

A woman with long brown hair, wearing a green jacket, is smiling and looking down at a tablet computer she is holding. She is standing in a grocery store aisle, with shelves of various products visible in the background. The image is framed by a large blue circular graphic on the right side.

SMOLLAN

GLOBAL
COMMERCE
REPORT

MAY 2021



EXECUTIVE SUMMARY

It has been a bumpy and polarising start to 2021 with significant progress in vaccine rollouts as well as third and fourth waves wreaking havoc across the world to varying degrees.

Looking back on the first quarter of 2021, it is safe to say that this year will be wrought with more unpredictability but also anticipation of the proverbial light at the end of the tunnel.

In this report, we look at how key market factors are driving consumer behaviour and what we can expect from the retail industry in the next 8 months. It's been said many times before that the pandemic has not necessarily dramatically changed trends, so much as accelerating the pace of existing ones.

What changes from 2020 are likely to remain versus normalise and how can we best plan and position the industry for short and long run growth?

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A CAUTIOUSLY OPTIMISTIC, BUT UNBALANCED ECONOMIC RECOVERY

According to the Global Economic Forum and the World Bank, global economic output is slowly recovering from the collapse triggered by COVID-19 but will remain below pre-pandemic trends for a prolonged time.

The pandemic has exacerbated the risks associated with a decade-long wave of global debt accumulation. It is also likely to steepen the long-expected slowdown in potential growth over the next decade.

The global economy is projected to grow at 4% after a 4.3% contraction in 2020.



The strength of the recovery is projected to vary significantly across countries and regions, depending on access to medical interventions, vaccine rollouts, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.

In the year ahead, we are likely to see outperforming sectors aligned to those that showed resilience and strength in 2020 - **Information Technology, Pharmaceuticals & Healthcare and Edible grocery.**



Source: World economic forum; Shani Chanin

We anticipate that based on the economic context, retailers and brand owners will have difficulty growing the market.

Competition for market share will be high, consumer loyalty will be low and volume over value growth is likely to be the order of the day in most categories and channels.

MARKET OVERVIEW

AFRICA

The region is expected to rebound as we move through 2021, however growth will vary across countries. While South Africa is expected to experience a weak recovery, overall growth in the Eastern and Southern Africa region is expected to average 2.7%. While Nigeria's economic recovery will be weak, the Western and Central Africa region is expected to experience an average growth of 1.4%.

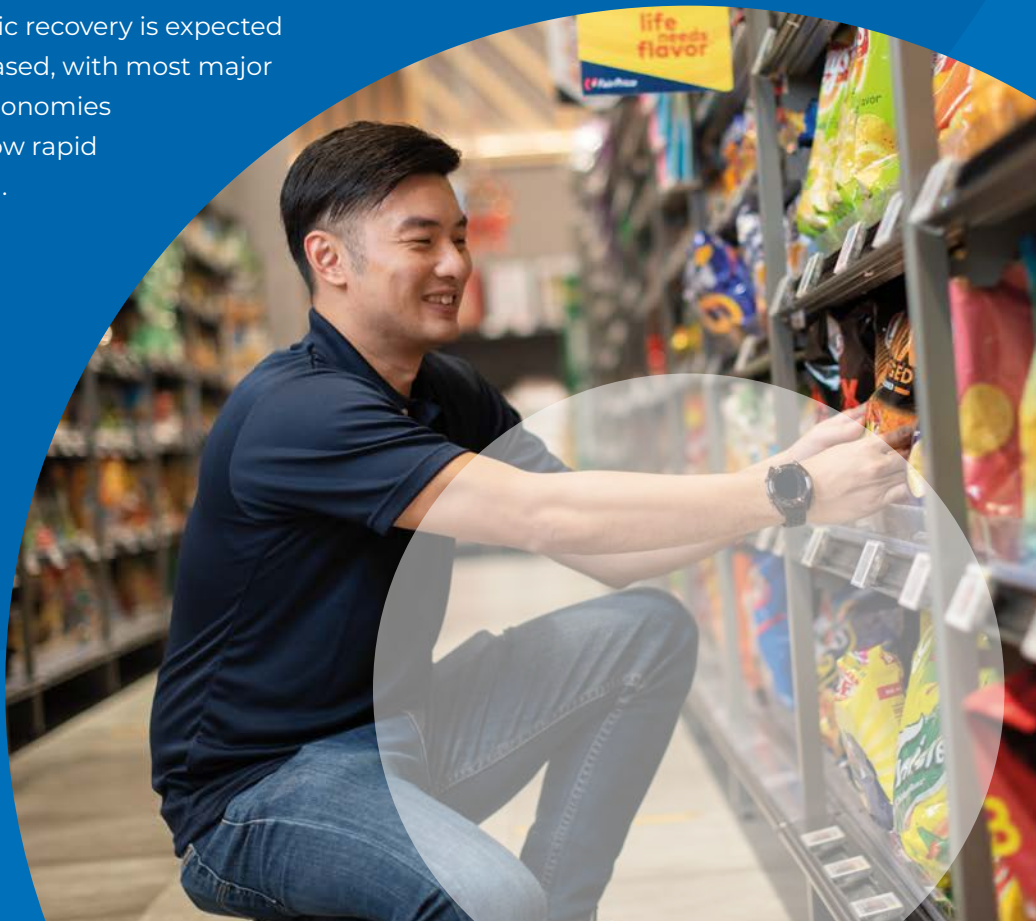
Many countries have seized the opportunity within the crisis to move faster on necessary reforms and investments that will be crucial for long-term development.

ASIA PACIFIC

The Asia-Pacific (APAC) region experienced a severe recession in 2020 due to the COVID-19 pandemic, with APAC GDP contracting by an estimated 1.5% year-on-year (y/y).

A strong economic recovery is expected in 2021, with APAC GDP growth forecast at 5.7% y/y, based on expectations that the progressive rollout of COVID-19 vaccines during 2021 will help the gradual recovery of economic activity in many OECD and APAC economies.

The Asia-Pacific recovery is expected to be broad-based, with most major Asia-Pacific economies forecast to show rapid growth in 2021.



EUROPE



Rising COVID-19 infection rates resulted in continued, new, or tightened lockdowns since autumn, sending the economy into recession in the last quarter of 2020.

Recovery will be delayed until the virus is brought under control or until vaccinations allow a reopening of the economy.

If Eurozone countries are able to ensure a quick rollout of vaccinations, a better control of the pandemic and an easing of lockdown measures, the Eurozone economy is likely to rebound from the second quarter, driven by pent-up consumer demand.

