Attracting the Next Generation of Asian Shoppers

A study conducted for the Coca-Cola Retailing Research Council Asia by Kantar Retail & TNS

Purpose

'Provide a forum for retailers to undertake research on key topics critical to the Asian retail landscape. Our studies aim to provide insights for immediate action and longer term strategic planning for all retailers.'

RETAILING RESEARCH COUNCIL ASIA

The Coca-Cola Company is committed to retailing industry research

- Focus on the challenges of food retail management, operations, strategy and merchandising.
- Research into topics that impact the whole food retailing industry.
- Research conducted by independent consultancies.
- Research findings shared broadly across the retailing industry.

History

- Through the Coca-Cola Retailing Research Council, the Coca-Cola Company has supported independent research on the issues facing food retailers for more than 30 years.

- Launched in the US in 1978, then in Europe, Latin America, Asia, finally Eurasia / Africa in 2011, the Councils have developed and published more than 40 studies investigating the most pressing issues facing food retailers.

- Studies are directed by retailers, for retailers, and for the benefit of the entire industry.

- Taken together, the body of knowledge produced by the councils is unrivalled in the food retail industry, and provides an important guide for any journey into the rich landscape of future food retail.

The Coca-Cola Retailing Research Council for Asia

- Since its formation in 2004, The Coca-Cola Retailing Research Council Asia has become one of the region's significant research bodies dedicated to in-depth investigation of food retailing challenges and opportunities.

- Members sign on for a four year term and work in a cooperative, non - competitive environment to identify topics of interest for research by a third party consultant.

- Our members represent retailers across most key retail markets and formats.

The council's coverage across Asia 2010-2011

Council members represent retailers of diverse geography & scale

Research council composition

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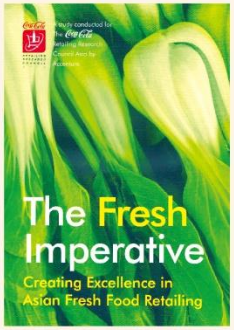
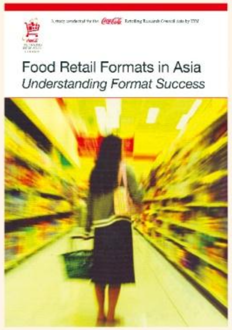
The Coca-Cola Retailing Research Council is facilitated by an independent research director Anthony Freeling.

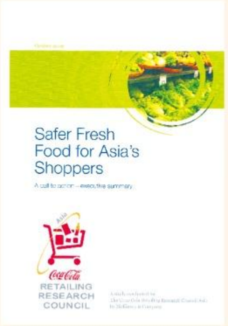
Previous Asia council studies

The Council has previously published three landmark studies and has played a critical role in providing blueprints for Asia's food retailing development and improved shopper satisfaction:

- ***The Fresh Imperative: Creating excellence in AsianFresh Food Retailing. © 2005***
- ***Food Retail Formats in Asia: Understanding Format Success. © 2007***
- ***Safer Fresh Food for Asia's Shoppers. © 2009***







All past and present studies conducted by Councils globally can also be found on this site: www.ccrrc.org

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Generation 2020 Shopper…




Threat?
Opportunity?

Overview
Introuduction

At the time this report was written, within only one hour …

- 63 Million text messages were sent in China alone.
- 56.2 Million surfing hours were spent surfing the web – again just in China alone (Harris Interactive Poll 2010).
- 228,310 YouTube videos were watched and 2,100 hours of new videos were have been uploaded(YouTube).
- $6.3 Million worth of Organic products were sold in Asia – most of which were supplied from China who currently has more than 4 times the amount of organic farming land than in the USA (Bloomberg).
- 70% of the leisure time of people in China's top 60 cities were spent on line (McKinsey &Co).
- 7,000,000 Hours were spent online in India (Nielsen)
- $17.1 Million were spent online in terms of retail sales (BizReport.com).



The journey towards 2020 has already commenced
…..
Does your business have a ticket to play?

Background

The Coca-Cola Retailing Research Council Asia has undertaken this study to understand how grocery retailers can attract "Generation 2020" shoppers, currently in their teens, as they enter the grocery market.

- Asian grocery retailers have experienced strong growth from existing shoppers and have significant investment plans.
- However, Generation 2020 will differ from the shoppers of today in many ways.
- So will they forsake traditional shopping in stores, or can retailers attract them?

Paul Sheldrake - 7 - Eleven, South China CCRRCA Chairman

"Today's digitally connected youth offer many challenges for retailers as we look to the future. CCRRCA took the opportunity to commission this study to look at them in 2020. I think the report gives us great insight into today's youth who are connected digitally 24/7 and whose expectation of retailers is constantly changing. This report gives you the opportunity to understand their thinking and also insights into how retailers might start to engage them."

Main Conclusion

While the channels chosen for grocery shopping by Generation 2020 may not radically differ from those utilised by today's shopper, how they choose to engage in the overall Path-to-Purchase will change in a potentially revolutionary way.

Retailers can attract this new generation of shoppers by responding to their new way of shopping:

- Delivering the new "Better Basics" requirements of these shoppers.
- Diversifying retail formats to focus on either Ease-of-Shop or Experiential shopping, dependent upon how the individual country is developing.
- Driving engagement through digital media.

Attracting the Next Generation of Asian Shoppers

Asian grocery retailers have enjoyed strong, profitable growth in recent years in line with the region's economic development, and see continued urbanization and the rising wealth of city dwellers as a rich seam of future profits. In Indonesia, for example, annual per capita spending on groceries is around $560, and is expected to rise to $860 by 2015. In China, it is only $340, but set to more than double to $740 by 2015.

Many retailers therefore plan significant investments in modern retailing formats to meet growing demand. But before doing so, they should consider how the next generation of grocery buyers will actually shop. Given the extent to which the Internet is already a central part of teenagers' lives and how convenient it is to buy groceries online, the future role of physical grocery stores would seem to be in question. Just as many young Asians have never used landline phones since the advent of mobile phones, will the next generation of grocery shoppers bypass grocery stores? If they do, much of the sparkling new retail space now being planned may end up abandoned, rather like the mining ghost towns that dotted the American West after the gold rush.

It is within this context that the Coca-Cola Retailing Research Council Asia undertook a study to understand how grocery retailers can attract Generation 2020 shoppers — that is, those consumers currently in their teens — when they become adults. We studied seven countries, representing different levels of retailing trade development. **Our findings suggest that today's teenagers will be enthusiastic grocery shoppers**. They will also shop in quite different ways, however, and retailers will need to adapt accordingly.

First, they will need to work hard to meet consumers' basic demands about what a physical store or digital channel should offer in terms of, say, product quality or online security. And once these basics are met, they will need to make sure their retail formats deliver on one of two fronts: ease-of-shop or something akin to entertainment—a shopping experience. In addition, whether or not grocery retailers choose to create a digital retail channel, they will need to deploy digital tools to engage with and win the loyalty of Generation 2020 shoppers.

Generational revolution

To understand how to meet the needs of Generation 2020 shoppers, grocery retailers need to understand the trends that shape their shopping behavior today.

One important factor is rapid urbanization. By 2010, the percentage of the total population living in urban areas had already exceeded 50 percent in many of the countries studied, with no slow-down in sight. This explains the surge in growth of Asian grocery retailers in recent years and the subsequent rising expectations of shoppers, met by a proliferation of retailing formats. The higher the level of urbanization, the more developed retail markets tend to be.

Another factor is environmental awareness. In most Asian countries, sustainability is on the school curriculum, and organic products form one of the fastest growing categories in several markets, including Japan and Singapore. Environmental awareness has not yet resulted in strong consumer pressure for retailers to adopt more sustainable business practices. However, consumer sentiment can change rapidly — perhaps in the wake of an environmental accident, for example—and government legislation may ultimately force change.

But the most influential shaper of behavior is the Internet. Already, Internet penetration is very high in many Asian countries and will rise above 90 percent in most by 2020. Moreover, the increasing availability of smart phones and other mobile devices such as tablets means many teenagers are already connected around the clock. Generation 2020 shoppers will learn, work, socialize, and organize their lives online.

This connectivity is already affecting the way people shop, helping them to research and buy products and services. A Google survey of 3,000 consumers across Singapore, Malaysia, and Thailand found that 80 percent of respondents regularly went online before making a retail purchase, that online research accounted for most of their time during the decision-making process, and that almost a quarter saw the Internet as the most important influence on their decision making. Our own research shows that in certain product categories, the main source of product information for today's teenagers is the Internet, and mobile phones are frequently used both to conduct research and make purchases. For the time being, the Internet is not significant for researching food in Asia, although in more developed Asian markets it is becoming critical in categories such as fashion and electronics. Between 25 and 50 percent of teenagers already research online for electronics and fashion items.

But it is not only the sheer numbers of consumers that use the Internet to research and buy products that is important. The power of the Internet to shape shopping behaviour also lies in the degree to which Generation 2020 shoppers are connected to one another. In Asian countries where Internet penetration is close to saturation—Australia, Japan, South Korea, Singapore, and Hong Kong—consumers spend more time online than they do watching television. Much of that time, particularly for teenagers, is spent on social media sites such as QQ, Xiaonei, Facebook, Orkut, Cyworld, and Mixi, where they communicate and share their experiences with their peers. By 2020, more than 95 percent of Internet users will be members of an online community, presaging the power of social networks to influence.

In certain categories, retailers' brands and stores are already being constantly viewed, assessed, criticized, or recommended online by Generation 2020 shoppers—whether or not the retailer has an e-strategy. This is not yet the case for food, as teenagers still get most of their food information from the television, shops, or by word of mouth, but grocery retailers should be alert to what the future holds.

What generation 2020 shoppers want

Against this backdrop, what are teenagers looking for from their grocery retailers? Our research reveals some important insights.In all countries studied, we found teenagers to be much more engaged in grocery shopping than one might expect. More go shopping for groceries than they do for music, videos, games, or films, for example, and they shop for food frequently: anywhere between 3 and 11 times a week. Given free rein, most teenagers said they would spend a quarter of any available money on food. Only apparel would take more of their budget.

In most countries, teenagers also have high awareness of leading grocery brands. In China, for example, a grocery retailer—Walmart— enjoyed the same level of brand awareness as popular international fashion and electronics manufacturers. Teenagers also showed quite high levels of customer satisfaction with grocery retailers. This is noteworthy not only because grocery retailers seem to be doing the right thing for the time being, but because the young people surveyed—whom one might expect to be indifferent to grocery shopping—cared about the service provided. This is another indication of the extent to which they are engaged in grocery buying. In particular, the teenagers said they liked the convenience offered by local retailers, the variety of choice and the quality.

All this is good news for grocery retailers. The statistics show that teenagers are keen to spend money on groceries, take the time to do so, and care about the shopping experience. That said, the fact that they are already so discerning also suggests that retailers will have to work harder to satisfy them once they are no longer teenagers.

