Retail and Foodservice 2025

The Future for Customers, Operators, Facilities and Cold Chain Partners

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Emerson

Retail and Foodservice 2025

CHALLENGE

Emerson sought expertise on which emerging trends will shape the grocery retail and chained foodservice sectors in the future and what impact these developments will have on retail store and restaurant design and infrastructure.

APPROACH

Emerson engaged Euromonitor, a global research leader, to leverage information from the Passport database, secondary sources, as well as insights gathered from trade interviews with internal industry experts.

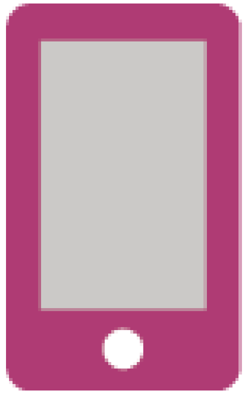
- **Euromonitor retailing and foodservice data**
- **Secondary research**
- **Industry expert interviews**
- **Validation and analysis**

RESULTS

Research was compiled and summarized into a custom visual presentation for sharing at the E360 Annual Conference. In addition to this presentation, a one-page summary document is also available.

- **Identify leading grocery retail and foodservice megatrends**
- **Determine the most relevant trends impacting customers, operators and facilities**
- **Explore current drivers and cutting-edge innovation**
- **Provide outlook for retail and foodservice 2025**

Most Influential Trends for Customers, Operators and Facilities

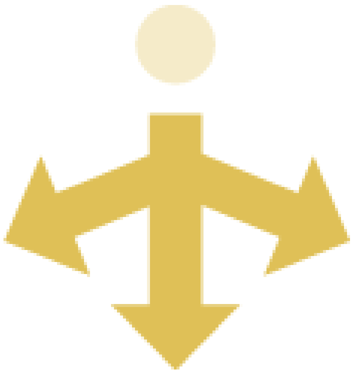


Digital Shoppers

- Mobile Engagement
- Mobile Order + Pay
- Going Beyond Mobile

Focus on Convenience

- Just-in-Time Delivery
- Click + Collect
- Subscription Models

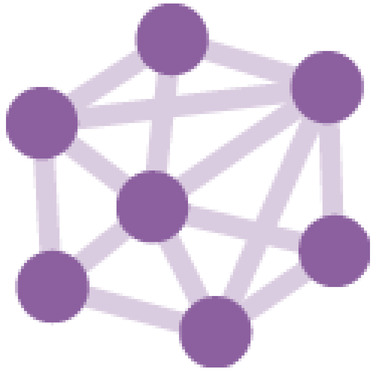


New Retail Formats

- Mid-Market Takes a Hit
- Small-Format Convenience
- Retail/Foodservice Blurs

Experiential Retail

- Retail-tainment
- Experts On-site
- Virtual + Augmented Reality



Omnichannel Proficiency

- Always Shopping
- Reinventing Checkout
- Reinventing Loyalty

Each Trend Has Direct, Significant Implications for Cold Chain Participants.

Retail and Foodservice Operational Shifts Through 2025

1 FACILITIES
- Smaller stores
- Repurposing current space
- More strategic locations (urban)

2 SUPPLY CHAIN
- Stronger localized curation
- Use IoT, data, cloud for effectiveness
- Invest in distribution, tracking, delivery

3 E-COMMERCE
- More personalized, seamless
- Last-mile delivery focus
- Safety, tracking and validation

4 HUMAN RESOURCES
- New training, new skills
- Tech requirements
- Use of experts

5 CUSTOMER EXPERIENCE
- In-store delight
- Greater degree of service (retail)
- Data, stories enhance the brand

What's It Mean for Cold Chain Participants?

Digital Shoppers

Operators expect suppliers and partners to adopt digital technology in their own businesses, reducing costs and providing information for customers.

Focus on Convenience

Always-available equipment enhances the shopping experience. Suppliers must offer different hours, flexible responses and faster service.

New Retail Formats

Smaller footprints and faster resets drive compact, flexible, multi-purpose equipment. Inventory, parts and technician skills will all change to support.

Experiential Retail

Equipment is part of the "set" and must reflect the brand and desired experience. New services for graphics, refurbishment, plus friendlier user experiences.

Omnichannel Proficiency

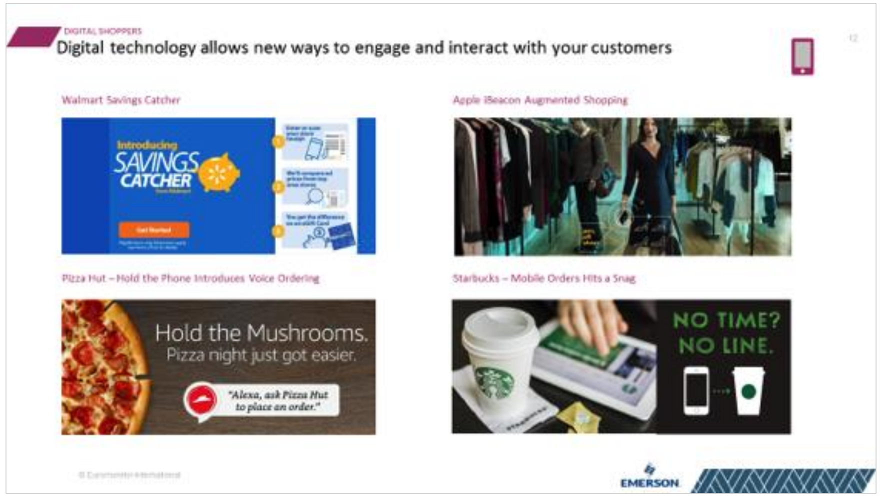
Temperature and location management needs to expand. Refrigeration with cloud, IoT data is everywhere — up to and beyond the customers' doors.

How We Will Explore Each Trend?

