



Retail Trends 2019

Global Consumer & Retail

February 2019

kpmg.com



2019 is poised to be a transformational year for retail. Technology continues to change the rules of engagement, consumers are more demanding than ever, and getting them to notice your brand amid all the noise in the market is an even greater challenge.

In this publication, we will discuss the biggest trends impacting the industry and highlight how some retailers are taking up the challenge and staying competitive.

If you would like more information regarding this document please contact Dev Devani or Dan Coonan from the KPMG International Global Consumer & Retail team.

“

We don't go shopping,
we just are shopping.”

Introduction

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Overview

Trend 1



From we to me

The best retailers are forensically using customer-centric data to deliver hyper-personalization. Retailers can now get a very in-depth understanding of their consumers' behavioral habits.

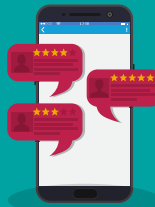


Trend 2



Consumers get price savvy

Consumers expect the price to reflect their mission: value(s), convenience and experience.



Trend 3



The rise and rise of voice

Humans are becoming more comfortable communicating with robots and robots are becoming more sophisticated, or human-like, in these interactions.



Trend 4



Experiential retail is coming to life

Retailers are actively experimenting with experience as their most powerful tool to win and retain customers.



Trend 5



Planet friendly is due to arrive

The planet friendly movement has momentum. Consumers are shopping with emotion and values as much as their wallets.



Trend 6



Social currency will be more transactional

Social media has become embedded in many customer's purchasing journeys. Retailers need to actively engage with these tools as consumers increasingly use them as a primary interaction point with brands and companies.

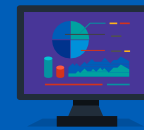


Trend 7



From transaction to service provider

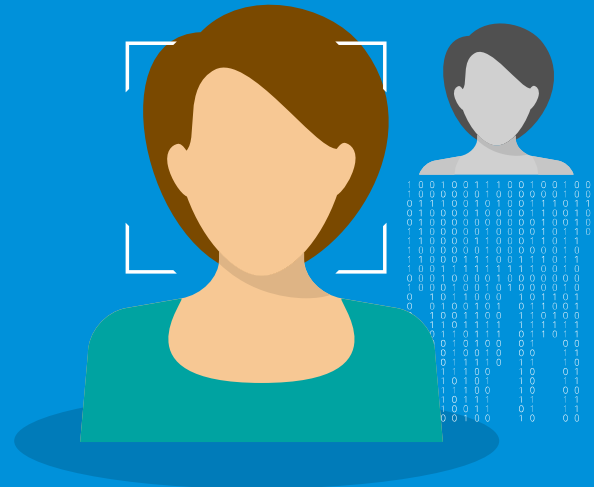
Platforms are developing solutions and products they are offering direct to retailers; they will harvest the data. So the question will be, which one will you collaborate with?





Trend 01

From we to me



From we to me

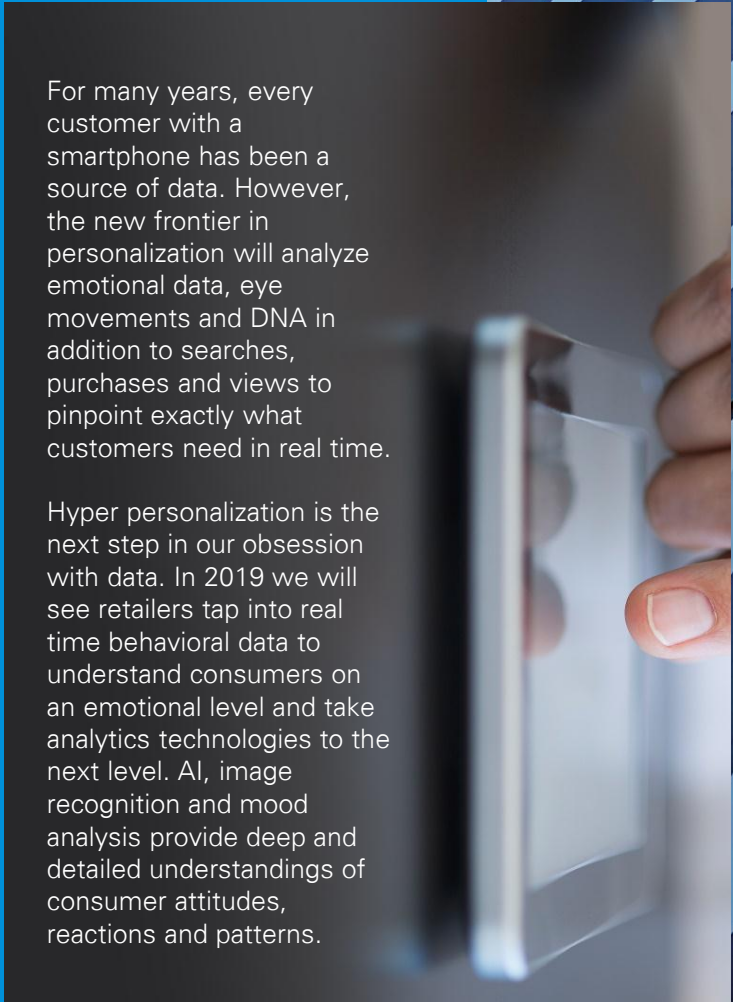
Deep retail is resulting in hyper-personalization. Today it's possible (and even likely) that retailers know what you need before you do.