The level of engagement apart, the survey revealed two key customer needs. First was that shopping should be made easy. In every country studied, being able to buy everything required in a single shop was seen as one of the most important, if not the most important, shopping requirements.

Only in India and Indonesia, where consumers felt the retailing basics were not being met in terms of product quality, store cleanliness, and pricing, was convenience less important.

Second was that shopping should be an experience, be it a means of meeting friends and family, relaxing, or learning something. Most teenagers felt socializing was an important aspect of a shopping trip. In China, it was more important than actually buying something. Again, the shopping experience was less important only in countries where consumers felt certain basic standards were still not being met.

Finally, the majority of teenagers we surveyed in most countries stated that environmentally friendly credentials were important; while teenagers in all countries save South Korea said they would be willing to pay more for environmentally friendly products. However, these findings need to be interpreted cautiously. Although our study underlines teenagers' awareness of environmental issues, retailers around the world still struggle to persuade consumers to pay more for green products, whatever surveys might indicate.

To sum up, we find no reason to believe that Generation 2020 will be anything but keen grocery shoppers. True, many are likely to be single for longer than their parents were, and to live with their parents for longer given the rate of urbanization and the accompanying rise in property prices. We have not examined how this particular phenomenon might influence shopping behavior. However, our research indicates that good food will be an integral part of the Generation 2020 lifestyle, just as it is for their parents today, marked by the fact that so many teenagers are already engaged in and discerning about grocery retailing.

That said, there will also be some important differences in their behavior, driven by their need for convenience and an entertaining shopping experience, their attitude toward the environment and sustainability, and the key role that the Internet plays in their lives. The extent to which these factors will shape shopping behavior will differ according to the stage of development of the retail market in any particular geography. In all countries, Generation 2020 shoppers will be digitally connected. In the least developed ones, they will push for greater convenience. In more developed ones, a shopping experience will also be expected. Sustainability appears to be more of a concern to consumers in less developed markets such as Indonesia, India, and the Philippines, but shifting consumer opinion on this issue will need to be particularly closely monitored.

Our analysis can be extended to other Asian countries. The seven markets studied represent different levels of macro-economic situation, urbanization, and market development. Accordingly, other Asian countries can be grouped alongside these nations. In China, different cities fall within different clusters because of their varying stages of development. Countries or cities within each cluster are likely to see shoppers' needs and behavior develop at a similar pace and in a similar direction.

How shopping will change

The research findings give a clear indication of how grocery retailing will develop over the next decade. Consumers will still have some basic requirements, be it cleanliness or keen pricing, and may push retailers to prove their environmental credentials. But their digital life, as well as their specific need for convenience and a shopping experience, will also lead to a completely new way of shopping.

Marketers have traditionally used a model called “the path to purchase” to describe the way people shop. This generally entails a linear, step-by-step progression from the moment the consumer becomes aware of a product, through to when the purchase is made, used, and possibly recommended to others. In this model, in - store interactions are a major influence. There is limited, if any, interaction with the shopper once the purchase has been made.

The digital age has ruined that model. Consumers now have far more channel options that give them choices about what and where to buy. No longer restricted to selecting products from a store shelf, they can browse and research widely online and receive online recommendations from marketers and those in their social networks. Importantly, they will not necessarily use the same channel to choose what to buy and to make the purchase. The Generation 2020 shopper could, for example, see a product in a store, use a mobile application to compare prices elsewhere, go to buy the item from a different store because of a promotion, make the purchase using a mobile phone rather than a credit card, use a computer application to make sure the item is regularly and automatically added to their online shopping list, then tweet friends to recommend the product.

In a digital age, the path to purchase has therefore become wider, allowing for more channel options at each stage, but compressed in time, given the speed at which information can be gathered or passed on and transactions made. Moreover, the path to purchase is no longer a single journey with a beginning and an end, but an ongoing process of engagement with the consumer, where interactions with shoppers post-purchase become as important as those leading up to the initial purchase in order to win customer loyalty.

It is within this complex space that grocery retailers will have to learn to engage Generation 2020 shoppers. They will do so by meeting consumers’ need for greater convenience and/or experience in both the physical and/or digital worlds. In other words, there are four arenas of play: Physical Ease-of-Shop, Physical Experiential Shop, Digital Ease-of-Shop, Digital Experiential shop. In which of these four arenas a grocery retailer should choose to operate will depend on the market’s stage of development.

The physical world

Ease-of-Shop and experience should be seen as opposite ends of a continuum. At one extreme, shopping is a chore and the time and effort spent on it need to be minimized with the help of convenient store locations, in-store automation, a limited assortment, and hassle-free delivery. At the other extreme, shopping is a pleasant pastime, and the more time spent shopping, the better. Here, consumers are drawn to stores that offer an experience.

Many stores already strive to maximize Ease-of-Shop. IKEA, for example, provides bicycles with trolleys for hire to help customers get goods home cheaply, while Tesco, among others, is introducing hand-held devices that enable customers to scan products as they select them so that they can check out automatically and quickly. The proliferation of convenience stores in Asia—300 of them to every million people in Japan and Taiwan—is more evidence of the drive to meet consumers' need for Ease-of-Shop.

Ultimately, however, convenience may not suffice. Although purchases will still be made in physical stores, grocers may eventually have no choice but to offer an experience too. Shoppers will increasingly expect the transactional part of the purchase to be fast, convenient, and transparent, which means it will often be conducted online. And because goods can be purchased easily online, shoppers will expect something more from a store.

The Physical store will therefore increasingly become a place to be visited for enjoyment and entertainment. It might be a niche store catering for certain lifestyles. There might be interactive tools or information booths and a high level of personal service. Or the shop might offer a sensory experience, paying attention to lighting, scents, and sounds, and displaying products to taste and touch. In electronics and fashion, much retailing is already experiential. Apple's stores are renowned for being interactive and fun, for example, and the Ion shopping complex in Singapore is billed as a 'multi-sensory, experiential shopping and lifestyle mall,' where top retailing space, multi-media art, and futuristic architecture blend together. On a smaller scale, EZface photo kiosks replicate electronically the experience that someone shopping for cosmetics would otherwise get only at the cosmetics counter of a high-class store, where sales assistants apply makeup to customers to help them choose what to buy. The EZface kiosk takes the customer's photo, allows her to swipe the products she is thinking of buying, then applies them virtually to show an image of the end result (that can also be e-mailed to friends).

Examples exist of how food retailing is moving in the same experiential direction. There are, for example, tiny, temporary, pop-up stores and kiosks that create a unique environment and generate a feeling of immediacy and community; specialist retailers that overwhelm consumers with the breadth of, say, fresh produce or gourmet products; and in-store chefs who demonstrate cooking skills and suggest new recipes. Many grocery retailers are also already paying attention to "multi-sensory" marketing. At Waitrose in Dubai, for example, the use of different lighting schemes in different departments promotes the perception that these are different shops, while giant photographs of bread, poultry, pasta dishes, and wines direct shoppers to the individual departments. Meanwhile, Starbucks releases the smell of freshly ground coffee outside its stores to attract customers in, and Marks & Spencer is one of many retailers that have discovered that playing the right music can increase basket size.

The digital world

Many grocery retailers have set up their own digital channels to meet consumer demand for convenience. Tesco.com now employs some 20,000 people and has 1.2 million active customers with an average basket size of £100. But new competitors have also arrived on the scene. Alice.com, for example, is an online marketplace for manufacturers of consumer packaged goods that cuts out the retailer and offers free shipping, competitive prices, and automatic replenishment.

Digital technology also delivers a convenient means of paying for goods or finding out more about them. Smart phones can act as payment devices and scanners to compare prices, and social media sites serve as a forum to share views and opinions about products at the click of a ‘Like’ button.

But digital channels are not restricted to convenience. They also offer experience. Web tools can create personal avatars that would-be online customers can use to model clothes and help make their choice, or provide interactive videos to assess a product. And of course, the reason that so many young people spend so much time networking on social media sites is the social experience— not convenience. A digital shopping experience will be something these young consumers will increasingly demand.

In more mature markets, physical stores will focus more on the shopping experience, while digital channels will provide greater convenience and experience. In less developed markets, greater Ease-of-Shop in physical stores will be the primary focus, with the digital world used to support this physical purchase. Some markets might see simultaneous development in several of the four arenas.

Retailer recommendations

What should grocery retailers’ strategic response be to these insights in order to attract the Generation 2020 shopper?

They will need to act on three fronts. All will need to provide what consumers

in their market consider to be the basics, which in some cases might include environmentally sound business practices. They will also need to consider where their market stands on the ease-of-shopping to experience continuum, and innovate and offer diverse formats and offers accordingly. Finally, they will all need to engage in the digital world in order to interact and win the loyalty of Generation 2020 shoppers, whether or not they have a digital channel.

Better Basics

Generation 2020 shoppers will have increasingly high expectations of grocery retailers in the physical and digital worlds, and at every stage of the path to purchase. Unless retailers meet what will be viewed as certain basic requirements, they cannot hope to compete.

In some markets, a basic requirement remains the provision of clean toilets or good-quality products. But as competition grows, so too will consumer expectations. For example, in the physical world, cashless payment options (such as paying with a mobile phone) will be regarded as a basic. In digital channels, basics are likely to include secure payment methods, the secure storage of personal information, and a convenient and reliable returns policy to overcome shoppers’ anxiety about purchasing goods and services online. Eventually, peer referral may become a basic in both the physical and digital worlds.

As ever, expectations will differ by market. In less developed ones, the initial focus will be on meeting basic requirements in physical stores, but once these are met, attention will shift to the digital arena where the speed of change will be particularly fast, especially in those markets where international competitors are present. Retailers' capabilities in the digital sphere will therefore become a particularly important source of competitive advantage. Those that know how to stay ahead of shoppers' expectations in key areas could even find themselves helping to mould expectations.

Sustainability is also likely to become a basic requirement. As discussed, Generation 2020 shoppers are not currently pressing retailers to improve their environmental or sustainability credentials. But the issue could become a game changer, particularly if environmental legislation is enacted. Therefore, sustainability is a basic that at least needs to be planned for.

Innovate for Ease-of-Shop or Experience

To ensure their physical stores remain relevant to Generation 2020 shoppers, grocery retailers will need to innovate to make sure the format clearly caters for Ease-of-Shop and/or experience. Consumers' desire for one or the other will become increasingly polarized, so retailers will need to specify the positioning of their individual physical stores, or areas within them.

Innovation will often entail differentiation through specialized assortments and services. For example, for ease-of-shop, convenience stores might cater specifically for the needs of the local community, such as with offering ethnic foods if the neighborhood has a particular ethnic mix, or lunch snacks near office buildings, while discounters might concentrate on a limited product range.

For experience, retailers might open showrooms for high-involvement categories such as food, spirits, wines, and personal care products, where education might be part of the service offering, or they might set up local market stores for fresh or organic produce.

