

Challenges to the Retail Industry in 2015

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In Q4 2014, some of the major business consulting practices released their findings and prediction for the landscape to the retailing industry going forward in 2015.

What are they telling us, that we don't already know? Wholesalers and suppliers alike need to have the ability to anticipate and cater for change in order to support their customers - the retailers.

Needless to say, the retailers too have to anticipate and adjust their business and processes based on consumer trends. Previous challenges in the economy have taught us that.

PriceWaterHouse Coopers confirms that "the retail industry is becoming more complex and changing at an ever-increasing speed."

A strategy blog invited a panel of 7 industry experts whose customer base includes names such as Nike, Gap, Lego, Nautica, and many others, also echoed that statement stating that "retailers will see the biggest test of all of their existing processes and newest initiatives – from IT infrastructure, product assortment, and customer analytics to in store operations and digital customer acquisition."

So what are the experts from the above companies doing differently, to stay agile in this environment? We have compiled and summarised the reports into 4 main topics of discussion:

1. Creating an Omni Channel

Consumers will dominate in 2015 as they increase demands for interactivity, segmentation, localization and customization, and as they leverage greater visibility into product availability and pricing. This will require unprecedented levels of value chain collaboration.

This is a key challenge for retailers to deploy a real-time retail model across a wide variety of channels to enhance the customer experience. Not just the brick and mortar stores, but also across e-Commerce platforms. Utilising mobile technologies have become important issues that need to be considered as part of a retailers marketing strategy.

To tie online and offline, putting mobile apps in the hands of store associates truly empowers them to be more efficient and better serve customers.



"Today, on average, about 6% of retailers' sales in Australia are generated via mobile. Only 9% of retailers today say mobile generates over 15% of their sales, while 26% of retailers anticipate that over 15% of their sales will come from mobile in 1-3 years.

Online only and combined retailers are much more likely to have taken steps to take advantage of mobile technology, especially email campaigns (70%/60% vs. 48%), texting campaigns (49%/41% vs. 32%) and new mobile applications (53%/53% vs. 42%) than brick-and-mortar-only retailers.

On the back end, the Omni channel movement is also raising a lot of questions about fulfilment. What are our needs, and how will we mobilize to meet customer demands? And all of this is happening at a time when sales are slow and top-line growth is elusive.



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2. Point of Sale

Technology will be pervasive in 2015. Falling costs, widespread availability and adoption of devices, a working infrastructure and standardization will accelerate the integration of technology. This will drive more change in the way consumers shop in the next 10 years than it has in the last 20 years. Consumers will have access to devices in home and in hand.

Miniaturization will allow mobile devices to add increased functionality and also allow everyday items like accessories to function as devices. Biometric technologies are emerging, including facial, voice, fingerprint recognition, as well as iris and retinal scanning. Interactions will be increasingly natural, such as voice activation. Self-activated agents will perform routine tasks without human intervention.

Consumers will be able to access content on demand. Information will be available anywhere, anytime, in any language (instant translation). For retailers and suppliers, technology will empower an unprecedented level of value chain collaboration and communication—from raw material supplier to end user and back again.

3. Evolving Customer Profile

Today's consumers are highly informed, enabled by new technologies and tools which provide them access to information like pricing and product reviews. This, combined with the fact that the universe of retail options for many products is seemingly endless given online alternatives, makes it very challenging for retailers to win consumers' spending dollars.

Older generations are becoming more service "do it for me" and experience oriented. Younger generations are more likely to approach goods, services and experiences as an integrated continuum. To satisfy customer needs, retailers will need to incorporate services and experiences into their concepts.

Today's consumer is markedly different than even a few years ago. Their expectations are extremely high, they expect the best of everything, 100% availability and fast delivery.

4. New Consumer Mindsets

A new set of underlying drivers will permeate our society and our shopping behaviour. Four mindset mega-trends will have far-reaching implications for the retail marketplace of 2015:

Interconnected—By the middle of the next decade, interconnectivity will be a part of life. Consumers will expect to connect to anyone, at any time, about anything, from anywhere. Interconnectivity will also be a way of life—the way people get and share information, communicate, transact business, even the way they socialize. Social status in the next decade will become much more about who you connect to and who wants to connect to you. Expect an explosion of social networking sites designed to expand the individual's reach.

