
Retail (R)evolution

2023

Global trends shaping retail
landscape in Europe by
2025

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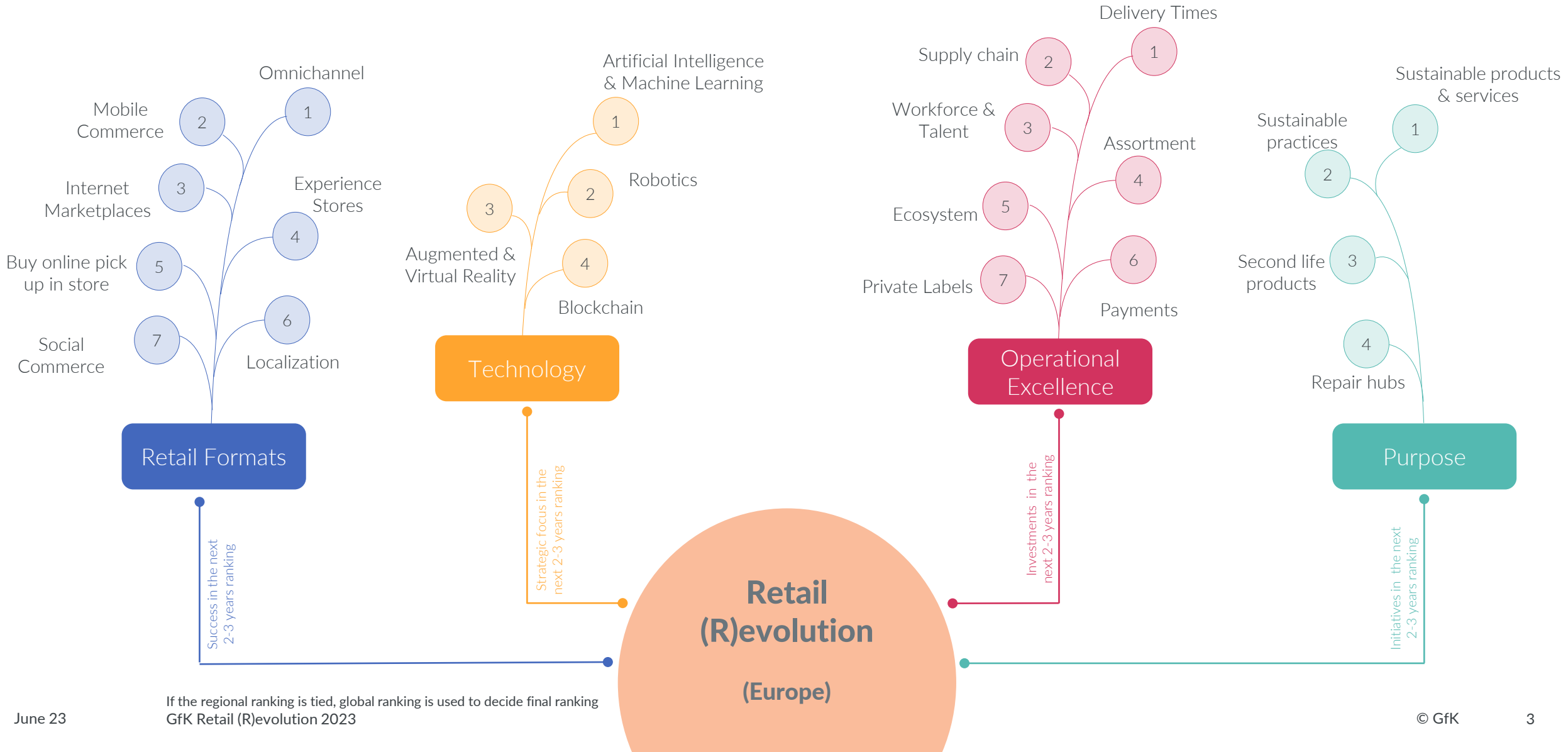
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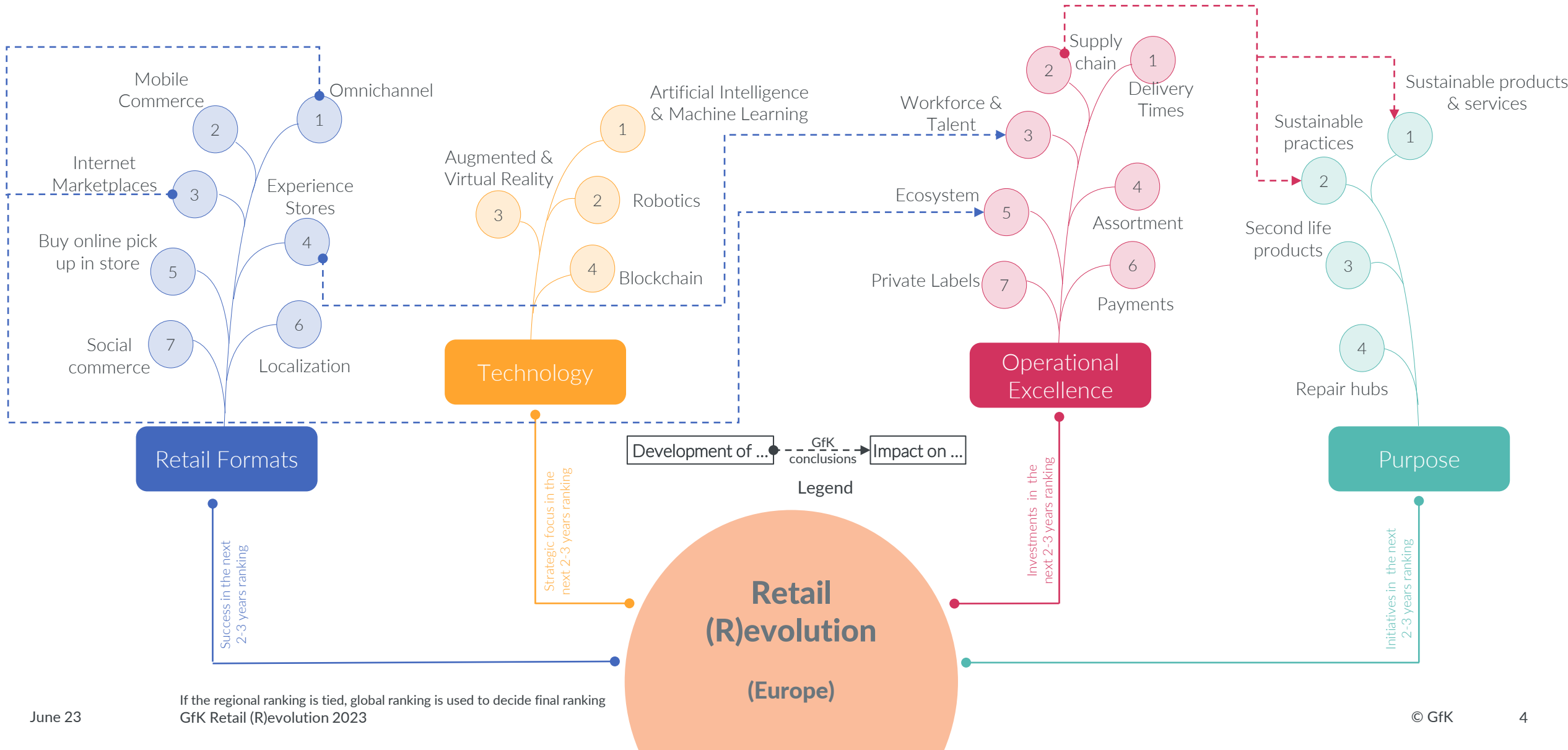
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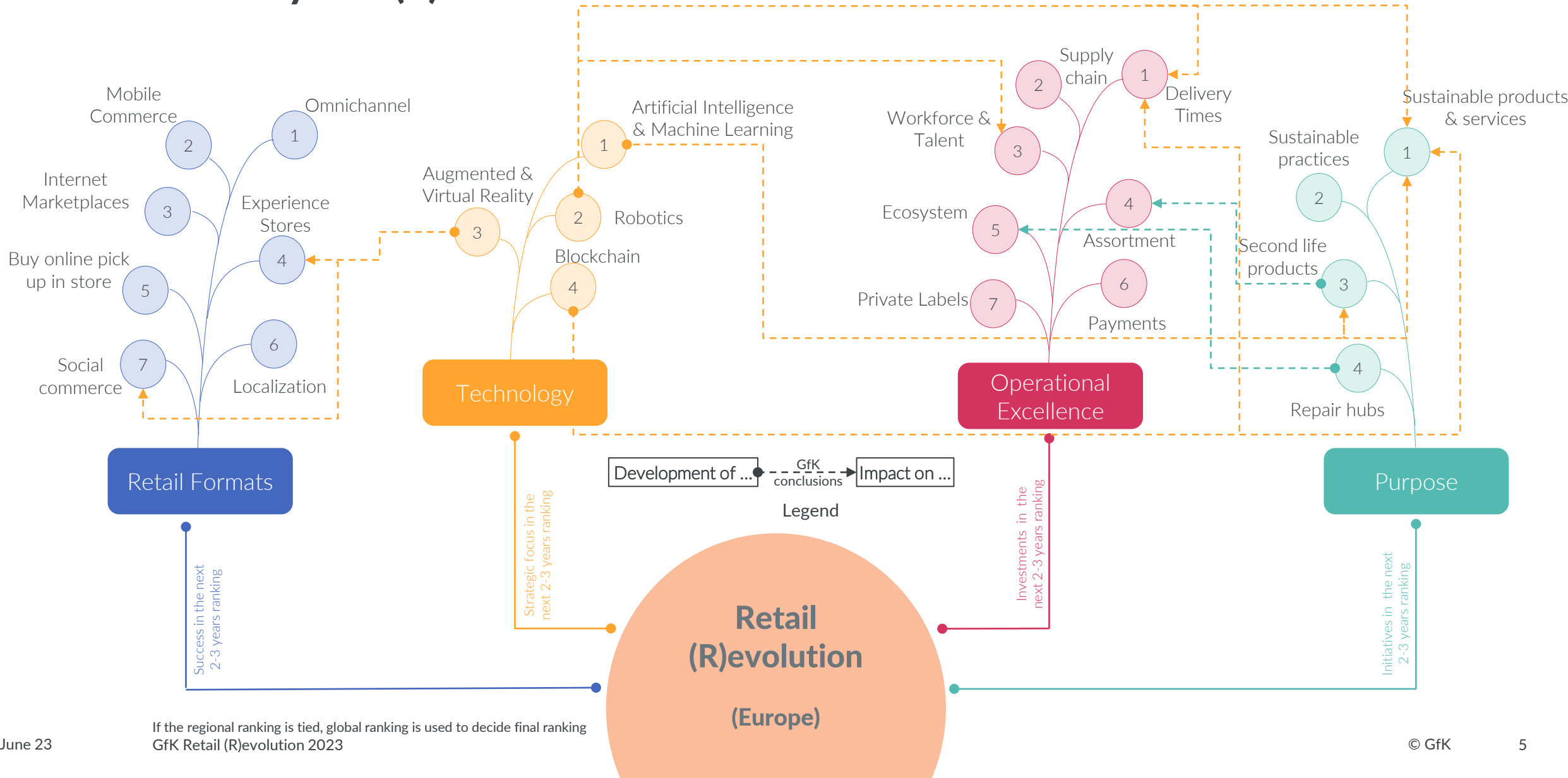
Ranking of global trends: Retail (R)evolution in Europe in the next 2-3 years



Global trends impacting the Retail (R)evolution in Europe in the next 2-3 years (1)



Global trends impacting the Retail (R)evolution in Europe in the next 2-3 years (2)



If the regional ranking is tied, global ranking is used to decide final ranking
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Content

Key aspects covered in the study



Retail Formats

Focus and success of retail formats such as social commerce, omnichannel, etc. in the next 2-3 years



Technology

Strategic focus on and importance of technologies, for example, AR/VR, Metaverse, AI, etc.