Hypermarkets might excel in offering assortments targeted at specific eating occasions (but have a different part of the store dedicated to Ease-of-Shop). In Japan, some stores are already equipped with rotating fixtures to meet breakfast, lunch, and dinner occasions. Thematic, specialty shops and malls might cater for specific lifestyles. And temporary, pop-up shops and kiosks might target very small communities of local shoppers with novelty value.

Retailers should also bear in mind that there will be a clear difference between inner-city and outer-city formats across most Asian markets, responding to increasing urbanization, the cost of property, and consumer mobility. Convenience stores, mini markets, and local market stores are likely to dominate the city centers, and hypermarkets and large experiential stores the suburbs. The fact that so much can be bought digitally might also dictate that less retail space is needed.

One crucial question remains. How can retailers keep track of changing consumer expectations on the Ease-of-Shop/experience continuum? Timely insights into shoppers' behavior will be important to support innovation, for while the general direction in which each market will develop is clear at the moment, it might change course and the speed of development could vary. Cutting-edge digital technologies and tools can give retailers an unprecedented ability both to interact with consumers and understand and measure their attitudes and behavior in real time. However, knowing which technological platforms and tools to focus on and how to deploy them cost effectively might be beyond the capabilities of many retail organizations today.

Digital engagement

Not all retailers need a digital channel yet. However, those that choose to create one will need to respond to the fundamental shopper needs of ease-of-shop or experience at each step of the path to purchase.

So, for example, someone planning a dinner party might appreciate recipe suggestions or online video demonstrations at the interaction stage (experience), have the shopping bill charged to a mobile phone account (Ease-of-Shop), receive delivery at a pre-agreed time (Ease-of-Shop), then tweet a friend to recommend the retailer's dinner party-planning website (experience).

The choice of positioning will influence every element of the retailer's business model from store concept to delivery. When it comes to store layout, for example, Ease-of-Shop might dictate that online shopping options are organized by category, so that items can be found quickly. But if experience is the goal, the online site might emulate physical stores with aisles, fixtures, merchandizing, and promotions all shown on screen, along with the option virtually to touch and examine products. When it comes to assortment, an Ease-of-Shop positioning might mean focusing on a core range of high-demand products, while an experience-oriented digital assortment might consist of a wide range of international brands grouped according to lifestyle and occasion, combined with strong service and advice elements.

Overview
Executive Summary

But although the digital sales channel is optional, digital engagement is not. Regardless of whether the final purchase is made online or off, digital technology will play a crucial role in the path to purchase, used to interact with, engage, and influence the Generation 2020 shopper. Grocery retailers will therefore need to plan strategically how to use various digital media at each step of the path to purchase.

Examples of new marketing communications include digital coupon redemption, whereby a retailer might ask shoppers to text it to receive coded coupons that can be scanned on their phones at checkout, and solutions marketing. Here, retailers help consumers find solutions to their everyday needs – perhaps by providing additional information or by helping them build communities around retailers and brands.

Grocery retailers will need to consider carefully the role of social networks in their strategy. Given the amount of time that Generation 2020 shoppers spend within such networks, it is tempting to conclude that retailers should be part of them. But retailers need to tread softly to avoid any perception of stalking potential shoppers online, as most consumers do not visit a social media site to make a purchase.

Ultimately, to ensure they are engaging with Generation 2020 shoppers effectively at every stage of the path to purchase, retailers with physical stores will need to integrate seamlessly their physical and digital marketing activities, blurring the division between the two worlds. This is known as convergence marketing. Already a reality in several markets such as China, South Korea, and Japan, where young shoppers spend as much time online as they do offline, convergence marketing will become an essential component of every successful business, irrespective of the market in which it operates and the prevailing direction of development within it.

For the time being, collaboration between physical and digital retailers can help bridge the divide between marketing in the two worlds, and build convergence capabilities. An example of successful collaboration is the marketing program run by 7-Eleven, U.S. and the Zynga Game Network. By purchasing products in 7-Eleven stores, consumers earned credits to play Zynga online games.

Our research will help grocery retailers to understand the evolving needs of Generation 2020 shoppers and how to meet them. Current developments in each Asian market suggest an initial area or areas of retailer focus in terms of convenience, experience, or digital interaction, but every retailer will also have to track developments closely, and respond promptly to change. Yet this is no straitjacket: those retailers that keep ahead of consumer expectations, not simply level with them, can sometimes mould them, earning important competitive advantage. Our research will thus also help the boldest to understand how to gain that advantage. Generation 2020 shoppers do indeed represent a rich seam of future profits for Asian grocery retailers, but only if they have a very clear understanding of how to mine it.

Chapter 1

Generation Revolution

Generation 2020 Shopper Revolution…

GENERATIONAL REVOLUTION
Generation 2020 will engage in grocery shopping but in new ways – in particular exploring digital technologies, ease-of shopping and experiential shopping and seeking sustainability (once the basics of shopping are met) - with the rate and direction of change varying by country

A NEW WAY OF SHOPPING
This will lead to a new way of shopping or "Path to Purchase" which in turn will lead to new 'Better Basics', while at a country level this will manifest in developing in at least one of four main directions:
Physical ease-of-shop, Digital ease-of-shop, Physical Experiential Shop and Digital Experiential shop

SUCCESS AS A 2020 RETAILER
Retailers can attract Generation 2020 shopper by delivering 'Better Basics' (including 'Sustainability'); by diversifying retail formats and offerings to target either ease-of-shopping or experience, depending on how their particular country is developing; and by driving engagement in the new digital world

- Key societal and retail trends are shaping the behavior of Generation 2020 Shopper.
- Current teens – our future Generation 2020 – are already involved in grocery shopping, exploring digital technologies to communicate, browse and purchase; with an interest in both increased Ease-of-Shop and Experiential shopping once the need for the basics of shopping is satisfied, but with easily met expectations around "sustainability".
- By 2020 their underlying shopper motivations will remain similar to those of their parents, but their lifestyles and values will be very different, living with their parents for longer, connected 24/7, valuing convenience, embracing flexibility, and more environmentally conscious.
- Differences in shopper profiles, needs and habits by country will correspond with a country clustering based on macroeconomic, logistical and retail development criteria. This grouping identifies 5 country clusters that cover the Asian retail landscape, ranging from fully mature markets to traditional trade markets.

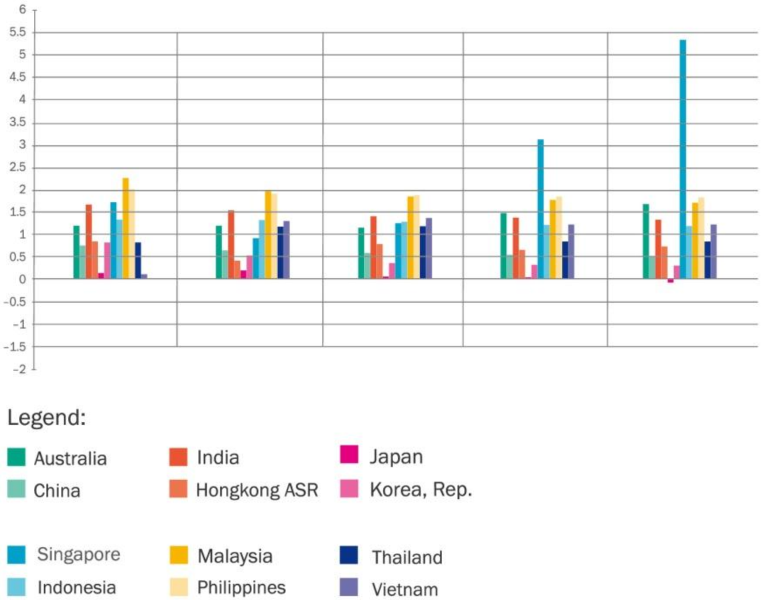
Key societal and retail trends are already beginning to shape the behavior of Generation 2020 Shopper.

- Societal trends include population shifts, mass urbanization, internet & mobile penetration levels.
- There is an evolving channel landscape, the rise of the internet as a marketing tool (and all things Digital), the development of in - store technology, and an increasing environmental and social consciousness. These will all **significantly impact both the attitudes and behaviors of Generation 2020 shoppers.**

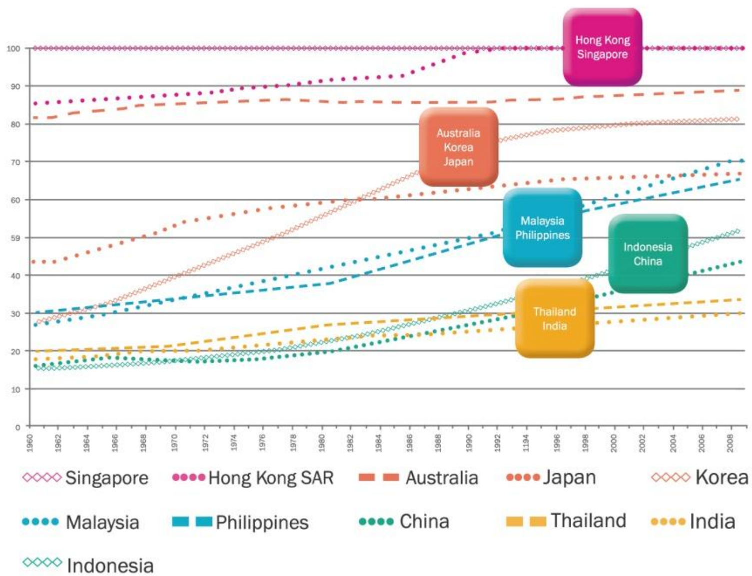


Generational Revolution
1.1 Societal & Retail Trends

The population continues to grow across Asia, with the exception of Japan.



Most countries are experiencing increasing urbanization.



Source: World Bank
Urbanization trends - Urban population (% of total)

- Urbanization is rising fast across the region with steep increases for almost all markets from the 90's. Thailand and India see a more moderate growth, balanced however by very powerful centres.

Internet and mobile penetrations have increased dramatically over the last decade.

	Internet Penetration 2009	Growth in Internet Penetration 2000-2009	Mobile Phone Penetration 2009	Growth in Mobile Phone Penetration 2000-2009
China	29%	+1606%	67%	+418%
India	7%	+1520%	62%	NA**
Hong Kong	69%	+113%	118%	+203%
Japan	76%	+103%	84%	+35%
Korea	77%	+97%	97%	+42%
Singapore	72%	+180%	75%	+23%
Indonesia	12%	+1400%	73%	+1450%
Malaysia	66%	+357%	106%	+309%
Philippines	25%	+1100%	74%	NA**
Thailand	24%	+600%	81%	+311%

*Indicating more than one phone per person.
**Mobile phone penetration in 2000 below 0.5%.

- Mobile is showing the fastest growth and most wide-ranging reach, especially in emerging and rapid growth markets, where it has become the main way for consumers to access the internet.

There is an evolving retail landscape, with the growth of convenience stores and new channels such as lifestyle malls.

Convenience stores:

Northern Asia accounts for almost 90% of convenience stores in Asia, with Japan and Taiwan showing the highest density at 300 stores / million people. The format is expanding rapidly in urban areas across Asia.

