
Analysis of Global Retail Industry: An Overview of Changing Trends

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Abstract:

The global market of retail is growing since last decade inspite of the turbulent economic conditions and varying consumption patterns. The total retail sales have risen by at least 6.7% every year 2010 to 2016 leading to the highest increase of \$22.5 Trillion over the last few years.

Results of various researches and survey enlightens that the global retail sales have paved way to the future with more demand in India, China and Latin America. According to an estimate China may overtake the United States of America as the world's largest consumer by the year 2025, followed by United Kingdom, Japan and Germany.

These five countries symbolize the largest retail segments. The five leading players are historically great industrial powers with very high standards of living. China makes up for its relatively low standard of living of \$13,000 PPP per capita versus \$54,000 PPP per capita in the U.S., with an increasing large consumer base.

Purpose of this paper is to highlight the changes in Global Retail Market which is undergoing and bringing an increasing economic growth.

Keywords:

Global Retail Sector, Brick-and-mortar store, Online Retail, Social Media

Methodology:

This research paper is prepared by reviewing related literature produced in the vicinity of Retail Industry and specifically the overall Global Retail Industry. I have also incorporated views of experts, policy formulators and common man related to this issue. Research paper is based on secondary data and provides only descriptive information and no statistics are used.

Manuscript:

Retail Industry: An Overview

The mounting Gross Domestic Product (GDP), escalating rate of population, higher disposable income and increasing consumer spending are key motivators for the success of Global Retail Industry and increasing opportunities for the retail segment players. According to a survey, the retail market is forecasted to accomplish an estimated leap of \$20,002 billion in 2017 with a CAGR of 3.9% over the next few years.

Due to drastic changes in the economic environment the facet of commerce is changing drastically. Smarter malls, online fashion resale, loyalty programs, off---price shopping, retailtainment¹, (new trend where it helps retailer drive in-store traffic and provides a more meaningful customer experience, conduct in-store events, more interesting and decorative store interiors, and interactive elements) click and collect (omni-channel) and focus on the digital space and certain other trends will influence as well as speculate the future of retail industry which would play a larger role in everyday life of the consumers, in the future years.

However, the retail industry consists of the establishments which are engaged in selling merchandise or commodities for personal or household consumption such as that of apparel and accessories, technology, food and beverages, home improvement, specialty, pharmaceuticals, and others. The market segments are experiencing renewed growth since the developed nations initiate to emerge from the period of recession, as well as their economies make progress and there is a downfall in unemployment rates.

The following are insights which indicate the changing retail sector on a global platform.

INSIGHTS TO Global Retail Revolution

According to a survey conducted by **PricewaterhouseCoopers (PwC)** to understand and compare consumer shopping behaviors and the use of different retail channels worldwide the following are the eight insights which may redefine the global retail revolution:

1. The prospect global shopping behavior of Chinese is exemplary. Various researches reveal that the Chinese have already followed the shopping trends of today's consumers. To quote **Gibson** "The future is already here; it's just not widely distributed yet." His Gibson's thinking is precise with regard to future of consumer behavior of which is directly related to China. The Chinese have already adopted the revolutionary shopping habits for example mobile buying.

A survey result shows, 65% of Chinese state that they shop online through their mobile at least monthly, and only 12% have never done so. Contrarily the survey claimed that through global sample only 28%

¹ Retailtainment: Drink, Dine & Discover

consumer claim that they shop online via their mobile at least once a month, and 46% have never shopped online via their mobile.

There has been an increase in Chinese shoppers from 18% to 42% who say that they use smartphones to pay for a purchase. However the global statistics has also increased from 12% to 27%. Further, it is assumed that there would be a major boom in the use of mobile payments globally.

Due to demonetization today in India, mobile phone has become main tool to purchase items. The current scenario has encouraged the Indians to adopt mobile wallet and schemes like Paytm mobikwick have replaced the cash.

Instead of Value of a Product - Price is Supreme: Due to massive economic turbulence, worth or value of a product and affordability has become core concepts for the global shoppers of every income group. The survey claims to divide the global shoppers in two categories: Survivalists and Selectionists:

- a. **Survivalists:** As a consumer the survivalists believe that affordability is the core of any purchase decision. For them discounts and good value deals are the key motivators.
- b. **Selectionists:** However, the selectionists are loyal and stick to big brands with distinctive store experience.

However later in depth study also revealed that depending on the country, price and convenience rules. For example, in many countries as South Africa 57% shoppers believed that convenience is as much a part of value as to just 30% who considers price is key motivator. The shoppers in 58% of shoppers in United States claim convenience was the main influencer for online purchase. Remaining global shoppers considered convenience (47%) was a slightly bigger influencer than price (43%) when buying online.

When questioned the reason for shopping at the favorite retail store, the results revealed that for more than 63% respondents Price was the most important motivator followed by 37% respondents claiming the availability of the desired quality of the products and lastly was the loyalty to brands (32%).

2. There is prevalence of Physical Shopping than online conversions: Although there is a drastic slowdown of footfall to the physical stores still it holds a strong position. The survey focused on the fact that the preference for a physical store shopping depends upon the type and category of the product, both for researching and purchasing.

To quote, while purchasing products like electronics and computers, household appliances, and clothing and footwear the shoppers' research on the internet but buy from brick and mortar experience store. Therefore the demand for flagship experience stores, destination shopping centers, specialist stores, and pop-up stores reckons the shopper their respective purpose so that their expectations are achieved. This is the reason that today almost every store has a shopping website which provides the shopper a platform to research and ultimately buy from their stores either online or through physical in store shopping.

