Consumer & Retail

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The 6 drivers of consumption will continue to shape consumer purchase decisions during and in a post Covid world

Value

With economic uncertainty likely to be an important factor for the short-mid term value will continue to remain an important driver for the foreseeable future. Value led propositions in food & non-food are expected to continue to win. In that context though a lack of an online proposition could be a real hindrance in the future both in food and non-food

Convenience

Convenience will be a will be a real winner both online and in proximity shopping. Consumers are still willing to pay for convenience

However, the nature of convenience has changed in the short term at least (e.g. top up shopping is more problematic) and so changes in convenience requirements need to be monitored

Experience

Experience will continue to be important but the nature of experience will need to evolve

Some consumer groups will have either experienced their first regular online purchases whilst others will have deepened their online spend and need to be retained. Reinventing experience in the physical environment will also need to be taken into account resulting in changed store layouts.

Choice

The COVID-19 health crisis has resulted in retail supply chains experiencing significant pressures. This has led to the creation of "minimum viable ranges" which is likely to endure once the crisis has passed. A reduction of choice would reduce supply chain complexity and working capital exposure whilst also addressing certain sustainability criteria.

Purpose

Businesses that have demonstrated the right behaviour during the COVID crisis will likely emerge in a stronger position. Ensuring the Purpose of an organisation is in line with customers values and expectations will remain a pivotal factor. Unlike in the aftermath of the World Financial Crisis, Purpose & sustainability will remain a Top 5 consumption driver

Privacy & Safety

Keeping consumers safe, both online and in physical stores will factor highly on shoppers agendas.

Encouraging consumers to follow social distancing measures in stores, whilst keeping both store staff and ecommerce workers protected is of utmost importance. At same time with the increase in online trading, cyber crime has increased and this will be an increasingly important point retailers will need to address

Consumer & Retail Trends 2020

The COVID-19 crisis accelerated key fundamental trends that were already influencing the sector. These 4 areas will be critical for consumer & retail organisations to prepare for the new reality.

Examine business models and partnerships

- Customer demands and use of channels have been evolving over recent years resulting in increased complexity to deliver with limited capabilities and capital
- Retailers will need to reconsider their business models and consider partnerships to stay relevant

Rethink cost of doing business

- Profit margins in the consumer and retail sector have been on the decline and further declines due to COVID-19 can be expected.
- The cost of doing business is only increasing whilst profit margins are declining therefore a radical re-think of costs is needed

Demonstrate purpose

- If consumer & retailer organisations cannot articulate why they are in business and what they stand for, increasingly they will not have the legitimacy to exist as a business

Know your customer

- If consumer & retailer companies don’t know who their customers are and why they want to interact with their brand, they are very likely to disappear.
- Retail is transitioning from a push (B2C) to a pull (C2B) model

IMPLICATIONS

Examine business models and partnerships

- Omni-channel / seamless retail accelerated
- Reinventing the role of the physical and digital channels
- Boom in online across generations
- Localisation & Personalisation
- Accelerated partnerships for complementary capabilities and services

Rethink cost of doing business

- Cost of goods: Inventory management, Range proliferation
- Financial management in lean times and access to capital
- Physical space reduction and lease agreements
- Supply chain optimisation
- Workforce optimisation

Demonstrate purpose

- Crisis diverting funding and focus away from sustainability
- Retailers and CPG proving/disproving their values
- Safety & wellbeing (eg. packaging)
- Local business and community focus
- Re-build with strong socially and environmentally aware propositions

Know your customer

- Single view of customer critical
- Offer authentic to customer value proposition
- Essential items vs non-essential
- Post-COVID recession
- Consumers emphasising experiences over products