Operational Excellence

Focus on better service to consumers, for example, delivery, payment. etc.



Purpose

Importance of sustainability and eco-friendly initiatives of retailers



Methodology



Consumer Tech & Durables retailers

- GfK retail partners: 796 responses across 76 countries
- Regions: **Asia & Pacific, Central & South America, Europe and Middle East & Africa**
- Designed study basis **qualitative interviews with senior leaders** with our retail partners

Length: ~12 minutes

- Four relevant aspects: **retail formats, new technology impact, operational excellence, purpose**
- Period: **April to May**

Computer Assisted Web Interviews

- **Engaging, mobile-first, device-agnostic design**
- **GfK best practise design guidelines**

Regions overview

Respondents per region



Asia & Pacific

n = 83

Europe*

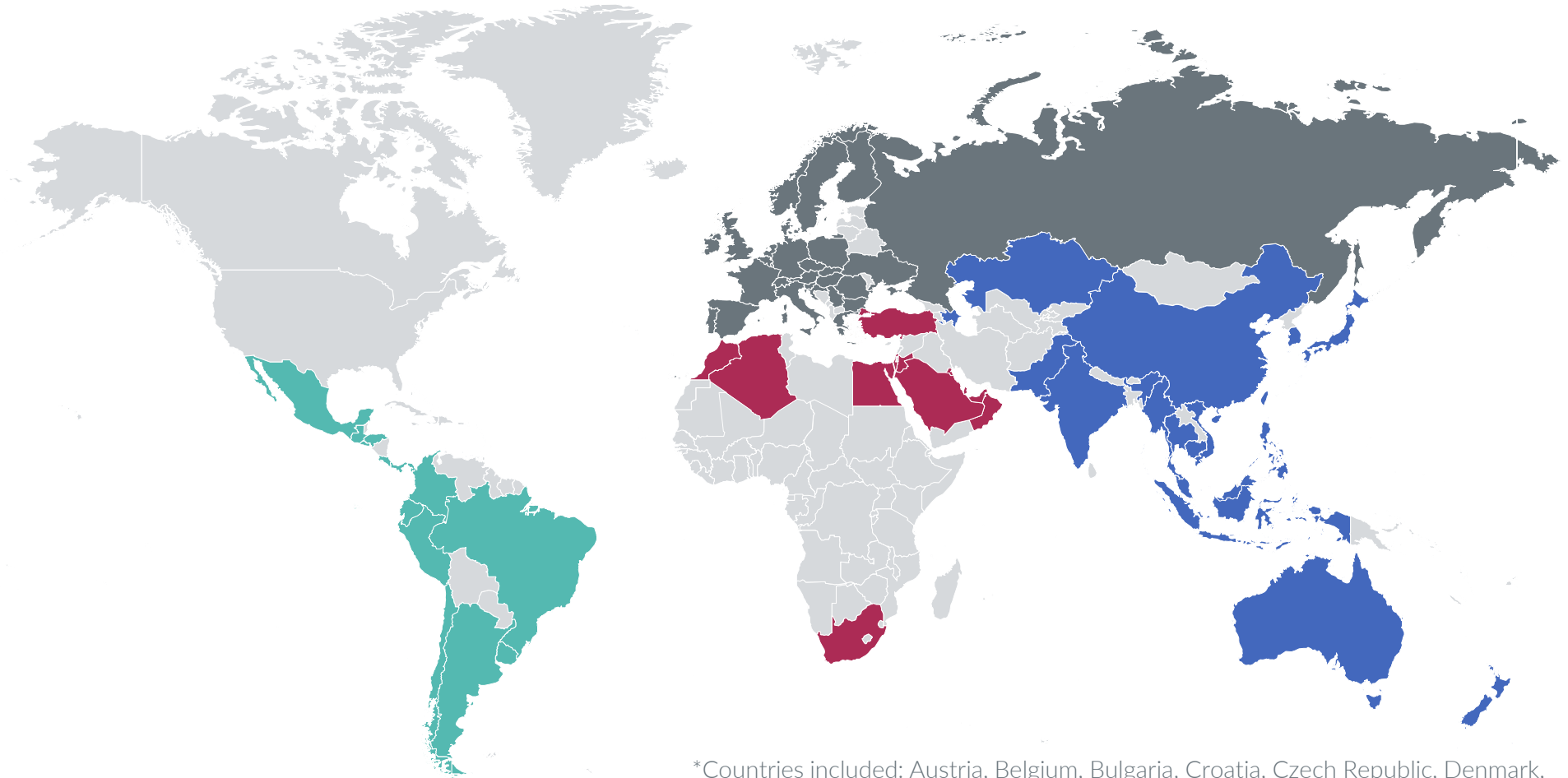
n = 444

Central & South America

n = 215

Middle East & Africa

n = 54



*Countries included: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, United Kingdom

The icon for 'Retail Formats' shows a storefront with a striped awning and a smartphone with a shopping cart icon.

Retail Formats

Focus and success of retail formats such as social commerce, omnichannel, etc. in the next 2-3 years

Retail Formats

Relevant trends and formats included in the study



Omnichannel Retail

Offers seamless shopping experience across all online and offline touchpoints.



Mobile Commerce

Shops specifically tailored to mobile devices where the complete purchase including check-out and payment is done on mobile.



Internet Market Place

Online platforms offering infrastructure and services to other retailers or brands to sell directly to consumers.



Shopping Experience Store

Offers heightened & immersive shopping experiences to consumers (e.g., Smart home, Gaming, Audio, etc.).



Buy Online and Pick up in Store (BOPIS)

Offers shoppers the convenience to purchase products via online channel and pick up the product from a local store.



Social Commerce

Shops within social media platforms, where the consumer can shop, check-out and pay without leaving the platform. This format may also include livestreaming events to promote and sell products often in collaboration with influencers and celebrities.



Localization

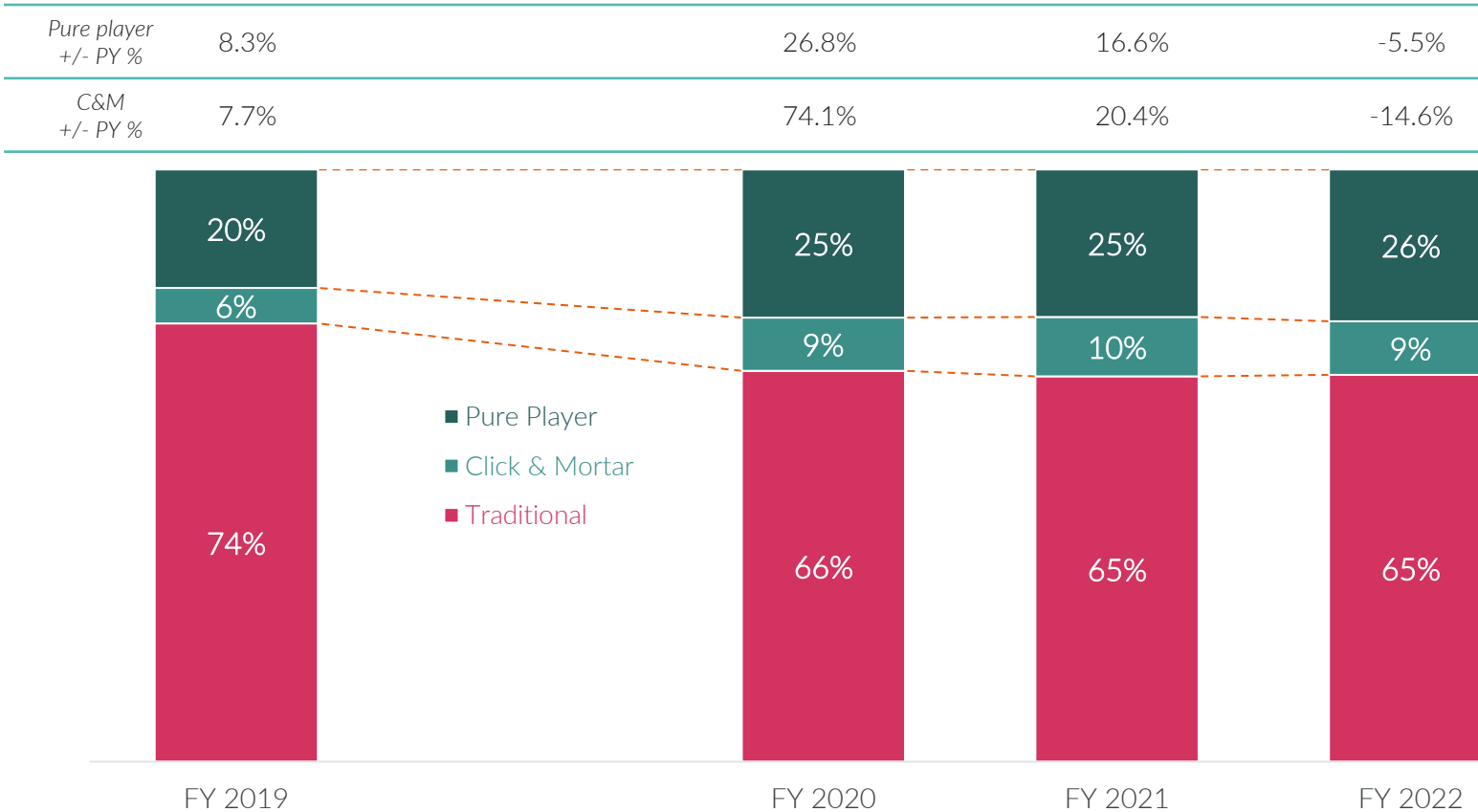
Small neighborhood stores catering to the communities they are in.

