	<ul style="list-style-type: none"> <li>• Discounters such as Dia will grow their operations as they expand into new markets in LATAM through franchising.</li> <li>• Cross border supply chains to assume greater importance as local players leverage regional sourcing to extract synergies and cost savings across LATAM operations.</li> <li>• Relative high levels of smartphone usage will drive dotcom developments across the region.</li> </ul>
<b>ASIA &amp; PACIFIC</b>	1. Seven & I 2. AEON 3. Woolworths (AUS)	107.0 64.7 44.1	Convenience stores at +4.8% (CAGR, 2016-2021f %)	<ul style="list-style-type: none"> <li>• Tighter collaboration between online and physical grocery retailers, especially in key South-Eastern and Eastern Asian markets.</li> <li>• Alibaba’s entrance into India will likely force Amazon into greater spending investments, with grocery delivery possibly on its radar.</li> <li>• Amazon expanding into Australia presenting further challenges to Woolworths &amp; Coles.</li> </ul>
<b>CENTRAL &amp; EASTERN EUROPE</b>	1. Schwarz Group 2. Auchan 3. X5 Retail	35.7 27.4 29.6	Discount stores at +8.0% (CAGR, 2016-2021f %)	<ul style="list-style-type: none"> <li>• Discounters to increasingly upscale their assortments &amp; stores in a quest to differentiate.</li> <li>• X5 to lead growth in Russia.</li> <li>• Consolidation &amp; franchising to underpin developments in small-box &amp; convenience across numerous markets.</li> </ul>

## WESTERN EUROPE

1. Schwarz Group
2. Carrefour
3. Aldi

108.8  
77.4  
75.6

Discount stores at +3.7%  
(CAGR, 2016-2021f %)

- Further partnerships in the search for scale. Watch out for Tesco/Booker merger approval in the UK in 2017.
- Retailers across the region need to be more flexible in their store format strategies. Expect different iterations of various concepts to be trialled.

## AFRICA & MIDDLE EAST

1. Shoprite
2. Lulu Group
3. Carrefour

15.5  
14.0  
9.9

Convenience stores at +10.0%  
(CAGR, 2016-2021f %)

- Entry of global convenience brands like 7-eleven and Circle K.
- Potential for acquisitions of regional online players by major operators like Amazon.
- Retailers will work hard to branch deeper into smaller formats- a channel where growth opportunities remain across the region.

Source: Planet Retail | Global trends and forecasts, the Quest for scale.

## CONSUMER | TRENDS

Consumers are now more demanding of products, services and brands than ever before and are using digital tools to articulate and fulfil their needs. The 2017 consumer is harder to characterise as they become increasingly multidimensional and in control of defining themselves, their needs and expectations. There are however global patterns that emerge in the way in which consumers are navigating their worlds.

### THE 50-PLUS POPULATION

In 2017, almost a quarter of everyone on the planet will be over the age of 50. This population segment is a strong force in shaping global consumer trends for 2017.

These consumers are transforming what it means to be older in terms of lifestyle and are more demanding in their consumption needs, creating what is increasingly referred to as the “Longevity economy”.





*Brands should celebrate [older consumers] because from a strict marketing perspective they are a highly valuable audience.*

*~ Hugh Pile, CMO, L'Oréal*

Anxious, as well as inspired by ageing, they are keen consumers of a long list of health and beauty products and fashion-forward options and are receptive to tech developments.

Throughout the world, this age group are having a transformative impact, reflecting the changing demographics, wealth and spending patterns of the 50-plus population. They are increasingly considered the biggest consumer market in terms of spending power.

They are tech savvy, eager to learn and don't enjoy being treated as though they are elderly as they do not see themselves this way. Their longevity is not diminishing their influence; it's changing their focus as consumers, leaders, learners and workers.

Even though conditions for the 50-plus population vary between and within countries, these post-middle-age consumers are more energetic, work more and are able and expect to live fuller lives as consumers.

## **PERSONALISATION BECOMES INCREASINGLY IMPORTANT TO CONSUMERS**

Personalisation in retail is not new. What is new is the level to which consumers define

themselves by the products they buy and the experiences they have. Consumers subsequently have far higher expectations of what brand owners and retailers are able to deliver on these two vectors.

Customers are defining themselves less by how many things they own and more by how curated their lives are in terms of possessions and experiences. Consumption of 'experiences' has outpaced the consumption of 'goods' by a factor of three over the last two years.

