Consumer and Retail in South America 2022 Trends

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Introduction

Unlike last year, 2022 could be the year the world sees the end of the pandemic. This "feeling", together with the optimistic predictions of health specialists, suggest that, in the new normality, the so-called trends, those signs of change detected during the last two years and that were promoting new customs and patterns of behavior social and consumer, end up becoming the norm and changing business relationships forever, something that especially impacts the consumer and retail industry. What does this tell us for the industry in South America?

Despite the fact that during the last part of 2021, uncertainty continued to reign globally and, especially, in the business world, regarding the proximity or distance of the end of the COVID-19 pandemic;2022, which in the anteroom did not show a significant change in scenario in that sense, began a course marked by a significant decline in the number of compromised infected, a situation explained both by the decrease in the damage capacity of the latest variant of the virus (omicron) as well as the high percentage of the vaccinated population (+60%). In parallel, the greater optimism of governments and businessmen, reflected both in the relaxation of restrictions and isolation measures as well as in the economic reactivation and the gradual recovery of employment, were the other two ingredients of a recipe that favors the end of one stage and the beginning of a new one.

In fact, the latest survey of executives from around the world that KPMG[1] does annually found that about 82% of the CEOs of the central countries that participated in this work (Australia, Canada, China, France, Germany, India, Italy, Japan , Spain, the United Kingdom and the United States) are confident that their countries will return to the path of growth during the next three years, a figure that can even be contrasted with the percentage of South American executives who reflected the same perspective (88%), especially with those who work in the regional consumer and retail sector (84%). If one considers that during the height of the pandemic these figures were not higher than 50%[2], the paradigm shift is evident, providing a solid basis for estimating the behavior of entrepreneurs and their future prospects.

1 "KPMG 2021 CEO Outlook. Plugged-in, people-first, purpose-led". KPMG International, 2021.

2 "KPMG 2020 CEO Outlook: COVID-19 Special Edition". KPMG International, 2020.

But in this restart, the fact that one of the most important collateral effects of the pandemic that began in 2020 has been the imprinted change in customs and social and labor behaviors, which are redefining everything from consumption norms to work models and the way of doing business in all sectors.

The analysis of these trends, which will surely set the pace of global and regional growth in the coming years, is of crucial relevance, especially in the goods and services consumption sectors. That is why, in this new edition of the study on **Trends in Consumption and Retail for South America**, the four global macro trends that will define the path that the industry will follow during 2022 and years to come are analyzed. Very similar to those highlighted in the 2021 edition of this same work, the four macro-trends developed this year are: **1) new ecosystems and business models; 2) reconsideration of the costs of doing business; 3) purpose as a strategy;** and, as highlighted in the previous edition of this same work, **4) Consumer's power.** Likewise, the main trends that function as pillars of the previous ones (macrotrends) are broken down, taking into account their impact in South America, while some reference cases are provided that try to show how the consumer and retail sector is addressing them to successfully face the new reality.

Macrotrend I. New ecosystems and business models

One of the main collateral effects of the pandemic that is now in remission has been, without a doubt, the new paradigm of consumption, which is not only explained by the significant changes in consumer purchasing behavior but also by the new business models and growth strategies that began to transform the value chain of the retail industry, affecting everything from manufacturers and wholesale companies to distributors and retailers. In fact, highlighting some of the results of the aforementioned KPMG survey of executives from around the world[3], which reinforce or highlight this change, it can be pointed out, for example, that while 24% of the CEOs of companies in the consumer sector and retail (C&R) assured "they do not expect to return to normal operations", taking into account that, for them, "the business model of the sector has changed forever"; another 74% said progress toward "operational digitization of their businesses" greatly accelerated during the pandemic, gaining months or even years on a transition that had already been proceeding, but gradually.

In fact, during the last two years the growth of the portion of income from electronic commerce and the various digital environments is unprecedented. Specialized sources (eMarketer, 2020)[4] estimate that during 2020 revenue from e-commerce grew by 27% worldwide, reaching a figure that ended up being around 11 points higher than the forecast made by specialists in the middle of that year , and that gains importance when taking into account both the average annual growth rate of this sales channel during the 2014-2019 period (which was less than 20%), as well as the drop in the level of sales suffered by the retail sector globally during 2020 (-3%).

In this context, **the Latin American region was one of those that saw the most growth in online commerce during this period**, reaching a growth of close to 37% (especially in **Argentina, Brazil** and **Mexico**, where the increase was 79%, 35% and 27% respectively), followed by North America (32%), Europe (29%) and Asia Pacific (26%). Likewise, and although it is known that in the future the abnormal growth of 2020 will not be the rule, due, among other reasons, to the lifting of the restrictions that operated until 2021 and the recovery of physical stores (which in their new role will bias part of its activity towards a more complementary conception of electronic sales channels, evolving, for example, into service or logistics centers), **electronic commerce will follow a revitalized growth path that is steeper than that existing prior to the pandemic**, which , in short, was the fuel that multiplied its expansion factor, placing digital sales platforms, marketplaces and other emerging digital environments as central elements in any development strategy supported by the inescapable **omnichannel approach that, consistently, continuously expands its definition adding new and potential sales channels for companies.**