GULF

While uncertainty remains regarding the speed of the COVID-19 vaccine roll-out, all signs point to 2021 being a return to growth for the Gulf. IHS Markit's December 2020 country-specific Monthly Economic Outlook forecasts suggest all countries in the region will return to economic growth on a real GDP basis (constant prices) in 2021.

While we expect most sectors to grow in 2021, the speed of growth will be uneven across different economic sectors due to the speed and adoption of the vaccine, economic policy decisions, broader economic performance, and consumer behaviour.

The Gulf may see a quicker recovery due to lower levels of COVID-19 spread, strong public health campaigns on masks and social distancing, and large events such as Expo 2020 (now scheduled for 2021) and the 2022 FIFA World Cup boosting consumer demand.

INDIA

India's near-term prospects had turned more favourable following a stronger than expected December quarter, when GDP grew by 0.4% over the year following a 7.5% contraction in the September quarter.

However, the catastrophic Covid-19 second wave will severely impact India's economic recovery and have a cascading effect through both supply and demand channels.

LATAM

The COVID-19 pandemic has ravaged Latin America, exacting a heavy human toll and inflicting massive economic damages. The health crisis has been accompanied by an economic downturn of historic proportions, which follows several years of disappointing growth. Amid a drastic contraction in employment, an estimated 45 million people have been pushed into poverty.

Regional growth is forecast at 3.8% in 2021, before moderating to 2.6% in 2022. The recovery will likely remain fragile and uneven, with outlook risks tilted towards the downside. Several countries in the region face significant political risks and the possibility of a debt crisis."

Source: www.fitchsolutions.com; The World Bank

RETAIL NEWS

PURPOSE LED BUSINESS INITIATIVES AND SUSTAINABILITY



ASDA TO BRING IN HUGE NATIONWIDE BAN FOR EVERY SINGLE SUPERMARKET IN UK

Asda has announced a nationwide ban that will be coming into place in every single one of its supermarkets. It's all in a bid to help the supermarket giant cut down on plastic waste. The free plastic fruit and vegetable bags will now be ditched in every one of its 630 stores. The supermarket giant says it will be removing over 100m pieces of single use plastic from its stores each year by making the switch.



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LANCÔME TRAVEL RETAIL ASIA PACIFIC PARTNERS WITH CHINA DUTY FREE GROUP TO LAUNCH SUSTAINABLE POP-UP

Lancôme Travel Retail Asia Pacific has teamed up with China Duty Free Group to launch a new sustainability pop-up in Sanya, Hainan, named 'Let's Grow Happiness'. Celebrating International Women's Day, the pop-up, which ran until 14th March, at the China Duty Free Group Haitang Bay Mall, showcased how sustainability enhances beauty.



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IKEA (BELGIUM) INVESTS IN REDUCING WASTE THROUGH A CIRCULAR ECONOMY INITIATIVE

Ikea wants to focus more on the circular economy, which is why it has rebranded what was formerly a small-scale “bargain corner” into a “Circular Hub”, where customers' second-hand items are given a new lease of life. In the next two years, the concept will be rolled out throughout Belgium. The introduction of the Circular Hubs is part of a larger sustainability plan contributing directly to Ikea's transition from a linear to circular business, as well as engaging and inspiring customers.



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INNOVATIONS AND COVID OPPORTUNITIES

DISRUPTIVE AMAZON FRESH STORES TACKLE CUSTOMER IDENTITY PROBLEM IN THE UK

Over the past few weeks, **Amazon has opened two locations in London.** Amazon Fresh is doing a good job at disrupting some of the classic problems retailers face, including customer identity. Cookie data stored from browsing and mandatory passing of data when a customer places an order (you always give your name, address, email), allows pureplays to get a good feeling for the simplest of customer metrics like frequency of shop, retention and conversion.



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TARGET STORES GET COVID-19 VACCINES VIA CVS PHARMACIES

Target Corp. is making about a third of its stores COVID-19 vaccination destinations through its partnership with CVS Pharmacy. Target said that more than 600 of its 1,700-plus stores with CVS Pharmacy departments have begun administering coronavirus shots in 17 states. Eligible customers and employees can schedule appointments at CVS.com to receive a free COVID-19 vaccine at a CVS Pharmacy at Target location, based on availability.



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INNOVATIONS AND COVID OPPORTUNITIES

TESLA SUSPENDS VEHICLE PURCHASES USING BITCOIN DUE TO CLIMATE CHANGE CONCERNS

Elon Musk announced in April on Twitter that Tesla had begun accepting Bitcoin as a form of payment.

Musk has since backtracked on this position due to concerns about the rapidly increasing use of fossil fuels for Bitcoin mining and transactions.



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TMALL LAUNCHES "3D HOME IMPROVEMENT CITY" TO DRIVE ONLINE HOME IMPROVEMENT SALES

Tmall 3D Home Improvement City has officially launched, normalizing the 3D shopping experience. From the most beautiful furniture store in Beijing to the retro station of Shanghai home furnishing designers, you can switch in one second to see home improvements. After entering the 3D room, consumers can roam the whole house and feel the effect of the product matching together, or "stand" in any position, view the product style, details, and price 360 degrees. If you like it, you can add it to the shopping cart and buy it with one click .



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MERGERS, PARTNERSHIPS AND ACQUISITIONS

MR PRICE BUYS YUPPIECHEF FOR R460 MILLION

Mr Price bought Yuppiechef in a deal worth almost half a billion rand - in cash. A US hedge fund owns a minority stake in the online retailer, but the main beneficiaries are thought to be the company's three directors.



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MERGERS, PARTNERSHIPS AND ACQUISITIONS

JD TO DIGITIZE NEARLY A HUNDRED FRESH PRODUCE MARKETS IN SHANGHAI

JD.com will help nearly a hundred fresh produce markets in Shanghai go digital, starting late this month. Using JD's omnichannel fulfilment service, local residents will be able to access fresh produce online via JD and have their orders delivered in as fast as within one hour. This is the first time that an entire produce market in a city has been put on an Ecommerce platform. The program is a partnership among JD Fresh, Shanghai Municipal Government and Beijing Rally Data Software.



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MONDELEZ BUYS MAJORITY STAKE IN SPORTS NUTRITION COMPANY, GRENADE

Mondelez is buying a "significant majority interest" in Grenade, a U.K.-based sports nutrition brand known for its high protein bar Carb Killa, the company said in a statement. The Financial Times reported the deal valued Grenade at \$277 million, and Mondelez purchased the stake from private equity firm Lion Capital. The acquisition will give the Oreo cookie maker a deeper presence in broader snacking and fast-growing well-being segments. Grenade, which sells its bars, shakes, spreads and other offerings in the U.K., North America and Asia Pacific, targets its sports nutrition products to people who are physically active.