*According to an Accenture Interactive study, **56% of consumers are more likely to shop at a retailer in store or online that recognises them by name.***

Some of the tactics being employed include targeting users through purchase histories, using location-based technology such as beacons to push personalised offers to customers' mobile devices, offering consumers the ability to tailor their products in store and connecting the product or experience to a social media campaign.

This has resulted in consumers worldwide focusing on seeking out experiences and products that not only offer



personalisation and experience but also the opportunity to reflect their personal brands on social media. Personalisation is now not only about individual experience and expression but collective acknowledgement through sharable experiences and “likeability”.

---

## **RETAILERS AND BRAND OWNERS WHO PROMOTE PRODUCT QUALITY, TRANSPARENCY, & SUSTAINABILITY WILL FLOURISH**

In 2017, consumers can find just about any information they want online with unprecedented speed and ease. As a result, shoppers are no longer content not knowing everything about the product they are purchasing and what value the product and associated company is adding to them and the world.

This is a trend particularly pertinent to Millennials, another significant consumer segment both in size and lifetime value, who estimate the worth of a brand not only by the quality of their product or service but their commitment to sustainability and a relevant social purpose.

Millennials and consumers in general are more interested and invested in where their money is going rather than simply what it's buying. They are looking for products and brands with backstories – the attributes that are derived from interactions with the product before, during, and after the purchase process. Brands who are able to deliver this will realise greater brand loyalty and subsequently lower price sensitivity in a market where consumers are willing to down-trade due to economic pressures.





## RETAIL | TRENDS

---

The ability to define exactly what a retailer is and does has shifted over the past few years as alternative retail models have come to the fore. Retailers used to buy and sell goods, either instore or online. Now, with the development of the sharing economy, exponential technologies and omni-channel retailing, the role and definition of retail has changed, forcing traditional retailers to review their business models and reinvent themselves.

As retailers look for growth in an industry where alternative business models are offering superior cost savings and convenience, scale will be pivotal for success. Only the largest, most efficient and strongest operators will thrive. Retailers will seek out alliances to achieve greater economies of scale whilst being able to deliver more value through exceptional instore experiences. They will also look to diversify formats by offering a wider range of bricks and mortar formats that deliver on the consumer need for convenience and flexibility.

The 2017 retail trends reflect these key shifts.

### SAME-DAY SHIPPING WILL BECOME MORE PROMINENT

Consumers may increasingly choose not to make a trip to physical stores, but they still want the instant gratification of taking their purchases home immediately. Consumers across the globe are increasing their expectations of retailers offering same-day shipping for online purchases.

*A recent study by Temando found that;*

**80% of shoppers surveyed want same-day shipping, while 61% want their packages even faster — within 1-3 hours of placing an order.**

Implementing same day shipping isn't always the most practical option for retailers, as there a number of factors to consider such as, whether demand merits the logistical effort; whether fulfilment of orders is feasible based on the location(s) of the retailer and how profitability of omni-channel orders is affected by the cost of fulfilling these orders.

On-demand shopping and fulfilment relevancy will be determined by the ability of retailers to meet the on-demand mindset of the modern customer. Consumers have been conditioned to expect a high-quality, on-demand shopping experience and retailers will have to find innovative ways to meet this demand while managing the costs associated with it.

## RETAILTAINMENT WILL PERVADE THE INDUSTRY

Retailtainment is the fusion of retail and entertainment – an effort to provide consumers with fun, unique experiences that elevate shopping above the shopping experience they could have online.

The way in which many retailers are doing this is through incorporating lifestyle elements into their stores, such as boutique coffee shops, entertainment zones and virtual reality experiences. More than just providing something fun and hands-on for visitors to a retail centre, effective retailtainment opportunities require careful use of activities, sounds, sights and smells to entice buyers to enter and feel relaxed and comfortable in a store.

Competing with more typical forms of entertainment and leisure activities, brands have used bowling alleys, pizza buffets, digital signage in open spaces and movie theatres to create unique audio and visual experiences that attract consumers.

Retailers are looking for more innovative concepts to incentivise consumers to make the trip to their physical location and keep them there. The objective is to transform a shopping trip into a day out.

## GO SMALL OR GO HOME

Evolving consumer preferences will push even more “big box” retailers to focus their attentions on smaller-format stores as well. This is due to the demand for more curated selections, convenience and accessibility.