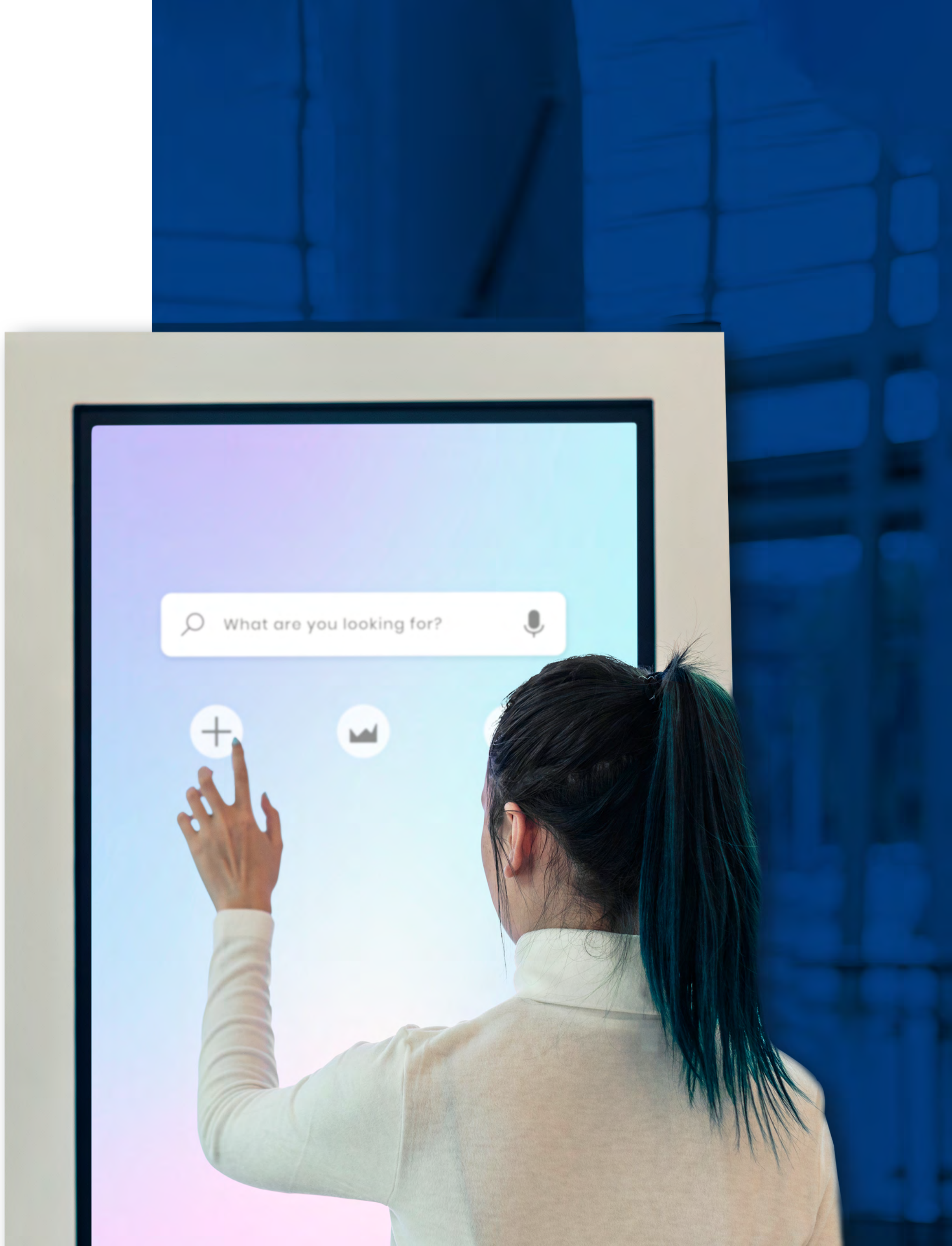
3 Ibid, page 1.

4 "Global Ecommerce Update 2021", eMarketer, 2021, https://www.emarketer.com/content/global-ecommerce-update-2021

In that sense, at the forefront of this trend, for example, the new Metaverses and Non-Fungible Tokens (NFT) are coming into play. While in the Metaverses the possibilities are enormous because companies can emulate a traditional purchase in a virtual world without the inconveniences associated with a physical store (which could mean a market of around US$ 800,000 million by 2024); NFTs expand the idea of the "exotic and intangible good" to the digital world. Given the possibilities that these new digital universes offer, the Carrefour company, for example, has just launched the map "The Healthy Map" for the well-known video game Fortnite from Epic Games with the aim of stimulating responsible consumption[5]. The online game, which captures the attention of more than 500 million people around the world, transports players to a virtual ecological store of the renowned supermarket and invites them to consume healthy products to recover "life points". In this way, the "avatars" can consume vegetables and fruits, and make use of electric vehicles, solar energy panels, sustainable transport, a responsible fishing area and a livestock farm that respects animal welfare, with the aim of promoting sustainable consumption of gamers in the real world. **A practical example of how retail can exploit these new scenarios and, at the same time, convey a purpose.**

On the other **hand, the growth shown by digital purchases of virtual** (non-tangible) items is also interesting, an emerging market where Non-Fungible Tokens (NFT), which are digital assets protected by blockchain (as is the case in most of cryptocurrencies) and represent something unique, rare and exotic (unlike other homogeneous digital assets with infinite supply), they are offering a new set of high-impact opportunities for retail, considering their capacity and versatility. Recent examples to illustrate its potential are plenty. From Jack Dorsey, CEO of Twitter, who sold his first tweet as NFT for the sum of US$ 3 million, to images of collectible objects of well-known artists that are transferred as NFT for millions of dollars, for the sole consideration of having the exclusivity or digital property of the work. The possibilities are endless.

But this business transformation also has other meanings for retail. The levels of uncertainty that the sector had to manage during the last two years (especially due to the closure of the markets and the measures that the countries had to adopt to mitigate infections in the first instance and, after the appearance of the vaccine, to favor the decline of the new variants), together with the aforementioned changes in consumption patterns; They highlighted the need for companies to be more flexible and agile in order to quickly adapt to change. The phrase "speed with adaptation" has since become an industry motto.



5 "Carrefour lanza mapa para el juego Fortnite para estimular la alimentación responsable", AdNews, 2021.