Deep retail:

Generally understood to be the use of profound learning about customers, to allow for retailers to develop personalized, tailored shopping experiences, products and services.

Hyper-personalization:

Can be summarized as the use of behavioral and real-time data to create highly contextual products, services and communications relevant to a specific individual in a particular situation.



For many years, every customer with a smartphone has been a source of data. However, the new frontier in personalization will analyze emotional data, eye movements and DNA in addition to searches, purchases and views to pinpoint exactly what customers need in real time.

Hyper personalization is the next step in our obsession with data. In 2019 we will see retailers tap into real time behavioral data to understand consumers on an emotional level and take analytics technologies to the next level. AI, image recognition and mood analysis provide deep and detailed understandings of consumer attitudes, reactions and patterns.

Deep retail will cause hyper-personalization

Giving retailers access to more and more data, effectively gives them an intimate view into the lives of consumers like never before. All in exchange for products and experiences that better meet our needs and make the experience as personal and unique as possible. Meaningful analysis and security tools will be absolutely essential for retailers to pull this off.

As the importance for deep retail (to generate hyper-personalization) continues to grow, some major players have already mastered the importance of tailoring to their customers.



Case study: Function of Beauty

Function of Beauty is an American brand that offers personalized haircare.

The company has a simple mission: to create hair products that are built exclusively to meet the individual hair care needs of their customers. They say “tell us what you want and need for your hair, and we’ll individually formulate and fill a product that is as unique as you!” Founder and CEO Zahir Dossa came up with the idea for Function of Beauty while pursuing his PhD in computer science at MIT. He realized that most shampoos and conditioners are made with the same basic ingredients, with very little differentiation. Despite being marketed to solve diverse hair problems and achieve different hair goals, most hair products are pretty much the same.

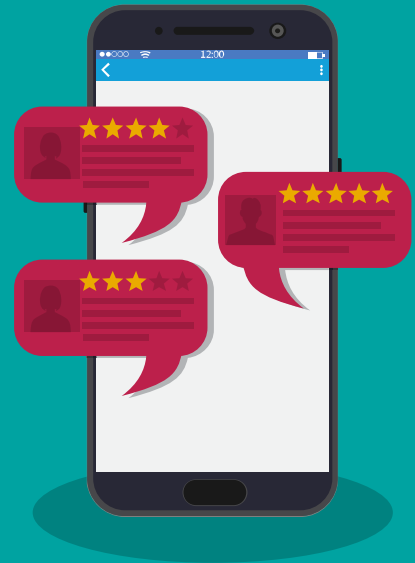
The company uses a short quiz to learn about users’ hair types and goals. The results are then pumped into an algorithm that pulls from hundreds of ingredients to create a completely unique shampoo and conditioner combination. In total, Function of Beauty’s algorithm offers up to 12 billion custom combinations. Customers can then choose the color of their products, have their name put on the bottle, choose their preferred scent and select the size of the bottle. Customers can purchase their hair products one off or sign up to a subscription service.¹

Note: 1: <https://www.functionofbeauty.com/about/>



Trend 02

Consumers get price Savvy



Consumers get price savvy

Paying less for more and bragging about it has become a trend in itself. Consumers are educated on pricing strategies and are now prioritizing value. With more options and information at their disposal, consumers prefer to do their own product research. This is because consumer values now encompass a variety of attributes. Consumers now expect the price to reflect their mission: value(s), convenience and experience.