Lifestyle shopping malls:

Examples are the lifestyle hyper mall 1Borneo in East Malaysia, the Lotte department store in Seoul, Lane Crawford in Hong Kong, or the experiential mall ION Orchard in Singapore.

Generational Revolution
1.1 Societal & Retail Trends

The internet is becoming an integral part of the purchase decision process.

- A Google study (Pereira, 2009) which surveyed 3,000 consumers across Singapore, Malaysia and Thailand, reported that 80% of respondents regularly go online before making a retail purchase.
- Online research made up the largest time in the decision process (60 minutes), as opposed to time spent with friends, family, in-store promotional displays, catalogues or brochures, or sales staff (20 – 33 minutes each);
- 23% suggested the internet as most important source for decision making, followed by friends and family at 17%.

Technologies are also increasingly used within the stores.

- In terms of technology being used to make shopping more convenient and experiential, Asia is in many ways leading the way.

There is increasing environmental & social consciousness.

- Global Fairtrade sales grew 22% in 2008, with Asia identified as a key source of growth. Fairtrade products are becoming increasingly popular, especially in the larger Fairtrade markets Australia, Hong Kong, Japan, and Singapore.

Current teens – our future Generation 2020 – are already involved in grocery shopping, exploring digital technologies to communicate, browse and purchase; with an interest in both increased Ease-of-Ehop and experiential shopping once the need for the basics of shopping is satisfied, but with easily met expectations around "sustainability" to date.

- Across the board, participation of current Asian teens in grocery shopping is higher than expected, with high brand awareness and customer satisfaction for retailers.
- Digital sales and marketing is becoming important for this generation.
- Ease-of-Shop and Experiential Shopping are the key needs that teens express for shopping – except in countries where teens feel the basic needs of product quality, store cleanliness and appropriate pricing have not yet been met (India, Indonesia).
- While teens across Asia claim that sustainability represents a selling point, their expectations around "greenness" are executional and easily met.

Generational Revolution
1.2 Shopping Behavior of Today's Teens

Kian Peng Seah – Fairprice, Singapore

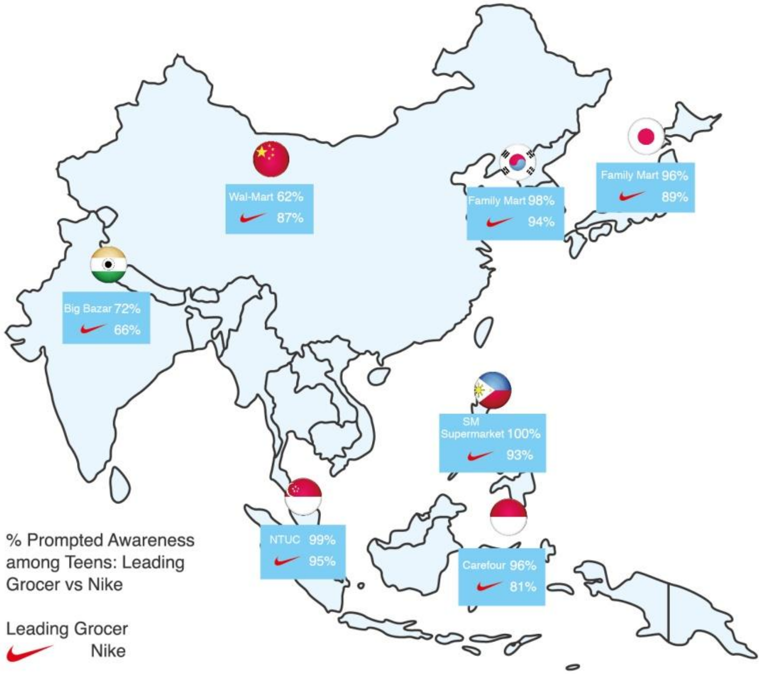
" Teens visit us with their families as part of weekend family activity. And on weekdays, their occasional visits are to pick up drinks, ready to eat food/snacks. They refer to Fairprice as a familiar/integral part of their lives, a name they grow up with, and although there is not a high level of involvement with grocery yet, we believe it is important to engage with them now to shape the profile of the new generation of grocery shoppers. They are already prolific users of social media, and I believe it is therefore important for any food retailer to be visible in that space, and to reach out to them on the things they are interested in. Technology will continue to play a vital role as life's enabler and brands like ours can harness technology to get a heads-up in winning the heart of this new breed of consumers. "

Participation of Asian teens in grocery shopping is higher than expected.

- Participation of teens in the purchase of food & beverages is higher, i.e. more frequent than their engagement in music, videos, games and films.
- Teens already play a big role in deciding what their families buy, especially in beverages, apparels and footwear.
- Teens shop for food and beverages between 3 and 11 times a week; Japan and Korea showing the lowest frequencies, Singapore, Philippines and Indonesia the highest. The significant difference shows correlation with overall involvement in shopping.

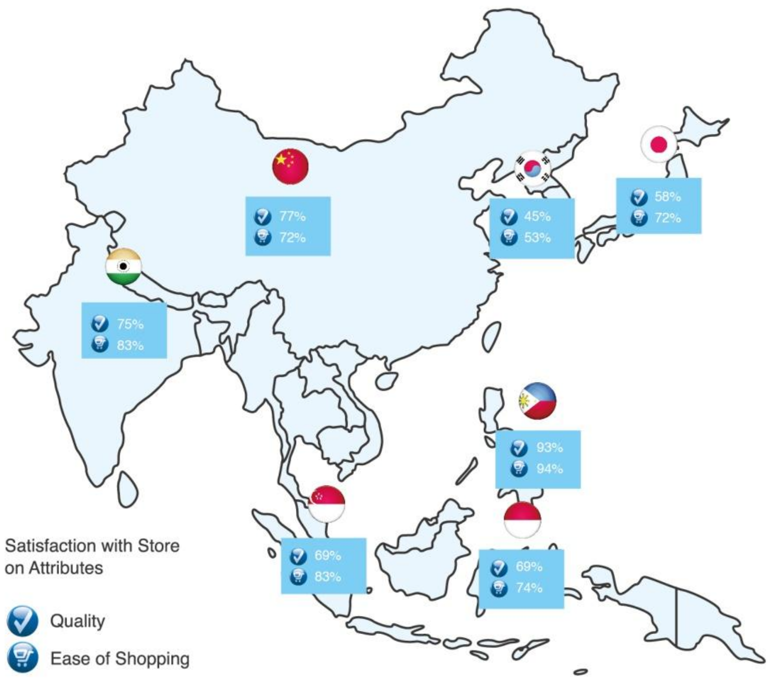
- Teens show a relatively high personal interest in some Grocery categories. Given free rein, most teens would spend a quarter of the available spending on food items; second only after apparel.

Brand awareness of major retailers on par with with leading brands.



- Across countries, leading retailers' awareness approaches that of popular international fashion/electronic brands. In addition, grocery retailers benefit from more frequent visitors and time spent on shopping for grocery.

Teens are generally satisfied with leading retailers.



- Comparative strengths of grocery retailing are ease of shopping, pricing and variety.
  Areas of improvement are innovation, ambiance and service.

Generational Revolution
1.2 Shopping Behavior of Today's Teens

Digital sales and marketing is becoming more important.

Revolutionary impact on the traditional Path-to-Purchase

- While online purchasing is still not significant for food anywhere, digital sales channels are becoming critical especially for fashion and electronics in the more developed Asian markets.
- In all markets however, we are seeing marketing via the Internet (mainly online communities), the utilisation of online information in the overall decision making process, and mobile channels (mainly social media) emerge as forces to reckon with.

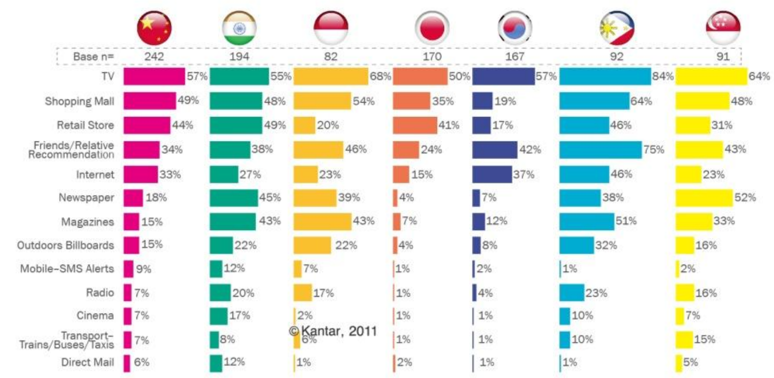
For teens, digital channels are growing in relevance for apparel & electronics categories, not for grocery so far.

Specialized Retail Stores in Shopping Centers	45	3	53	59	12	68	61	2	60	71	7	36	27	1	19	72	2	92	74	3	83
Hyper Market	23	45	19	33	8	24	25	6	18	10	3	5	7	54	28	16	13	2	5	4	3
Super Market	0	31	0	0	38	0	0	24	0	0	51	0	0	20	0	0	50	0	0	42	0
Convenience Store	0	11	0	0	11	0	0	21	0	0	36	0	0	10	0	0	8	0	0	7	0
Corner/Neighborhood Shops	19	3	6	7	5	5	10	12	11	8	0	11	6	0	5	7	0	7	7	2	0
Online	10	1	20	1	1	3	4	0	7	6	0	33	51	0	2	2	0	0	13	0	9
Others	3	0	2	0	1	0	0	1	4	5	3	13	9	3	1	3	2	2	1	3	5

Apparel | Food Items | Electronics

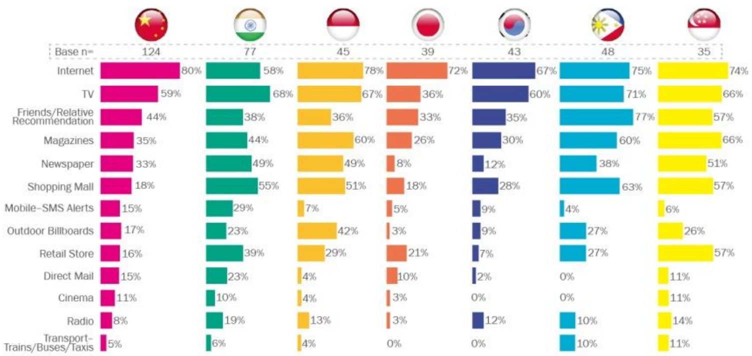
Source : B13 – "Where do you shop for Apparel, Food Items and Electronics ?"
Base: All respondents reg Apparel, Food Items and Electronics.

Information sources for food and beverages still dominated by traditional media, with importance of internet increasing.



Source: B18 - "Where do you get information about Food & Beverages ?"
Base: All respondents reg. Food & Beverages.

In other categories such as electronics, the internet is the primary information source in most countries.



Source: B18 - "Where do you get information about electronics ?"
Base: All respondents reg electronics.