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AMAZON SUPPORTS INVESTMENT IN INDIAN D2C BEAUTY BRAND MYGLAMM

MyGlamm, an omnichannel direct-to-consumer beauty brand, has raised Rs 175 crore in Series C funding, led by Ascent Capital, Amazon and Wipro Consumer, valuing the company at more than \$100 million. The funding is one of the first investments by Amazon in a beauty brand and puts MyGlamm in the league of beauty and personal care startups such as Sugar Cosmetics, Purpule, Plum and Juicy Cosmetics that have raised money from investors in the recent past.



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APPLE BUYS A COMPANY EVERY THREE TO FOUR WEEKS

Apple has acquired about 100 companies over the last six years, the company's chief executive Tim Cook has revealed. That works out at a company every three to four weeks. Apple recently delivered its largest quarter by revenue of all time, bringing in \$111.4bn (£78.7bn) in the first-quarter of its fiscal year 2021. Mr Cook told the shareholders that the acquisitions are mostly aimed at acquiring technology and talent.



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AMAZON ACQUIRES INDIAN RETAIL TECH FIRM PERPULE

Amazon Technologies has acquired Bengaluru-based retail tech startup Perpule's cloud-based point-of-sale asset called Ultra POS. Perpule's Ultra POS is a fully integrated billing solution for offline stores. Perpule also helps offline stores have presence on various mini app stores. "Perpule has built an innovative cloud-based POS offering that enables offline stores in India to better manage their inventory, checkout process, and overall customer experience," an Amazon spokesperson said in a statement. "We are excited to have the Perpule team join us to focus on providing growth opportunities for businesses of all sizes in India while raising the bar of the shopping experience for Indian customers."



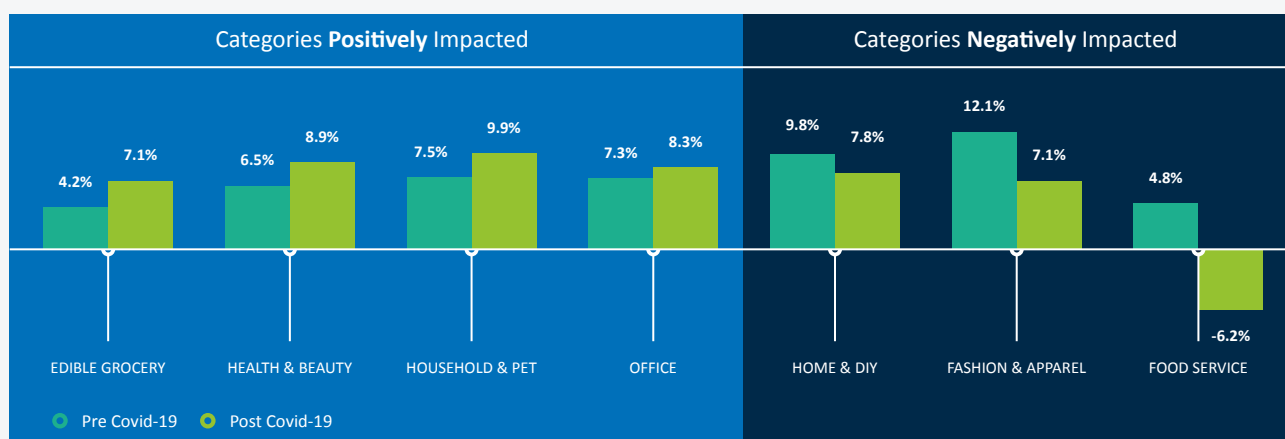
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CATEGORY SHIFTS INTO 2021

Long term category spending shifts from food to non-food and from products to experience, have been paused as a result of COVID-19, with essential goods such as edible grocery and healthcare seeing a boost in 2020. While non-essential category spending will not disappear entirely, consumers will approach luxury and discretionary spending with an increasingly cautious mindset in the mid-term as they feel the impact of a constrained economy and ongoing uncertainty.

YOY GROWTH BY CATEGORY IN CHAIN RETAIL AND ONLINE, 2020, PRE VS POST COVID-19 FORECAST



FMCG value growth will peak at 10% above pre-COVID projections Q1-Q3 2021.

Health & beauty will recover to near pre-COVID growth levels in 2021.

PLANNING CONCERNS & OPPORTUNITIES BY CATEGORY:

12% EDIBLE GROCERY
Ecommerce SALES
CAGR, 2020-2025

9.3 – NUMBER OF
CONNECTED DEVICES
PER PERSON, 2025

33% POST COVID
ECOMM GROWTH IN
HEALTH & BEAUTY

12% GLOBAL GREEN
CLEANING PRODUCTS
CAGR, 2019-2029

73% SHARE OF
POPULATION ADDING
MORE SUPPLEMENTS
TO THEIR DIETS

27% ECOMM
PENETRATION IN
HOUSEHOLD & PET CARE
CHAIN RETAIL SALES, 2025

KEY CONSIDERATIONS

- Consumer loyalty will favour retailers and brands actively managing store and online space to reflect changing trends.
- Retailers will reallocate store space towards in-demand categories, with non-essential categories shifting online.
- Brands will re-position portfolios to prioritise high-growth categories, while elevating marketing and engagement to encourage discretionary spending.

Source: Kantar; World panel research paper; Edge; Future retail disruption 2020/2021

CHANNEL SHIFTS INTO 2021

Accelerating an already dynamic shift towards residential small-box formats and online, COVID-19 has further widened the gaps that are opening up, especially between Ecommerce and bricks & mortar.

While all major grocery retail channels saw upward sales impulses from stockpiling and increased in-home consumption in 2020, we expect the gradual decline of big-box formats to continue from 2021, as socio-demographic tailwinds continue to favour residential stores.

Some channels will settle back to pre-Covid level growth levels over time, but many will maintain dominance as changes to consumer behaviour are entrenched.