The traditional path to purchase has changed and now includes extensive research. 81 percent of shoppers do online research before committing to the purchase. 89 percent of these customers begin their buying process with a search engine.² In just a few clicks, consumers can gauge whether they are overpaying and explore alternatives until consumers achieve their missions. 75 percent of people don't think that quality necessarily goes hand in hand with high prices.³ The proof is in the rise of alternative brands that may not have the cache of their established competitors but come in at a lower price point or offer another unique selling point.

The introduction of smartphones, which coincided with a global financial crisis, enabled consumers to become more price savvy and informed than ever before. Modern shoppers don't want to pay full price and they aren't afraid to share their opinions through reviews. 36 percent of 25 to 34 year olds in the UK use review sites such as TripAdvisor and Yelp.⁴ Cost transparency will continue to climb in consumer priorities in 2019. The modern shopper will only be willing to pay full price if their other missions are fulfilled.

Note: 2: <https://www.vividfish.co.uk/blog/89-of-customers-begin-their-buying-process-with-a-search-engine-source-fleishman-hillard>

3, 4: <https://www.adweek.com/digital/81-shoppers-conduct-online-research-making-purchase-infographic/>

Consumers get price savvy (cont.)

John Watton, Director Digital Marketing EMEA at Adobe Systems says
“Consumers have become savvier, they want, and have the ability, to get the best offers, products and price wherever they go, not just on one channel or in one store. This puts the pressure on brands to ensure customer experience is optimized for every channel.”⁵



Case study: ShopSavvy

ShopSavvy is an American app developed to target the price savvy customer. It allows users to scan the barcode of any product and compare all the best prices on the internet and at nearby stores. It also alerts you if the retailer follows a price matching policy. The app claims to have the largest database of retailers, products and prices in the market.

ShopSavvy has now become the world's most popular shopping application with more than 100 million downloads of the technology and over 50 million product scans a month.

Further to the core offering, the app allows customers to share deals with friends, set price alerts, make wish-lists, get access to exclusive deals and recommends top products in greater than 450 categories.⁶

Note: 5: <https://shopsavvy.com>

6: <http://digitalmarketingmagazine.co.uk/digital-marketing-news>





Trend 03

The rise and rise of voice



The rise and rise of voice

The excitement around Artificial Intelligence (AI) is running high and its impact is growing. Humans are more comfortable communicating with robots and, in many cases, robots simply get the job done faster and more efficiently.

In 2019 we will see AI's impact on retail grow substantially in two key areas: smart speakers and chatbots.



Smart speakers:

The number of people with smart speakers enabled with voice-activated virtual assistants almost doubled over the last year from 14 percent in 2017 to 27 percent in 2018.⁷

Most smart speakers depend on assistants from existing e-commerce giants – which opens up new doors into consumers homes for retailers. Voice-controlled shopping is set to explode over the next four years to US\$40 billion by 2022. This massive growth (1900 percent) will be driven by increased use of smart speakers at home. OC&C predicts that smart speakers will penetrate 55 percent of US households by 2022 compared to 13 percent now.⁸

65 percent of Americans think conversational assistants will make their lives easier.⁹ The interactive nature of this experience makes it possible for the smart speaker to become the central technology in our home and lives. Smart speakers and voice assistants are fundamentally changing the way we engage with technology.

Note: 7: <https://yougov.co.uk/topics/politics/articles-reports/2018/04/19/smart-speaker-ownership-doubles-six-months>

8: Digital Economy Compass 2018 – Statista

9: <https://edit.co.uk/blog/google-voice-search-stats-growth-trends/>

Humans and robots are due to meet in the middle

Chatbots:

In 2019 we will see a huge surge in the development of chatbots.

According to Gartner and Juniper, chatbots will be involved in 85 percent of all types of business to customer interaction by 2020.¹⁰ These specially programmed robots simulate human conversation through AI. They offer businesses the opportunity to provide personalized online customer experience.

Brands are taking advantage of existing platforms like Facebook to meet their chatbot needs too. More than 100,000 (and growing) chatbots on the platform help consumers to vet and purchase their products.¹¹

As the benefits of robots become clearer, we trust and rely on them more. This, combined with our obsession with efficiency, has companies extracting the best qualities from both robots and humans to achieve the optimal customer experience.



Case study: HelloAva

Can a chatbot replace a dermatologist's recommendation for skin care products? That's the idea behind American start-up, HelloAva.

HelloAva helps consumers determine their skin type through a 12-question SMS or Facebook Messenger conversation. The bot then recommends skin products and regimens based on the person's answers.