In Control—With interconnectivity as a base assumption, consumers also will become more adept at controlling the ways in which they interact.

Control will take three forms:

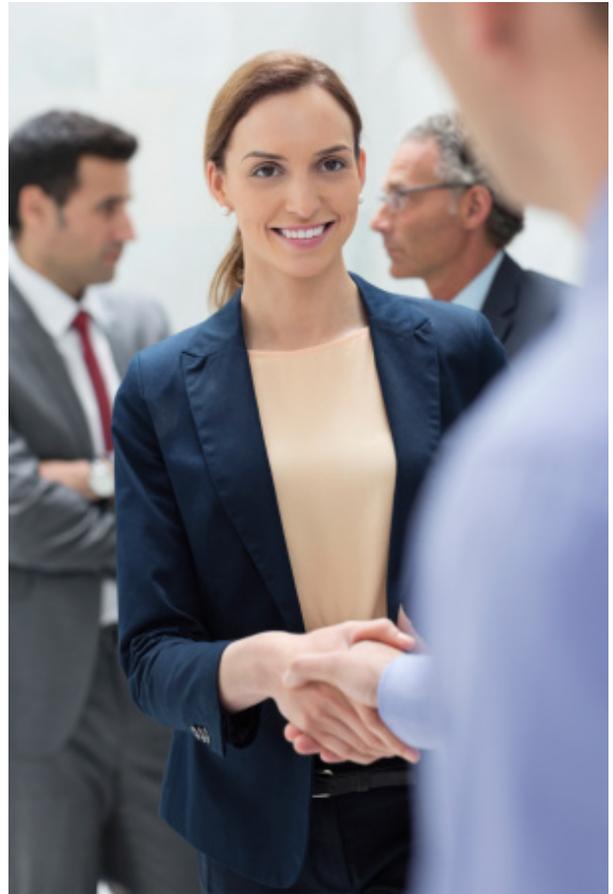
- **Clout control:** Consumers will find there is strength by association to drive change. This will help consumers demand the products they want, via the shopping experience they want, from companies that do business in the ways they want.
- **Context control:** Tools and technologies that enable time-shifting and place-shifting increasingly will allow consumers to capture information, communicate and conduct transactions regardless of the time or the place.
- **Contacts control:** Consumers also are gaining more control of whom they let into their interconnected "world." They are increasing their use of filtering mechanisms to create a "closed loop society," where connectivity is limited to the contacts they allow in.

Expect to see a proliferation in social networks that are more finely focused and, in some cases, more exclusive in the ways people find and join them.

Unlike mega networks designed to extend reach, the goal of these micro-networks is to narrow reach to specific niches of similar interests.

Indulgent: In 2015, consumer indulgence will be focused on the “next new thing” and the “next best thing.” Interconnected shoppers will have the tools to easily discover, find, and try the next new thing—at ever more affordable prices—and then quickly move on. Given virtually unlimited accessibility to the next new thing, consumer indulgence will shift to the next best thing—niche products, experiences and services uniquely suited to their tastes, interests and aspirations.

Individualized: Shoppers will gravitate toward products and experiences that offer individual focus, interaction and involvement in the entire value chain process. They will desire products and experiences they perceive as meeting their unique needs. They will want the opportunity to interact at the individual level with retailers and suppliers. Taken to the extreme, they will seek out opportunities for involvement in the entire chain of activities that brings a product to market—from conception, design and creation, to marketing and retailing, even to funding and rewarding.



Final Word

The retail landscape is changing and will have to rely on up to date technologies and forward planning. Business agility has become more important than ever, with the vast amount of information that is easily accessible through the internet.

It is not only about customer experience, nor is it only about price or brand awareness. Younger generation of consumers will demand a holistic experience that will place demands on a retailer to look and progress on all fronts.



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