Changing Landscape of Retail

The world has changed drastically and now it's a race of adaptability for success. We explore challenges in the retail industry and discuss strategies to overcome roadblocks

Executive Summary

Retail Landscape is changing due to shifts in Consumer Behavior

- $20B increased online sales in Q1FY20 compared to Q1FY19

- 1/3 of US households or ~40M used online grocery services like Home delivery/Pick-up

- 47% increase in Shopify sales on eCommerce and store POS systems

- Buy Online Pickup In Store (BOPIS) usage surged in August, with 59% growth over July (259% YoY)

Retail Challenges

- Managing demand fluctuations has become a challenge for supply chain

- Maintaining brand trust and customer relations

- Stranded inventory in stores

Adaptation has been the mantra to tackle Retail Challenges

- Expanding grocery same day pickup

- Investing in omnichannel initiatives

- Increase in payment integrations like Square, PayPal & Apple Pay

Future of Retail

- Global eCommerce annual sales is expected to grow 20-30% for 2020, against the average growth of 10-15%

- 81% said that brand trust is a deal breaker or decision maker in their buying decision

- 51% of millennials are likely to make a purchase over social media. Social eCommerce on historic rise

- AR/VR help in enhancing customer experience and reducing cost

- Shoppable Video will become mainstream
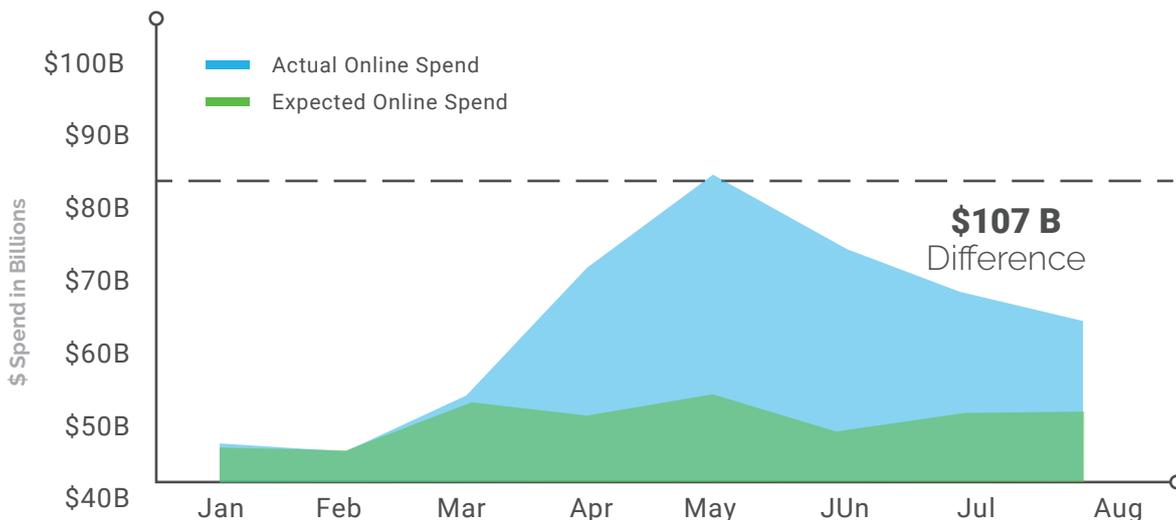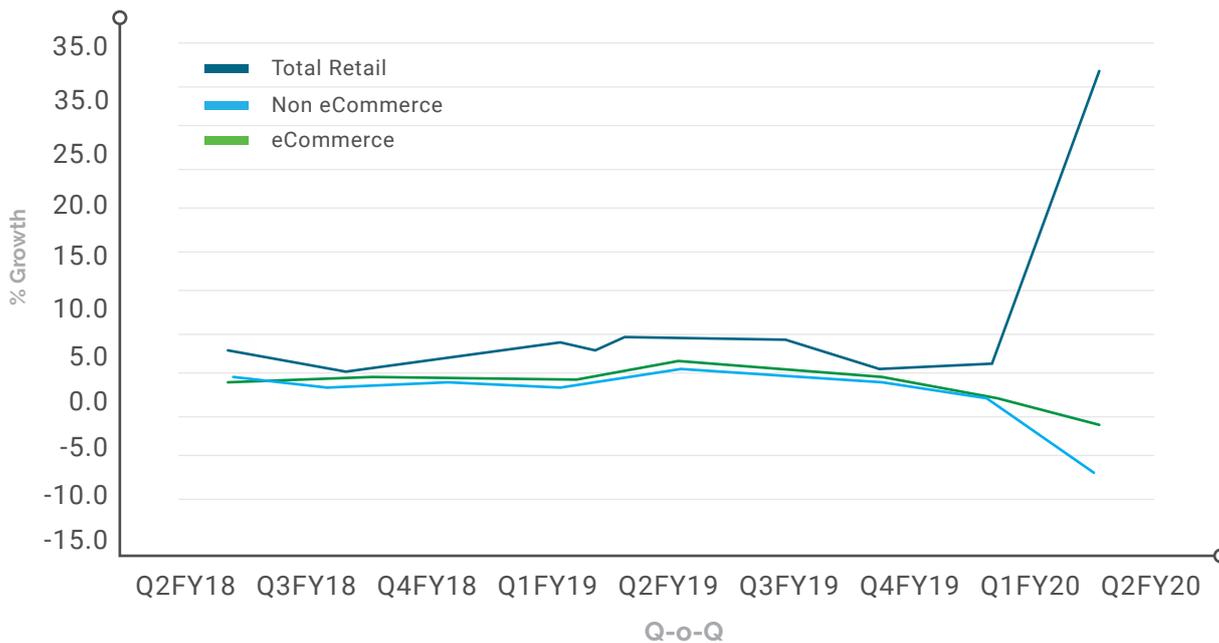
Changing Landscape of Retail