E-commerce defends elevated COVID-19 business in 2022

Most significant long-term success for Click & Mortar



Consumer Tech & Durables | Global | Revenue share (USD) | Growth +/- PY %

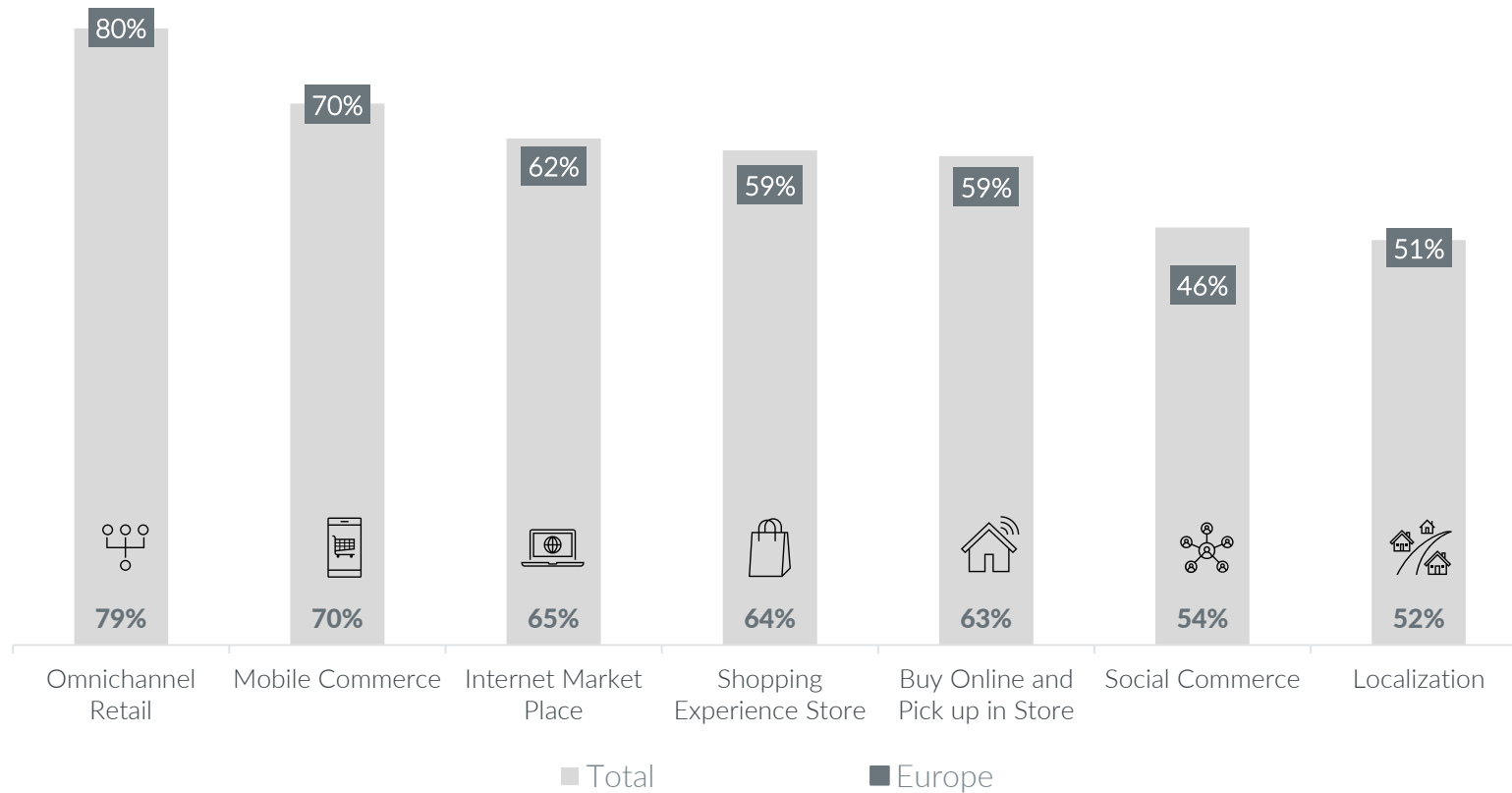


Key Points

- COVID-19 accelerated the omnichannel adoption as leveraging multiple consumer touchpoints became critical for retailers
- Retailers offering online and offline touchpoints grew the most during the pandemic
- Offline channel proves its resilience against the backdrop of pandemic while Online channel normalizes at high revenue levels.
- As consumers enjoy benefits of online purchases and as they have rated their experiences in a positive way, share of Online is expected to stabilize on a higher level compared to pre-pandemic times.

Omnichannel #1 global trend, similar trend in Europe

Success of retail formats in the next 2-3 years



Key Points

Omnichannel retail continues to be #1 on a global level. Due to great success of online sales during the pandemic, retailers focus on improving their omnichannel offerings to consumers with same convenient options they got used to in past years.

Social commerce is expected to be a less successful format due to low awareness and adoption, global average driven by APAC's high digital maturity and adoption of this retail format.

Mobile commerce focus in line with the global average driven mostly by the digital transformation during the pandemic.

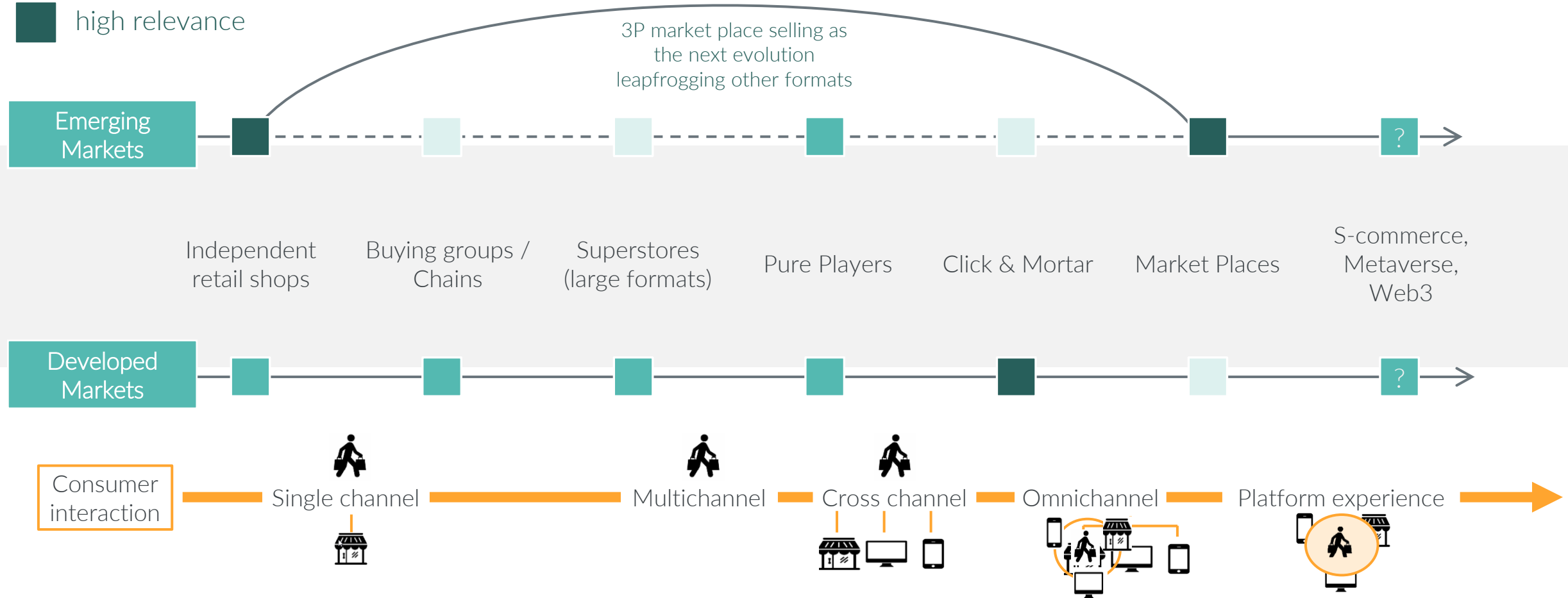
R1: In your opinion, how successful do you think each of these formats will be in the next 2-3 years? [Chart includes Top 2 Boxes]
 Base: Europe n = 444, Total n = 796, scale where 1 is "Not successful at all" and 5 is "extremely successful"
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Long term retail evolution varies by region