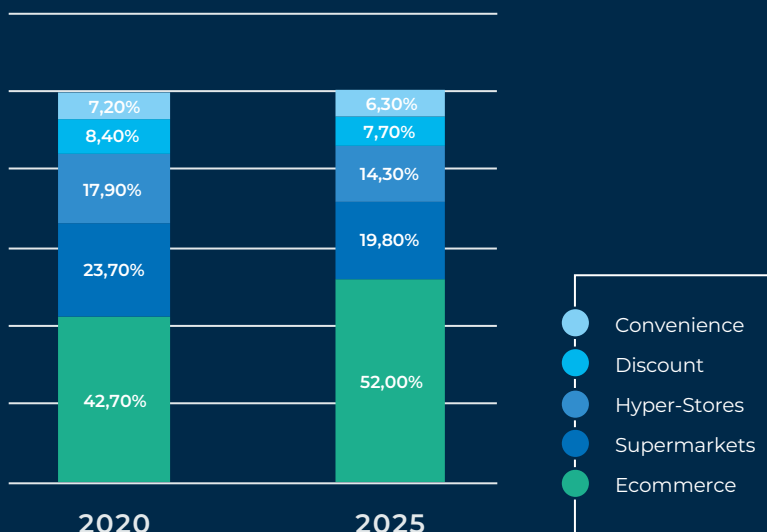
TOP GROWING CHANNELS (2020):

- Ecommerce (30.4%)
- Discount (8.5%)
- Supermarket & neighbourhood stores (7.5%)
- Pharmacy & health (7.4%)
- Hyper stores (7.4%)
- Convenience (7.4%)

DECLINING CHANNELS (2020):

- Department stores (-10.9%)
- Food service (-8.9%)
- Fashion & apparel (-8.3%)
- Home specialists (-1.1%)
- Leisure/entertainment (-0.2%)
- Consumer electronics (2.7%)

GLOBAL: CHANNEL COMPOSITION BY GROSS SALES 2020 VS 2025



Ecommerce growth rates have been fast forwarded by 2 years.

Online will provide 57% of global added sales by 2025.

The growth in Ecommerce is less noteworthy as a competitor to brick and mortar retail and more relevant as a driver for change in the role of the physical store. The store will now function as:

A collection point



A destination for core assortments

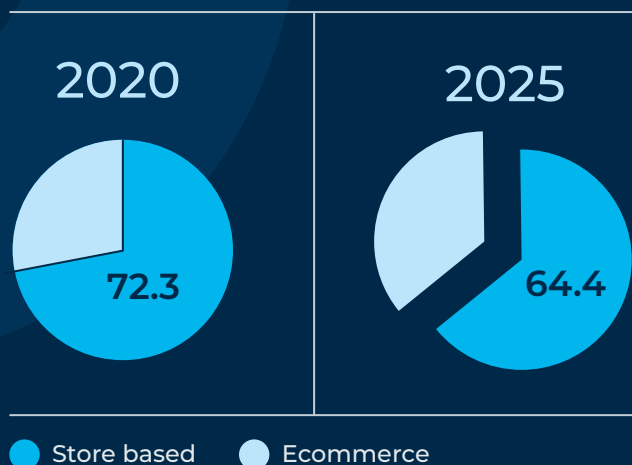


On-demand fulfilment



A Community centre offering services such as health care, pet care, financial services etc.

STORE BASED RETAIL WILL STILL ACCOUNT FOR TWO THIRDS OF GLOBAL CHAIN SALES BY 2025.



KEY CONSIDERATIONS

- Shoppers signing up to Ecommerce offers for the first time during the pandemic are likely to stay loyal to online post-pandemic.
- Grocery retailers will focus on retaining customers, scaling up omnichannel capabilities and reducing dependencies on big-box formats via more balanced store portfolios.
- Brands will shift budgets towards fast-rising channels like discount, convenience stores and online.

Source: Edge; Store of the future trends for 2021

CONSUMER BEHAVIOUR CHANGES

The longer the pandemic lasts, the deeper and more enduring the changes in consumer preferences and behaviour.

Consumers are spending more time at home, are more concerned about their health and wellbeing, insecure about their economic prospects and care about responsible consumption and purpose driven business.



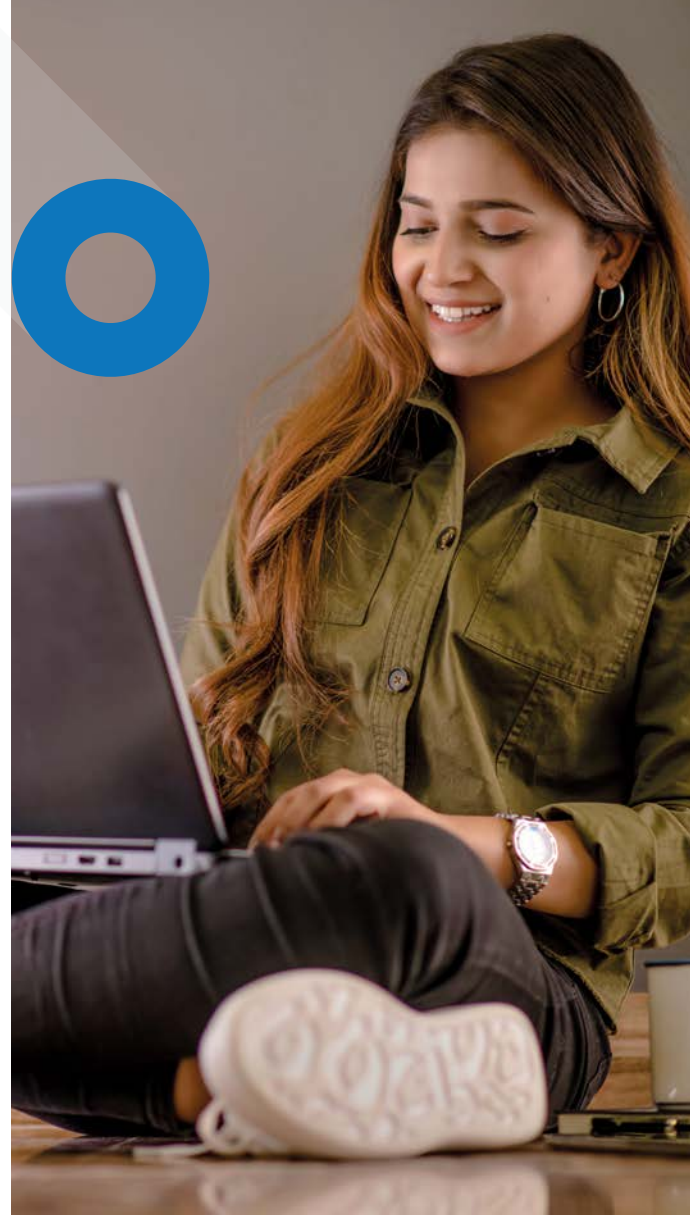


Many of these shifts were apparent pre-Covid but have been exacerbated by the pandemic. These changes are resulting in the following shopping behaviours impacting retailers and brand owners:

- Shopping closer to home from smaller store formats
- Declining purchase frequency and increased basket sizes
- Lower levels of brand loyalty
- Preference for brands that show good global citizenship
- Support for local brands and businesses
- Adoption of omni-channel, in particular digital commerce

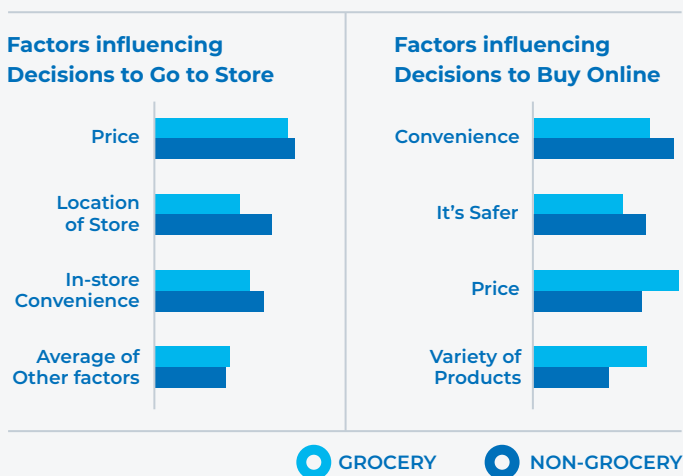
Gen Z accounts for 24% of the global population and is now entering into their prime spending years.