- For retailers this means that whether ou have an 'e - strategy' or not, your brands and stores are already being viewed, browsed, assessed, commented on, criticized or recommended on - line on potentially a daily basis by this demographic group

Generational Revolution
1.2 Shopping Behavior of Today's Teens

Mobile emerging as a device used to search information on food and beverages.

Device used to search / make purchase

%	Fashion					Food					Electronic				
	Home Computer	College Computer	Mobile Phone	Retail Store/Kiosk Computer	Internet Cafes Computer	Home Computer	College Computer	Mobile Phone	Retail Store/Kiosk Computer	Internet Cafes Computer	Home Computer	College Computer	Mobile Phone	Retail Store/Kiosk Computer	Internet Cafes Computer
	95	14	14	5	14	88	25	13	13	25	90	10	-	10	20
	94	6	6	23	26	69	15	8	-	38	85	5	10	15	25
	82	25	21	18	20	84	23	27	20	23	89	22	17	41	22
	92	8	3	15	7	84	14	8	19	6	90	9	4	34	9
	97	-	3	13	-	100	-	3	33	17	92	-	8	58	-
	94	4	2	17	4	100	-	7	13	-	100	-	-	14	-
	96	8	1	4	7	96	10	-	8	4	93	17	-	27	20

Source: B16
Base: All who search info / make purchase online

Digital channels are large and growing fast.

- In Asian countries where internet penetration approaches saturation (Australia, Japan, Korea, Singapore, Hong Kong), consumers spend more time on line than watching TV.
- In 2007, China overtook the US as the country with the highest internet usage, with 200 million users, and by mid-2010 had over 400 million users, 55% of whom have shopped online.
- By 2020, more than 70% of people will have computers and more than half will use instant messaging to communicate.

Generational Revolution
1.2 Shopping Behavior of Today's Teens

Asian teens are already e-connecting and e-networking en masse.

- Young shoppers are active online to search for information, play games and purchase goods and services; but most importantly they are using the internet to network, communicate and share experiences.
- Asian social networking sites like QQ, Xiaonei, Facebook, Orkut, Cyworld, and Mixi already have massive following.
- By 2020, 0ver 95% of those connected will be a member of an online community. Digital communication and networking will play a critical role in human relationships.

Carmelito Regalado - Matahari Food Business, Indonesia

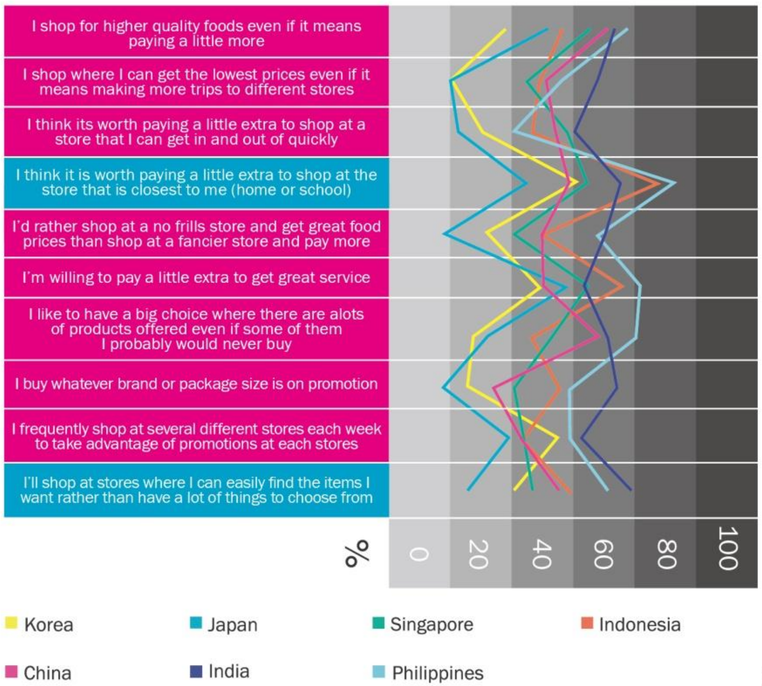
"We are all witnesses to the rapid development of technologies in our time that has impacted constantly our business and the way we do business.In the retail environment the rapid development in the digital channels has already started to impact our customers' habits, preferences and profile among others. As retailers, to be competitive and relevant in the dynamic industry we operate in we should be able to communicate to our customers constantly and effectively while understanding their needs and managing expectations. To do so we should always anticipate tomorrow's developments and changes and understand how it may affect our customers' behavior."

Generational Revolution
1.2 Shopping Behavior of Today's Teens

Key teens' needs are Ease-of-Shop and Experience, once basic shopping needs are satisfied.

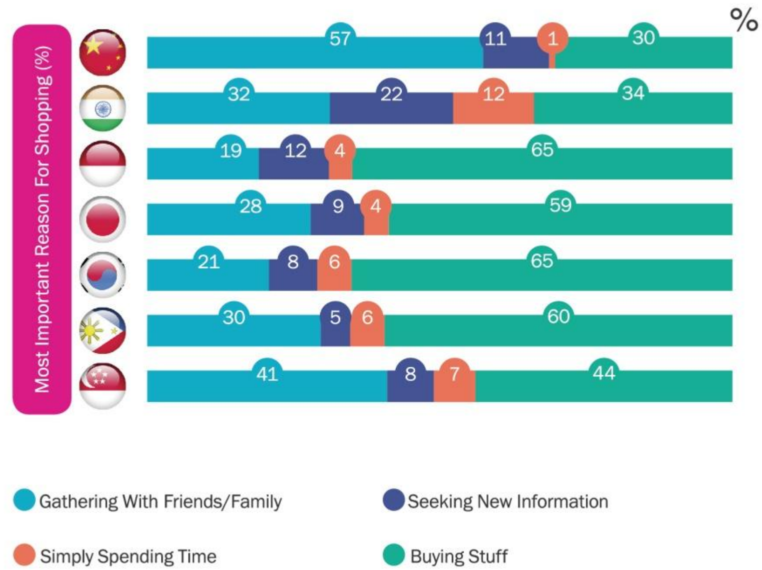
Ease-of-Shop and Experiential Shopping are the key needs that teens express when it comes to grocery shopping, and shopping in general. Only in countries where teens feel the **basic needs** of product quality, store cleanliness and appropriate pricing have not yet been met (India, Indonesia),convenience and experience play a secondary role.

Ease-of-Shop is a key need that today's Asian teens express in relation to grocery shopping, especially in relation to proximity and assortment...

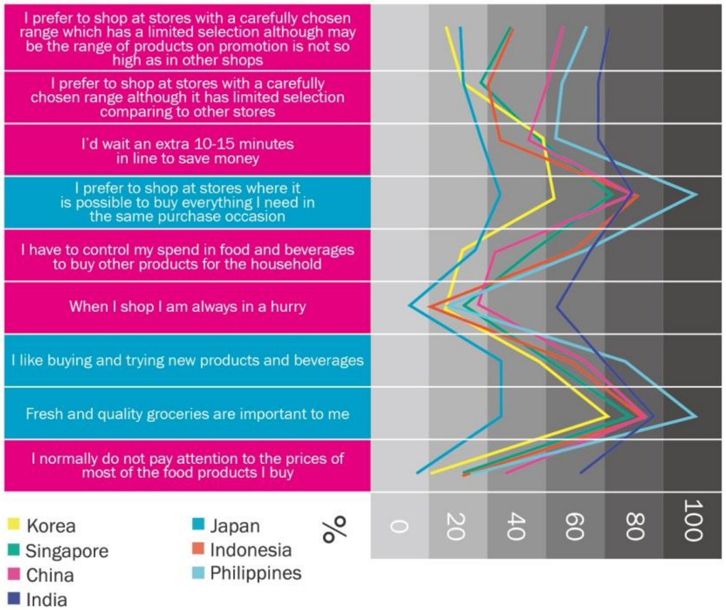


Generational Revolution
1.2 Shopping Behavior of Today's Teens

Teens also look for a social experience when shopping, including for grocery.



In the fast growth and emerging markets, the basic needs of product freshness and proximity / convenience play a critical role in defining a satisfactory shopping experience.



- Shopper's expectations around 'Better Basics' are not fixed indefinitely at the one level.
- Expectation levels may vary between markets for the same better basics criteria.
- Expectation levels within each market will also continue to increase over time.

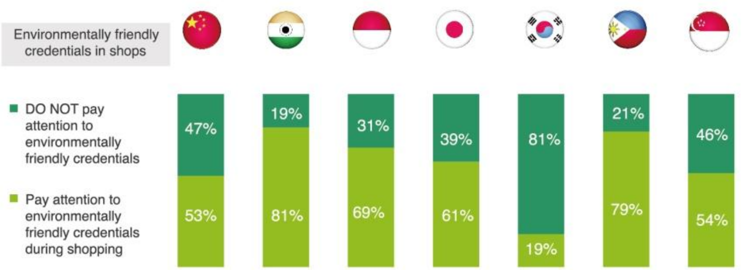
Generational Revolution
1.2 Shopping Behavior of Today's Teens

Teens' expectations around sustainability (green) easily met.

- While teens across Asia claim that sustainability represents a selling point, their **expectations around 'greenness' are so executional and easily met**, that it is unlikely consumer demand will be the driving force behind a sudden surge in greentailing.
- A retailer's use of re-usable shopping bags and the availability of a range of organic products is often enough to tick the 'green' box for teens for the time being.

- The introduction of Government regulations and legislation around green / environmental issues within a market however would have more significant implications for retailers and needs to be monitored carefully.

The attention paid to green credentials & the claimed willingness to pay more for green products is high amongst teens, and varies greatly across markets.



Among those who pay attention to environmentally friendly credentials

% of teens who are willing to pay a reasonable premium for green	80	90	74	38	77	77	61

Among those who are willing to pay…

% of usual price for premium that they are willing to pay	9	19	15	16	16	29	18

While teens say they would already be willing to pay a premium for sustainable products, retailers do not yet need to appear green to attract them.

- From quantitative research we know that sustainability is a key concern in mainly the developing countries (looking out for products with green credentials), and that teens say they would already now be willing to pay a premium for green products .
- We should be careful, however, to take this intent as a prediction of future purchase behavior, as from other markets we know that while green consciousness may be high, only a small amount of shoppers actually pay the premium for green products .

