

Trends for 2010: Retailing in an Age of Uncertainty

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The retail world in 2010 will be substantially different than it is today. Consumer targets, retail categories, channels of distribution and retailers and suppliers alike will undergo radical transformation by the end of the decade.

The year 2010 will be a whole new world characterized by the following:

- Retail Darwinism will continue to prevail.
- A handful of retailers will control the global market.
- Not only companies, but entire formats and industry segments will die out.
- Retailers will become suppliers, and suppliers will become retailers.
- New and powerful competitors will do business in a whole new way.

The following trends will significantly alter the face of retailing in the remaining years of this decade:

Wal-Mart keeps smiling and supercenters keep rolling. Wal-Mart will be even more successful by 2010 as it extends its reach to a variety of new businesses, products and services. Wal-Mart's push into the grocery business is changing the way we shop. As consumers search for greater shopping efficiency, their store preferences are shifting away from traditional supermarkets and discount department stores toward supercenters. This shift will have a significant impact. Retail Forward forecasts supercenter sales to nearly triple by 2010.

Department stores, malls and specialty retailers fight for survival. As department store market share continues to decline, so will consumer preference for mall shopping. There will not be enough demand to support all of the malls already built. Some malls will die, while others will be reformulated and reborn. The mall of the future must have a clear market position. The most promising position for malls will be value, entertainment, upscale or lifestyle driven, with a much broader mix of retail and non-retail tenants. Similarly, specialty retailers will be forced to evolve. Compressed lifecycles for products, retail concepts and brands mean the days of the large, mass-merchandised specialty chain are over.

The shopping process gets smarter. E-kiosks, smart carts and RFID-enabled checkout will be powerful tools for customers in stores, while mobile devices are expected to be a major technological change-driver in consumer products distribution over the course of this decade—with the most significant opportunity in B2B applications. The Internet will transform many aspects of the shopping process. However, even though e-commerce sales are expected to continue to grow through 2010, they will remain a relatively minor slice of overall retail sales. Retail Forward forecasts annual e-commerce retail sales to reach \$230 billion by 2010.

The changing face of the retailer. As retailers become more global, they will seek alternative

sources of supply. By 2010, many suppliers will find their biggest competitors are their retail customers. As retailers look for new ways to grow and differentiate their offerings, many will become brand managers, some will pursue innovative store-within-a-store concepts, brand-sharing or partnerships, and still others will become "über retailers"—leveraging their brand identities, customer relationships and scale to move from share of market and share of wallet to share of life.

Suppliers act like and become retailers. Suppliers that survive the decade will be best-in-class category consultants as they take on an increasing number of activities that traditionally have been the responsibility of the retailer. And, as more suppliers get locked out of traditional retail channels, expect suppliers offering direct-to-consumer services to be a more viable scenario in the future.

Consumers call the shots. Retailing in 2010 will be much more personal as retailers adopt a more robust portfolio approach to the market to appeal to the multi-dimensional consumer mindset. Technology is changing the dynamics of the buyer-seller relationship, giving consumers unprecedented control in the marketplace. We will see a new customer-driven business model by 2010, built around greater customer intimacy—where every touchpoint becomes a moment of truth, and customer relationships become the key competitive assets of the business.

Twenty Trends for 2010: Retailing in an Age of Uncertainty (April 2003) is a special report that combines research and analysis by Retail Forward and data gathered by the company from retail industry sources. The report is available online at www.retailforward.com.