53% of global consumers expect brands to address environmental problems.



Q: WHAT ARE THE FACTORS THAT INFLUENCE YOUR DECISIONS TO GO TO THE GROCERY / NON GROCERY STORE?

% OF CONSUMERS INTERVIEWED, GLOBAL SCOPE, JUNE 2020



KEY CONSIDERATIONS

- Higher unemployment levels and heightened economic uncertainty will limit consumer spending on non-essentials, while intensifying consumer demand for value.
- Retailers will accelerate initiatives tailored towards value for money, such as private label development, while implementing engagement tactics to drive excitement and spending amongst apprehensive consumers.
- The importance of brand trust and transparency will be magnified as consumer confidence is hit, while brands will need to tailor portfolios to temper consumer concerns around value.

RETAILER INVESTMENTS & INITIATIVES

In 2020, roughly 50 retail bankruptcies occurred during a time when others experienced record earnings. Consumer behaviour changed overnight, and we saw technological adaption in a matter of months that would normally have taken years to occur.

Collaboration between Retailers and Brand owners will be a key success factor as the industry continues to build capabilities at pace and scale to deliver on changing consumer preferences.

A recent study identified four priority areas where the rules will likely be rewritten, and key investments will take place:

RETAIL INVESTMENT PRIORITIES FOR 2021



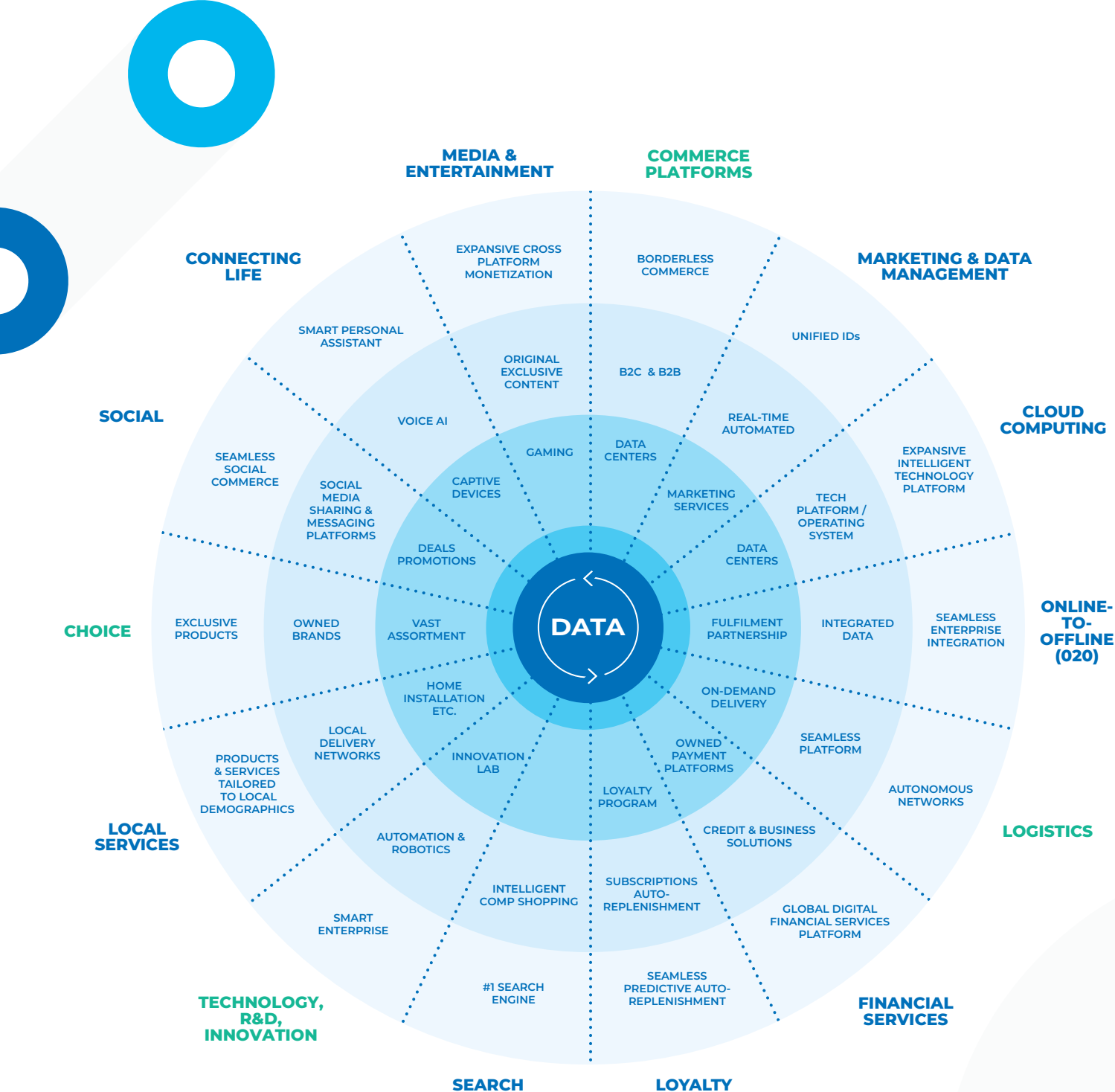
These investment priorities are also evident in the way in which retailers are building ecosystems. The largest Ecommerce platforms in the world are ecosystems, operating in various verticals.

Store-based retailers are also investing heavily to build out their ecosystems following the approach and success of major Ecommerce players like Amazon and Alibaba.

Ecosystems are comprised of a collection of industry verticals that together create value for the owner and users. The verticals that may comprise an ecosystem are simply products, services, or value that an operator can provide to its users e.g. Financial services.

This integration of physical and digital assets to create a more comprehensive offering for the shopper is where investment from all leading retailers is currently focused. Larger ecosystems have the additional benefit of creating more consumer touchpoints and data points in retail and non-retail settings.

