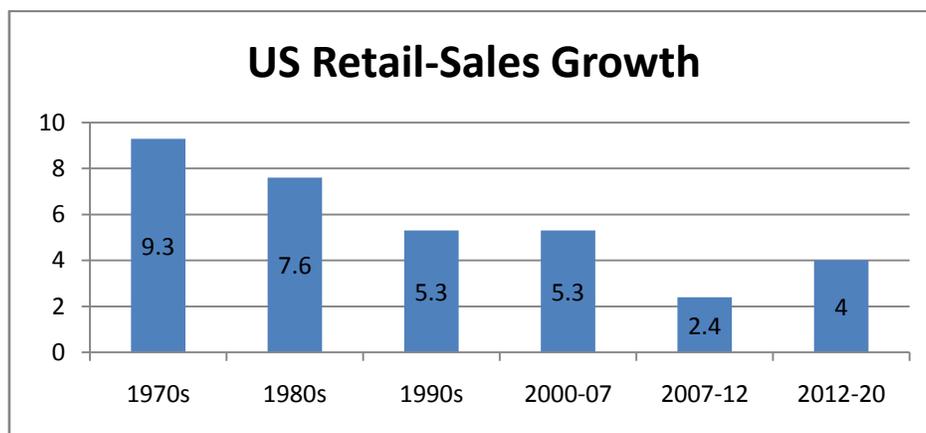


## Global Trends in Retailing

*Global retail trends are reshaping retail landscape where retailers are provided with opportunities and challenges*

The retail industry is evolving faster with major trends in favor of customers. Retailers must take proactive steps to ride the wave instead of being swept away. The five major trends across the North American retail sector are as follows.

- 1. The change in demographic profile:** US retail growth for the next 5 years is around 3-4% annually. Three customer groups will make disproportionate contribution for retail growth. Retailers have to adapt to these customer groups.



- *The segment of Baby Boomers:* Baby boomers are above the age of 55 who account for 47 million households. They spend more on food (92%), housewares (73%), apparel and services & experiences.
- *The segment of Hispanic group:* The spending of Hispanic group will double in the next 10 years and account for 1/5<sup>th</sup> of total retail spending. They spend 1.5 times more on children apparel, footwear, and fresh food
- *Millennials:* Consumers in the age group of 13-30 constitute 15% who have grown after the Internet, social media and mobile. They account for 1/3<sup>rd</sup> of total spending by 2020.

*Global trends in retail* will guide and help to predict future global retailing industry scenario. Global retailing industry has undergone substantial changes over the years. The primary change in the retail industry has been the development of departmental stores which were a convenience for customers as they offered many products at one place

- 2. Shopping on palms of customers:** US Smartphone penetration is going to touch 60% in the next three years and digital commerce brings shopping into the palms of customers. For example, fashion retailer Gilt, sales on mobile account for 50% of traffic and 30% of total

sales. Mobile technology influence customer shopping experience at every stage from in-store research to check-out options.

- 3. Hyper customized Marketing:** US consumers doubled their spending on digital media and halved their budget on print media. 44% of marketers distribute 50% of their marketing budget to digital media. Ads are not only focusing on digitization but also on personalization based on predictive models that analyze transaction data and digital media trends. Amazon's 35% of customers buy based on product recommendations. McKinsey research shows that Peer recommendations carry 10 times more weight than recommendations from sales people.
  
- 4. Faster Shipping Speeds:** Amazon delivers goods on the same-day in 10 cities and 1-2 days in the continental United States. Consumers expect comparable shipping speeds from all retailers. Retailers will offer free delivery to their loyal and profitable customers. Some companies may invest in distribution infrastructure and sell it as a service to other retailers. The distribution channel is used for both selling goods and returning unwanted goods including exchange online stores.
  
- 5. Innovative business models:** There is a blurring of lines between formats and sectors. Fresh food is available not only in supermarkets alone but also in warehouse clubs, convenience stores, pharmacies and dollar stores. Players across the value chain encroach upon others to provide better value. For example, Google offers more than one billion products for sale on Google Shopping. Technology creates more retail business models by breaking down barriers.

**Source:** Ian MacKenzie, Chris Meyer, and Steve Noble, *How Retailers Can Keep Up With Consumers*, McKinsey & Company, October 2013.

Topics	Course
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