Clear differences between developed and emerging markets

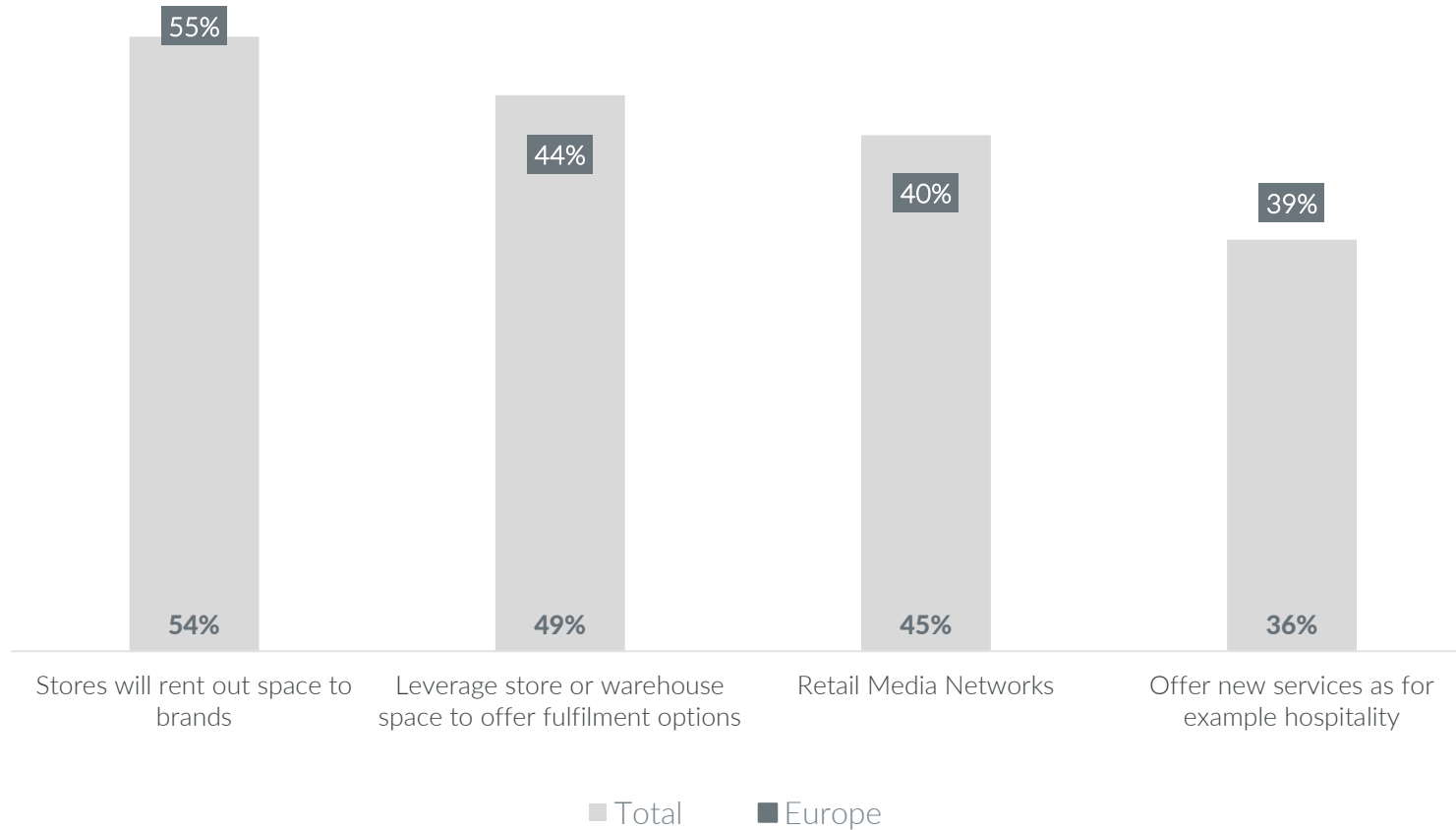


low relevance
high relevance



All retailers focus on creating alternate revenue streams to grow

Additional revenue stream development in the next 2-3 years



Key Points

- Renting out store space to brands (e.g., offer interactive displays, kiosks, product testing, etc.) is the most important globally and in Europe to combat low margins via product sales and offer alternate growth opportunities.
- Retailers in Europe are slightly behind the global average on additional revenue from retail media and leveraging store or warehouse space to offer services to brands or sellers.
- Europe however is ahead in introducing new services such as hospitality, education, healthcare, etc. to consumers compared to global.

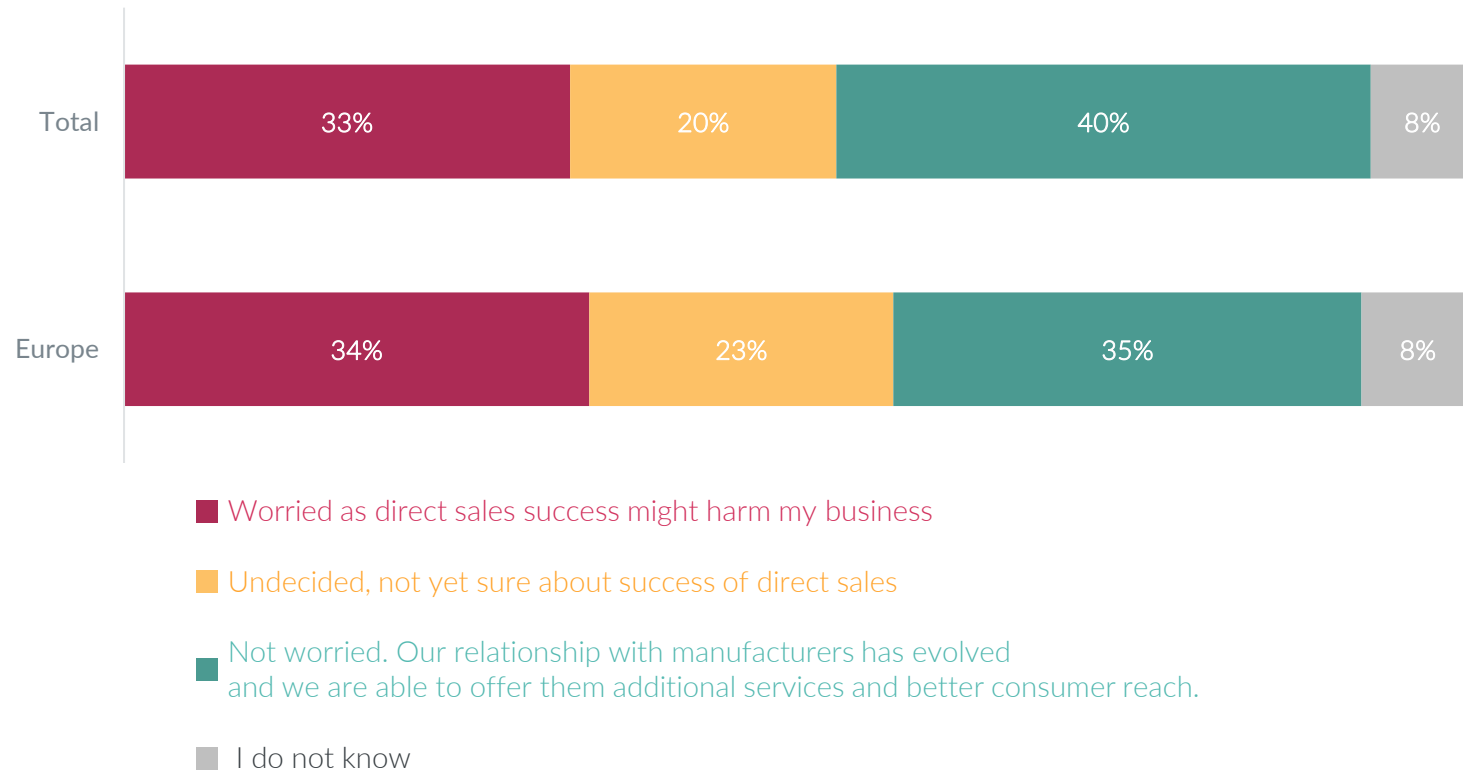
R2: Which of the following additional revenue streams do you think will be important in the next 2-3 years? [Multiple choice]

Base: Europa n = 444; Total n = 796

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Relationship between manufacturer and retailer evolves

Impact of brands selling directly to consumers



Key Points

Globally, retailers are aware of their strengths as platforms connecting brands & consumers. Hence, they are more optimistic than worried about direct sales.

Retailers in Europe are slightly more worried and little less optimistic with their developed value offerings, including additional services to brands.

As additional touchpoints for consumers continue to complicate the shopping journey and competition increases, additional sales offered by brands – partially with better prices and benefits or early access to new launches – are a topic of concern.

R3: Brands also play a key role in shaping global markets for technical goods. In recent years, more manufacturers have started exploring opportunities for direct sales. How do you feel about them entering the retail space and what do you think about their chances of success?

Base: Europe n = 444, Total n = 796

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Technology

Strategic focus on and importance of technologies, for example, AR/VR, Metaverse, AI, etc.

Impact of Technology on Retail

Topics covered in the survey



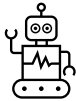
Artificial Intelligence (AI) and Machine Learning (ML)

Employ Artificial Intelligence (AI) and Machine Learning (ML) to optimize processes (e.g., demand forecasting, automation of inventory management) or to increase customer satisfaction by personalizing offers or improving recommendations.



Blockchain

Focus on blockchain to improve product tracking and transparency by providing information of the product's origin and production dates. Thus, compliance standards can be met as Blockchain helps to prevent fraud, detect poor ingredients and eradicate child labor.



Robotics

Deploy robots for delivery, to automate warehouses, to check inventory or to engage with customers.

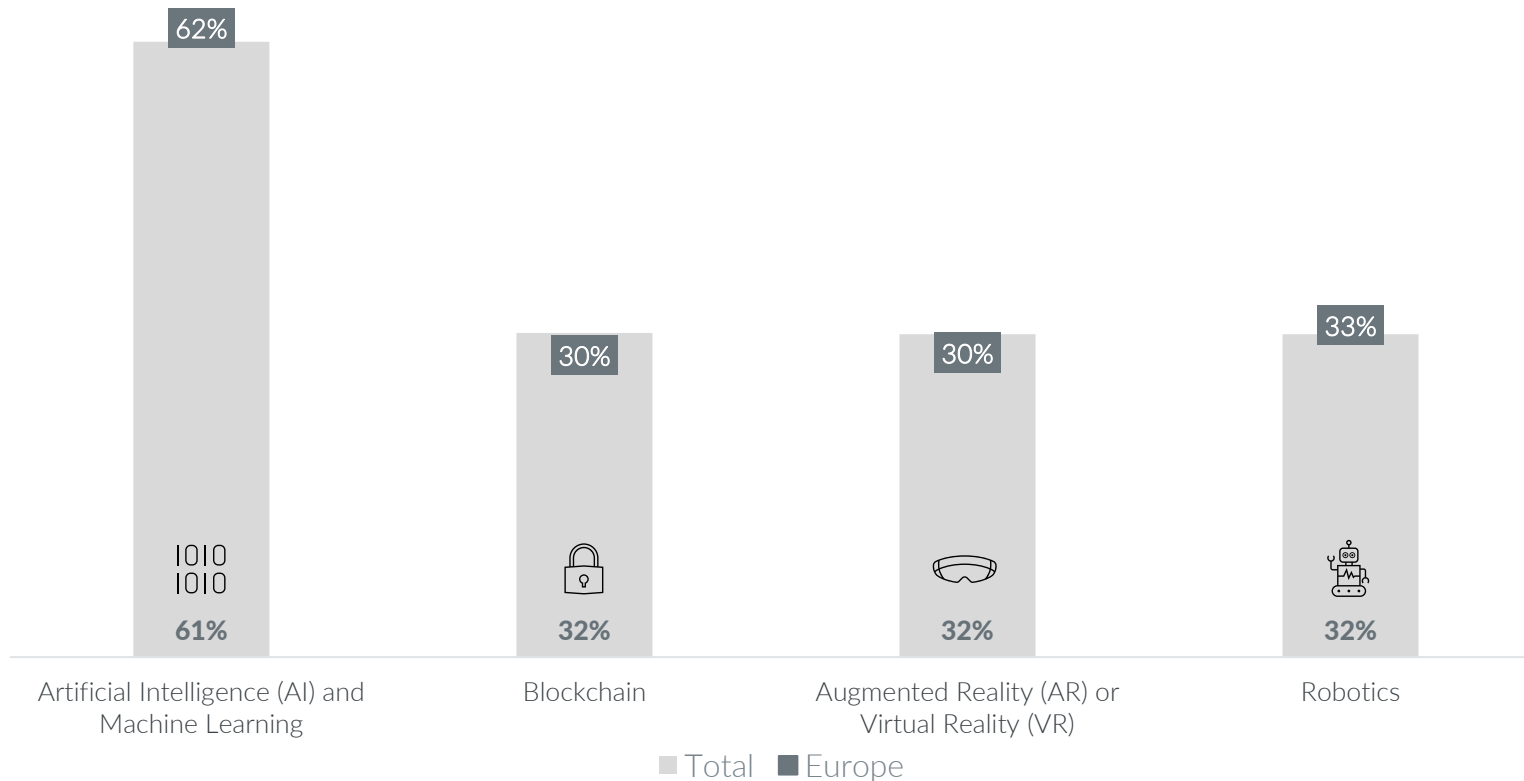


Augmented Reality (AR) or Virtual Reality (VR)

Introduce Augmented Reality (AR) or Virtual Reality (VR) technologies to personalize consumers' purchase journey and/or increase their satisfaction.