The power of ecosystems for retailers is the ability to leverage data and customer benefits across verticals in more cost effective and impactful ways.



FUNDAMENTAL ———> ADVANCED

Ecosystem expansion is likely to be developed through M&A's or partnerships as it requires new capabilities traditional retailers may not be best placed to build themselves.

TOP ECOSYSTEM INVESTMENT AREAS (2020/21):

1. Choice (Assortment: owned brands, exclusive products etc.)
2. Technology, R&D, innovation (Driving instore efficiencies; supply chain automation & shopper experience)
3. Logistics (investment in fulfilment capabilities)
4. Commerce platforms (buying & building Ecommerce platforms)

Source: Edge; Retailer ecosystem expansion

GLOBAL
ECOSYSTEM
BUILDING
INITIATIVES
FROM
STORE-BASED
RETAILERS
INCLUDE:



Walmart

WALMART PLUS

Walmart's membership programme is gaining consumer adoption and continues to be enhanced including elimination of shipping minimums; scan and go technology and fuel discounts.



Carrefour

CARREFOUR'S SPECIALIST PETSTORE INSERT

Carrefour has launched a bespoke pet store insert.

The shop-in-shop is a collaboration with Noa and includes pet services such as health and wellbeing appointments.



SHOPRITE

SHOPRITE LAUNCHES MOBILE NETWORK

Shoprite has announced its own mobile virtual network operator, K'nect.

The data rates will be among the most competitive in South Africa and offers rewards to Shoprite Xtra members.



RETAIL TRENDS TO WATCH IN 2021

Some of the most noteworthy trends disrupting retail in 2020 and 2021 are:

- The rise of Delivery intermediaries
- Expansion of Click and collect
- Direct to consumer
- Digital and physical retail experience integration through smartphones

1

THE RISE OF DELIVERY INTERMEDIARIES:

In 2020 alone there was over 48% growth in global delivery intermediaries as retailers and brand owners sought to accelerate fulfilment capabilities at speed and scale to meet increased consumer demand.

Many dominant delivery intermediaries started out in the foodservice space and have shifted to grocery, such as UberEats; Deliveroo; Doordash; Ele.me and Swiggy.

To streamline delivery, intermediaries are starting to rationalise product ranges. In addition, many intermediaries are developing their own dark stores with tailored promotions.

They may also have an opportunity to develop their own private label offers, entirely bypassing retailers to drive efficiencies and margin.

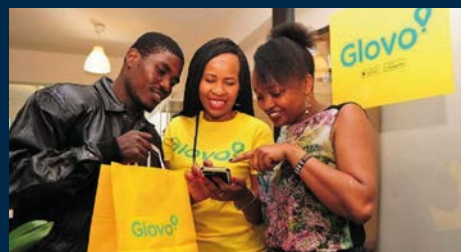
Retailers have also invested heavily in their own grocery delivery capabilities, many through acquisition of existing delivery intermediaries.