In this way, **all stages of the retail chain are in the process of adaptation.** From manufacturers or distributors who decide to bet on direct-2-consumer (D2C) systems to bypass intermediaries, speed up the purchase and delivery process, boost customer loyalty directly and, in particular, **avoid the chaos that brought with it the malfunctioning of supply chains during the pandemic** (at this point, we believe thatthe case of Amazon is an example to follow[6]); passing through the new digital purchasing schemes adopted by both wholesale and retail companies, to physical stores, which are beginning to rethink their function and usefulness within this system.

In particular, the case of physical stores challenges us again in this edition, **since until last year it was only possible to estimate what their new function would be.** The BOPIS (buy online, pick up in store), BORIS (buy online, return in store) and BOPAC (buy online, pick up at curbside) models, together with the so-called "dark stores" and "dark stores". "hybrid" (large stores that are combining the traditional shopping experience with the digital), which until last year were systems that sought to prolong the "life" of stores, today they are becoming the norm, promoting retail by offering a more efficient delivery logistics and shorter times in the last mile. In other words, the former physical stores, part of what we called traditional retail, have mutated, not only to transform themselves internally and adapt to new customer demands (enabling, for example, digital or "contactless" payments), but to become customer loyalty centers, logistics/reverse logistics centers (to favor faster and lower cost deliveries/returns), service centers (aimed at resolving conflicts with customers or to complement their experience), and service centers. experience (showrooms enabled so that consumers can test the products). In Chile, for example, in response to the growth in online demand, the Jumbo chain (Cencosud) is making investments to continue developing its e-commerce platform, while promoting a plan to redesign its stores to make them self-service. 100% and, thus, position itself to cover both the traditional and digital buyer[7].

6 "Amazon is making its own containers and bypassing supply chain chaos with chartered ships and log-haul planes", Techstory, 6 de diciembre, 2021.

7 "Cencosud anuncia austero plan de inversión y debuta en formato Jumbo 100% autoatención", Diario Financiero, abril de 2019,

This transformation can even become decisive in certain retail segments, for example, **for fruits, greens and vegetables** (FGV), which are perishable products that demand an efficient combination of testing and speed of delivery, highlighting the new concept of “physical store”, especially those of “fulfillment centers” and “hybrid stores”. Indeed, a recent study by IBM and NRF[8], which analyzed recent changes in consumption patterns through a survey that collected the responses of more than 19,000 consumers in 28 countries, including **Brazil and Mexico**; found that hybrid purchases are on the rise, especially among Gen Z consumers (36%). Other studies even go further and maintain that this business model, which attempts to combine the physical shopping experience with the logistical capabilities for online sales, will be, neither more nor less, than the future of retail (CBRE Research, 2020)[9].

Not surprisingly, this new approach being taken by stores should bring with it changes in how their performance should be measured. In this sense, **the results indicators based on physical space, products and employees must be expanded to incorporate and weight customers.** In addition to continuing to survey traditional and useful measures such as total revenue and growth per period, gross profit margin, expenses and costs incurred, average expense per customer, sales per square meter, sales per employee (as a lucky productivity) and EBITDA (earnings before taxes, interest, depreciation and amortization), to name a few examples; **the new modalities and trends in consumption demand the incorporation of other variables** such as the percentage of transactions per customer and per channel (with the aim of determining the most important channels within the omnichannel strategy), customer traffic, the active customers, and the volume of orders processed for delivery or withdrawal, plus other important analysis tools such as RFV (Recency-Frequency-Volume, aimed at identifying the best customers by measuring their spending and consumption habits), cost of customer acquisition, churn rate, LTV (estimated net present value per customer), NTS (likelihood to recommend) and other indicators based on ESG, diversity, equity and inclusion; These are some examples of how the optimal set of measures should be composed to evaluate the result and effectiveness of a store.

In parallel, the pandemic was also the ferment of the **new mechanisms of cooperation and business association and a driver** (unparalleled) of t**he intensity in the use of technology**, which has ceased to operate as a complementary tool of the strategy to pass to be the backbone of it. As highlighted in the 2021 report, partnerships between different players in the same market, both backwards (with suppliers) and vertically (with competitors) and forwards (with other “downstream” companies) in the chain, with potential benefits for all parties involved and, especially, for customers, they are part of this new reality and will continue to be decisive in the future. In this sense, it can be expected that the various modalities and strategies that aim to integrate two or more parts of the retail value chain will continue to grow and weigh significantly in the new business model, since they not only improve the operation of the chain allowing that companies synergistically face the risks and disruptions generated by crises (something they learned from the pandemic), but that, at the same time, they favor the economic development of the sector by adding value to all those involved in the relationship of consumption.

It is thus, then, that the implementation of “platforms as a service”, aimed at solving the digital needs of companies and facilitating their entry into the digital world, will continue to be a norm in this market. The same will happen with those cooperation initiatives based on the “strong together” and “safe retail” concepts, which favor cooperation between companies in the same or other industries (for example, companies in the chemical or technology sector can offer solutions in customer counting, social distancing, use of masks, cleaning and monitoring to facilitate “safe shopping” in physical stores); or those that seek a shared development of ESG (environmental, social and corporate governance) practices, which have now become determining guidelines for obtaining financing or attracting new clients (both due to the growth of green investments and the importance of having a social purpose); those that are aimed at improving the implementation of D2C (direct-2-customer) initiatives; and, also, those aimed at promoting “proximity stores” and “local supply chains”.

8 “Los Consumidores lo quieren todo: compra híbrida, sostenibilidad y marcas con propósito”, IBM Institute for Business Value (IBMIBV) & National Retailers Federation (NRF), 2022.

9 “The Future of Hybrid Store. Integrating retail and logistics in an era of omnichannel real estate”, CBRE Research, 2020.