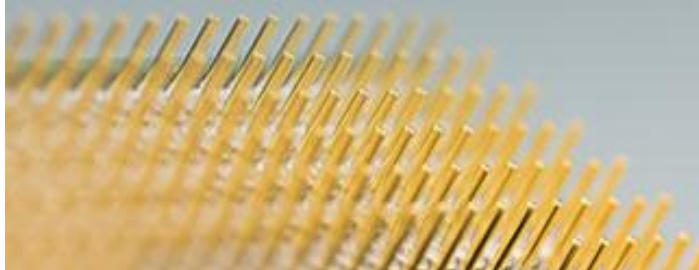
Customers can also send a photo of their face through the bot to be connected with a human advisor for more personal service. The advisor can ask and answer additional questions, validate the algorithm's work and then send the customer a checkout link where they can buy the recommended products.

Mattie Khan, a beauty blogger for Elle claimed Ava made her skin regime much easier. "It's not hard to trust the bot. Like a good first date, Ava seems interested in me, invested, even".¹²

Note: ¹⁰ <https://www.gartner.com/en/newsroom/press-releases/2018-02-19-gartner-says-25-percent-of-customer-service-operations-will-use-virtual-customer-assistants-by-2020>

¹¹ <https://chatbotsmagazine.com/chatbot-report-2018-global-trends-and-analysis-4d8bbe4d924b7gi=3653baa19011>

¹² <https://www.elle.com/beauty/a13119222/helloava-skincare-review-chatbot/>





Trend 04

Experiential retail is coming to life



Experiential retail is coming to life

Experiential retail, or retailtainment, is the future. For years, we have heard stories of the apparent decline of bricks and mortar and the subsequent rise of e-commerce, as if it was set in stone. But as the desire for experiences rises – Millennials said 52 percent of their holiday spending would go to experience-related purchases compared to 39 percent of older consumers – this trend could be about to reverse.¹³

In this changing market, people cherish and are investing in experiences over material possessions. New figures show consumers continue to spend less on buying things, and more on doing things (and telling the world about it on social media, of course).¹⁴ From theaters to bars to stores, businesses are scrambling to adapt to this shift.

By creating a more immersive experience, retailers can drive people to their stores and ensure they leave not just with products but also memories.

Note: ¹³: <https://social-re.com/why-bigger-is-better-in-retail-holiday-experiences/>

¹⁴: <https://www.theguardian.com/business/2017/may/13/just-do-it-the-experience-economy-and-how-we-turned-our-backs-on-stuff>



Experiential retail is coming to life (cont.)

Millennials are the driving force behind this shift. More than three in four (78 percent) would choose to spend money on an experience or event.¹⁵ 69 percent of respondents said they believe attending live experiences helps them connect better with their friends, their community and people around the world. Since 1987 the share of consumer spending on live experiences and events relative to total US consumer spending increased 70 percent.¹⁶

In 2019 we will see retailers ramp up focus on curating compelling experiences.



Case study: IKEA

IKEA hosted a sleepover in one of their shops for over 100 customers. The night included all the trimmings of a classic sleep over and featured a sleep expert with tips for a good night's rest, including how to find a mattress to fit your sleeping style.

The idea for the event came from the consumer insights the company gains from social media. Lois Blenkinsop, IKEA's U.K. PR and internal communications manager, said in a statement: "Social media has opened up a unique platform for us to interact directly with our customers. Listening to what they want is what we do best, and the Big Sleepover is just one example of how we're using such instant and open feedback to better inform our marketing activity."¹⁷

Note: ¹⁵: <https://www.forbes.com/sites/blakemorgan/2015/06/01>

¹⁶: <https://scottgould.me/engagement-statistics/>

¹⁷: <https://adage.com/article/global-news/ikea-u-k-hosts-sleepover-store>



Trend 05

Planet friendly is due to arrive



Planet friendly is due to arrive

Planet friendly is en route. Sustainability is no longer optional in retail. With the green generation making sustainable shopping a priority, a third of consumers now choose to buy brands based on their social and environmental impact, according to new research by Unilever.¹⁸ Consumers are now shopping with their emotions and values instead of just their wallets.



One in five consumers say they would choose a brand if its sustainability credentials were made clearer on packaging or in marketing. That equates to a US\$1.13 billion untapped opportunity, according to Unilever.¹⁹

Some companies have tried to appear socially responsible through clever marketing campaigns without building the cause into the soul of their business. But today's discerning consumer can see through clever tactics and demand more. Nowadays, retailers cannot just say they have a goal, they need to show the consumer that they are acting upon it.