AI and Machine Learning as #1 priority, Europe leads in Robotics

Focus on technologies in next 2-3 years



Key Points

- AI and Machine Learning clearly as #1 priority with 61% of retailers confirming it as focus.
- Europe has the highest interest in Robotics due to high labor costs, which will lead to a faster amortization of investments compared to other regions.
- Interest for AR / VR is driven by APAC as consumers show stronger interest in digitalization compared to other regions. European consumers in contrast tend to be more skeptical which might also be due to privacy concerns.

T1: To which extent will your company focus on the following technologies in the next 2-3 years? [Chart includes Top 2 Boxes]
Base: Europe n = 444, Total n = 796, scale where 1 is "No strategic focus at all" and 5 is "very high strategic focus"
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AI and Machine Learning: Why are these technologies so important within the retail landscape?



“Generative AI is here, and executives expect it to have an **enormous impact on business**, but most say they are unprepared for immediate adoption.”

How big is the market for **AI in retail?**

> \$ 31bn in 2028

Potential benefits of AI

- Increase of profits and **optimization of processes**, for example by providing support for smart staffing, management of inventory and optimization of product offerings.
- AI enables **further success for sustainability** initiatives. Being used for forecasting, AI can improve inventory planning and thus **reduce waste**.
- **Enriched customer experiences** with improved personalization or recommendations and better loyalty programs.
- Support to create **actionable insights**. This might be done by creating demand forecasts, optimizing pricing strategies or tackling supply chain issues by integrating AI.

Demand forecasting seen as most beneficial followed by product discovery

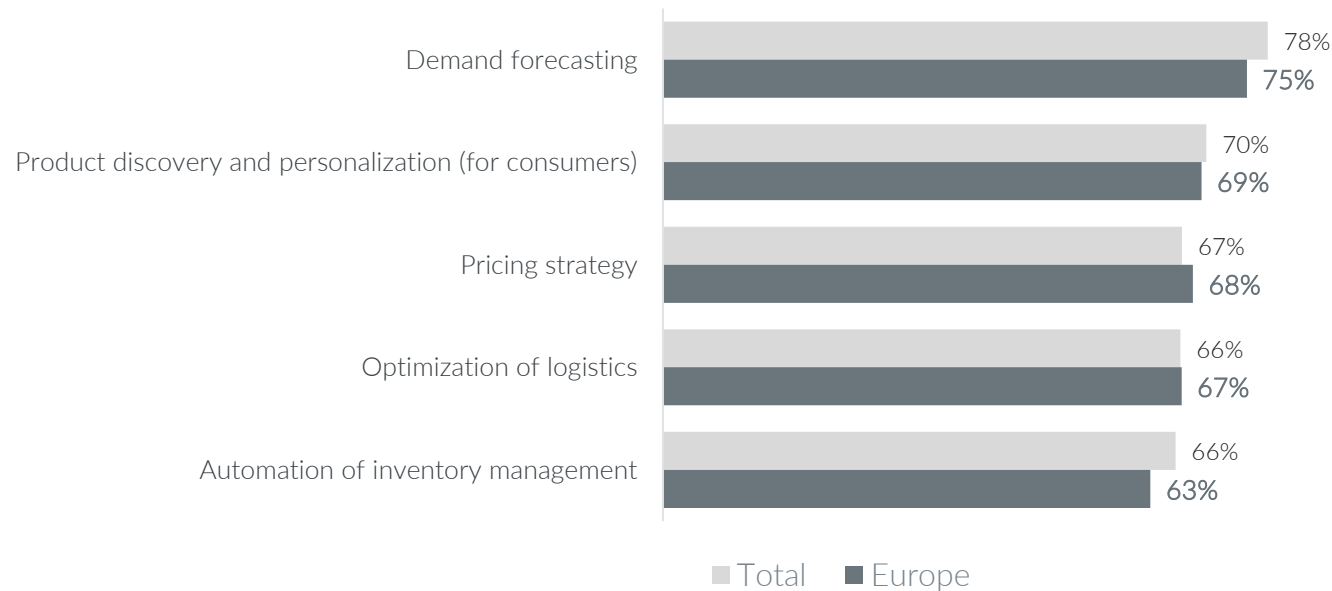


Benefits for retailers with strategic focus on AI and ML

275 respondents in Europe will put their strategic focus on **Artificial Intelligence (AI) and Machine Learning (ML)** in the next 2-3 years



Expected benefits of AI and ML:



Key Points

Many retailers see the benefit of AI for demand forecasting, due to uncertainties during Covid-19 and a sharp drop of demand following the cost-of-living crisis.

Product Discovery and Personalization create unique consumer experiences and are seen as #2 and can support in creating improved consumer experiences.

In general, AI (and Machine Learning) are expected to be useful across a wide range of topics with similar levels of approval. This might be an indication that AI is still in a trial phase and success is yet to be proven.

T2: Which benefits do you think AI and Machine Learning will provide for your business in the next 2-3 years? [Multiple choice]
Base: T2 only if T1 "Artificial Intelligence and Machine Learning" has a high strategic focus (rated 4 or 5), Europe n = 275, Total n = 782
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Robotics are expected to heavily impact retail ecosystems in future. How are they already used today?



“In the future, there **won't be a single element of the retail ecosystem** that is **not impacted** by the adoption of **automation and robotics** at some level.”

Which **barriers** might prevent the adoption of robotics?

- **High costs** and complexity
- **Difficult to integrate** robotics into existing processes

Potential benefits of Robotics

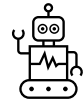
- Robots can assist customers and thus **improve services and experiences**. This can be done in the store with robots providing information and answering questions, but also in warehouses with robots doing pick and pack orders faster and in better quality than their human counterparts.
- Integration of robotics technology into **self-service kiosks** which can then potentially save costs
- Usage of robotics to **collect data** (to be used for forecasting) or for **inventory and price checks**. Especially in combination with AI, the use of robotics is expected to be very powerful.

Warehouse Automation as #1 benefit; last-mile delivery not yet in focus

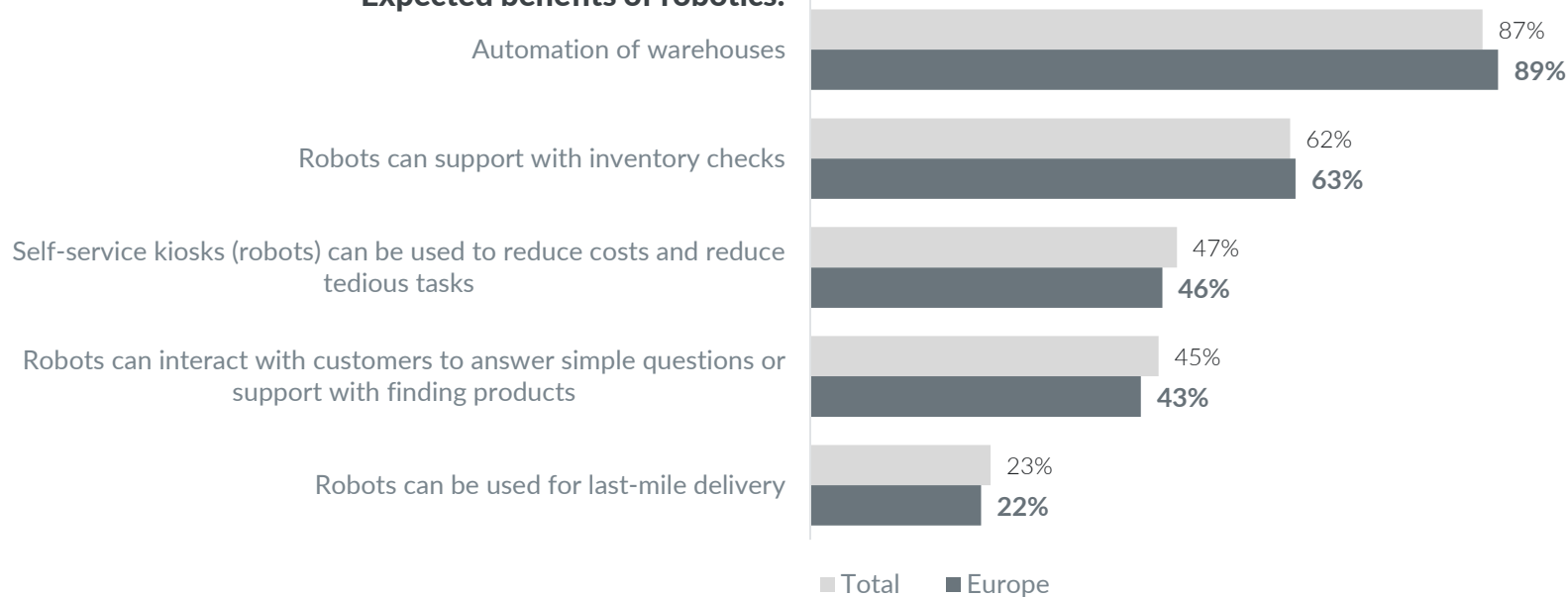
Benefits for retailers with strategic focus on robotics



145 respondents in Europe will put their strategic focus on **robotics** in the next 2-3 years



Expected benefits of robotics:



Key Points

Even with a high level of investment retailers in Europe see automation of warehouses as #1 benefit.

On the contrary, the use of robotics for last mile delivery is not yet gaining traction. This might be due to complicated infrastructural conditions, legal challenges or a lack of suitable robots themselves. However, first examples can already be observed in metropolitan areas and depending on the trials' success, the topic could be re-evaluated in coming years.