Background

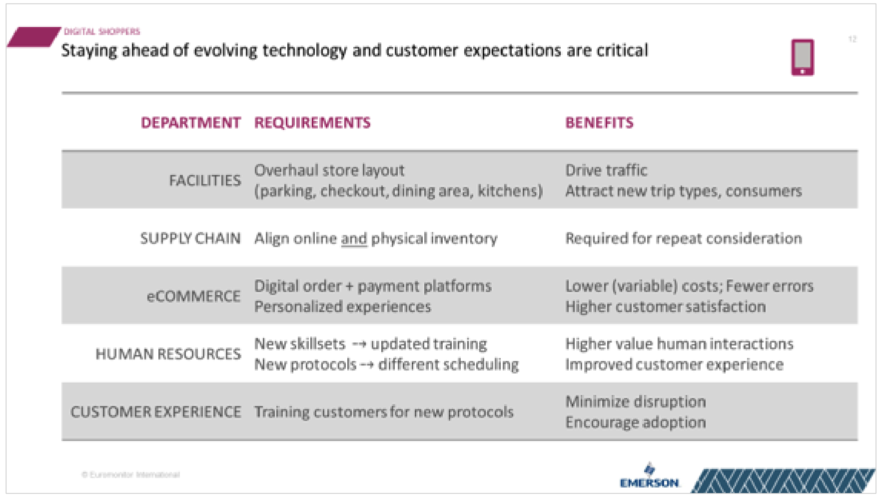
Sub-Trends

Innovations



Inspiration

Impact



DEPARTMENT	REQUIREMENTS	BENEFITS
FACILITIES	Overhaul store layout (parking, checkout, dining area, kitchens)	Drive traffic Attract new trip types, consumers
SUPPLY CHAIN	Align online and physical inventory	Required for repeat consideration
eCOMMERCE	Digital order + payment platforms Personalized experiences	Lower (variable) costs; Fewer errors Higher customer satisfaction
HUMAN RESOURCES	New skillsets → updated training New protocols → different scheduling	Higher value human interactions Improved customer experience
CUSTOMER EXPERIENCE	Training customers for new protocols	Minimize disruption Encourage adoption

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Emerging Technologies Are Changing Customer Expectations

Drivers

Convenience

Connectivity

Lowering costs

Ease of use

3 in 4

U.S. households own a smartphone (2016)

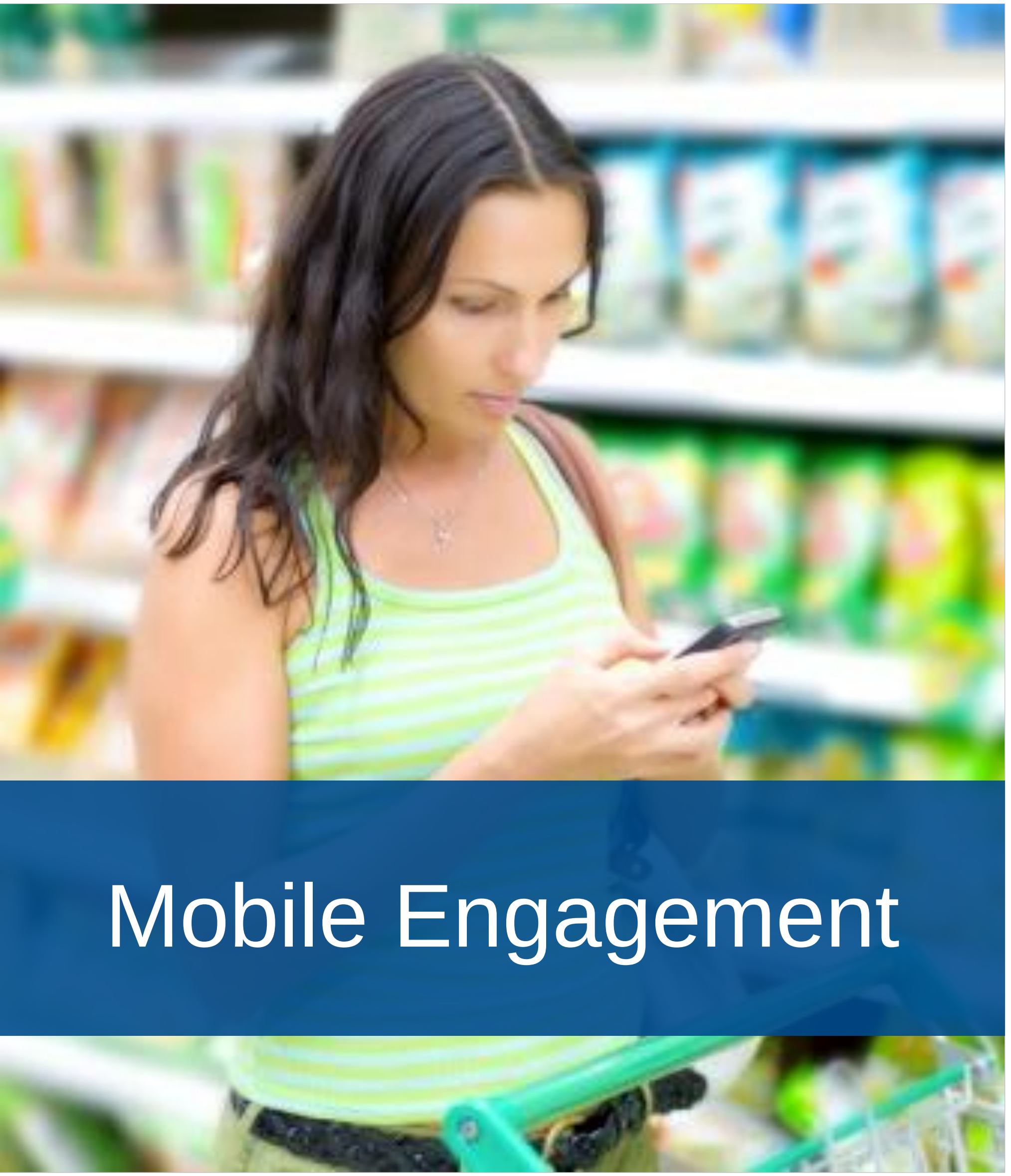
$1 tn

in digital purchases forecast by 2018 in the U.S.