Miss Fresh



Swiggy



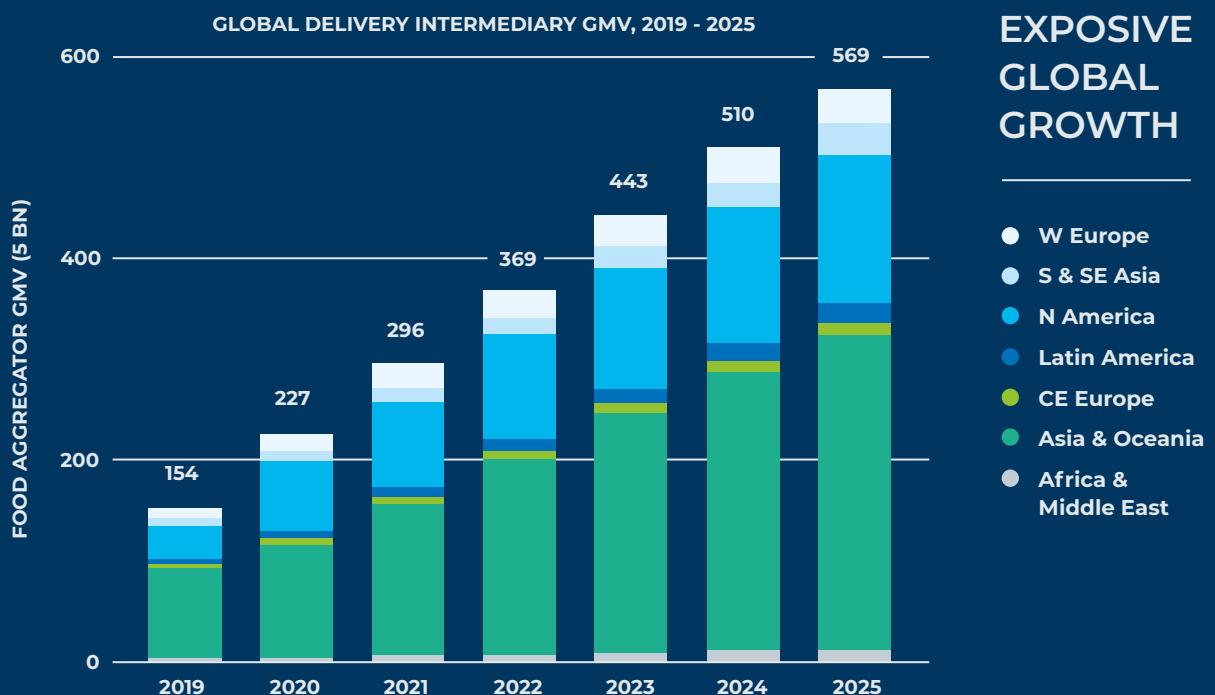
Glovo



Instacart

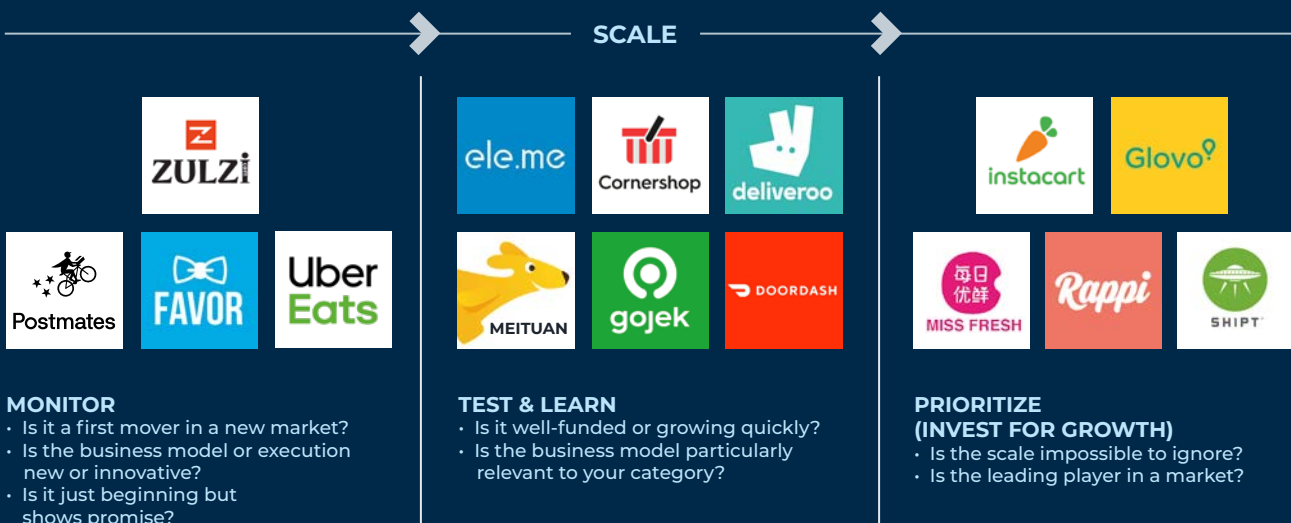
WHO ARE DELIVERY INTERMEDIARIES AND WHAT DO THEY DO?

**23% CAGR growth (2020-25)
versus +12% for grocery
Ecommerce in general.**



Brand owners should recognise intermediaries as a new, fast-expanding and essential channel. This involves working with retailers whose stores intermediaries pick from, to support optimising for this model, as well as working with the intermediaries themselves and building capabilities.

Partner with Grocery Delivery Intermediaries by Prioritizing Scale and Capability Building



2

EXPANSION OF CLICK AND COLLECT

Longer-term rapid delivery will be a table stake capability for retailers, which Brand owners will need to support to defend relevance in a more convenience-driven world.

As fulfilment expectations rise, retailers will continue to drive investment in micro-fulfilment centers and automated pick-up points. Click and collect also presents a more affordable, scalable route to consumers for retailers than delivery. Retailers are likely to invest in promotional tactics to incentivise consumers to “click and collect” rather than order online for at home delivery.

Click and collect places significant limitations on impulse categories, as well as limiting pack sizes.

In addition, a key implication of these alternative routes to the consumer - namely Delivery intermediaries and Click and collect - is how this has impacted store layouts, ranging and assortments.

Click and collect growth has been accelerated by 3 years due to COVID-19.

Post COVID-19, shoppers state they will continue...



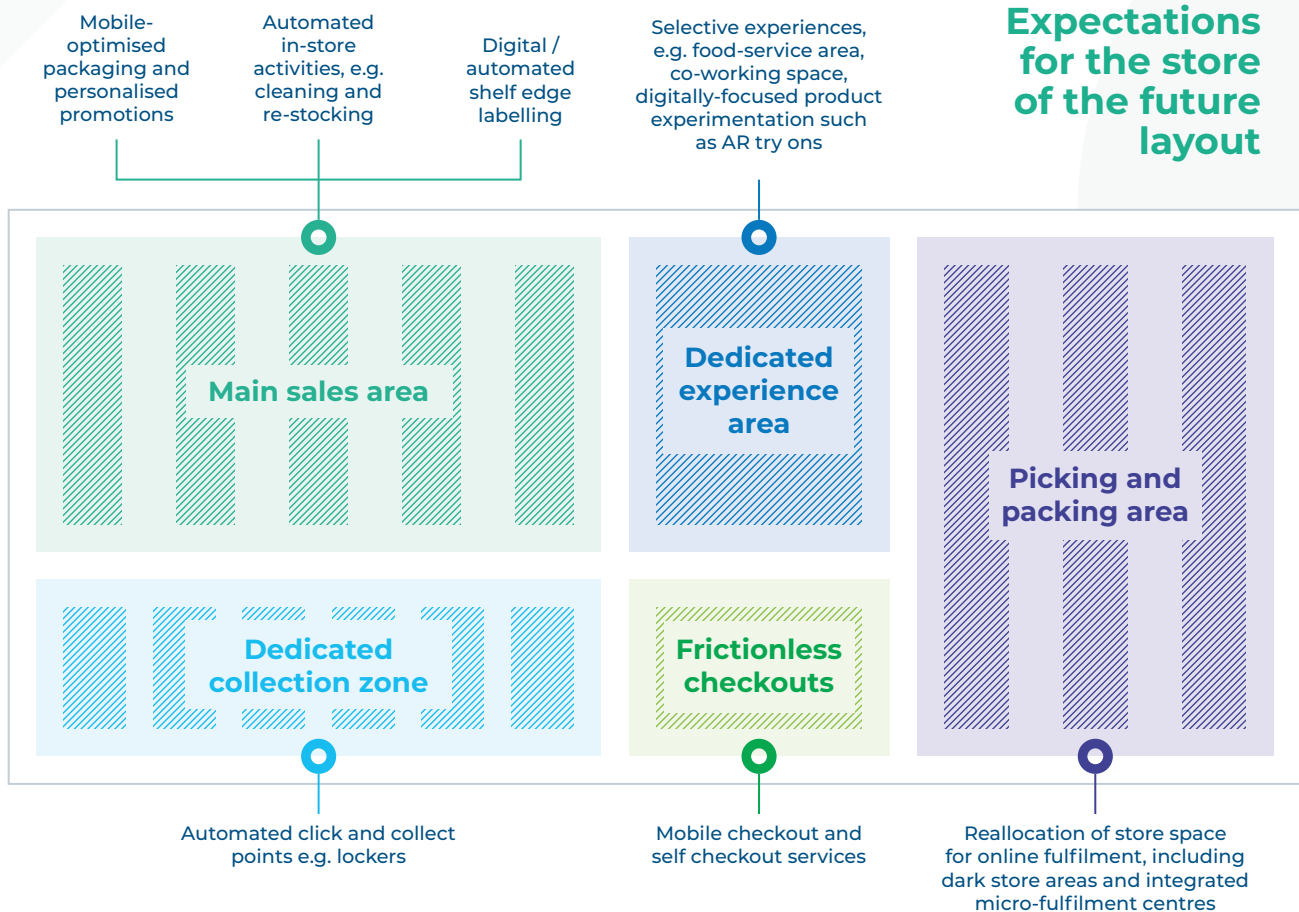
“Out of stock products, limited store hours and long queues were the leading barriers to click-and-collect service usage.”