$5.4 trillion

○ In 2019, the U.S. retail industry generated $5.4 trillion in sales with $595 billion in Online sales

○ Online sales accounts to 11.8% of total Retail sales in Q1,2020 increased from 10.5% in Q1,2019

11.8%

Revenue Growth Q-o-Q in Retail

Legend:
- Total Retail
- Non eCommerce
- eCommerce

Y-axis: % Growth (-15.0 to 35.0)
X-axis: Q-o-Q (Q2FY18, Q3FY18, Q4FY18, Q1FY19, Q2FY19, Q3FY19, Q4FY19, Q1FY20, Q2FY20)

Legend:
- Actual Online Spend
- Expected Online Spend

$107 B Difference

Y-axis: $ Spend in Billions ($40B to $100B)
X-axis: Jan, Feb, Mar, Apr, May, JUn, Jul, Aug

Online Retail Spend, Actual Vs. Expected | U.S. 2020   Source: Abobe Analytics

○ August showed further decline in eCommerce growth, down to "just" +42% YoY

○ In August 2020 online spend generated $63B down from $83B in May

○ Only two $2B days outside of the 2019 holiday season while till Aug, 130 days has more than $2B

○ $107B equates to 75% of 2019 holiday season spend

Shifting Consumer Behavior

47% **61%** **52%**
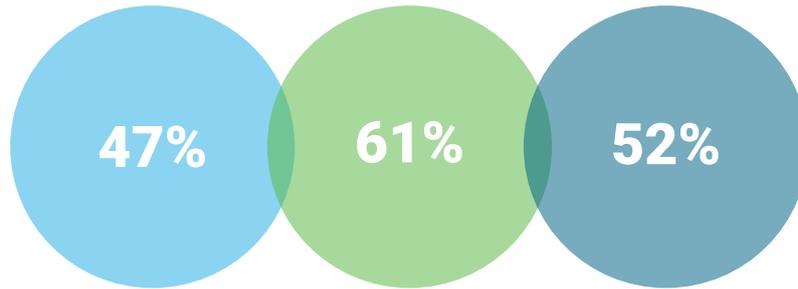
47% | Increase in Shopify sales on eCommerce and Store POS systems