T3: Which benefits do you think Robotics will provide for your business in the next 2-3 years? [Multiple choice]
Base: T3 only if T1 "Focus on Robotics" has a high strategic focus (rated 4 or 5), Europe n = 145, Total n = 253
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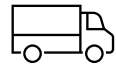


Operational Excellence

Focus on better service to consumers, for example, delivery, payment. etc.

Operational Excellence

Topics covered in the survey



Delivery times

Improve delivery times and services.



Supply Chain

Optimize your supply chain.



Workforce & Talents

Upskill and train your workforce to retain talents and improve consumer satisfaction.



Assortment

Optimize assortment by store or consumer location.



Ecosystems

Build ecosystems that help you sell services along with products to grow consumer base.



Payments

Offer a wider range of payments (incl. installment options).



Private labels

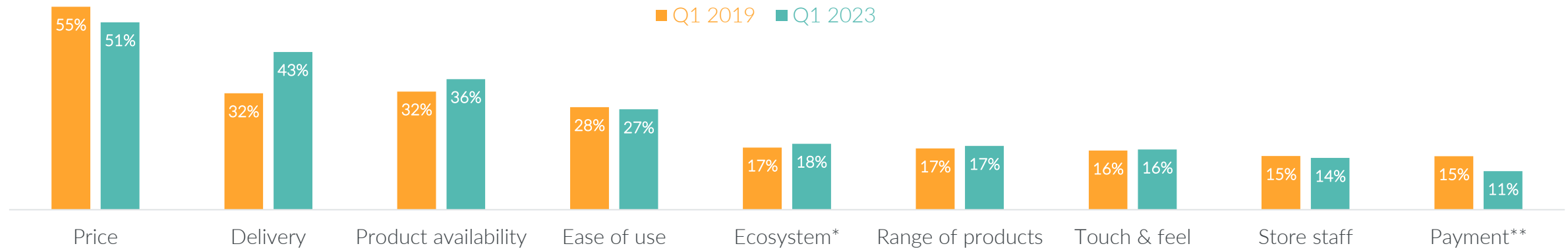
Use private labels to fill assortment gaps.

Why should retailers focus on Operational Excellence?



“To achieve a **sustainable competitive advantage** and to excel in **consumer experience**, retail operations need to be optimized by increasing efficiency, reducing costs and empowering staff to deliver high value services”

Consumers' reasons to choose a retailer



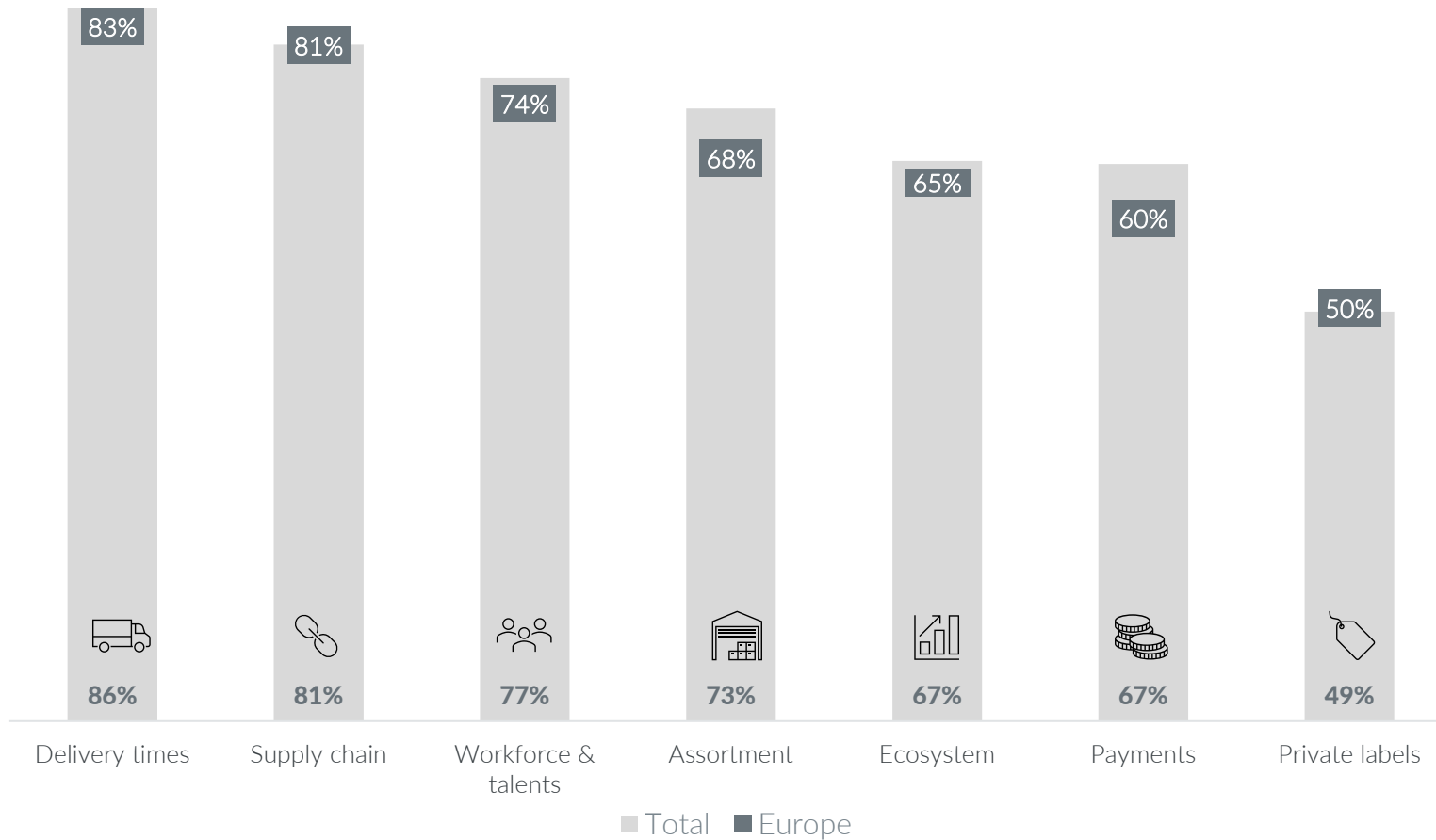
Source: gfknewron Consumer Intelligence; *Ecosystem includes retailer offering combined services (incl. using partners) to consumers for installation, warranty, subscriptions, etc.

**Payment includes financing options, instalments and rewards

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High focus on offering better delivery times to consumers in Europe

Strategic focus on capabilities and services



Key Points

Strategic focus is high on improving delivery times of products to consumers not only to reduce cart abandonment but also offer better customer service.

Supply chain resilience becomes a top table topic for retailers after the pandemic, taking #2 spot in strategic focus for further optimization.

Retailers in Europe will focus slightly more on private label development to offer low tier options to consumers and close assortment gaps if any.

E1: To which extent will your company focus on the following capabilities / services in the next 2-3 years? [Chart includes Top 2 Boxes]

Base: Europe n = 444, Total n = 796, scale where 1 is "No strategic focus at all" and 5 is "very high strategic focus"

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Retail Media Networks (RMNs) #1 reason to build ecosystems

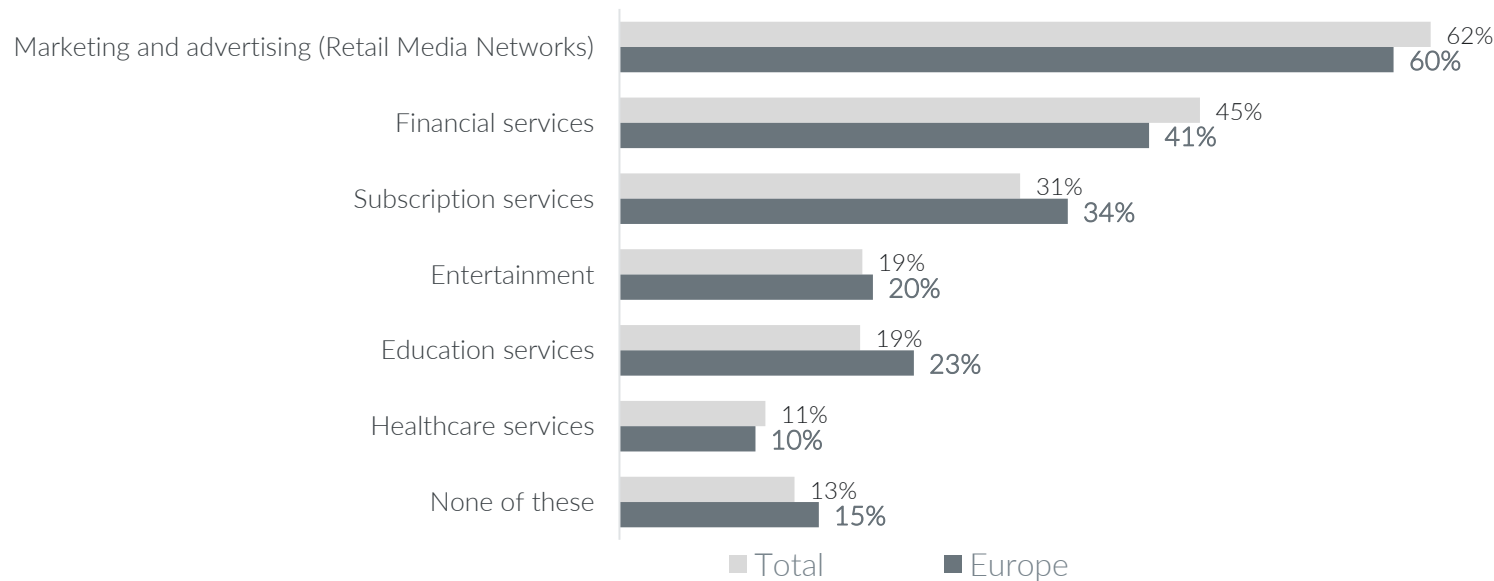
Additional services to build an ecosystem that will grow the consumer base



287 respondents from Europe will put their strategic focus on building an **ecosystem** that will help to **sell services along with products** to grow the consumer base in the next 2-3 years



Additional services to build the ecosystem:



Key Points

Retail Media Networks are very popular and clearly the #1 priority at a global level as they bring additional revenue opportunities to retailers' offering to consumers, Europe is slightly behind.

Offering subscription and education services are more important to retailers in Europe compared to other regions, to gain additional and regular revenue streams.

Financial services offering is slightly behind compared to global because of regulations, reliance on cash in some countries and reliability or trust.