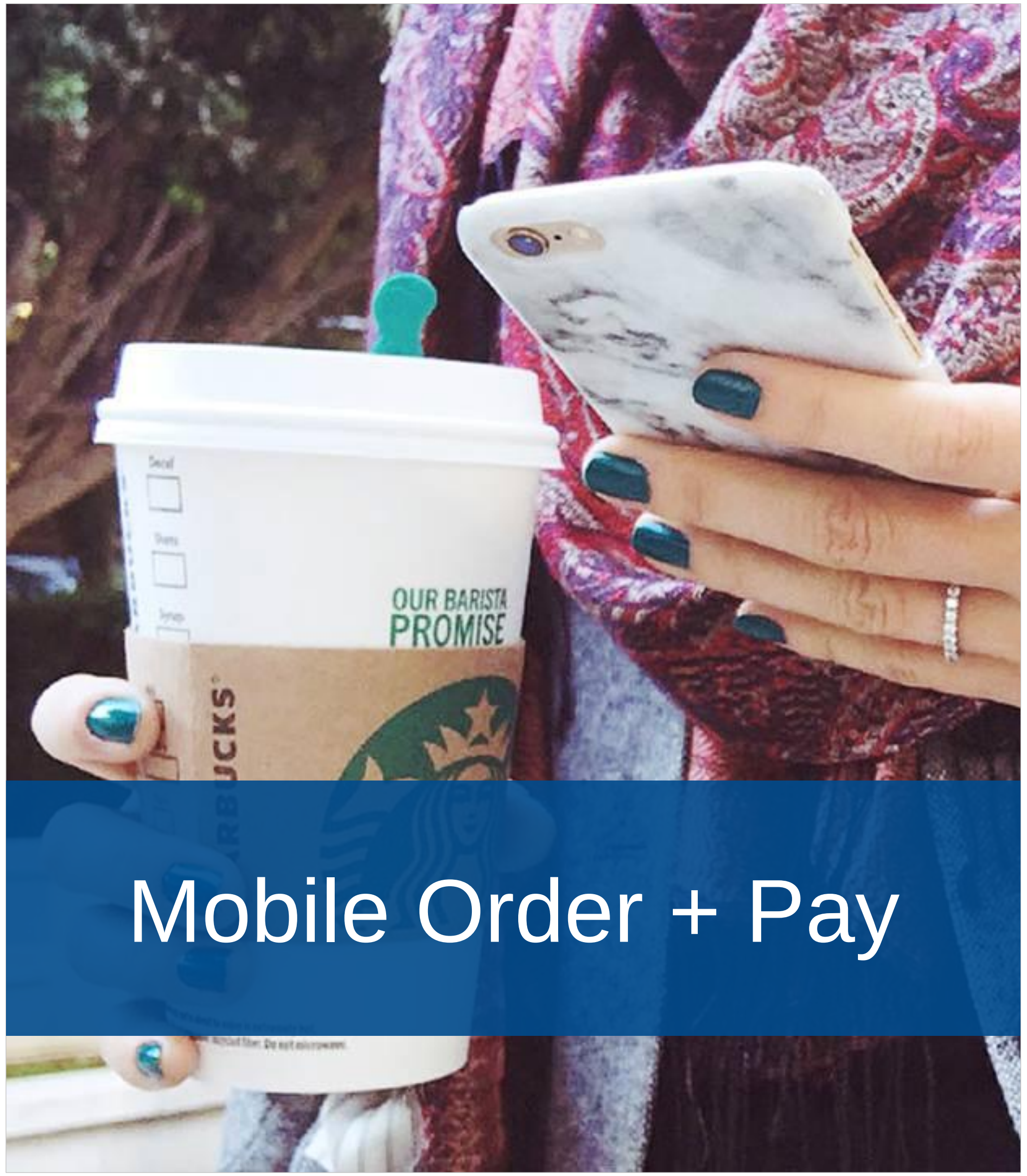
47%

of digital purchases made by mobile devices in the U.S. (2016)

Despite Challenges, Digital Forges Ahead in Retail, Foodservice



Mobile Engagement



Mobile Order + Pay

Going Beyond Mobile

Digital Technology Allows New Ways to Engage and Interact With Your Customers

Walmart Savings Catcher

In-store, Wi-Fi connectivity

Domino's continuously expands AnyWare Technology

Starbucks — mobile orders reboot

McDonald's Corp. Chief Executive Steve Easterbrook demonstrates a self-service kiosk at a McDonald’s restaurant in N.Y.

Staying Ahead of Evolving Technology and Customer Expectations Is Critical

DEPARTMENT	REQUIREMENTS	BENEFITS
FACILITIES	Overhaul store layout (parking, checkout, dining area, kitchens)	Drive traffic Attract new trip types, consumers
SUPPLY CHAIN	Align online and physical inventory Greater tracking of sources and orders	Required for repeat consideration Real-time tracking engages and informs
E-COMMERCE	Digital order + payment platforms Personalized experiences	Lower (variable) costs; fewer errors Higher customer satisfaction
HUMAN RESOURCES	New skill sets → updated training New protocols → different scheduling	Improved customer experience Stronger brand loyalty
CUSTOMER EXPERIENCE	Training customers for new protocols Faster orders/streamlined experience	Minimize disruption Serve more customers, faster

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Time Crucial Commodity That Customers Are Willing to Pay For

Drivers

Urbanization

Smaller households

Changing gender roles

Hectic lifestyles

Hyper-connectivity

83%
of the U.S. population live in urban centers (2017)