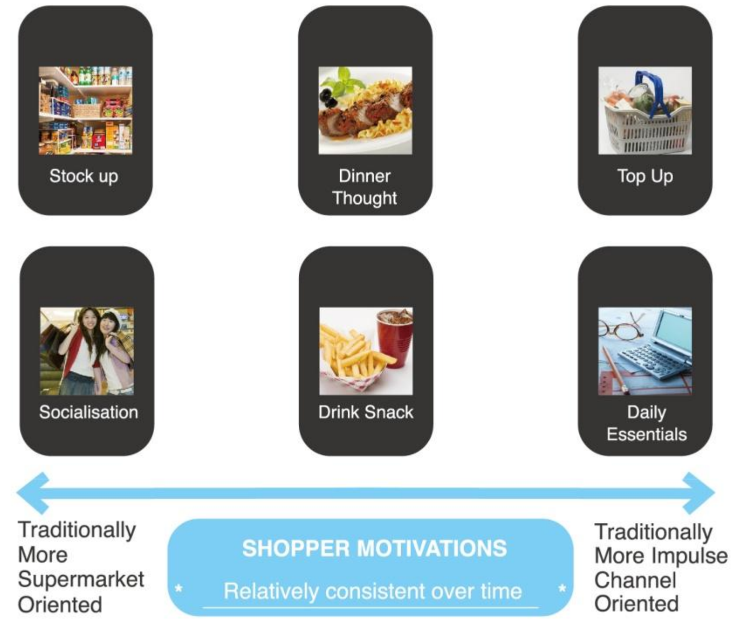
The generation 2020 shopper will have similar shopper motivations, but very different lifestyles from their parents.

- By 2020 we do not believe their underlying shopper motivations will differ radically from those of their parents.
- However they will be living very different lives from their parents, for example:
  - They will be predominantly single, living at home with their parents for longer.
  - They will be connected 24/7 and mobile.
  - They will overtly value convenience and flexibility.
  - They will be more environmentally conscious.



Generational Revolution
1.3 Similar Motivations, Different Lifestyles

The underlying shopper motivations of generation 2020 will not differ dramatically from what they are today….



However, some variations in underlying motivations for the Digital Channel may appear over time and have not formally been recognized yet.

The young shoppers in 2020 will be…

An age minority

- The age group of 20 – 25 year olds in 2020 will be on average 5% smaller than it is now across all Asian countries. In Japan, there will be more over 65's than under 25's.

Middle class

- Even in China, 55% of the population will be middle class by 2020 (ADI of US$14,900), in urban areas 78% will be middle class.

Urban

- The urban population in most Asian countries will be over 60% by 2020 (India and Thailand being exceptions).

The young shoppers in 2020 will be…

Living with parents

- Urbanization will lead to a scarcity of property and an inflation of property prices, making it hard for younger consumers to move out of home. Most of them will depend on their parents for grocery shopping.

Single

- Due to high property prices, having a different view on relationships than Generation Y (relationships are mainly digital), and with traditional stereotypes waning, Generation 2020 is still living at home without a fixed / serious relationship.

The young shoppers in 2020 will continue to keep their parents' focus on family, status & food. They will stay…

Family focused

- The Asian family will continue to be the focal point of life and love.

Status(brand)

- The most status minded of all continents, Asians will stay focused on attaining status in life and obtaining (expensive) brands will remain an important part of that. Japan and potentially Korea will form exceptions.

Asian focused

- As the global role of Asia (and especially China) continues to grow, young Asian consumers will increasingly be proud of being Asian and having –and conserving – their own culture.

Generational Revolution
1.3 Similar Motivations, Different Lifestyles

The young shoppers in 2020 will continue to keep their parents' focus on family, status & food. They will stay…

Food minded

- (Good) food will continue to play a very important role to Asian consumers and we do not expect that to diminish.

Diverse

- The current divide in prosperity / infrastructure between the different parts of Asia will remain, and identified country clusters will continue to show differing needs and behaviors.

They will differ however from their parents in terms of being connected 24/7, e-network and embrace mobility...

- **Connected 24/7 :** by 2020, internet and mobile phone penetration will be above 90% in most Asian countries (India and Indonesia possible sole exceptions) and more than 70% of consumers will have computers . Generation 2020 will learn, work, shop and socialize online, they will use digital devices around 6 hours a day but will be connected 24/7.
- **Network and communicate digitally:** with teens already e-networking in large numbers, this trend will only intensify going forward. By 2020, 0ver 95% of those connected will be a member of at least one online community, and Digital communication and networking will largely replace person to person contact.
- **Embrace mobility:** thanks to the increasing mobility of internet connections and hardware, Generation 2020 will be able to study, work, socialize and shop from anywhere. Mobile hubs (currently dominated by Starbucks & McDonald's) will become increasingly popular places from which they conduct their daily chores and pleasures.

Generational Revolution
1.3 Similar Motivations, Different Lifestyles

They will also differ from their parents in overtly valuing convenience, embracing flexibility, and being more environmentally aware...

- **Value convenience (Do It For Me vs.. Do It Yourself):** the most physically pampered generation so far, Generation 2020 will be used to having practical tasks performed for them (either through their parents or the internet), instead of doing them themselves, and will partially lose the skills associated with many day to day tasks.
- **Value flexibility:** doing / communicating / learning / working / shopping when and where they want will become a general expectation.
- **Environmentally aware:** Saving the human species will be the key challenge Generation 2020 will be faced with. The rapidly increasing population in most of Asia (India leading the way) will also lead to an awareness of the impending scarcity of resources .

5 Asian country clusters have been developed.

Differences in shopper profiles, needs and habits by country will correspond with a country clustering based on macro economic, logistical and retail development criteria. This grouping identifies 5 country clusters that cover the Asian retail landscape, ranging from Fully Mature Markets to Traditional Trade Markets.

Development of Country Clusters

- Three key criteria were utilised to group similar markets together into Clusters

1. URBANISATION %

2. SHARE OF MODERN TRADE

3. ANNUAL GROCERY SALES / CAPITA

Generational Revolution
1.4 Country Clustering

Specific markets were then selected for the research from each cluster as representative of that cluster overall…

			Research for each cluster conducted in
CLUSTER 1	High Urbanised, Small Population centre with active/innovative retail scene.	Hong Kong, Singapore, Taiwan	Singapore
CLUSTER 2	Advanced, mature markets with a focus on supermarket and convenience retailing, fragmented trade focused on modern distribution.	Japan, Korea, New Zealand, Australia	Japan, Korea
CLUSTER 3	Fast growing, emerging economies with emerging infrastructure-likely to be followers of major developments rather than leader but adoption/ market implementation will be proportionally faster than in current mature economies.	The Phillipines, Malaysia, Thailand, Tier 2 Cities	The Phillipines
CLUSTER 4	Fast pace of modernization and urbanization with strong modern trade focus.	Tier 3 Cities	Tier 1 Cities
CLUSTER 5	Traditional trade, large population & growth potential, embryonic to growing modern trade with clear ambitions to fast track development and solid local consumption aspirations.	India, Indonesia, Tier 3 Cities	India, Indonesia

Research results across these key markets have shown findings that will be applicable across each of the markets within their clusters.

Each country within a specific cluster will see a similar development in shopper profiles, needs and habits over time. For example………..

	CLUSTER 1	CLUSTER 2	CLUSTER 3	CLUSTER 4	CLUSTER 5
	Singapore	Japan, Korea	The Phillipines	Tier 1 Cities	India, Indonesia
Consumer engagement in digital	✓	✓	✓	✓	✓
Consumer need for "experience"	?	?	?	✓	✓ ?
Consumer need for "Ease-of-Shop"	✓	✓	✓	✓	✓
Consumer concern about Sustainability	?	? X	✓	?	✓

Yes, this is the way forward
Potentially/ Probably
No Go!

Generational Revolution
1.4 Country Clustering

Jeonggy Baek - Family Mart, Korea

"The convenience stores are evolving ultimately into a shopping place that would realize "whoever you are, wherever you are, whenever you need to shop, whatever small (food) item it is and whatever service would give you novel convenience."

Chapter 2

A new way of shopping

Generation 2020 Shopper Revolution…

GENERATIONAL REVOLUTION
Generation 2020 will engage in grocery shopping but in new ways – in particular exploring digital technologies, ease-of shopping and experiential shopping and seeking sustainability (once the basics of shopping are met) - with the rate and direction of change varying by country

A NEW WAY OF SHOPPING
This will lead to a new way of shopping or 'Path to Purchase' which in turn will lead to new 'Better Basics', while at a country level this will manifest in developing in at least one of four main directions:
Physical ease-of-shop, Digital ease-of-shop, Physical Experiential Shop and Digital Experiential shop

SUCCESS AS A 2020 RETAILER
Retailers can attract Generation 2020 shopper by delivering 'Better Basics' (including 'Sustainability'); by diversifying retail formats and offerings to target either ease-of-shopping or experience, depending on how their particular country is developing; and by driving engagement in the new digital world

These generational changes will lead to a new way of shopping or "Path-to-Purchase" which in turn will lead to new 'Better Basics', while at a country level this will manifest in developing in at least one of four main directions:
Physical Ease-of-Shop, Digital Ease-of-Shop, Physical Experiential shopping and Digital Experiential Shopping.

- Generation 2020's way of shopping (Path-to-Purchase) will be different: more complex and changing from a linear process for individual transactions to a continuous process based around loyalty, which will in turn lead to new 'Better Basics'.
- There are four possible development directions for retailing in each country: Physical Ease-of-Shop, Digital Ease-of-Shop, Physical Experiential Shopping and Digital Experiential Shopping.
- Mature market countries will mainly develop in the Experiential / Digital direction (Ease-of-Shop largely already being met), China will develop according to City Tier, developing markets will most likely focus initially on Physical Ease-of-Shop.

A different 'Path to Purchase'

- Marketers have traditionally used a linear model called the Path-to-Purchase to describe the way people shop.
- For Generation 2020 the digital and mobile channels will both widen and deepen the Path-to-Purchase–allowing for more channel options at each stage and also enabling on-the-spot decision making.
- Choice will not just be about 'what' to buy, but increasingly about 'where and how' to buy it .
- Already, shoppers no longer follow a simple linear Path-to-Purchase, but browse through multiple information sources and channels to get information and make a choice .
- Generation 2020 shoppers will follow a continuous Shopper Engagement Process where retailer interaction after purchase will be equally as important as the interactions in the lead up to the initial sale itself.
- This will in turn lead to new 'Better Basics'.

The traditional Path-to-Purchase was linear.

Attention → Interaction → Choice → Transaction → Delivery → Usage Experience → Referral

Linear

In-Store / Transactional Focus

- The Traditional Path-to-Purchase is transactionally focused around a single purchase, with shoppers being expected to follow a clear step by step linear progression.
- In store interaction and information plays the most significant role.
- Limited (if any) interaction with shoppers post purchase until they enter the shop again to make (or not make) another single purchase.