Likewise, these initiatives include **mergers and acquisitions** (M&A), which in the last two years have seen their activity revitalized both globally and regionally, especially due to the effects that the pandemic had on supply chains and the need to improve and optimize its operation (in many cases, integrating stages to shorten it and, in others, to bring it closer and make it independent from external markets). In fact, a recent KPMG[10] report highlighted that during 2021 this activity could widely exceed the pre-pandemic level, equaling the global maximums of 2007 and 2015, and with great possibilities of escalating even more during 2022. The weight of this activity was also weighted in the latest KPMG CEO survey[11], where 19% of **South American** executives with companies in the retail industry indicated that "mergers and acquisitions" will form an important part of the battery of strategies that they will follow to ensure their operations and growth in the next three years, a figure that is above the regional average (18%) and even other options such as "strategic alliances" or those aimed at promoting "organic growth". The trend is clear not only globally but also regionally, where activity started to recover during 2021, mainly driven by retail. In **Brazil**, for example, low interest rates helped companies expand inorganically (i.e. through mergers and acquisitions), as well as retailers being able to improve their liquidity, grow and expand, especially in Brazil. e-commerce, digital solutions, fintech and logistics.

Finally, the growth in the intensity of the use of new technologies, which is a crucial component of new business models, cannot be ignored. In addition to the possibilities that the aforementioned platforms and new digital environments bring with them, the digital transformation of companies, driven by the pandemic, has been one of the main focuses of attention, especially in the retail sector, where, according to the results in the latest KPMG survey of CEOs around the world, more than half of companies (52%) plan to continue investing in new technology. But the intensity of technological implementation is not exhausted in the creation of an online sales platform or the transformation of a physical store into a digital one. Although the spectrum of application and its positive effects on the business were already known before the pandemic, today the weight of technology has become a crucial determinant for the business, since it affects the entire framework under which retail companies go out to meet their customers. From cybersecurity mechanisms, which are necessary to have a secure online point of sale and maintain a relationship of trust with the customer (especially for their transactions), and 5G, which will allow greater connectivity, speed and collection useful data in real time; to its invaluable utility in the creation of an efficient supply chain supported by automation and, at the same time, sustainable over time, which allows greater energy savings and the reduction of the carbon footprint through the use of data that empowers optimization of production processes, product packaging and distribution.

10 "2021 was a blowout year for M&A – 2022 could be even bigger", KPMG International, 2021. https://home.kpmg/dp/en/home/insights/2021/12/blowout-year-global-ma.html

11 Ibid, page 1.

Although all these technologies will play a predominant role during 2022, cybersecurity appears, once again, as a key trend for both global and regional retail. In fact, the results of the latest survey of executives carried out by KPMG are consistent with that statement, since 87% of the CEOs of the C&R sector who participated in it lead companies that are already prepared to face a cyber-attack, while that another 52% indicated that they will prioritize their investments in technologies aimed at strengthening their digital resilience. After all, a world full of data and companies seeking to exploit it for their own benefit and that of their consumers also translates into greater vulnerabilities in the systems and technologies used. During the first half of 2021, Latin America was the target of more than 7 billion attempted cyberattacks[12], with epicenters throughout the year in Mexico, Brazil, Peru, Colombia and Argentina. According to a study conducted by IBM[13], these attacks were especially concentrated in the manufacturing industry (22% of attacks at the regional level), which represents the backbone of any supply chain, and in the wholesale and retail sector, which received 20 % of attacks that took place during 2021 at the regional level. In Brazil, for example, in addition to the mega-leakage of around 223 million numbers from the CPF (Catastre of Physical Persons), there were significant ransomware attacks (a modality that, in fact, has expanded both globally and regionally as the most prominent form of attack). In Argentina, the giant Mercado Libre recently confirmed the leak of data from 300,000 users, a "job" that the company awarded to the Lapsus$ group, which was responsible for the well-known attack on large global companies such as Samsung and Nvidia[14]. Or in Colombia, where the high growth rate that online purchases have been experiencing (+44% in the first quarter of 2021 compared to the same period in 2020, according to the Colombian Chamber of Electronic Commerce), has also triggered computer crimes. According to specialists, the number of attacks will continue to increase during 2022 and years to come. Cybersecurity has ceased to be an option and has become a priority.

12 "Ciberseguridad y estrategia corporativa, una relación muy necesaria", América Retail, marzo 2022, https://www.america-retail.com/opinion/ciberseguridad-y-estrategia-corporativa-una-relacion-muy-necesaria/

13 "IBM Security X-Force Threat Intelligence Index 2022", IBM Security, 2022.

14 "Mercado Libre confirma la filtración de datos de 300.000 usuarios", La Nación, marzo 2022, https://www.lanacion.com.ar/tecnologia/mercado-libre-confirma-la-filtracion-de-datos-de-300000-usuarios-nid07032022/

Macrotrend II. The new cost of doing business

The evolution of the new times and a pandemic in total remission, which has left many of the changes observed in the last two years as permanent, business models have been mutating to stop depending on physical stores and start to rely on, increasingly, in digital commerce and the speed of deliveries. However, there is also room for new alternatives aimed at a changing customer who is constantly searching for differentiated experiences according to a budget, often impacted by inflation, especially in regions such as South America, where they coexist. Relatively stable economies (Chile, Brazil, and Uruguay, to name just three) with others suffering from currency devaluations and chronic price increases that reduce the purchasing power of consumers and continually affect their behavior. Proof of the latter is the reality that the Venezuelan economy is going through. The country's macroeconomic instability has lasted three years, which has led to hyperinflation, continuous devaluation of its currency, and high levels of uncertainty. Around 60% of commercial transactions today are in US dollars, leading to an unmanageable situation for all sectors, including retail, which needs predictability (for investments) and stability (in prices) to develop properly.[15]

Logically, this new way of "doing retail" has brought challenges to the sector, especially in an environment in which a large part of the physical costs on which companies depended to carry out their engagement strategies in the past (for example, the salaries of the payroll of employees and the expenses related to the physical spaces necessary to sell their products) are moving heavily towards the new digital environments, experiencing substantial increases as a result of the greater intensity in the use of technologies , and the need to efficiently manage large amounts of data and a supply chain that showed nuances of malfunctioning during the pandemic, and to which the sector today demands greater control, intelligence and resilience to avoid or mitigate associated future risks to it (in fact, according to the aforementioned KPMG CEO survey, 39% of executives in the C&R sector identified this threat as the most important for their operations and, therefore, the one that needs the most attention).