Note: 18, 19: <https://sustainablebrands.com/read/stakeholder-trends-and-insights/study-effectively-marketing-sustainable-goods-could-representt-market-opportunity>

Planet friendly is due to arrive (cont.)

Retailers are moving away from ad hoc sustainability marketing campaigns and abandoning minor themes that are not integral to the business. In 2019 we will see companies make more meaningful sustainability commitments where they can have significant impact that aligns with the values of the company, its brands and its target audiences.



Case study: Ekoplaza

Dutch company Ekoplaza launched the world's first plastic-free aisle in Amsterdam.

700 products from fresh meat to lentils in this 645 square foot space are wrapped in compostable biomaterials. And instead of plastic, light fixtures have been reclaimed from other stores, shelves are made from wood and metal and labels are made from cardboard.

In 2018, a Guardian investigation revealed that UK supermarkets were a major source of plastic waste, producing 1 million tons a year. A recent Populus poll revealed that 91 percent of Britons back the introduction of plastic-free aisles.²⁰

Note: ²⁰: <https://www.theguardian.com/environment/2018/nov/11/retailers-to-pay-up-to-1bn-more-for-recycling-under-waste-strategy>



Trend 06

Social currency will be more transactional



Social currency will be more transactional

Today there are more than 2.56 billion social media users globally. One out of every three Millennials use social media as their primary tool to interact with brands and companies.²¹



Consumers' willingness to share on social media, social currency, has great brand-building potential for retailers.

Social currency: the entirety of actual and potential resources which arise from the presence in social networks and communities, including both digital and offline.

More and more, consumers are relying on community and word-of-mouth instead of advertisements for product recommendations. According to Retail Dive, more than 80 percent of generation Z and 74 percent of Millennials say social media influences their purchases.²²

Note: ²¹: <https://www.statista.com/statistics/278414/number-of-worldwide-social-network-users/>

²²: <https://www.retaildive.com/news/study-80-of-gen-z-purchases-influenced-by-social-media/447249/>

Social currency will be more transactional (cont.)

Seeing the value in this persisting trend, retailers are turning to social media advertising. With targeted ads, companies reach very specific groups based on demographics, interests, behavior and more. There are over six million Facebook advertisers and two million on Instagram. Social media ad spending has also been on the rise, growing more than 20 percent annually. According to eMarketer, in 2018, a quarter of all UK digital ad spend (approximately US \$5 Million) was channeled into social media platforms.

Forward-thinking retailers have capitalized using the power of social media to connect meaningfully with customers, swapping out automated coupon codes and bland sales copy in favor of genuine engagement. Instagram has even introduced “shop-able” posts and Snapchat recently launched an e-commerce, or ‘selfie-commerce’, channel for brands to advertise on. In 2019, we will see retailers trading in social currency.



Case study: Birds Eye

Birds Eye’s, an international brand of frozen foods, hosted a pop-up restaurant at the Picture House in London. To settle the bill, customers had to share Instagram pictures of their food and hashtag #BirdsEyeInspirations.

Birds Eye’s initiative seeks to build the brand on social media after research found 52 percent of people regularly take pictures of their meals and 11 percent take at least one picture of their food a week, while nine percent are unable to go a day without capturing what they’re consuming.²⁴

Margaret Jobling, Birds Eye marketing director, said: “We wanted to tap into this trend and create a new reason for people to talk about and sample our newest additions to the Inspiration range.”²⁵

Note: 23: <https://www.facebook.com/iq/insights-to-go/6m-there-are-more-than-6-million-active-advertisers-on-facebook>

24: <https://www.emarketer.com/content/emarketer-total-media-ad-spending-worldwide-will-rise-7-4-in-2018>

25: <https://www.retaildive.com/ex/mobilecommercedaily/birds-eye-pop-up-restaurant-treats-instagram-posts-as-currency>





Trend 07

From transaction to service provider



From transaction to service provider

Platform: A platform is a business model that creates value by facilitating exchanges between two or more interdependent groups. In order to make these exchanges happen, platforms harness and create large, scalable networks of users and resources that can be accessed on demand. ²⁶

Platform businesses have re-shaped and re-invented the world of retailing. They are now taking their platform models one step further and developing solutions and products which they offer directly to other retailers. In exchange, they will harvest the data to continue to deepen their understanding of consumer behaviors.

Note: 26: <https://www.applcoinc.com/blog/what-is-a-platform-business-model/>



From transaction to service provider (cont.)