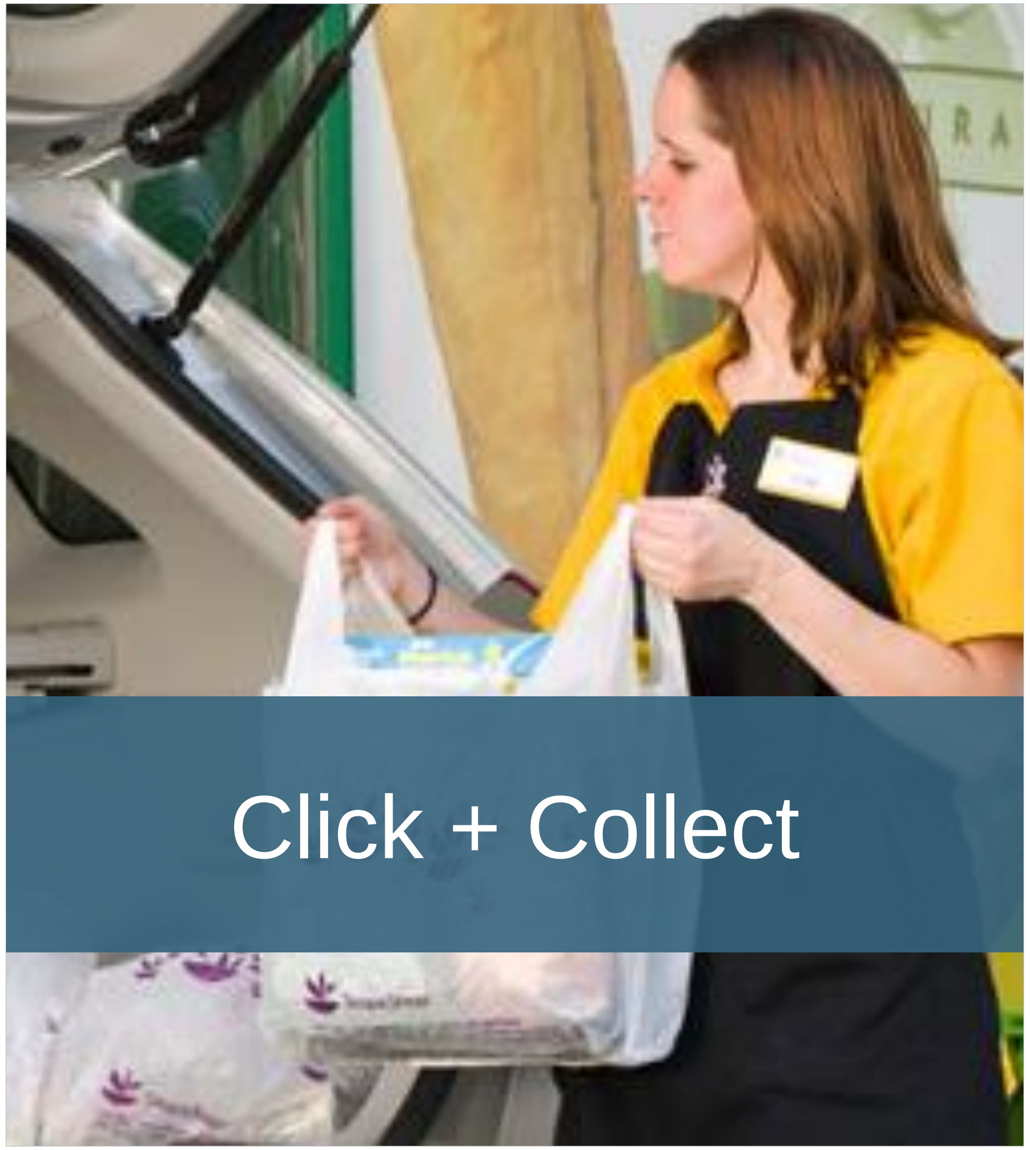
2.5 people
per U.S. household on average (2016)

65%
of global consumers are looking to simplify their lives

FOCUS ON CONVENIENCE

New Business Models Evolving to Deliver Greater Convenience

Just-in-Time Delivery



Click + Collect

Replenishment Models

Convenience Ranges From Utilitarian to Experiential Involvement

Last-mile suppliers bridge the gap

Automatic replenishment systems

Beyond click & collect

Experiential subscriptions (from Blue Apron to Nerd Loot)

Amazon Go: A new kind of store with no checkout required was beta tested in Seattle (December 2016).

While Disruptive, Convenience Required to Be Competitive

DEPARTMENT	REQUIREMENTS	BENEFITS
FACILITIES	New front-end design + pick-up areas Reduced stockrooms	Ensure speedy service, freshness Maximize sales per square foot
SOURCING	Higher cadence delivery schedule More exact inventory orders	Fresher products Reduced out-of-stocks
E-COMMERCE	Physical locations used for fulfillment Outsource last-mile delivery services	Attract online shoppers, faster delivery Enter delivery space quickly
HUMAN RESOURCES	Trained personal shoppers New staffing/scheduling	Higher customer satisfaction Higher order capacity
CUSTOMER EXPERIENCE	Convenience-based needs Training customers for new protocols	Minimize disruption Potential to charge more

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Too Many Options; Formats Challenged to Be More Thoughtful

NEW RETAIL FORMATS

Drivers

Channel blurring

Polarization

Private label

Urbanization

Hectic lifestyles

18%
U.S. private label sales (2015)

$1tn
U.S. retail spending at small-format stores in 2015

10 years
Consecutive streak of shrinking store sizes for traditional U.S. grocery stores

Shopping Behaviors Lead to Formats That Better Meet Demand

Competitive Pressures Mean Business as Usual Is Not an Option

Shrinking profits drive industry consolidation

Coop diversifies with new small-format stores

Whole Foods rethinks rapid expansion; sells to Amazon

Big-box retailers experimenting with different options

Lidl: Europe’s leading soft discounter speeds up its U.S. invasion with its hyper-efficient model perfected in Europe.

