

How will today's trends affect tomorrow's retail?

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It's not news to anyone that the retail environment is changing almost as fast as we can keep up with it. What is not at all clear however, is what is changing and how those changes may likely affect shopping in future. *Shopping SA* spoke to Michaela Murning, head of Retail & Shopper Insights at TNS, about the trends TNS has picked up on in its research and its contact with clients, and how those might influence the nature of retail in the coming years.

Our discussion looks at what might change within the next decade although the speed and extent of future changes are often difficult to predict. "Bill Gates puts it well when he says that we often overestimate what will change in the next two years, but underestimate what will happen in ten," Murning said. With this in mind, there are certain clear trends that will shape what happens in the near future at least.

Gatherings, angst and convenience

It comes as no surprise that technology will continue to have the greatest impact on retailing into the future - and from a retail perspective, it will affect the way in which retailers operate and make money as well as how shoppers shop. Technology disaggregates shopping. That is to say, with technology there are fewer reasons to leave home, and hence we are likely to see "gathering" occasions start to consolidate in the future of retailing.

Retailing today is still very much about opportunities to gather, and the social function of shopping centres will become increasingly important going forward, with malls needing to look beyond retail and food to attract shoppers. In fact, we already see this happening with greater entertainment offerings. The key question going forward will be: Which other gathering occasions lie undeveloped? Retailers could benefit enormously from gathering insights on what to offer and how to attract shoppers into their malls and stores when up against online shopping, scarcity of time and many other occasions fighting for consumer favour.

A second trend worth noting is the lifestyle and state of mind of shoppers. "Today's shoppers have three kinds of 'currencies', if you will: time, money and angst*," said Murning. The time and money factors are self-explanatory. The angst factor is partly related to those two, but extends to things like the perceived hassle of going to a shopping centre when it is busy and crowded, or going to find something specific and hoping that it won't be too difficult. Although these three 'currencies' stack up differently for individual shoppers, this will evolve further into the future to include a fourth currency - privacy. This currency will gain in importance as shoppers continue to be bombarded with social media, unsolicited personalised marketing and more.

This leads us to a third trend - the massive drive towards convenience stores and things like petrol station forecourt retailing, which particularly address the time and angst factors in our hurried and pressurised lives.

With this as a background, let's look at some of the bigger factors to consider when it comes to how people are shopping, who shoppers are, and what is changing.

Catering across the age spectrum

Today's shoppers include both young and old. Gone are the days when one catered only for the tastes and aspirations of younger shoppers. "Certainly, one of the things that has played a big part in retailing in the past five years is the role of the youth. Particularly before the economic downturn, young people had more disposable income than ever - often thanks to parents who supported them, even into their mid-twenties," Murning said.

"However, we also have an increasingly ageing population. These are shoppers whose families have flown the nest and who now have more time and money. So now, retailers are not just trying to attract younger or middle-aged consumers, but older shoppers in the 60-plus age group as well, and not just via 'pensioner Tuesday' specials. Retailers and shopping centre owners and developers need to have the insights today to know how to meet their needs and attract them," she continued.

Rural to urban

As in many developing countries, urbanisation in South Africa is on the rise. Along with that comes an increase in urban shopping, the growth of shopping centres and a shift towards doing one's monthly shopping at a shopping centre. Even people living in more remote areas are tending to travel to their nearest urban shopping centre for their monthly shopping. The spate of new malls being developed in township and rural areas is testament to the need people have for good retail facilities that cater to their needs across the country.

"Often the anchor tenants in the strip malls (rather than the larger malls) are not only your major retailer but also quick service restaurants or fast food outlets," Murning commented. "When you look at what the South African consumer spends money on, a sizeable chunk of it is on retail and the next biggest portion is on transport. What retailers need to look at is ways of helping shoppers to spend less on transport so that they can spend that money on shopping." Short-term solutions include things like providing shuttles to take people to malls, whilst longer term solutions could be to provide a broader spectrum of activities and services that aren't available near where people live, closer to retail centres such as education facilities.

The gender factor

"One of the important things that we're already seeing, and which will be a key factor in the way retail develops going forward, will be catering for both male and female shoppers," Murning said. "It's interesting to observe how men and women buy different things - and at different times. Retailers might notice that while their main customers during the day until the late afternoons are mainly female with a certain basket of goods, shoppers after 5pm are more likely to be men, and their baskets of goods are different," she explained.

Many women will often just shop for the necessities on their lists and get back to their busy lives. Men, by contrast, may well pop into the grocery store to pick up a few items that their wives have asked them to get for dinner, for example, but will then throw in a couple of other items that look interesting or which appeal to them. This has bearings on aspects such as the way in which the shelves in the queue to the tills might be merchandised at those particular times.

There's no escaping technology

No matter which way one looks at it, technology is here to stay in the world of shopping. While South African shoppers still seem to want to do certain kinds of shopping in store - preferring to see and feel the products - there is growth in online shopping in categories such as books and travel, just to mention two examples.