15 However, the current war between Russia and Ukraine could "benefit" the country and its industries, if, as various media assure, the US finally decides to relax the trade sanctions applied to the Venezuelan government and begins to supply oil from this country, which would mean the income of a significant amount of dollars.

Given the previous argument, companies need to analyze ways to shorten their supply chain, trying to locate it mainly in domestic markets, skipping stages to reach the customer directly, and, in particular, accelerating delivery times and reducing shipping costs. According to multiple studies, they have become determining factors in purchasing decisions. For example, a survey carried out in the **Brazilian**[16] market consistently revealed that 77% and 66% of Brazilian digital users weighed significantly the cost of shipping and the speed of delivery to make a decision. In this context, manufacturers and distributors located in the first stages of the supply chain must try to reach the customer directly by implementing D2C models. Wholesalers and retailers rely on their online sales platforms, and physical stores seek to operate under the new BOPIS, BORIS, and BOPAC models or as logistics "mini hubs" and "dark stores" (precisely to reduce shipping costs and improve delivery times). A relevant case that shows how far the weight of delivery times in consumer choice has come is that of the delivery startup Daki from Brazil, which had to join forces with the American JOKR to implement an "ultra-quick" delivery model in less than 15 minutes. This generated new competitive pressures on other renowned companies in the region that operate in the same segment such as Rappi or iFood[17].

It is crucial to understand that companies in the sector no longer compete only with other organizations located in the same geographical area but also horizontally, with companies that may be backward or forwards in the chain. As economic theory usually demonstrates, competition optimizes the functioning of markets, resulting in improvements that benefit the consumer and force companies to be more efficient. And in this particular case, making the operation of the chain more efficient improves the distribution of products and cushions both transportation costs and the final price paid by consumers. Mercado Libre's fulfillment model portrays a good example. Through it, which users in Brazil and Argentina know better as Mercado Full Envios, the company offers a comprehensive logistics service that allows high levels of efficiency to be achieved throughout the distribution process of the purchased product until it reaches its buyer. In practical terms, Mercado Libre takes care of all the steps in the logistics process. From the reception of the order to the delivery of the product at its destination[18]. The model is a clear example of how integrating different strategies makes possible an optimized delivery system (or a successful D2C implementation). But also show how the sector distrusts the supply chains operations.

16 "Panorama de la Experiencia del Consumidor 2021", Opinion Box, 2021.

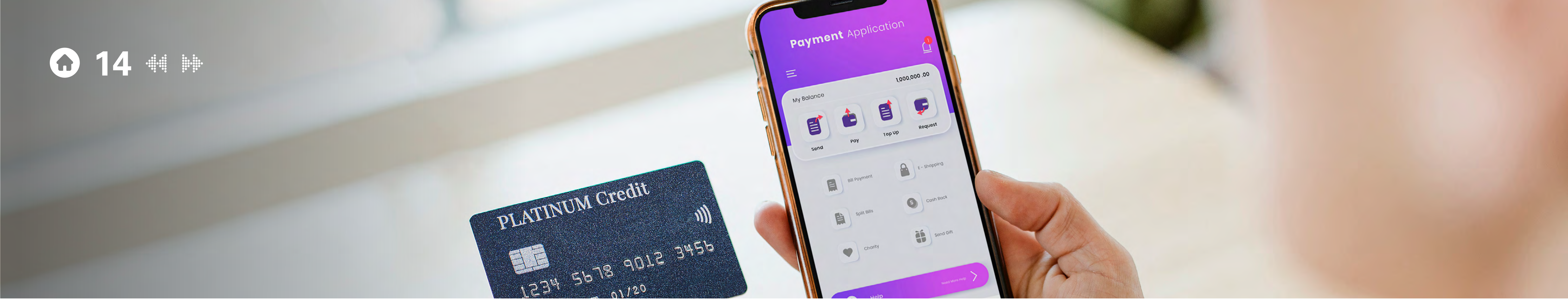
17 "O delivery ultra-rápido da Daki quer brigar com os Rappis e iFoods", Brazil Journal, junio de 2021.

18 "Fulfillment Mercado Livre: entenda como o marketplace trabalha com essa solução", e-commerce Brasil, julio de 2021.

This new scenario has converted the industry from a B2C (business to consumer) model to a C2B (consumer to business) model. Companies need to adapt to shield their growth. Rely on various strategies aimed at improving their operation and performance. Products and services must constantly be adjusting to the needs of a consumer emerging from the most demanding crisis. Now digitized, committed to a purpose (social and environmental), in need of new experiences, and sensitive to prices and product quality. At this point, data has become a panacea for retail and its most relevant strategic asset.

To do this companies must invest in technology and systems that capture and process large amounts of data from all agents involved in the supply chain (suppliers and customers). Analysis and prediction tools allow for identifying trends that can later be exploited in the commercial strategy, reaching a great amount of clientele. In parallel, data is used to streamline decisions related to the purchase of supplies and merchandise for resale, inventory management, product packaging, logistics, and distribution. At the same time, to optimize the amount of personnel required and the labor costs that it means. Or for retailers and brick-and-mortar stores that need to be data-driven to retain and acquire new customers, improve relationships, increase loyalty, and ensure trust. The possibilities and opportunities provided by data analysis (data analytics) and its tools are immense, especially in the customer shopping experience angle.