Players Diversify Formats and Modernize Behind the Scenes Ops

DEPARTMENT	REQUIREMENTS	BENEFITS
FACILITIES	Enhanced store layouts New dining areas/seating	Attract specific occasions, trip types Drive traffic with dining opportunities
SUPPLY CHAIN	Curated, local assortment Value-based merchandizing	Fulfill local tastes, unique selection Build equity vs. competition
E-COMMERCE	Digital may or may not be a focus Outsourcing online infrastructure	Satisfy new customer expectations Offset declining in-store traffic
HUMAN RESOURCES	New format = new skill sets + protocols Mid-range stores to do more with less	Higher-value interactions + experiences
CUSTOMER EXPERIENCE	Convenience-based needs Price points/products that fit demand	Increased basket sizes Increased foot traffic

Euromonitor Consulting EMERSON

As Product Offerings Become All Too Similar, Experiences Will Stand Out

Drivers

Increased options

New fulfillment models

Millennial spending power

Emotive connections

Differentiation

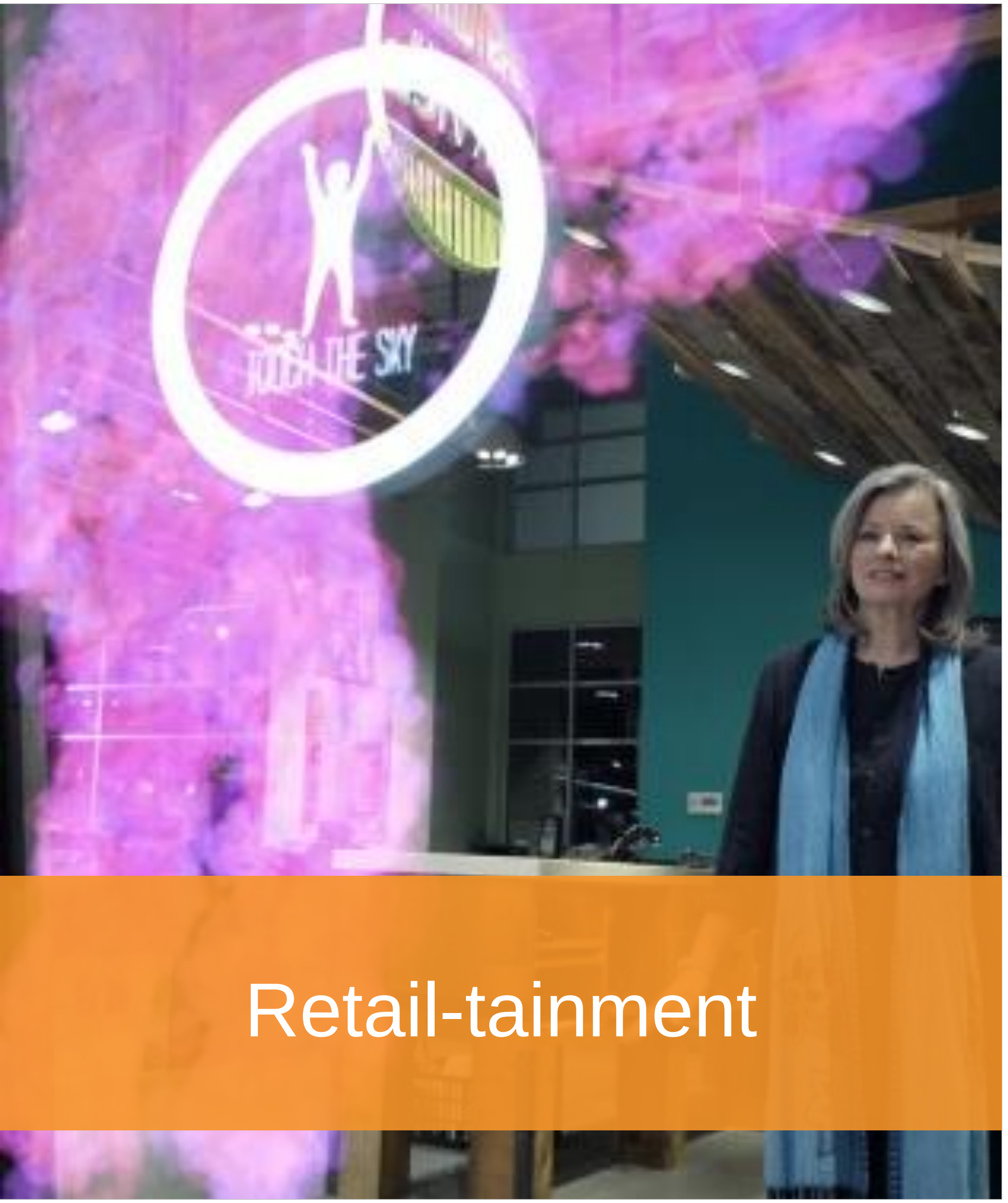
78%
of U.S. millennials would rather spend money on a desirable experience than on goods (2014)

$200 bn
Estimated retail spending by U.S. millennials (2017)