This involves:

- Dedicating more footprint towards online fulfilment through front end and backroom space being used to pick, pack and stage orders.
- Redeploying unproductive stores through creating entire dark stores and/or dark store areas.
- Supplier delivery windows becoming more frequent with less notice.
- Merchandising and packaging adapted to make restocking easier.
- Becoming increasingly selective about in-store experiences, with digital technology at the forefront.
- Enhancing product discovery through advanced product content – recipes, video, lifestyle images.

Expectations for the store of the future layout



Source: Kantar, Worldpanel; Edge; Store of the Future 2021

DARK STORES

WOOLWORTHS (AUS) TO OPEN DARK STORE IN BRISBANE

Woolworths is to launch its first Queensland “dark store” in Rochedale, southern Brisbane. The opening results from the increasing popularity of online grocery shopping in the region, especially since the Covid-19 pandemic started. According to ABC News, Woolworths' Rochedale Customer Fulfilment Centre, where personal shoppers can pick and pack grocery orders from across Brisbane, will span 10,000sqm. The store will be closed to the public and stock 20,000 products.

“This new Brisbane facility will employ local staff that will pick out, pack up and facilitate the delivery of the weekly shop right from Rochedale to the front door of South-East Queenslanders,” said Krista Adams, chairwoman at city planning committee.



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DEDICATED EXPERIENCE ZONES

TARGET AND APPLE PARTNER ON SHOP-IN-SHOP CONCEPT

Target is continuing to pursue its ‘stores as destinations’ strategy with the opening of mini Apple shop-in-shops inside 17 of its stores over the next month. Target already sells Apple merchandise, but the shop-in-shops will elevate the existing offer by doubling the tech company’s footprint inside Target stores, while also featuring product demonstrations from ‘Target Tech Consultants’, who will receive specialized training from Apple.

This is the latest in a series of brand collaborations for Target, as it continues to carve out an industry standard for exclusive assortments and in-store experiences through partnerships with Disney, Ulta Beauty and more recently, Levi Strauss & Co. This is ultimately a traffic-driving activity that will help cement Target's stores as destinations, while also maximizing the efficiency of its 1,500+ superstore estate.



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3

DIRECT TO CONSUMER (D2C):



75% of CPG suppliers will operate a D2C platform

and will consolidate with third-party logistics and data providers by 2030.

While D2C is still early in its development and sales volume are small, it resembles the early days of Ecommerce in CPG categories, with considerable long-term opportunity.

D2C has historically been led by small upstart brands, but over the past year we have seen large legacy CPG brands launching D2C platforms. They generally have a strong category focus, but often wide product portfolio within a category.

Most D2C platforms build on pre-existing third-party solutions focused on the space – Shopify; Magento; Salesforce commerce cloud; Woo commerce etc.

D2C platforms enable brands to test new offers, control the shopper journey, deepen levels of personalisation and create a new sales channel for brand owners.

BENEFITS OF D2C PLATFORMS:

SHOPPER INSIGHTS		SALES CHANNEL	
Insights & Innovation Engine	Platform to Control User Experience	Marketing & Sales Engine	Sales Driver
What it is: New product, marketing and business model test tool	Educational, brand-owned shopper interface	Customer acquisition engine driving sales across channels	Major or primary sales growth engine
Goals: Test new offerings at lower investment levels than scaled deployments	Develop and deepen relationship with most loyal shoppers through education and sales	Drive brand awareness and successful product launches for sales success across channels	Be the number 1, high-growth / high-control shopping channel for the brand

CATEGORIES THAT LEND THEMSELVES WELL TO D2C PLATFORMS ARE:

CONFECTIONERY & SNACKING

Category lends itself well to personalisation and gifting linked to seasonal events.

PERSONAL CARE

Category benefits from branded & customised educational online shopping experiences as well as personalisation options during purchase online.

HOUSEHOLD CARE & CLEANING

Bulk and heavy products limit D2C innovation. The convenience of subscription and auto-replenishment is a differentiator.

PLAYERS WITH THE MOST D2C PENETRATION

- Hershey
- PepsiCo
- Haribo
- Nestle
- Mondelez

- Reckitt Benckiser
- Procter & Gamble
- L'Oreal
- Johnson & Johnson
- Beiersdorf

- Georgia Pacific
- Clorox
- Unilever
- Henkel
- SC Johnson

PEPSICO PANTRY SHOP

PepsiCo, Inc. has launched PantryShop.com and Snacks.com, two direct-to-consumer Ecommerce platforms that feature the company's portfolio of products. On PantryShop.com consumers may buy bundles of products organized around a daypart or activity. At Snacks.com consumers may curate a package from the company range of snack brands.



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4

DIGITAL AND PHYSICAL RETAIL EXPERIENCE INTEGRATION THROUGH SMARTPHONES

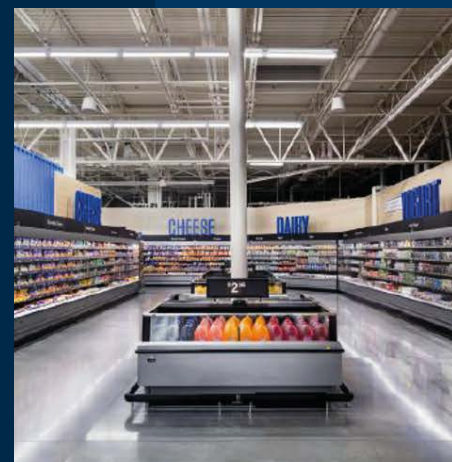
Smartphones are becoming more embedded in the shopper journey enabling discovery, navigation and selection.

As Smartphone influenced store experiences scale, it will be increasingly important for brands to ensure effective digital shelf content is available and visible to support the in-store shopper journey.

Walmart will be rolling out 1000 digitally integrated stores in 2021 across America, enabling greater levels of personalisation as well as a more frictionless shopper experience.

KEY IMPLICATIONS AND CONSIDERATIONS FOR SMARTPHONE INTEGRATION INTO RETAIL EXPERIENCES INCLUDE:

- Data driven engagement and personalisation, ideally linked to retailer loyalty programmes
- New impulse touchpoints
- Enhanced searchability and mobile product discovery.





CONCLUSION

As we enter the second quarter of 2021 and a year into the global pandemic, it is clear that the future of retail will be increasingly digital. This digitisation will not replace the physical store so much as shift the role of the store further.

As retailers build ecosystems, brand owners explore alternative routes to the consumer and delivery intermediaries grow in scale and impact, competition for share of consumer spend will be heightened.

Retailers and brand owners will need to be ready to serve a shopper eager for more physical experiences but possessing a greater familiarity with online shopping and raised expectations for delivery speed and service.

This integration of stores, Ecommerce, the supply chain, and shopper engagement is the fundamental challenge of this new decade and the battleground that will differentiate winners and losers.



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