The value of data has led to the intensive use of emerging technologies such as the Internet of Things (IoT), 5G (which is an integral part of IoT), Artificial Intelligence (especially Machine Learning), D&A (Data & Analytics) and Big Data. These technologies play a predominant role in the capture and prosses of large volumes of data. These tools efficiently and constantly detect new trends and opportunities that companies, can then use to their advantage. For example, the logistics in the supply chain and, the assortment of products.



Among others, these technologies are being used for inventory control and the design of smart shelves, which detect product shortages using radio frequency identification (RFID) technologies and, consequently, issue alerts when the stock reaches a minimum. Consequently, they influence the transformation of physical stores and improve interaction with the customer. For example, "intelligent digital signage" which can read profiles and comments on social networks, blogs, and other digital media (under strict compliance with the corresponding personal data protection regulations), offers a series of products tailored to consumer preferences. In general terms, retail companies will focus in the medium term on investing in technological tools and data analysis that improve predictability in planning, flexible compliance, improvement in inventory management, and visibility of products in real-time.

With this situation and an intelligent offer that constantly adapts to consumers based on data and analysis tools, the need for regulations that mediate the use of information and exploitation of personal data is increasingly necessary. As in most countries of the developed world, this body of regulations, generally known as GDPR (General Data Protection Regulation), is recognized as a constitutional order in several countries in the South American region. Argentina, Brazil, Colombia, Peru, and Venezuela not only recognize the right to privacy but also the habeas data resource, which is the right to personal data protection (ADC, 2016)[19]. Likewise, other countries such as Chile, Uruguay, and Ecuador (which approved its "organic law on the protection of personal data" in 2021), have different regulations to safeguard and protect personal information and data[20]. However, and even though consumers' concern about the management and privacy of their data remains high, both globally and regionally, there is also a growing interest in negotiating this information if this translates into a better user experience purchase or if there is any consideration. This result is consistent with another study carried out by KPMG (KPMG, 2019)[21], which had already detected that 5 out of 6 consumers who did not belong to any loyalty program agreed to share their personal information if it meant "accessing certain benefits".

19 "El sistema de protección de datos personales en América Latina: Oportunidades y desafíos para los derechos humanos", Volume 1, page 13, ADC por los Derechos Civiles, 2016.

20 "Big Data. Análisis comparado sobre estándares regulatorios a nivel regional". Secretaría de Innovación Pública, Jefatura de Gabinete de Ministros, Argentina, 2021.

21 "The truth about consumer loyalty", KPMG, 2019.

Macrotrend III. Purpose as a strategy

If there is a phrase that can perfectly define this trend, it is the following: "customers expect companies to represent something more than the products they sell". The pandemic has only deepened the selection bias of consumers towards brands and companies that govern their activity under a purpose or goal that exceeds them. Environment, sustainability, work ethics, equity, inclusion, diversity, human rights, animal protection, governance, and fair compensation, are some of the elements on which companies are relying so much to design their business models and strategies in order to maintain/win the trust and loyalty of its clients, to attract investment and obtain financing in a capital market dominated by "green finance" -especially after the recent United Nations Climate Change Conference (COP26), which revealed the urgency for achieving the climate goals stipulated in the Paris Agreement–.

This is the reason why the environmental, social, and corporate governance (ESG) criteria, which were already weighing in on corporate decisions before the health crisis and are used to measure various elements related to sustainability and the social impact of a company or business, are becoming a set of critical guidelines to navigate in "the new reality". Precisely because they provide a purpose that is consistent with what the community values. For example, among its main results, the aforementioned study carried out by IBM and NRF[22] indicated that 44% of those surveyed consider "sustainability" as a determining purchase factor (commonly opting for those products whose brands have a purpose or are presented as sustainable, including issues related to the type of packaging, the way in which the good was produced, the raw material used or the workforce employed), that 62% are willing to change their purchasing habits if this means a positive impact on the environment (a figure that grew by 5 percentage points compared to the previous edition of the same study), or that 70% would welcome "paying more" for products that are sustainable (or double the figure obtained in the earlier study).

22 Ibid, page 4

But the evidence for this change does not end there. Other studies reach the same results, but with emphasis on a circular economy and the reduction of polluting emissions to achieve net-zero. For example, according to a recent study by the Circular Economy Coalition of Latin America and the Caribbean[23]. The circular economy is the new paradigm that seeks to modify the production method and consumption. Compared to the traditional way (of extraction, production, consumption, and waste), put forth a virtuous solution in which waste can be reintroduced as resources to the production system; could help reduce total greenhouse gas (GHG) emissions by 45% and generate around 5 million jobs in the Latin American region by 2030. Added to the evidence that ties people to consumption increasingly prone to sustainable practices, the way is paved for the circular economy to stop being a trend and finally become the next step in the evolution of our production systems. In the same vein, leading nutrition company Kerry, based on a survey of 14,000 consumers in 18 countries[24] (including Argentina, Brazil, and Colombia), revealed that consumer demands for sustainability are growing rapidly, especially in food products and beverages. Likewise, the survey revealed that in Latin America the concern for issues related to sustainability is much higher than the global average (73% vs. 57%), demonstrating the weight that this issue has in the region and, therefore, the latent need that exists in the consumer sector to internalize these issues in their business models. Coincidentally, in another survey of 450 CEOs from Latin America (in which executives from Argentina, Brazil, Colombia, and Mexico participated), and which gave rise to a study sponsored by SAP and prepared by CIO Research and Seeking[25], the results revealed that 45% of participating CEOs already had a sustainability strategy in place in their organizations, while another 22% were working on one. Similarly, 60% said that policies associated with gender equality, the circular economy, climate change, and the future workforce drive business profitability, since, as they understand, these programs translate into a substantial improvement of reputation and, therefore, a better brand positioning.