61% | Increase in social media
37% Increase in Facebook usage

52% | Projected in-stream transactions for Live eSports by end of 2020
Fortnite, Roblox, Minecraft generated 1-1.5B hours of playtime/month across 70-120M users

Omni-Channel

1/3 of US Households or ~40M used online grocery services like home delivery/Pick-up

According to Adobe Analytics survey, 30% of online consumers prefer using BOPIS or curbside over delivery

US$26,527m Projected Revenue i.e +20.2% YoY and 111.7m Projected Users i.e +16.9% YoY in online food delivery

87% want restaurants and other brands to offer curbside pickup

77% assess in-person need before shopping with the brands

45% has rocky or poor curbside pickup experience

72% of consumers who own voice-activated speakers use them part of daily routine

30% of all browsing sessions will include a voice search by 2020

Shopping Trends

64% fearful of their health

82% fearful of health of others

48% intend to maintain newly acquired health and wellness habits over the long term

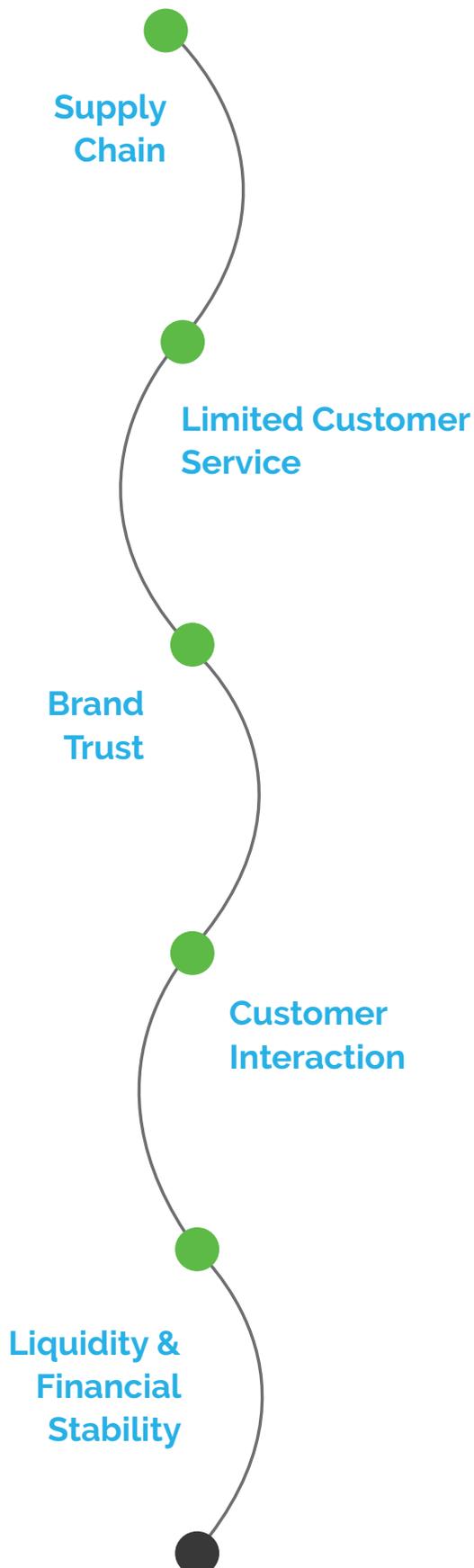64% worried about the impact on their personal job security

88% worried about impact of economy

50% buy new products/brands

43% of consumers are considering paying for a subscription service they didn't have before the outbreak of COVID-19

61% of consumers have reduced their luxury spend, and 21% plan to carry on doing so once the recovery starts

Retail Challenges

Supply Chain

Supply Chain

- Managing demand fluctuations
- Continued delivery and pickup services
- 163 of the Fortune 1000 have Tier 1 suppliers in the impacted area, and 938 have one or more Tier 2 suppliers (which feed the first tier).
- Cost of scaling up online-ordering and delivery systems
- Long term supply chain strategy
- Reliant on a single geography or a single supplier for key products