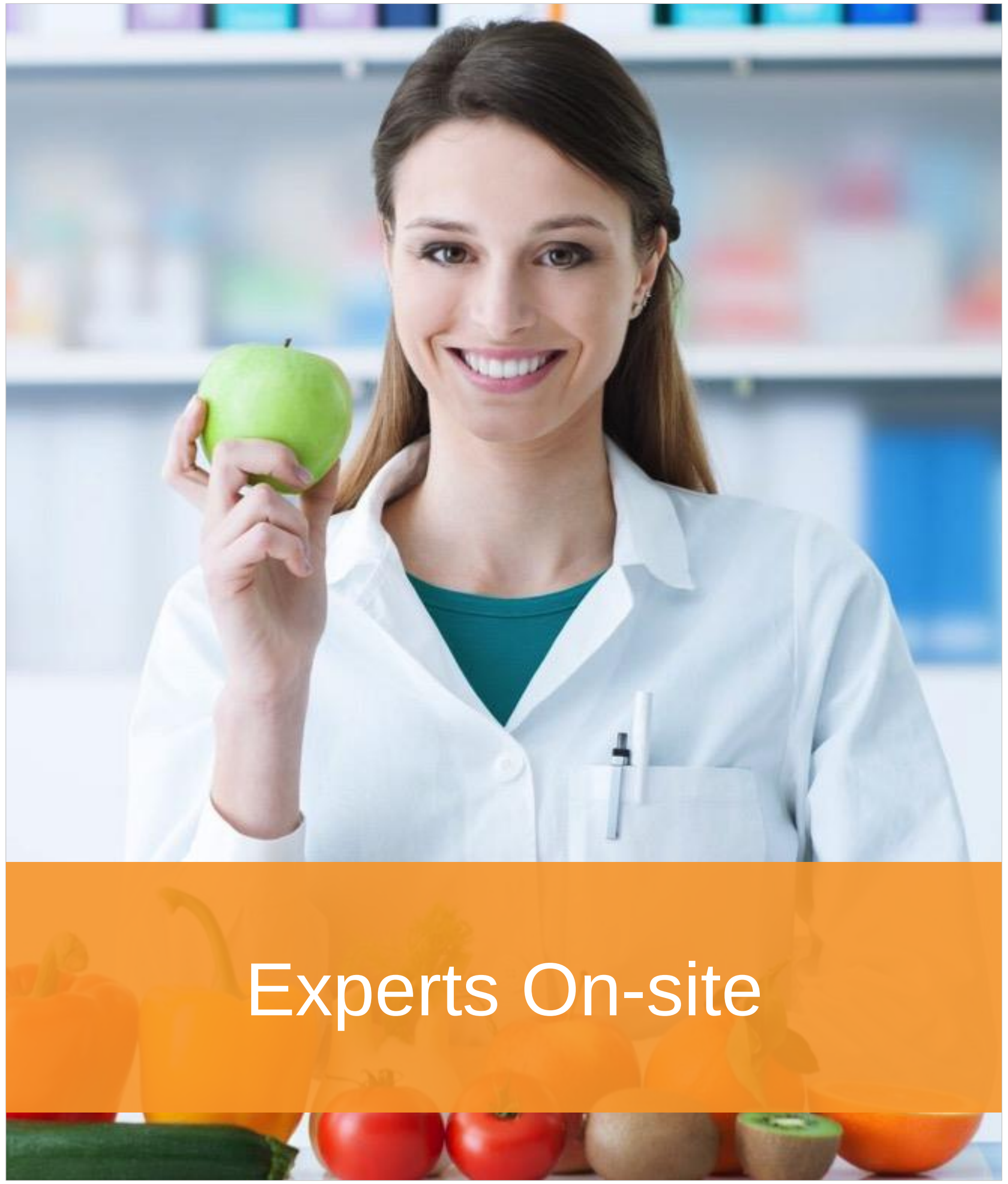
39%
of global shoppers like to browse, even if they don't need anything (2016)

EXPERIENTIAL RETAIL

Differentiation Today Focused at High End, But Will Impact Value Stores as Well



Retail-tainment



Experts On-site

Virtual + Augmented Reality

EXPERIENTIAL RETAIL

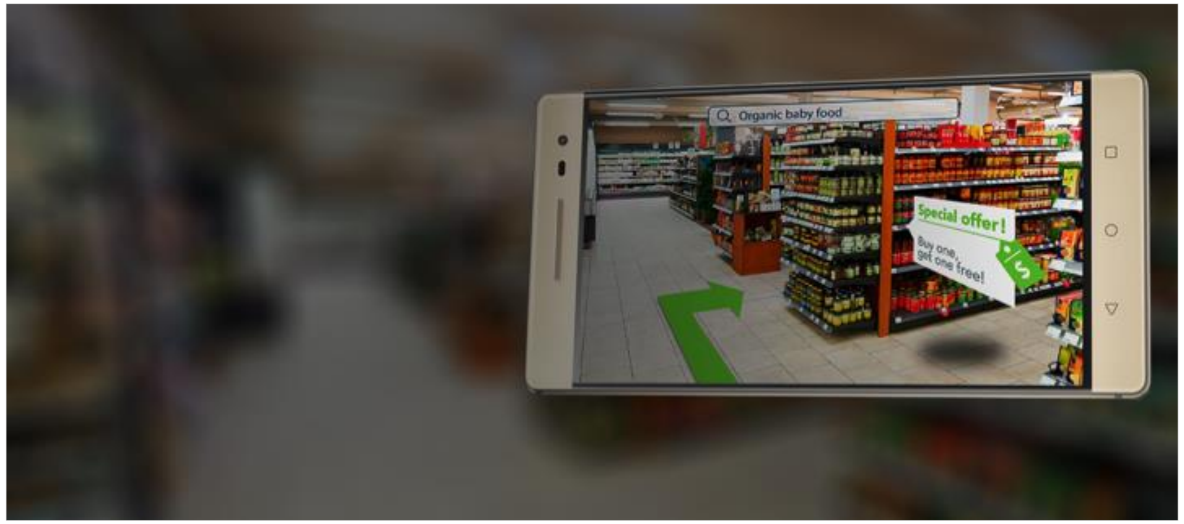
Retailers Creative in Their Efforts to Bring Shoppers Into Stores

On-site nutritionists and dieticians

Sephora debuts augmented reality

Apparel and home furnishing go virtual

Digital floorplans and improved navigation



Eataly: The world’s largest marketplace (food hall) is taking consumers to Europe for a truly Italian experience.

No Fast Approach to Changing Transactional Relationships

DEPARTMENT	REQUIREMENTS	BENEFITS
FACILITIES	Repurpose physical assets (branding tools, entertaining destinations)	Build equity vs. competition
SUPPLY CHAIN	Repurpose non-experiential sites as fulfillment centers	Faster delivery, defend market share
E-COMMERCE	Personalized shopper marketing Ensure positive digital experience	More loyal customers
HUMAN RESOURCES	Culture shift, consumer-centric mission In-store expertise	Improved equity vs. competition Drive traffic
CUSTOMER EXPERIENCE	New experiential atmosphere Low or ‘no cost’ value-adds (perception)	More engaged shoppers (draw traffic in-store, upsell)

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The Omnichannel Concept Pulls Together Many of the Topics Previously Discussed

OMNICHANNEL PROFICIENCY

Drivers

Millennials

Digital devices

New fulfillment models

Convenience

Always-on lifestyles

+23%

Increase in trips among U.S. omnichannel shoppers (2015)