23 "Avances hacia una economía circular en América Latina y el Caribe: desafíos y oportunidades para lograr un estilo de desarrollo más sostenible y bajo en carbono", Coalición de Economía Circular de América Latina y el Caribe, 2021.

24 "Sustentabilidad en Movimiento. Implementando las metas de sustentabilidad de los consumidores", Kerry, 2021.

25 "La agenda de los líderes de América Latina". CIO Research, Seekment & SAP, marzo 2021.

The consumer trend towards sustainable purchases and from companies with a purpose is evident in South America. In Argentina, for example, the significant growth experienced by the number of users who choose sustainable or positive impact products in recent years is boosting the country's entrepreneurial ecosystem, which is slowly adopting sustainability and ESG criteria as its flag and purpose. According to a study on consumer trends carried out by the electronic commerce giant Mercado Libre[26]. In 2021 the number of sustainable vendors increased by 192% in that country, which today contributes to 37% of the 10,700 companies that sell sustainable products in Latin America, standing out in the sale of solar panels, and reusable coffee capsules, composters, and water purifiers, among others. Meanwhile, in other countries of the region, such as Brazil, Chile, Colombia, Peru, Ecuador, or Venezuela, the purpose based on sustainability policies is also growing in the corporate world. This is the case for two renowned companies operating in the region: AB InBev and Unilever.

While the first (which owns several beer brands in the region, including Cervecería y Maltería Quilmes from Argentina) is looking to accelerate its transition to carbon neutrality by 2040 with a plan that emphasizes inclusion, natural solutions (favoring regenerative agriculture), local impact (with a focus on reducing emissions from the value chain), transparency and disclosure (of progress and results)[27]. The multinational consumer goods company Unilever, which operates in several countries in the region, has the transition to a circular economy as a priority. To do this, in Chile, the company allied with AlGramo to sell its products in bulk utilizing electric tricycles that make deliveries. In Brazil, since 2006 is part of a recycling program with social inclusion, which involves 164 recycling centers and has a positive impact on 4,400 recyclers[28].

The sector understands the importance of the impact of its activity on the planet. And its responsibility is to make it as small as possible. To improve the supply of sustainable products in retail and the consumer industry in general needs to advance on fundamental issues, especially in terms of price, availability, quality, and communication. Concerning price and availability, some reports maintain that the high cost of sustainable products is one of the main obstacles to improving their supply and demand, given that a large majority of consumers, at the time of purchase, continue to prioritize the price[29]. In general, consumers have changed the axis of their choices, adding purpose to the traditional purchase equation based on cost, convenience, and value. This causes the spectrum of consumers to broaden and those who are driven by a purpose join consumer who are driven by cost, brand, product, or value. But with the particularity that the former are active promoters of a growing cause and "influencers" who seek to bring more and more followers closer to a consumption model that includes, in addition to more sustainable products, actions of reverse logistics, recycling, circular economy, environment, diversity, equity, gender, and human rights and animals, among others. All the ingredients of a movement that flows "sustainably" and that represents a market with great opportunities for retail.

26 "Aumentó un 86% la cantidad de usuarios que eligen productos con impacto positivo", Mercado Libre.com, 15 de julio de 2021.

27 "El ambicioso plan de Cervecería AB InBev para lograr ser carbono neutral para 2040", Economía Sustentable, diciembre de 2021.

28 "El precio, un obstáculo para el consumo sustentable", Trade & Retail, octubre de 2021, https://www.tradeyretail.com/industria/el-precio-un-obstaculo-para-el-consumo-sustentable_2254

29 Ibid, page 11.

Macrotrend IV. Consumer's power

According to an Econsultancy[30] survey, nearly 60% of business leaders believe that customer-centricity represents one of the most important factors in the implementation of the new digital culture. It allows companies to anticipate customer needs, improves interaction with them, increases loyalty rates, obtains competitive and comparative advantages, and, above all, offers a better shopping experience. In the same vein, specialists in the field assure that customer-focused companies are on average more profitable than those that have lagged in policies to improve customer experience, and are even capable of increasing their income at higher rates. (Huang, 2021)[31].

In more general terms, customer-centricity must be part of the corporate purpose. Being associated with actions that have as main pillars the care of the environment, respect for the others, and diversity, to name a few examples. The corporate purpose can be resumed to placing the client, needs, and preferences at the center of the business. This trend is, in some way, the result of the path that this work has been describing since its inception because it summarizes the idea of how companies should act if they wish to prosper in this new reality. And it has never been as important as it is now.

In this transition, between a global health crisis and a new and still uncertain reality. Companies must ensure that the customer is at the center of any corporate action. Especially considering the omnichannel with which they must operate. This implies the construction of a customer-centric strategy that ensures the best possible experience for the customer, regardless of the sales channel they choose, accompanying them throughout the process and, mainly, making the differences between traditional and digital purchases indistinguishable. A study carried out by KPMG (KPMG, 2021)[32], analyzed the relationship that consumers have with brands and their best practices in terms of customer experience based on a survey of 88,000 consumers in 26 countries (including Mexico). Among its main conclusions, the study highlighted that leading companies design their engagement plan focusing on the customer, starting from the customer, and working backward to determine how they should connect to the customer journey. Likewise, they take advantage of the benefits provided by the data to improve the personalization of the products and act responsibly, respecting the regulations in force concerning their use. These companies accompany the client from end to end, whether online or offline, they provide personalized, simple, and memorable experiences; and, above all, they are reliable.