A New Way of Shopping
2.1 Path-To-Purchase

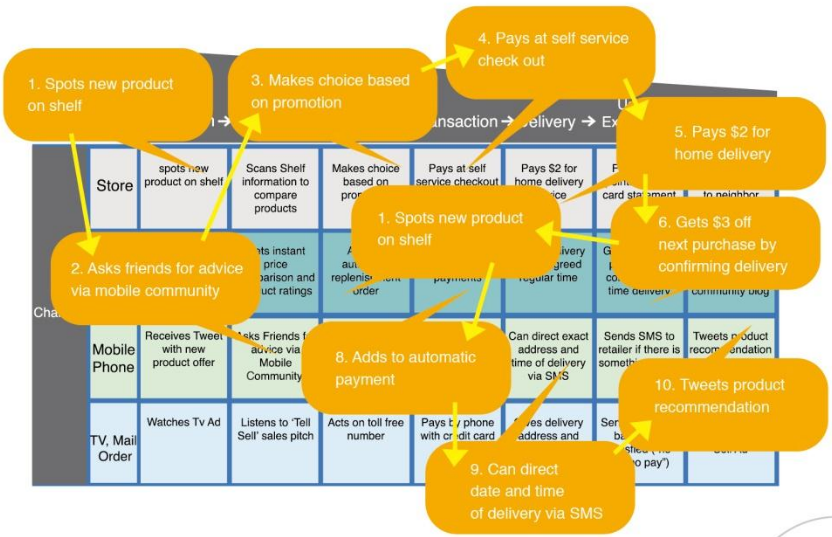
Digital and Mobile will have a dramatic impact on the 'Path to Purchase'.

Shopper Profile
- Categories
- Budget
-Time

Channel	Attention	Interaction	Choice	Transaction	Delivery	Usage Experience	Referral
Store	spots new product on shelf	Scans Shelf information to compare products	Makes choice based on promotion	Pays at self service checkout	Pays $2 for home delivery service	Finds extra points on club card statement	Hands 'Invite a Friend' coupon to neighbor
PC	Receives personalized product recommendation from online retailer	Gets instant price comparison and product ratings	Adds to automatic replenishment order	Adds to automatic payments	Add to delivery at pre-agreed regular time	Get $3 off next purchase by confirming on time delivery	Writes product evaluation on social community blog
Mobile Phone	Receives Tweet with new product offer	Asks Friends for advice via Mobile community	Orders via a one-click	Pays via Payment Function on mobile phone	Can direct exact address and time of delivery via SMS	Sends SMS to retailer if there is something not in order	Tweets product recommendation
TV, Mail Order	Watches Tv Ad	Listens to 'Tell Sell' sales pitch	Acts on toll free number	Pays by phone with credit card	Gives delivery address and time via phone	Sends products back if not satisfied ("no like no pay")	Advises friend to watch the Teel Sell Ad

- 'Choice' will not just be about 'what' to buy, but also 'where'
- Info provided via digital and mobile sources will have a dual impact on the
- P2P: widening it on one hand by allowing for more channel options at each stage, but shortening the time it can take on the other.

A linear path through the P2P is already a thing of the past. Shoppers browse through multiple channels and sources to get information and make a choice.



Tony Taylor - Walmart Asia

"The Retail Industry has seen many disruptive influences over time and many retailers have been slow to adapt to these changes. Now, more than ever, technology is revolutionizing how and where people shop and how they pay for their shopping. We are seeing a convergence of the physical and digital channels, resulting in a wider array of choices for the increasingly technology-savvy younger customer. The path to purchase is becoming more complex and we, as retailers, need to embrace this. Digital technology (phones/pc's/tablets) challenges the existing principles of customer loyalty for traditional retail models.

It is not the strongest retailers that will survive, but those that are most adaptable to this rapidly evolving environment."

Generation 2020 shoppers will follow a continuous shopper engagement process that will build loyalty.

KEY CHANGES:

The path to purchase is no longer a single journey but an ongoing Shopper Engagement Process.

Interaction with shoppers post the purchase becomes equally important as the interactions leading up to the initial purchase itself.

Both physical and online strategies are relevant at each and every step within the process.

Word of mouth takes on new imprtance as it can become viral.

Meeting ‘Better Basics’ expectations of shoppers will be a ticket to play for retailers.

- Better basics refers to the improved delivery of basic shopping needs, currently including quality of products, cleanliness of store, and basic fulfillment of shopper missions. If a retailer does not meet the Better Basics’ expectations of shoppers within a market (and channel), the retailer may not be in the shopper’s consideration set.
- The rapid metamorphosis of Generation 2020 expectations around ‘Better Basics’ from the simplistic levels of cleaner toilets and good lighting to more complex expectations will require ongoing focus and the building of additional capabilities by retailers – both leading up to and well beyond 2020 – irrespective of the market.

Gwyn Sundhagul - Reliance Retail, India

"In my viewpoint, the principles behind "Better Basics" requirement for the physical channel remain the same across the globe, and include the following key focal points:

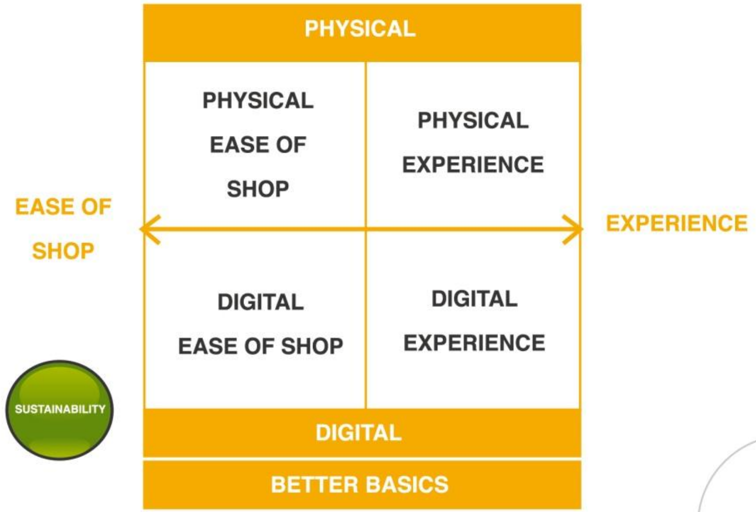
1. Easy access to the stores
2. Can get what I want (availability and range)
3. Price is right
4. Staff is great
5. Shopping is easy.

However, the specifics will vary by country and over time. What works in India today will not work in Japan, nor in India in 10 years time."

After meeting ' Better Basics ' criteria, there are four possible development directions for retailing.

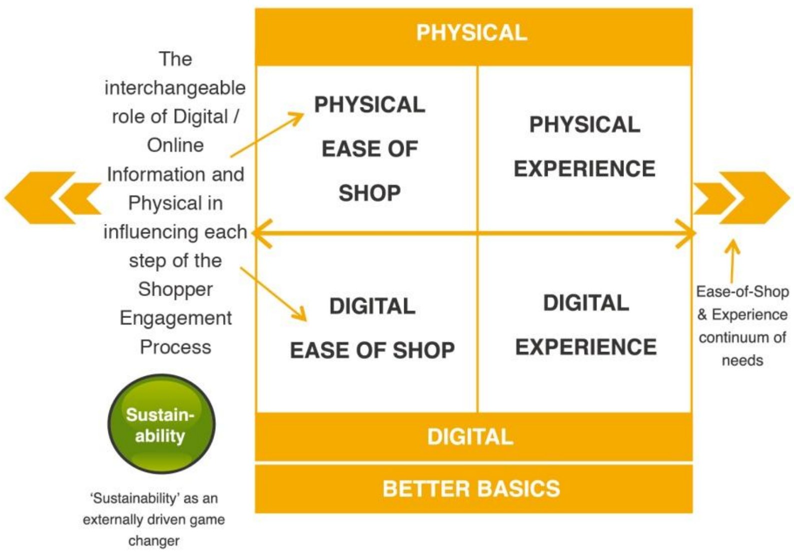
- Once the 'Better Basics' of shopping and any demand for sustainability are delivered, retailers can meet the expressed need of local Generation 2020 shoppers for either greater ease-of-shop or more experiential shopping.
- They also have the option to develop in either physical or digital channels, depending upon the local customer base.
- Combining these, there are four quadrants into which countries can develop:
  - **Physical Ease-of-Shop**
  - **Digital Ease-of-Shop**
  - **Physical Experiential Shopping**
  - **Digital Experiential Shopping**

Four non-exclusive requirements from shoppers most likely to develop.



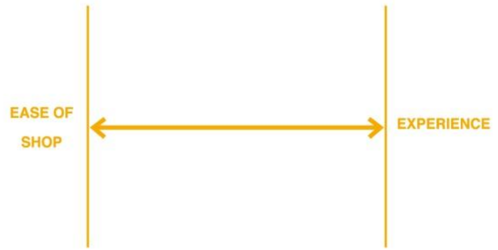
A New Way of Shopping
2.2 Development Directions

Four shopper quadrants in which countries may develop.



- These development directions are not mutually exclusive and can exist concurrently within a market at any given time.

The first axis contrasts Ease-of-Shop with Experience, two options for retailers to consider to meet expectations of Generation 2020 shoppers.



- The dominant role of the physical store will become to offer experiences.
- Shoppers will expect the transactional part of physical shopping to be fast, convenient, and transparent.
- They are opposites on this continuum in the sense that Ease-of-Shop positions shopping as a chore where time and effort need to be minimized, while Experiential positions shopping as a pleasant pastime where time and (enjoyable) interaction may well be maximized.
- Countries can develop in Ease-of-Shop and Experiential at the same time – depending on whether we are looking at the physical or digital channel.

Chuan Nimikittikul - CP All Public Company, Thailand

"With increasing number of smaller families in Thailand, living either in town or urban areas, younger generation shoppers find it more convenient to visit neighbouring stores, also downsized and more specialized in their product ranges. Grocery/Food Retailers have to strongly compete providing those basic needs, i.e. nice display, product quality, ambient lighting, cleanliness, fair prices and, most important of all, prompt services from store associates. In-store digital technology must be enhanced to offer more convenience to shoppers. All of these will create ease-of-purchase with more loyal and experiential shoppers."

The dominant role of the physical store will become to offer experiences.

- The average physical shopping trip will be more focused on obtaining enjoyment, experience, education, consultation and service.

- Edutainment, or the combination between education and entertainment, will be a key driver of retailer preference.

- The transactional part of shopping, i.e., actually obtaining goods, may be outsourced to mobile and internet channels, and automatic home restocking systems.

A New Way of Shopping
2.2 Development Directions

In fashion & electronics retailing is already experiential.

1Borneo, Malaysia

Ion, Singapore

Lane Crawford, Hong Kong

Food is also becoming experiential across the globe.

A New Way of Shopping
2.2 Development Directions

Multi-sensory marketing is at the heart of experiential shopping.

- SIGHT: Waitrose Dubai uses different lighting schemes for each department as a means to simulate separate shops within a shop, while giant photographs of bread, poultry, pasta dishes or wines direct shoppers to the different categories locations.

- SMELL: Starbucks disseminates the smell of freshly ground coffee outside the store as a mean to get consumers in; inside the store, the smell of freshly baked pastry is meant to trade consumers up to an additional purchase.

- SOUND: Marks & Spencer's is one of many retailers playing specifically selected music in its stores to increase basket size; the presence of the right music has proven to increase purchases by up to 400%.

- TASTE: Eataly offers its shoppers tastings of anything from cheese, wine and espresso to freshly cut Serrano ham and fully prepared pasta dishes, most of which it charges for.

Shoppers’ demand for Ease-of-Shop will continue to increase.