Murning made it clear that technology has certainly established a position in the path to purchase, notwithstanding. "There are many people who, when they need something, will now spend hours online researching the product and looking for information before they even set foot in a store," she pointed out. "Instead of going to a couple of different stores and getting advice from the sales people, they are searching for information online and going straight to the store they want to buy from. While a certain retailer might have been in the mix in the past because they were seen to be knowledgeable or because a consumer was comparing the products in all the stores in a mall, now they may fall off the path to purchase completely," she said.

Given this change in the path to purchase, the question for retailers is how to address this potential loss of business - particularly if they relied on consumers coming to them for their technical knowledge and their ability to help shoppers make a decision.

Providing for a multicultural environment

Perhaps South Africa is ahead of the curve on this one thanks to our rainbow nation mindset, but it is becoming more important to provide environments that cater for many cultures or that recognise when one shopper group's needs need to take preference over another's.

Murning made note of some of the changes around Rosebank by way of example. In the past few years, there has been an increase in the number of Asian shoppers frequenting Rosebank Mall, The Zone @ Rosebank and their surrounding shops. "There are more Halaal restaurants now, and for some time now the Spur restaurant there no longer serves alcohol. The proprietors there took cognisance of the changing shopper profile and made a decision to cater for that," she commented. She expects that the multicultural factor will increasingly be a dynamic that comes into play for retailers when deciding how best to serve their customers in specific environments.

Haves and have-nots

The gap between rich and poor is particularly pronounced in South Africa - and as shoppers, those who are affluent look for very different things from those who are living on the breadline. "Those who are better off are looking for convenience and premiumisation. They are prepared to pay more for convenience, and because of their desire for premium products they are also prepared to trade up and buy a slightly more expensive version of what they have if they feel it meets their needs better," Murning said.

The poorer shoppers, in contrast, are far more value-driven shoppers. They will stick with brands they know and can rely on, and they will weigh up the extra cost of transport to go to a supermarket in a mall versus the local spaza shop. For monthly shops, the trend tends to be that they will go to the bigger stores because they know they will get better value there.

Shopper insights for retailers and shopping centres

Taking the aspects discussed above into account, it is apparent that for the most part, retailers need to do a lot more work understanding shoppers to get people into their stores - and that is unlikely to change. With consumers being less inclined to spend in the face of rising food, utility and other costs, getting them to part with their hard-earned rands is also more of a challenge than it used to be. "Retailers are increasingly having to provide more experiential reasons for people to go into their stores because that's what has become one of the key deciding factors between them. Yes, branding does come into it, but at the end of the day it's often about who is offering a better retail experience," maintained Murning.

On a larger scale, shopping centres are in the same boat. Shoppers are now more likely to be attracted to malls which offer them a superior experience, and part of that is socialising and gathering. "One of the things shopping centres are probably grappling with (and if they aren't, they should be) is how to integrate retail with all the various gathering opportunities that an individual might have - be they around school, religion, entertainment or other things," she noted.

South African malls have had to face the harsh fact that a cinema anchor just doesn't do it in many cases any more - people are downloading movies or watching them on things like DStv Box Office at home on big-screen TVs. It takes things like the Mall of Dubai's ski slope to provide a real and differentiated attraction.

The convergence of retail with travel nodes will probably also gain more momentum in this country over time. Retailers such as Boxer have been extremely successful with their strategy of placing stores at transport nodes (particularly around taxi ranks). Successful examples of combining shopping and travel already exist in many overseas locations, but certain retailers such as Tesco in the UK have experimented even further with technologies and applications that make shopping easier. Just one example is an app which allows you to do your grocery shopping on your mobile phone whilst waiting in a tube station on your way to work, and having your groceries delivered when you got home that evening.

"The way retailers make money in future is going to change, too," commented Murning. While up until now they have made money largely from the products that they sell in store, in future they will have to be more diverse in their offering and

margin-seeking. Added services like Shoprite's money wiring counters allow shoppers to send money home at the same time as doing their grocery shopping - and at the other end, the money gets picked up at another Shoprite store where the person collecting it may just do some shopping, too. Global retailers like Amazon have effectively become a vehicle for connecting companies with surplus stock and shoppers who want that stock.

"They have even set up standard delivery of everyday items such as nappies each month, without customers even having to click a button - and at a saving. Imagine not even having to think about buying nappies or dog food: it just arrives each month before you run out!" Murning commented.

Technology has also given the shopper far more power - in fact, power is undeniably in the hands of the shopper rather than the retailer in today's world. Taking these two factors into account, it is clear that physical shopping environments must be adapted to respond to this. "This is why entertainment, services and other experiences are becoming so important now. It's not only through the unplanned and unintended purchases made by shoppers that many retailers will make money going forward," she said. She also noted the importance of providing facilities such as free Wi-Fi which youngsters will plan their journeys around to minimise mobile data charges, and even businesspeople will consider when working or meeting at restaurants and coffee shops.

Whereas the shopping centres and retailers of the past merely provided a place in which goods were on display and to which shoppers would surely come, today it is more important than ever to have an in-depth knowledge and understanding of your shoppers and consumers. The real insights and growth plans come from understanding how to connect better and more often with them, and giving them a reason to step out of their homes and offices and into the retail space.

*Ref. *Inside the Mind of the Shopper*, Herb Sorenson.

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