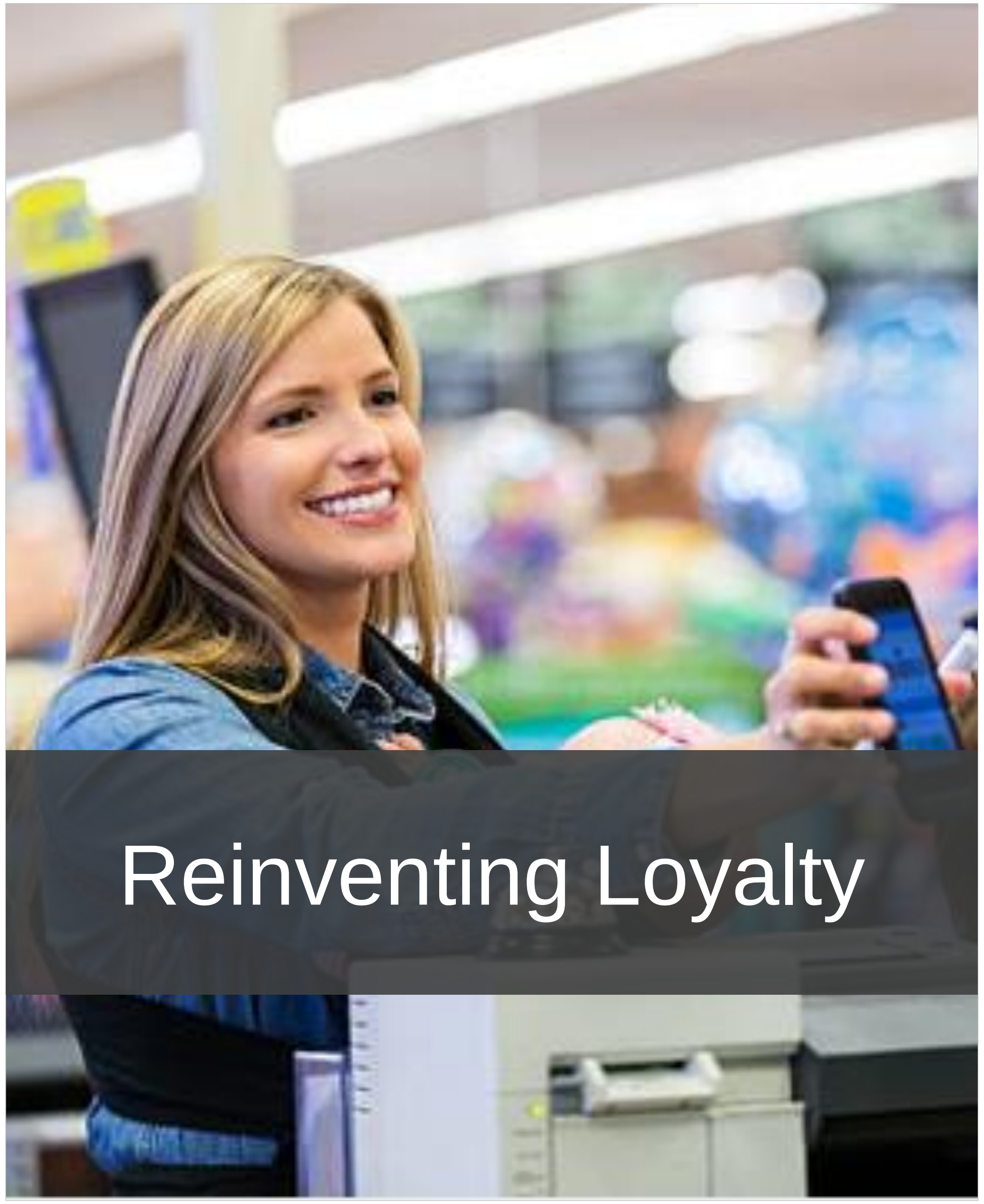
+13%

Increase in spend among U.S. omnichannel shoppers (2015)

29%

Shop more often at stores where they have a loyalty card or membership (Global Shoppers, 2016)

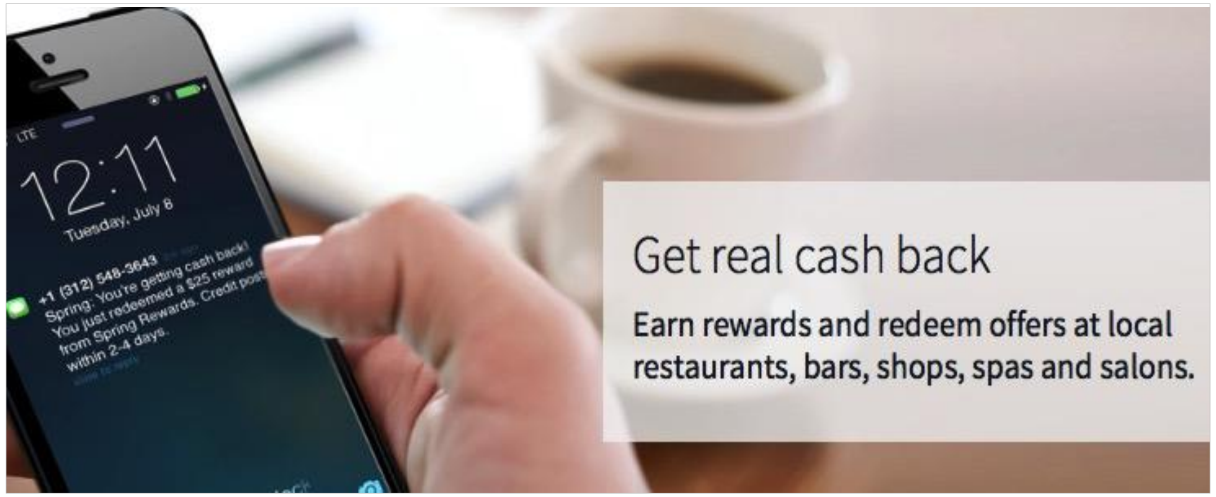
Omnichannel: Sales Anytime, Anywhere, Seamlessly