Shoppers don't want to waste precious time wandering around the endless aisles of enormous stores anymore. They want ease and efficiency in the form of smaller stores with specialised selections, especially when online shopping offers order fulfilment at lightning-speed.

The upside for retailers is that smaller stores cost less money to open and operate. They also take up less space in urban environments, allowing retailers to capitalise on the potential of large population centres.





# TECHNOLOGY | TRENDS

---

The needs of the modern shopper, advancing technology, and increased competition are compelling retail CEO's to re-evaluate where they choose to invest their capital.

**69% of retail executives say they plan to increase their investment in digital transformation over the next year.**

Surprisingly, more than half of respondents – 52% – have not defined or started implementing a digital transformation strategy. Some of the areas where CEO's are predicted to invest their digital transformation strategy are as follows:

- Internet of Things
- Big Data
- Robotics, and augmented reality.

## RETAIL AND TECHNOLOGY WILL BECOME EVEN MORE INSEPARABLE

As part of the effort to provide consumers with better experiences, retailers will incorporate technology even further into their businesses. In 2017, evolving technology in the retail industry will be instrumental in enticing customers into physical stores and in creating seamless omni-channel shopping experiences.

Artificial intelligence, augmented and virtual reality, and the Internet of Things will stake firm claims in retail as tools that brick and mortar and online retailers alike can use to further elevate and personalise

each step of the process. Some examples of how this may play out are as follows:

- Augmented reality that allows consumers to virtually experience products as they might use them in their own lives, smart dressing rooms in fashion stores, and glass touch-screens as interactive components of storefronts.
- Many small and medium businesses will adopt more affordable retail technologies as well, such as loyalty apps, customer displays, and other solutions that take the shopping experience to a new level.



## RETAILERS ACROSS THE BOARD WILL ADOPT MOBILE PAYMENT SOLUTIONS

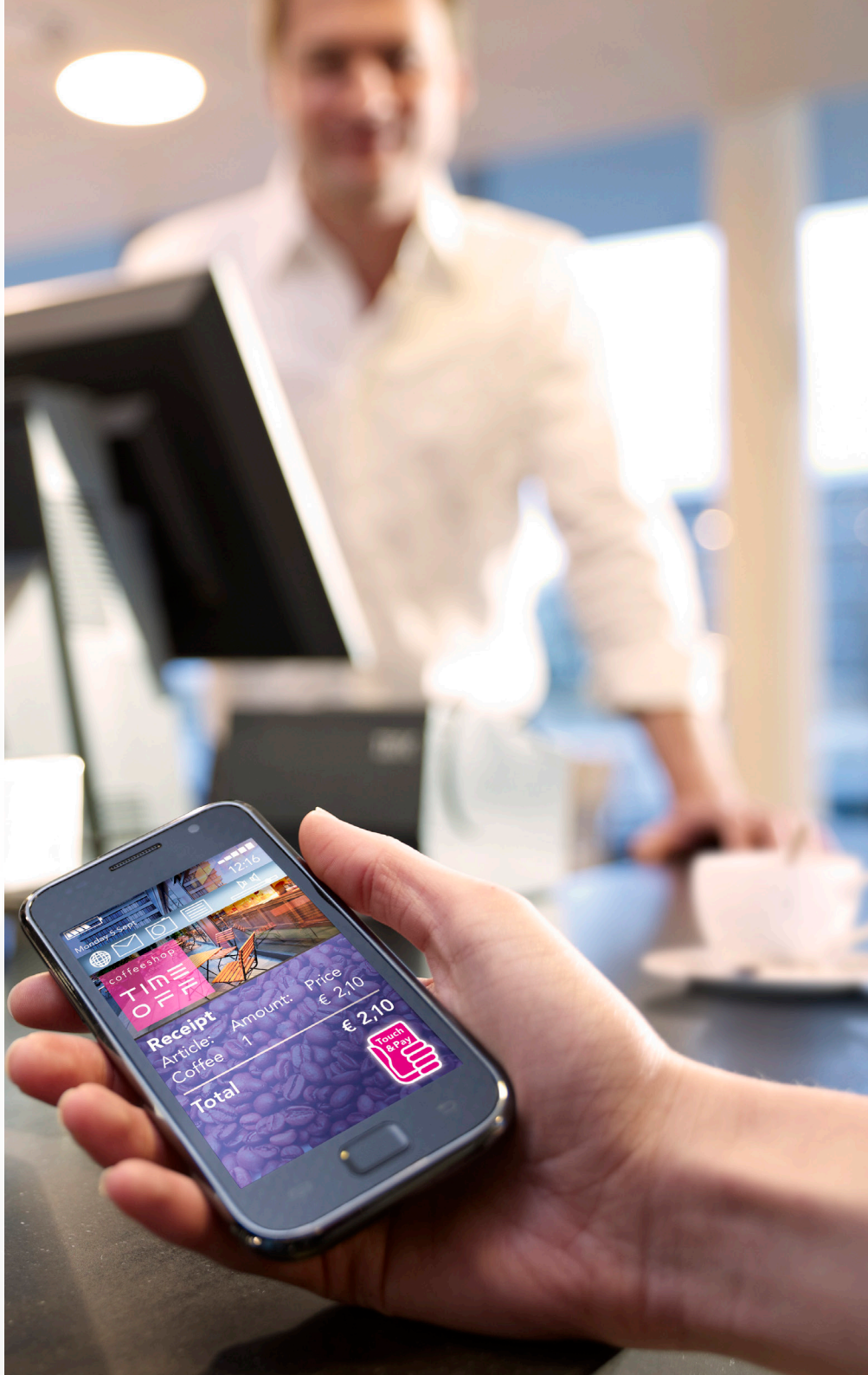
Mobile payments are the way of the (immediate) future. In 2017, we'll see retailers who haven't already adopted them make efforts to do so.