In today's retail economy, understanding the power of platforms is vital. In the twenty-first century, the supply chain is no longer the central aggregator of business value. What a company owns matters less than what it can connect. Platforms that are dominating the retail industry, know that by selling a service where they can create the means of connection, results in the provider having all the power.

To be sure, not all retailers have the resources or mandate to develop their own platform models but that doesn't mean they can't participate. Paul Martin, Head of Retail at KPMG in the UK explains that businesses will need to build, buy or collaborate to compete. For those who are not platform players, collaboration will be key.²⁷

Due to the high risks of adapting core business models, traditional players will collaborate and form partnerships to drive efficiency. We will see companies invest in a business but not get involved directly, consequently seeing the rise of joint ventures in 2019.

Note: 27: <https://home.kpmg/xx/en/home/insights/2017/11/the-home-of-the-future.html>



From transaction to service provider (cont.)

IKEA's recent acquisition of the start-up TaskRabbit is designed to build its business across the platform. TaskRabbit is a start-up that connects temporary workers to a variety of different jobs. These can include: delivering purchases, cleaning homes, and even assembling furniture. The company has about 60 employees, but over 60,000 independent workers use the platform.

The purchase of TaskRabbit was fuelled by IKEA's need to further boost its digital customer service capabilities to compete with rivals who now have installation offerings. The purchase is IKEA's first step into the on-demand platform space.

"In a fast changing retail environment, we continuously strive to develop new and improved products and services to make our customers' lives a little bit easier," Jesper Brodin, President and CEO of IKEA Group, said in a statement. ²⁸



Note: ²⁸: <https://www.businessinsider.com/report-ikea-acquires-taskrabbit-2017>

Top 10 lessons for retailers

- 01 ▶ Data is sacred. Listen to it, and let it influence your business decisions.



- 06 ▶ Be socially responsible or risk losing customers and brand integrity.



- 02 ▶ Think personalization. From experience, to products, to services, consumers want and are willing to pay for personalization.



- 07 ▶ Value, convenience and experience are the winning consumer drivers. You need to excel in at least one.



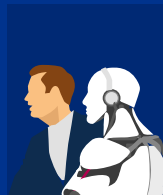
- 03 ▶ Provide your price savvy consumers with value. Shoppers want to pay less for more and will search until they find a suitable solution.



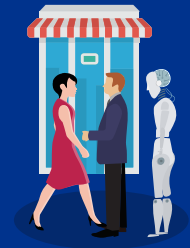
- 08 ▶ Social media is one of the most powerful tools you can use to reach and understand your customers.



- 04 ▶ Humans are becoming more comfortable with robots and are happy to interact with chatbots and smart speakers. Use this to your advantage with consumers and your own business.



- 09 ▶ Lean and smart has to be the future of efficient retailing.



- 05 ▶ Give your consumers a good experience. Experience is everything and consumers are willing to pay for it.



- 10 ▶ Think consumer centricity. As always, it is about the consumer.





"Once you
can see it,
it's too late"²⁸

Rodney McMullen

CEO of Kroger

Note: 28: <https://www.winsightgrocerybusiness.com/retailers/kroger-ceo-says-consumers-are-nervous-about-economy>

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Contacts



Willy Kruh
Global Chair
Consumer & Retail



Paul Martin
Chair of the Global Retail SteerCo
Retail



Devika Devani
Assistant Manager
Global Consumer & Retail



Dan Coonan
Executive Director
Global Consumer & Retail

Further publications



ConsumerCurrents

ConsumerCurrents is published semi-annually for senior executives at the world's leading consumer retailers and brands. In each edition, the latest industry issues, global trends and business strategies come under the scrutiny of KPMG firms' industry professionals.



Me, my life, my wallet

Vol 1

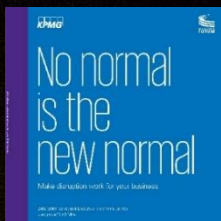
KPMG International's Customer Insights program identifies the complex drivers of choice that open and close the customer wallet. The publication is based on comprehensive, customer-focused research methodology from Global Customer Center of Excellence and the Innovation Labs, including findings from a survey of 10,000 people across the US, UK, India and China.



Me, my life, my wallet

Vol 2

The second volume focusses on connecting with the future customer, who is less predictable than ever.



No normal is the new normal

No normal is the new normal: Make disruption work for your business
The 2018 Consumer Executive Top of Mind Survey surveyed 530 industry executives about their companies' approaches to various business processes.

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