Limited Customer Service

Limited Customer Service

- Customer service-related inquiries increased 43.4%
- Longer wait times
- 22% increase in chat sessions for retailers

Brand Trust

Brand Trust

- Provide them safety and security
- Walmart, Target and HomeDepot collectively spend $2.75 billion so far on personal protective gear, extra pay to workers

Customer Interaction

Customer Interaction

- Limited interaction due to store closures
- Longer delivery time due to high delivery demand
- Digital Payment Integrations
- 61% customer tend to buy from retailers with proper safety measures

Liquidity & Financial Stability

Liquidity & Financial Stability

- 31% reported believing that they have a 50% chance of going bankrupt
- Stranded Inventory in stores

How Retailers are addressing the challenge

Big Box Retailers

Amazon

- Expanding on new retail grocery stores outside of Go Stores
- Added live streaming to Amazon Influencer program
- Sales up $75B from $57B in April quarter
- Smart shopping 'Dashcart' for stores

Walmart

- Launched Walmart+ retail subscription service to rival Amazon Prime
- Tests new self-checkout-only store
- Launched no-contact payment service on Walmart Pay app with QR code
- Integrated Walmart grocery to Walmart app
- Walmart hired 50,000 additional employees

Target

- Expands grocery same day pickup to 1000+ stores in 47 states
- Launch curbside pick-up for Grocery services

Large Retailers - Physical stores

Loyalty Program a hit

- Customers will earn more points on Starbucks loyalty program
- 48% of sales in May came from Starbucks Rewards members
- Wendy's launched national loyalty program

Going Contact Less and Digital

- Pepsico launched DTC website PantryShop & Snacks.com
- Coke's new Pour By Phone mobile app for touchless drinks at QSR
- 7Eleven begin order and pay for items ahead of time via app

Other Retailers

- Integration with Snapchat and Instagram marketing – Hollister, L Brands
- Nike opens new store concept 'Nike Rise'
- Target, Loreal, Ralph Lauren building brand pages in Snapchat

Small Retailers

- Increase in payment integrations like Square, PayPal & Apple Pay
- Square launches Invoice App for Small buss. Owners to pay employees
- Google launches video shopping platform Shoploop
- Klarna is focusing on virtual shopping for Gen-Z customers

Essential Services

- DHL opens mobile pop-up shipping store
- Instagram Shopping with Facebook Pay
- Rise in new Shopify eCommerce D2C sites
- Shopify launches virtual shopping feature 'Hero' connecting store employees with loyal customers through video chats & text messages

Future of Retail

Accelerated shift to eCommerce

Building brand trust

Omni-channel capabilities

Supply chain transformation

Contactless customer interaction

New shopping enablers

Social media shopping

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20% YoY

Accelerated shift to eCommerce

→ **Permanent shift of shoppers to digital channels**

- Global eCommerce annual sales growth YoY is expected to 20-30% for 2020, against the average growth of 10-15%

- Ecommerce will reach an all-time of 14.5% of total retail sales in 2020 high and the biggest share increase in a single year

- 129% year-over-year growth in U.S. & Canadian eCommerce orders as of April 21

Six out of ten consumers say that they will continue to buy as much online as they do today after the pandemic has passed

81%

Building brand trust

→ **Said that brand trust is a deal breaker or decision maker in their buying decision**

- 60% turned to a brand that they absolutely trust

- 37% has started using a new brand because of the innovative and compassionate way they have responded to the virus break

- 1 in 3 have already punished the brands that did not respond well

Value driven relationship – People first and not profit and Transparency

Environmental consciousness – Environmental initiatives and environmentally friendly products

Show-up – Be there for the people, show your part and be creative to make the difference