At the end of 2016, projections said there would be 447.9 million mobile payment users worldwide. TechCrunch estimates that mobile payments in 2017 are expected to total \$60 billion, and if you take Business Insider's word for it, by 2020 mobile payments will account for \$503 billion in sales.

Retailers who don't soon implement mobile payment solutions will fall behind and risk losing out on sales. This includes retailers in emerging markets, where the demand for mobile payment options supercedes that of developed markets.

Retailers across the board are likely to adopt or develop whichever mobile payment option works best for them, such as mobile POS systems, custom mobile payment apps and third-party options.

**“** *By 2020 mobile payments will account for \$503 billion in sales.*



## **RETAILERS WILL TURN TO APPS, SERVICES, AND THIRD PARTIES TO FULFIL THE NEEDS OF MODERN SHOPPERS**

The number of retail-centric apps will increase, and retailers and brand owners will leverage them to stay competitive.

Consumers expect to be able to shop across multiple channels (i.e. brick-and-mortar, ecommerce, mobile, social), whilst also being able to receive their purchases in the fastest, most convenient way possible (enter in-store pickup and same-day delivery). In order to deliver on these high expectations, retailers will need to rely more heavily on apps and third-party

solutions to fulfill the demands of the modern shopper.

Expertise in the technology and capability that enables this kind of automation, speed and flexibility across multiple channels is not something that retailers will necessarily have the capacity to focus on at a rate fast enough to keep pace with competitors.

In order to deliver superior experiences, offerings and speed, retailers will likely choose to partner with key third parties, rather than building this capability themselves.

.....

## **IN CONCLUSION**

The 2017 Smollan Trends report is a summary of some of the key drivers of change in the year ahead as projected by retail industry thought leaders. They highlight key shifts in consumer preferences, changing retail formats through the blurring of sectors and the transformative possibilities of living with exponential technologies.

The consumer, retail and technology trends for 2017 do not in and of themselves offer clear answers to the challenges that lie ahead. These trends can however be the impetus for asking the right questions to design and develop the most effective solutions. For more information on translating these trends into retail solutions that deliver growth for your brand, contact us – [www.smollan.com](http://www.smollan.com)

.....



*It is better to know some of the questions than all of the answers.*

---

~ James Thurber **”**

REFERENCES: Planet Retail: Global Trends & Forecasts, 2017. The quest for scale. | Nielsen: Global Retail Growth Strategies Report, 2016. Think smaller for big growth | [www.vendhq.com](http://www.vendhq.com): Retail trends and predictions 2017 | <http://now.jda.com>: PWC Executive Summary | Gx-cip 2017 global powers of retailing | [www.kantarretail.com](http://www.kantarretail.com): 2017 Kantar Retail Predictions | [www.whitehutchinson.com](http://www.whitehutchinson.com): Retail-tainment | [www.chainstoreage.com](http://www.chainstoreage.com): Fresh take: Retailtainment and future fun

LEADING RETAIL SOLUTIONS. BRILLIANTLY EXECUTED.  
[www.smollan.com](http://www.smollan.com)

**SMOLLAN** 