E2: Which additional services have you recently started or will start to build your ecosystem? [Multiple choice]

Base: E2 only if E1 "Build ecosystems that help you sell services along with products to grow consumer base" has a high strategic focus (rated 4 or 5), Europe n = 287, Total n = 448

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How retailers grow revenue via Retailer Media Networks (RMNs)?



“As retailers become their own media, **selling available ad inventory in their digital platforms or stores** (websites, mobile apps, social media, in store space, etc.), is a win-win for the retailer and the brands they carry to engage consumers in their purchase journey at the point of sale”

101 Billion US dollars

of retail media ad revenue in 2022

18% of global digital advertising

and

11% of global advertising

Potential benefits of RMNs

- Retailers offer access to first party insights rather than third party insights which help brands to create better marketing campaigns.
- Allows consumers to discover a new brand or inspire them to try a new product using these ad placements.
- Allows brands to better understand the connection between ad spend and product sales to calculate ROIs.
- Offers a closer relationship with the brands for retailers, as well as opens new avenues of additional services like personalization, creative services, etc.



Purpose

Importance of sustainability and eco-friendly initiatives of retailers

Purpose

Sustainability initiatives



Sustainable products and services

Offer and promote sustainable products and services to consumers.



Sustainable practices

Follow sustainable practices in your organization, e.g., focus on green energy, reduce CO2 consumption etc.



Repair hubs

Set up repair hubs.



Second-life products

Sell refurbished or second-life products.

“Sustainability has leaped to the **top of the agenda** for retailers. The **expectations** of consumers, investors, regulators and other stakeholders **are rising**”

73%

of consumer product companies' **executives** said **sustainability issues** were a **major concern** at all stages of the supply chain process.

Benefits of Sustainability Initiatives

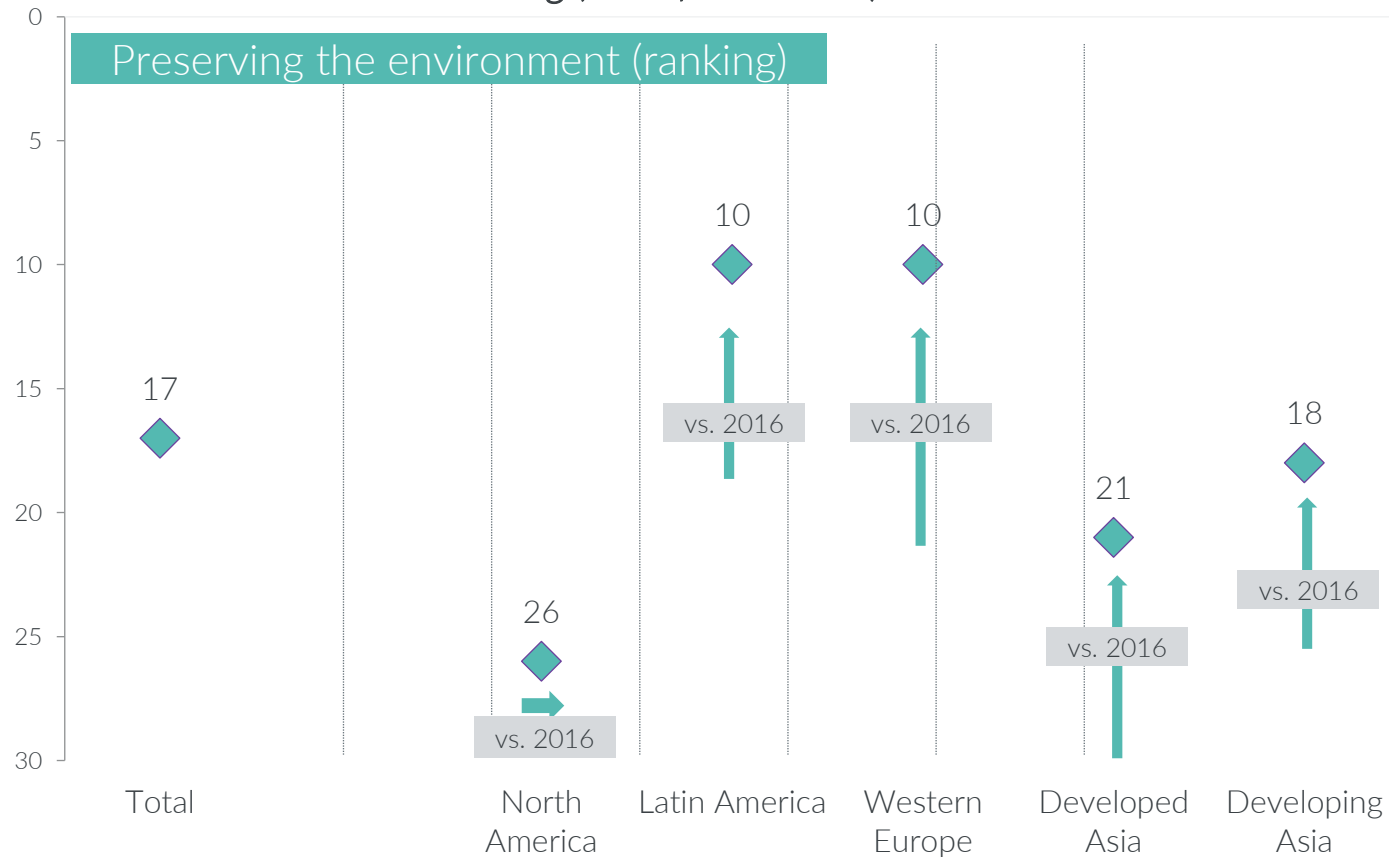
- Sustainable initiatives help to **address all groups of consumers** – even Gen Z, who are demanding more sustainable options. By offering green alternatives, retailers can **increase their organic growth**.
- Governments' sustainability regulations are already in place, and more are expected down the road. With their own initiatives, retailers **comply with those regulations** from the start.
- Retailers can gain **competitive advantages** versus their peers in **attracting investors or talents**.

Sustainability is relevant everywhere – but pain points differ

Economic security is still a leading goal in Developing Asia –a prerequisite for acting on environmental topics



Personal values – ranking (out of 57 values) 2022



Key Points

Developing World:

Direct impact of climate change visible for many countries → fueling sustainability as a personal value; not necessarily related to the ability of taking actions.

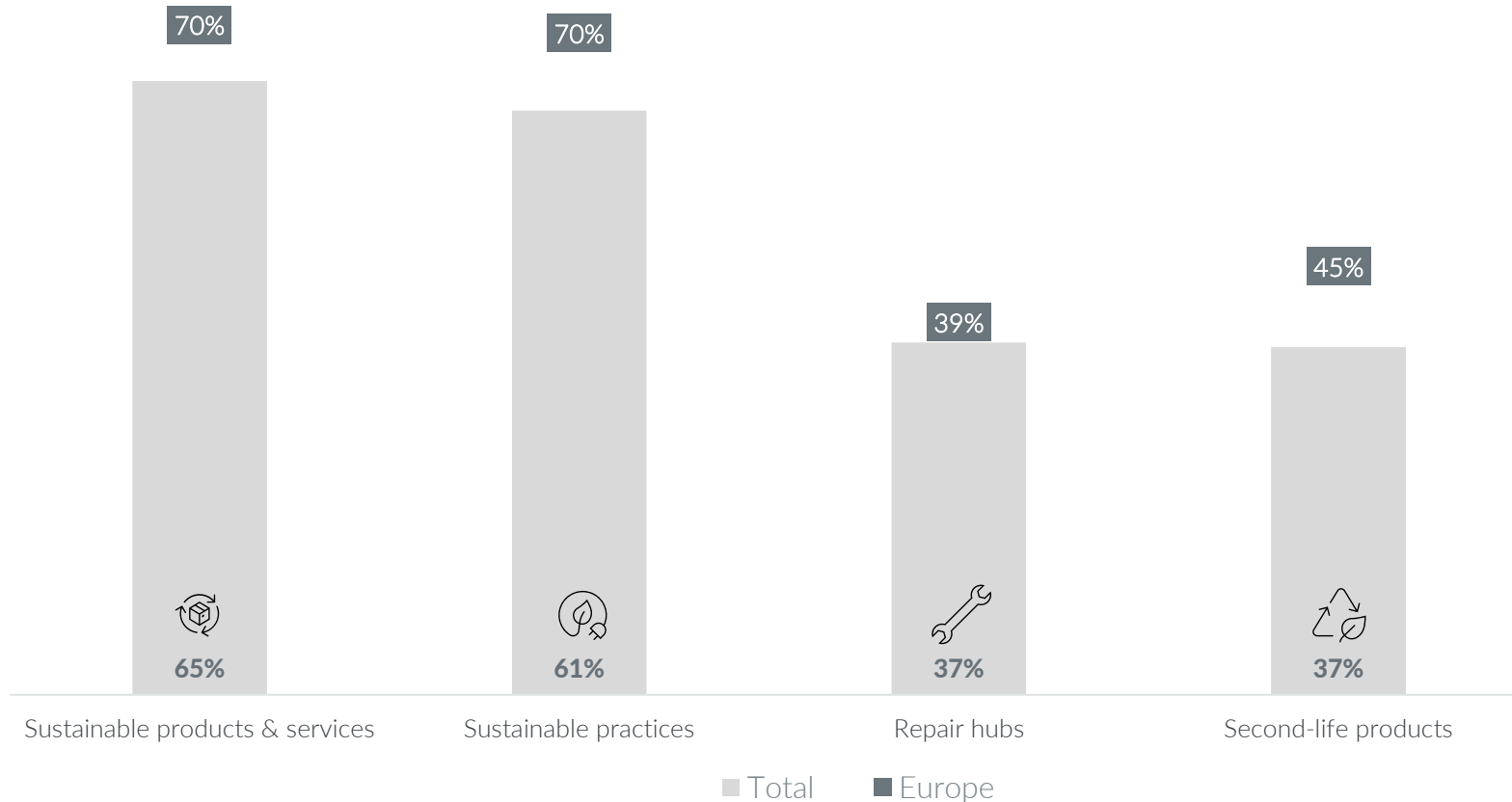
Developed World:

Less direct impact of climate change but more awareness of being the major source of pollution, highest carbon footprint and related costs → fueling sustainability as a personal value. Higher affordability makes taking actions easier.

Sustainable products are center of attention with Europe leading the efforts



Initiatives retailers will focus on to match consumers' increasing awareness



Key Points

Europe is above global average for sustainable products, services and practices, a trend connected to Europeans placing high priority on sustainability topics (and can also afford it).

Importance of second-life products is still lower. However, with rising global initiatives promoting second-hand products will increase its acceptance. For brands - a bigger second-life markets helps their eco-system and revenue growth. Both factors can lead to an increased focus on second-life products in future.