Customers Don’t Come to You; Omnichannel Means You Go to Them

Commerce goes conversational

Seamless loyalty interactions



Carrefour leads omnichannel via Oracle Service Cloud

Amazon expands offline presence

AmazonFresh Pickup: The long-anticipated foray into a curbside, drive-up grocery store

New Ways to Engage Shoppers Will Be Challenging

DEPARTMENT	REQUIREMENTS	BENEFITS
FACILITIES	Seamless interaction among technology, operations and store design	Increased customer engagement Eliminate inefficiencies, costs
SUPPLY CHAIN	Tracking of inventory more important Warehouse strategy even more critical	Expand reach at low costs Fulfill multiple channels from one site
E-COMMERCE	New infrastructure if entering online Personalized, real-time engagement	Slows industry commoditization Build equity vs. competition
HUMAN RESOURCES	Consistent customer service Troubleshooting/returns from anywhere	Greater customer satisfaction Higher brand loyalty
CUSTOMER EXPERIENCE	Consistent experience across formats Ability to shop anywhere, anytime	Higher brand loyalty Increased sales

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The Most Influential Trends for Customers, Operators and Facilities

Digital Shoppers

Advancing technologies will create huge opportunities in how we interact with and serve customers.

Focus on Convenience

Consumers have to do more with less time. The right items in the right places will be critical to long-term retail and foodservice success.

New Retail Formats

Store formats must continuously evolve to remain relevant. Urban store formats need to address a new range of shopper needs, and mid-market retailers must choose a lane.

Experiential Retail

Experience will become a key differentiating factor for physical stores as online shopping continues to grow, requiring greater investment.

Omnichannel Proficiency

Physical stores to remain important to retail and foodservice, but anytime/anywhere sales are critical and must be facilitated to keep up with competition.

CONCLUSION

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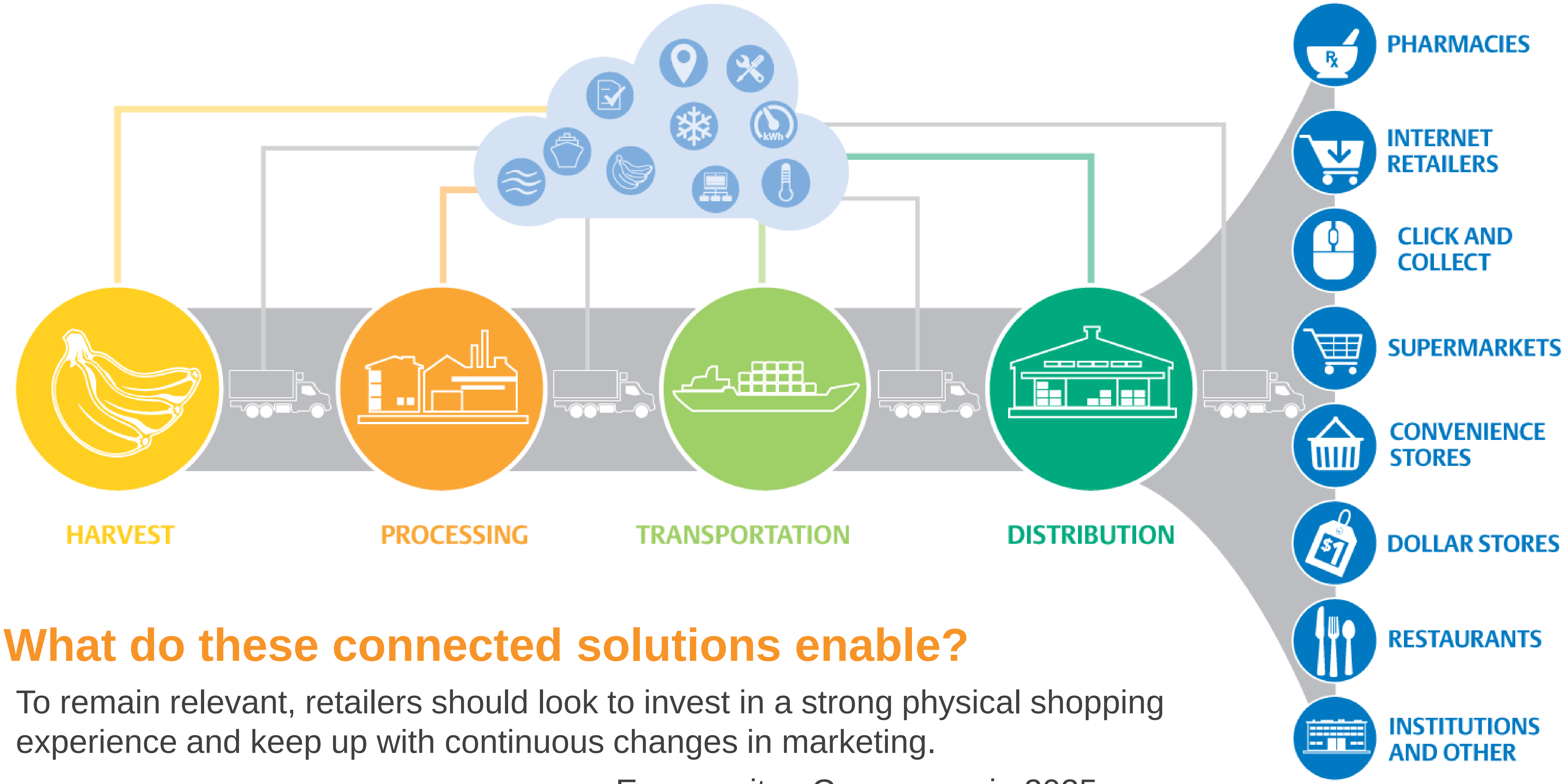
Holistic Collection, Storage, Analytics and Insight Solutions Emerge



What do these connected solutions enable?

To remain relevant, retailers should look to invest in a strong physical shopping experience and keep up with continuous changes in marketing.

— Euromonitor, Consumers in 2025

Thank You!

Questions?

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