Collaborate - Don't act alone. Join forces with people and governments

Solve – Be creative is solving the day-to-day issues and not in selling

Communicate with Empathy - Communicate with emotion, compassion and facts

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Building brand trust

Omni-channel capabilities

Supply chain transformation

f customer interaction

New shopping enablers

Social media shopping

Key focus areas for a successful omni-channel strategy

Omni-channel capabilities

- Retailers with omni-channel are going to recover much more quickly

- Click-and-collect services and contactless digital payments enabled faster transition to curb-side pick-up model

- Transparency and visibility of stock across channels to customer

Single view of customer

Seamless brand experience and customer engagement

Buy anywhere, get anywhere and particularly anytime

Consistency and best price & promotions at all customer touchpoints

Supply chain transformation

- Swift changes in market demands require resilient supply chains to meet the customer needs and sustain/improve brand trust

- Balance between global vs regional sourcing options

- 36-57% of clothing supply chains could move, some to the EU and US, but most to southeast Asian countries, McKinsey report

- Statistical forecasting models alone could not manage the outliers like COVID-19

Elimination of single source dependencies, Reversal of Globalization (Beijing to Washington) and broaden the supply base

Real-time visibility of the entire supply chain and ability to withstand flexibility in demand volume

Advanced analytics to improve forecast accuracy

Supply chain flexibility – Managing flex in demands (SKUs and volume)

Adjust your assortment to become recession-proof

Increase E2E supply chain visibility and built-in resilience

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Contactless customer interaction

62%

→ **Consumers expect to increase the use of touchless technologies even after crisis**

- 66% of consumers prefer to use mobile apps at physical locations such as stores
- 59% of consumers are more likely to use curbside pickup following the coronavirus outbreak; even when the pandemic subsides
- 75% of consumers that subscribed to multiple delivery services, like Amazon Prime, said they would likely continue to opt for curbside delivery

Applications for mobile apps in retail stores include – Self-identification, Sharing product information, Product scanning, in-store navigation, self-checkout and payments

BOPIS and curbside pick-up are imperatives and no more options

Voice enabled services and contactless services are must haves for Digital kiosks in-store and elsewhere

Scan & Go solutions in stores provides safety to both consumers and store-staffs along with contactless experience

New shopping enablers

$184 Billion

→ **Global Video Streaming Market estimated revenue by 2027**

- Live stream shopping provides interactive and social shopping experience
- Taobao Live, the dominant live eCommerce platform in China reported that their gross merchandise volume has grown by 150% per year over the past three years

It brings human, entertaining & real-life shopping experience to the digital world

Helps to build trust among consumers and a trusted community of shoppers

Conversion rate for live commerce is usually higher than traditional content driven platforms

Live Stream shopping brings more qualified leads, opportunity to up-sell/cross-sell, lower operational cost and deep insights into customer behaviors

Live video assistance reduces product returns, improves first call resolution

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New shopping enablers

Social media shopping

Social media shopping

70%

→ **Of consumers look to Instagram for product discovery**

○ With over 800 million monthly active users, it's obvious that Instagram is a go-to social network for today's shoppers

○ Facebook provides a group or community experience to the brands

○ Several major retailers have signed up for "Checkout on Instagram" since its introduction

○ The explosion of Facebook's Messenger has opened the floodgates for brands looking to get in front of their following

Creating a mobile shopping front in Instagram

Watch for new social commerce trends e.g., short-video format like Instagram reels

UGC (User Generated Content) will have significant influence in conversions

Keep an eye on data security and privacy that are still a concern in social shopping