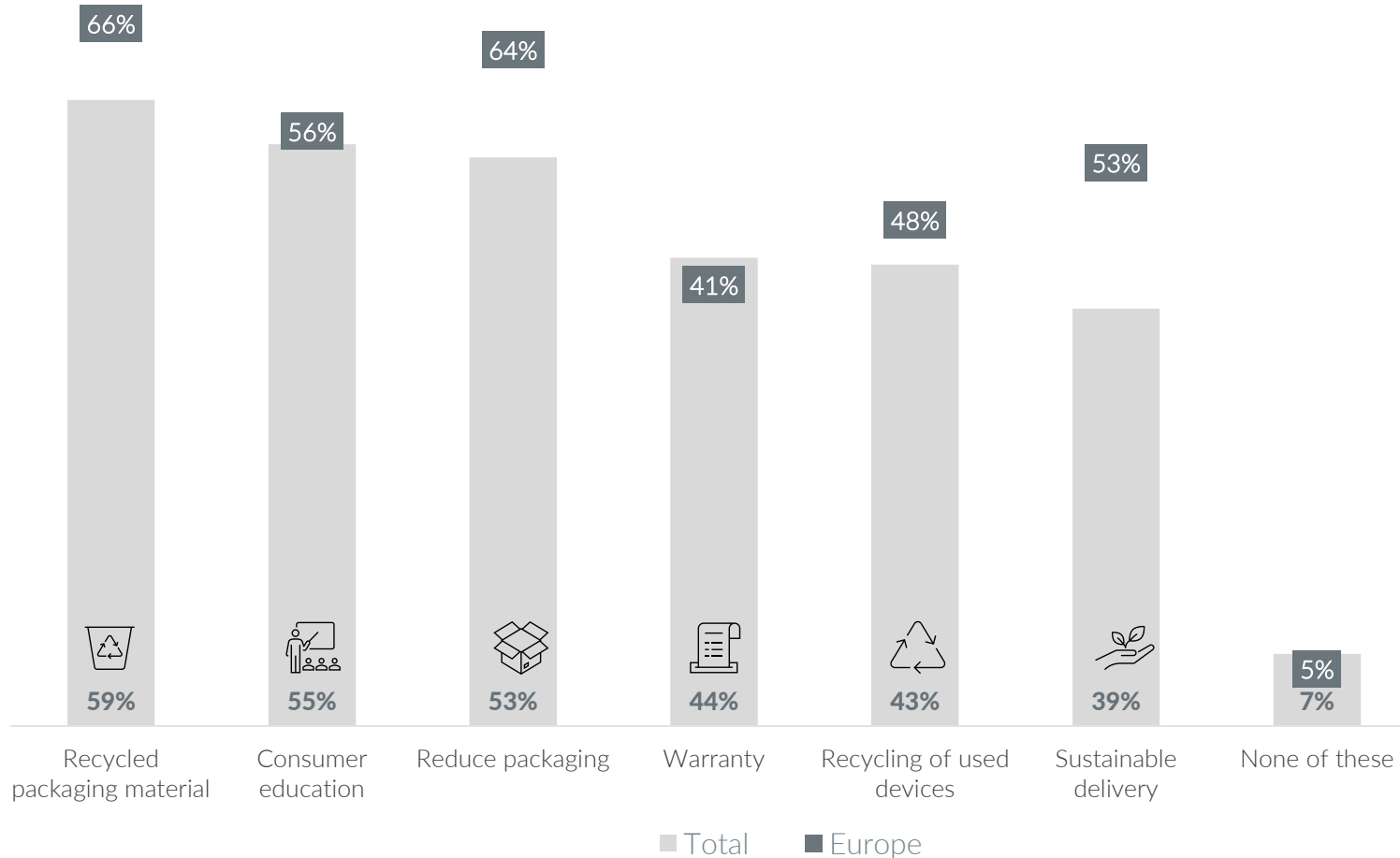
P1: To which extent will you focus on the following activities to match consumers' sustainability values in the next 2-3 years? [Chart includes Top 2 Boxes]

Base: Europe n = 444, Total n = 796, scale where 1 is "No strategic focus at all" and 5 is "very high strategic focus"

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Packaging and consumer education in focus

Steps to enable consumers' sustainable purchase journey



Key Points

Recycled and reduced packaging stands out with strong majority of retailers in Europe focusing on both topics.

#2 priority for retailers in Europe: Education of their consumers. This will lead to positive impact on demand for green products in upcoming years.

#3 in Europe is a focus on sustainable delivery, a topic which has not yet gained similar traction in other regions. This is connected to a general discourse on how transport should be revolutionized to reduce oil dependency e.g., by EU parliament's planned ban of combustion engines.

P3: Which steps do you plan to take in the next 2-3 years to support a more sustainable purchase journey? [Multiple choice]

Base: Europe n = 444, Total n = 796

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Retailers not focusing on sustainability do not see consumer demand

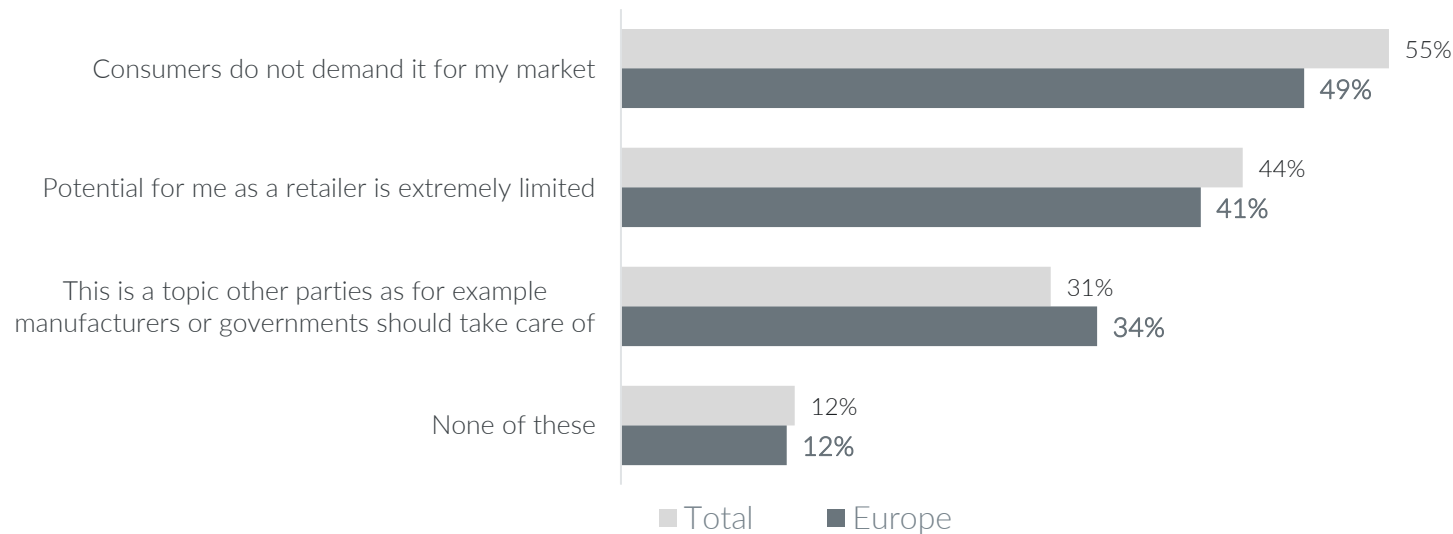
Reasons for low priority of sustainable initiatives



68 respondents in Europe for whom it is **not a priority** to follow **sustainable practices** in their organization and / or offer and promote **sustainable products and services** to consumers.



Reasons why sustainability is not yet a priority:



Key Points

Lack of consumer demand is the biggest obstacle, so retailers do not focus on sustainability. Number of consumers not interested in Europe is lower compared to global average.

In addition to retailers' perception of low potential for themselves, they also point out other parties' responsibilities such as governments or manufacturers.

With an increasing importance of environmental topics, the number of retailers not yet focusing on sustainability is expected to decrease in coming years.

P2: Could you please give us a further indication why sustainability is not yet a priority for you? [Multiple choice]

Base: P2 only if P1 "Follow sustainable practices in your organization" AND/OR P1 "Offer and promote sustainable products and services to consumers" have low strategic focus

(rated a 1 or 2), Europe n = 68, Total n = 154

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Key Takeaways: Global Retail (R)evolution 2023



Retail Formats

- ❑ Omnichannel still #1, followed by Mobile Commerce and Market Places are expected to be most successful retail formats.
- ❑ Consumers purchase journeys are becoming increasingly digital, however traditional sales share overall persists.
- ❑ By 2025, 27% of workforce¹ will be Gen Z, first generation fully raised in a digital world with increasing spending power – future potential buyers of tech and durables.



Technology

- ❑ Continuous technological progress is an enabler for retailers to meet their goals, for example:
 - Sustainability initiatives (blockchain, AI)
 - Operational excellence (robotics), or
 - Success of retail formats (AR and VR)
- ❑ Within their investment plan, retailers focus on AI & ML and are especially trusting in AI's forecasting capabilities.



Operational Excellence

- ❑ Retailers focus on enhancing their services via offering better delivery times, optimizing supply chain and investing in talent.
- ❑ As margins continue to erode, retailers add new services to generate alternate revenue streams especially by building ecosystems.
- ❑ Within ecosystems, Retailer Media Networks are by far the most popular “newish” service package.



Purpose

- ❑ Sustainability has steadily risen to the top of the agenda from retailers, consumers, investors, and governments.
- ❑ Retailers have already started looking into eco-friendly activities as green logistics, re-design of stores & more from sourcing to procurement.
- ❑ However, it will not be sufficient to offer one or two green alternatives to customers.

Enhancing and focusing on omnichannel retail development is key to seamless shopping experiences by optimizing every “phygital” and virtual touchpoint.

Technology investments are capital intensive, but benefits outweigh the costs and help retailers to differentiate. Retailers need to prioritize to make most of their investment.

Innovation and incremental development of services are important to gain competitive advantage and offer “differentiated value” to consumers.

Sustainability needs to be integrated into a company's DNA and considered along the complete value chain. Communicate clear purpose to enhance perception of retailer.



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Ines and Namrata are recognized experts for market & retail trends in the Consumer Technology and Durables industry. Their team provides fact-based strategic analytics by integrating multiple sources of GfK research, including unique global Point of Sale tracking data and consumer studies.

With more than 13 years of business experience, Ines and Namrata exchange regularly with decision makers of leading manufacturers and retailers of the industry to bring strategic decision support to industry leaders.

Retail

Learn more about the latest trends and insights happening in the retail industry.