30 "Effective Leadership in the Digital Age", Econsultancy, diciembre 2019.

31 "3 roadblocks to being customer-centric", por Stanley Huang, The Enterprisers Project, Marzo 2021. https://enterprisersproject.com/article/2021/3/customer-centricity-3-mistakes-avoid

32 "Global Costumer Experience Excellence Research 2021: Orchestrating experiences". KPMG International, 2021.

As can be deduced from these results, this task not only encompasses the great efforts that companies must make to capture the attention of consumers and keep them loyal to the brand but also incurs great costs. A customer-centric strategy requires both the exhaustive use of new technologies (Macrotrend I) and data analysis tools (Macrotrend II) (always respecting the GDPR, are what allow trends and changes in consumption patterns to be detected, as well as what should be the offer and assortment of products, the channels, and forms of payment, or how should the delivery and return logistics be, or the after-sales service that the company must provide), as well as communicating a purpose that "exceeds what economic" and is tied to the most important issues of common interest, especially to the ESG guidelines (Macrotrend III). Recent examples that can be cited in this regard are Natura in Brazil. In addition to making public the alignment of its purpose with sustainability goals in its document "Vision of Sustainability 2050"[33], created (in association with InfoAmazônia, MapBiomas, and Hacklab) PlenaMata, a dynamic platform for content and real-time data on the Amazon rainforest (especially in terms of deforestation, which is a global issue highlighted at the last COP26)[34]; or that of Heineken, which in Brazil is using 100% renewable energy in its entire production process since 2020, and is carrying out a similar project at all its points of sale[35].

In the same way and intending to minimize the weight of these expenditures and preserve the financial and economic viability of the activity, it is crucial to have a more efficient supply chain (Macrotrend II), which allows for minimizing costs from the first stage. (manufacturing) to the last (retail or virtual store) and, consequently, the final sale prices. To this end, the new business models and the association and cooperation initiatives with other companies (Macrotrend I) are decisive in this new scenario. Provided that they make it possible to strengthen each segment of the sector's value chain and, at the same time, empower the attenuation of manufacturing and distribution costs, continuously and dynamically adapting to demand.

33 Visão 2050 | Natura Brasil

34 Sustentabilidade | Natura Brasil

35 "Heineken lança projeto de energia verde para bares e restaurantes", Mercado & Consumo, october 2021, Heineken lança projeto de energia verde para bares e restaurantes - Mercado&Consumo (mercadoeconsumo.com.br)

Final Considerations

Emerging technologies, sophisticated data analysis tools, intelligent supply chains, and socially conscious consumers who dictate their way of seeing the world. Despite being trends that had gradually prevailed before the health crisis, their growth rate offered the necessary time for companies to adapt. But the pandemic was a business-disrupting event that stumped even the most suspicious business leaders. A gale that swept away everything known and left the fertile ground in its wake. Now offers its space to a new way of doing business and which, mainly, seeks to rebalance the old relationship between companies and consumers in favor of the latter. Today more than ever, organizations need to be flexible and adapt quickly, if only to endure and become more resilient in this new reality. And above all, in retail.

The four macro trends developed in this work offer a conceptual framework within which specialists in the field understand that the retail industry will have to move over the next few years both globally and regionally. Although there will be a large group of companies that will support their operational and commercial strategies. Seeking to strengthen their business models concerning sales channels, use of emerging technologies, and associations with other companies (including merger and acquisition activities). Others will do this by optimizing their supply chains, minimizing operational and business costs by exploiting data and cooperating with other companies. However, it is important to point out that, in terms of what has been expressed throughout this work, all of them must turn towards the centrality of the client, which must be at the core of their business models and philosophy. Putting the customer at the center is, ultimately, having a purpose and locating oneself within the margins of this conceptual framework defined by the trends developed in the previous sections.

And, for this, the purpose is decisive. Retail companies must be able to define what their mission is in this world and in the society in which they are inserted, beyond the economic one. That is, an end that transcends them, that converges with the opinions, tastes, and values professed by their target audience, and, ultimately, that makes them trustworthy. That way, it will be much easier to reach them and navigate the restless waters of this new reality. As stated in the previous edition of this work, understanding the customer and how their preferences evolve will be the determining factor for the survival of the industry, and will only be possible with a purpose that places the customer at the center.

In this sense, the ESG criteria provide a decisive guide that companies must continue to explore and apply since they not only offer a purpose but will, from now on, govern global and regional business, finance and investments. A final reflection on this point. Before the pandemic, ESG criteria were mainly focused on the "E" (environmental criteria). However, during the pandemic and, especially, in Latin America, the "S" (social criteria) began to gain importance, to the point that it gave rise to the flourishing of many investment funds that sought (and seek) to allocate their resources only in companies and projects focused on "ES", thanks to social networks and the unprecedented growth experienced by demands related to these issues during the pandemic. Currently, facing a pandemic in remission and at the gates of new normality, new trends indicate that companies must be prepared to face this new world by reinforcing the "G" (corporate governance). In other words, the components related to rights, equity, diversity, gender, and compensation policies, among others, will be the next step in this process that seeks a full application of ESG criteria, and those that, in the medium term, will be decisive items, especially for investments and the hiring of personnel.

Finally, regarding the region, the examples cited throughout this work allow us to conclude that companies are aware of these changes and are implementing initiatives to stay current, especially in this new scenario. Although 2022 is presented as a "turning point" the new normal presents a high level of uncertainty that companies cannot control. It remains to let the year progress and observe what decisions the retail industry and its companies will make. What cannot be denied is that the world and customers have changed, and both manufacturers and retailers must continually adapt to keep the attention of an increasingly demanding consumer.

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