About us

Ameex Technologies is an award-winning digital consultancy focused on helping brands select, implement and utilize best-in-class digital technologies. We have been on Inc 5000 list of fastest-growing privately held companies for the past seven consecutive years. Ameex has been serving several retail and ecommerce retailers to create unique, outcome-driven digital solutions focused to solve critical challenges businesses face day-to-day and particularly through the COVID crisis. Our customers include Dell, Ikea, Samsung, Greenworks, Reckitt Benckiser, Perrigo, Mead Johnson, Molson Coors and several others. We partner with industry leading solutions including Acquia, Sitecore, Episerver, Adobe, Magento, Shopify and Microsoft among many others.
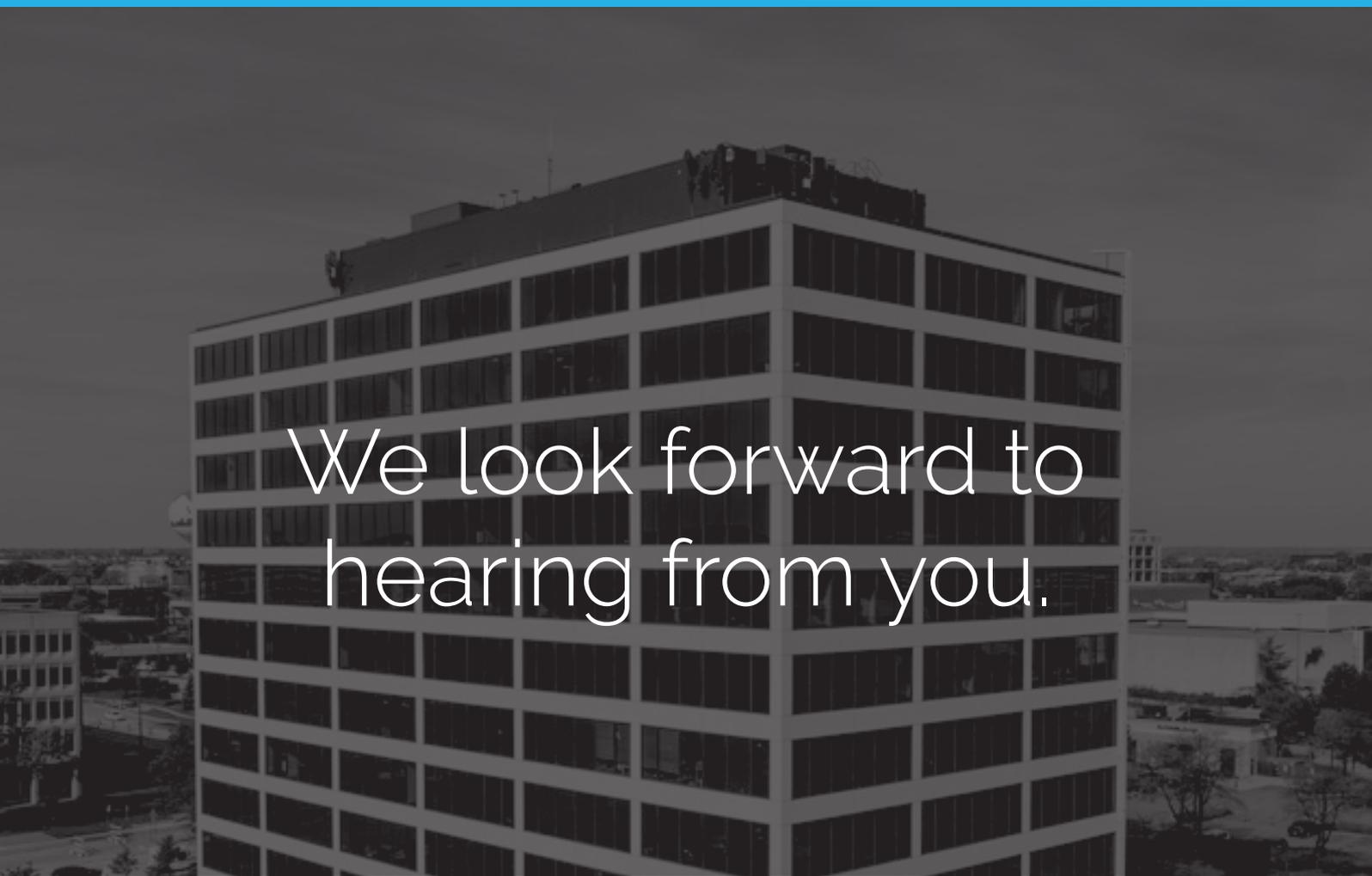
We look forward to hearing from you.

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