The survey results also explored suggestions for making in-store experience better which would enhance their physical stores. It included:

- Around 40% claimed that the **Sales Associates** should be equipped with **deep knowledge** of the product range
 - Whereas around 34% shoppers claimed that there must **ease of checkout**. However few sighted out that there can be **self-service checkout system** or there can be a facility where the **sales associates** can take **payments** without going to checkout counters.
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- Approximately 32% said that the sales representatives should possess the ability to check **online stock** quickly
- Shoppers also felt that the store should possess an **engaging ambience** (23%),
- Finally few shoppers (22%) also wanted to get access to **in-store Wi-Fi** facility.

3. The talent of the Retailer Matters for the increase in sales: Today the consumers are classier who desire that the brick-and-mortar store employees are more equipped with product knowledge, technology know-how, and people skills. They desire for helpful store associates. 27% of the shoppers preferred to speak directly with the store employee than searching their smart-phones for shopping. The top five reasons that would increase shoppers' preferences for buying from physical store related to knowledgeable store employees:

- The better aftercare/after-sales services that they offer (31%),
- Helpful store personnel (29%),
- Personalized service (28%), and
- Increasing local employment (29%)

The importance of retail talent varies from a country to another. In some countries such as UK, France, Japan, Italy, customer service is not given due priority in making shopping experience great. But in Thailand, China, and the Middle East, customers mention customer service rather higher in driving their favorite retailer perception. In other countries as Germany, Spain and Chile customer service has a huge impact on favorite retailer perception, and enhanced service would enhance both the in-store experience and local retailer preference.

4. Mobile devices have turned the corner as purchasing tools. Mobile commerce is replacing the brick-and-mortar shopping experience and is becoming the most popular and convenient online shopping tool. Earlier in the year 2015 the mobile phone was used primarily as a pre-purchase tool, with prospective shoppers using it for the purpose of researching products and stores, for checking customer reviews at various social media and for getting coupons, offers, deals or special discounts.

Now many retailers are displaying the majority of its products online at various shopping site or their own webpage with a unique QR code which the shoppers can scan to get detailed information of the products and then they can order the same via phone or purchase online for its delivery.

There are few other retailers which sell products with a unique twist i.e. **"click & collect"** After a customer purchases a product online, the item will be ready for pick-up 30 minutes later in a store of their choice. When they come to the store they scan the mobile phone and then skip the line. If the product is not ready, it will be free.

5. Today's consumers crave for better Loyalty Benefits. Another global retailing trend is generation of deeper connection with retailers via customer "communities" or Loyalty clubs which is increasingly apparent since many consumers choose to be a member to gain perks of membership. Since many years the retailers have been following the tradition of luring shoppers to their retail stores or brands in search for their connection, exclusivity, customization, and membership through creation of a Community or by offering membership/reward points/special discounts etc. however today, the word "community" refers to a virtual or digital community, for Millennial.

91% of global survey sample accounted that they are a member of a loyalty/reward program. Therefore the consumers' willingness to be a retailer community member that offers tangible benefits is taking a riding stride. The top three advantages that a shopper wants to gain from their loyalty/reward programs are:

- Access to exclusive discounts/offers (70%),
- Collecting reward points (61%), and
- Free shipping (58%).

However the retailer across the world is trying integrating into their loyalty plans to use other benefits as more personalization, better connection, and engagement that retailers could potentially.

6. Social media is the “great influencer.” Nowadays, the customers are depending and trusting the social media apart from their family’s opinions, advertising messages, and media coverage in order to make product decisions and estimate brand authenticity. Around 78% of the global sample was influenced by the social media in one way or other. Nearly 43% assumed that reading reviews, comments and feedback influenced their online shopping behavior.

However this share is higher in emerging markets ranging from 53% to 56%, while it is 36% in established markets. The country wide division indicates that in Denmark just 22% of survey participants are influenced by reading review, comments, and feedback, while in Malaysia it is higher that is around 69%. Followed by India at 66%, China at 63% then follows Chile at 58% and lastly followed by Turkey at 56%.

For retailers, the customer reviews, comments and feedback acts as a volunteered approach to customer information and is an additional form of customer research

Interestingly, social media’s increasing impact does not have negative effect on advertising as around 30% of respondents claimed that “viewing advertisements” influence their shopping activities. Leading the online shoppers who are most influenced by advertisements dwell in India (55%), South Africa (49%), Chile (47%), Mexico (46%) and Malaysia (45%).

India also ranks second where around 38% said that they did purchasing directly using a popular social media channel, leader being Thailand where more than half (51%) said it was part of their shopping behavior others in Malaysia (31%), China (27%), and Middle East (26%).

7. Retailers as real Innovators. The upcoming markets are well equipped with latest technology support and innovations as the consumers demand for a boundary less, integrated omni-channel experience that furnishes them to make purchases from anywhere either through their mobile phone/smart-phones, tablet, PC or wearable device, in addition to the traditional brick-and-mortar stores (physical retail outlets, malls, departmental stores etc.).While consumers see plenty that is innovative about their favorite retailer, very few retailers qualify as “leading innovators” in shoppers’ minds.

Conclusion

Thus it is clear that there has been an evolution in the retail sector globally. Many retailers have understood the growing importance of offline and online retail strategy. However they still need to create a balance among the different changing trends. They need to understand that online systems would create increase in the store breadth

There is an increase in the new connected consumer which gives them impetus in improved decision making, help to gain competitive advantage and result in better productivity and profitability rates.

Asia is marching towards becoming key driver of global retail growth. It possesses the potential to dwell innovation in the areas of e-commerce and new product development. Japan, South Korea & Taiwan are major players in world’s leading electronics firms while India and China are creating waves in E-Commerce.

Finally, due to the demonetization drive in India, it is forced to become a Cashless society and the retailers would now be more dependent on the online systems and social media sites in India for their growth and profit earning.

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