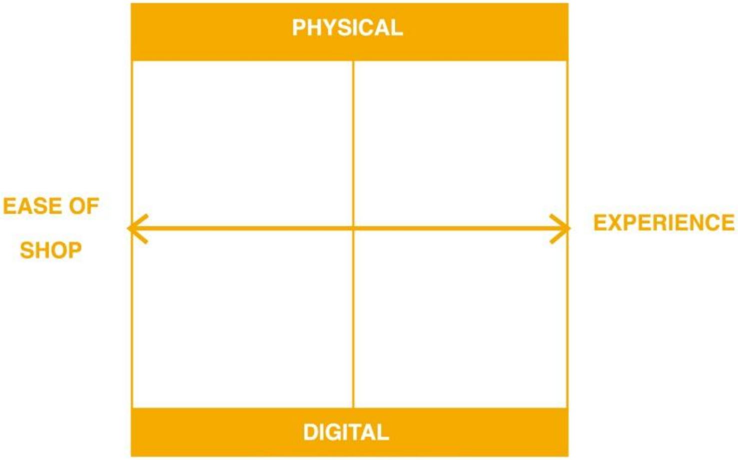
- Ease-of-Shop in transactions: scan and pay by mobile device. AEON introduces scan-as-you-shop technology.

- Ease-of-Shop in delivery: IKEA offers bikes to their customers to transport their goods home.

- Ease-of-Shop in transactions: in Japan, shoppers already familar with the use of mobile phones to scan and pay for products.

A New Way of Shopping
2.2 Development Directions

The second axis contrasts Physical with Digital shopping.



Retailers can develop in either physical or digital channels.

- The rise of digital refers to 2 parallel phenomena within the market: the rise of the actual digital shopping channel and the impact on marketing and sales of digital technology.
- We will see many innovations in the digital world, e.g.
  - Online browsing, information gathering and purchasing of groceries will continue to increase rapidly.
  - The mobile / SMART phone or tablet will continue to be the portable device of choice well into 2020 and beyond.
  - Web tools such as personalized avatars to try on clothing or interactive videos to assess product benefits will become the norm.
- Nevertheless, retailers do not HAVE to have a digital channel; they could successfully focus on physical channels for the foreseeable future.

A New Way of Shopping
2.2 Development Directions

What is the rise of digital?

The rise of Digital refers to 2 parallel phenomena within the market.

- The rise of the actual Digital Shopping Channel.

- The impact on marketing and sales of digital technology.

E-commerce is growing.

On-line market places, like Alice.com, will seek to eliminate the retailer's role as a supplier of goods, acting as a marketplace. Other sites such as Dangdang and Stylewalker, although online, are more traditional retailers in the way they operate.

A New Way of Shopping
2.2 Development Directions

Digital technology impacts on marketing & sales through the continued rapid increase of online browsing, information gathering and purchasing of groceries.

- There will be an explosion in the amount of technological devices to assist with online grocery purchase.
- In China alone, **80% of 18-32 year olds used the internet to make a purchase online**, over the first half of 2009 – this figure is likely to increase to almost 100% by 2020.

The mobile / smart phone or tablet will continue to be the portable device of choice well into 2020 and beyond.

- It will also be used as a payment method (replacing the credit card), product scanner (for instant product reviews and price comparisons), word of mouth tool (to share product/price information with others).

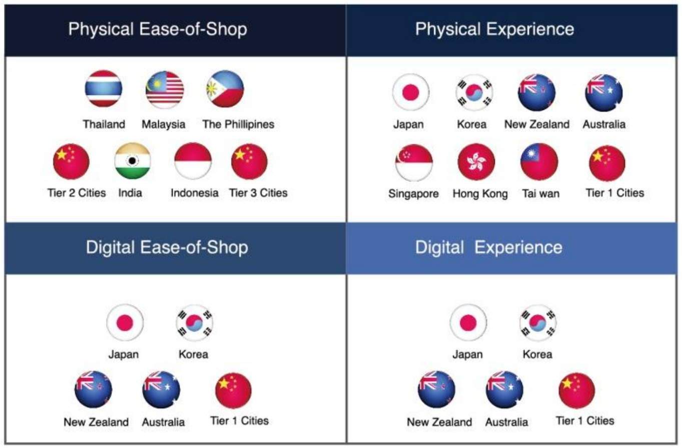
- In 2006, Japan already had the DoCoMo phone with inbuilt RFID and payment features being used by shoppers and accepted by retailers.

A New Way of Shopping
2.2 Development Directions

Web tools such as personalized avatars or interactive videos will become the norm.

- This trend is likely to influence other categories, such as grocery.

Predicted development direction by market.



- Mature market countries will mainly develop in the Experiential/Digital direction (Ease-of-Shop largely already being met), China will develop according to City Tier, developing markets will most likely focus in the first instance on Physical Ease-of-Shop.
- Sustainability (green) revolution, which is hardest to predict as it rests most on external factors such as government regulation rather than consumer demand, but is nevertheless quite likely in every country.

Chapter 3

Success as a 2020 Retailer

Generation 2020 Shopper Revolution…

GENERATIONAL REVOLUTION
Generation 2020 will engage in grocery shopping but in new ways – in particular exploring digital technologies, ease-of shopping and experiential shopping and seeking sustainability (once the basics of shopping are met) - with the rate and direction of change varying by country

A NEW WAY OF SHOPPING
This will lead to a new way of shopping or "Path to Purchase" which in turn will lead to new 'Better Basics', while at a country level this will manifest in developing in at least one of four main directions:
Physical ease-of-shop, Digital ease-of-shop, Physical Experiential Shop and Digital Experiential shop

SUCCESS AS A 2020 RETAILER
Retailers can attract Generation 2020 shopper by delivering 'Better Basics' (including 'Sustainability'); by diversifying retail formats and offerings to target either ease-of-shopping or experience, depending on how their particular country is developing; and by driving engagement in the new digital world

Success as a 2020 Retailer

Overview

- Retailers must offer Generation 2020 shoppers Better Basics, and, in due course, sustainability.
- Retailers will need to innovate diverse physical retail formats and offerings to focus on either Ease-of-Shop or Experience, using timely shopper insights to understand how Generation 2020 is developing in their individual country.
- Retailers will need to use a combination of digital tools to engage Generation 2020 shopper, whether or not they decide to create a full digital "channel".

Summary recommendations for success as a 2020 retailer.

1. Deliver Better Basics	2. Innovate Formats and Offering	3. Be Digital
Next Generation Basics: continuous improvement in both physical and digital channels.	**Clarity of choice** to deliver against ease-of-shop or experiential demands of shoppers will be important for retailers.	**Opportunity** to expand into the Digital sales channel.
Sustainability: get ready to respond to legislation and shoppers' aspirations.	**Greater differentiation** in the physical store environment will be required.	**Shopper engagement** through digital & social media.
	**Timely Shopper** insights will be critical to inform which direction to take.	**Seamless integration** between physical and digital.

Sadashiv Nayak - Future Group, India

"Generation 2020 in India are demonstrating hasty acceptance of new consumption trends and have a confident outlook of the future. I feel four triggers will lead to Generation 2020-elephant "taking a sprint" in India: *1) Education 2) a free and thriving media, 3) democratization of opportunity 4) a strong "trickle-down" effect of prosperity down the socio-economic pop-strata.* When some or all of these triggers converge, it will lead to energetic and optimistic youth viewing the world through a new lens of optimism. I am sure many other Asian countries would be getting the tail-wind of some or all of these triggers , shaping an empowered Generation 2020. Generation 2020 will therefore mould into a strong base of retail consumption for the future. Retailers need to stay alert and gear themselves to take on this challenging ride."

Next Generation Basics: continuous improvement in both physical and digital channels.	**Retailers must offer Generation 2020 shoppers Better Basics, and, in due course, sustainability.**
Sustainability: get ready to respond to legislation and shoppers' aspirations.	

Continuous improvement for both physical & digital channels.

BETTER BASICS

The rapid metamorphosis of Generation 2020 expectations around 'Better Basics' from the simplistic levels of cleaner toilets and good lighting to more complex (and difficult to identify) expectations regarding both physical and digital channels will require ongoing focus and the building of additional capabilities by retailers – both leading up to and well beyond 2020 – irrespective of the market.

Retailers must offer Generation 2020 shoppers Better Basics, with the bar rising over time.

- Better Basics refers to the improved delivery of basic shopping needs, currently including quality of products, cleanliness of store, and basic fulfilment of shopper missions. If a retailer does not meet the Better Basic expectations of shoppers within a market (and Channel), the retailer may not be in the Shopper's Consideration Set.

- As new, stronger retailers emerge, the expectations of Generation 2020 will continue to rise, in turn raising the bar for better basics for retailers operating in both physical AND digital channels.

- Next generation Better Basics will include:
  - Guarantee of secure payment & secure storage of personal details for all online retailers.
  - Higher shopper expectations around ease of selection & choice.
  - 'Returns policy' in digital sales channels to overcome shopper anxiety around purchasing goods and services in a 'virtual' arena.
  - Peer referral and / or referral by an official independent source both for physical and digital retailers.
  - Cashless payment options (such as paying with your mobile phone.)

- Finally, it is possible that increased social consciousness may drive 'sustainable' Better Basics expectations.

2020 retailers will need to effectively respond to the entrenched Better Basics expectations in both physical and digital sales channels.

FOR EXAMPLE
- Store cleanliness
- Choice of products / Range
- Adequate lighting
- Product Quality
- Pricing Structure

360buy.com 京东商城

FOR EXAMPLE
- Data Security
- Browsing / Server Speed
- Product Range
- Secure Payment
- Options Returns Policy

Responding to Digital better basic requirements will necessitate an entirely new skill set for some retailers and simply an extension of capabilities for others.

Generation 2020 expectations around better basics will continue to rise for both Physical and Digital retailers – so too must retailers capabilities continue to rise!

- The speed with which these Shopper Expectations around better basics will evolve will also accelerate over time–particularly in Developing Markets and where international retailers have entered the market - but also in terms of the Digital Channel where imitation will continue to be almost immediate. How effectively retailers are able to 'stay ahead of the curve ' and gain competitive advantage will depend on the quality and depth of their business capabilities and know how (particularly in the digital sphere).

- Leading retailers should go a step further in terms of building the capabilities and know how to stay ahead of shopper expectations in key areas – and in some instances even 'leading' those expectations.

Deliver Better Basics
Success as a 2020 Retailer
3.1.1 Next Generation Basics

Next generation Better Basics' examples

Shopper expectations around ease of selection & choice will rapidly heighten into 2020 but will still vary by country and by channel.

This will apply equally to the Digital channel

Guarantee of secure payment & secure storage of personal details becomes a Better Basic requirement for all online retailers.

- PayPal holds personal payment details independently from digital retailers. Shoppers are able to purchase items from associated digital retailers using PayPal as their payment option without the retailer ever seeing their personal credit card details.
- Websites without such secure and independent payment options will have lower virtual traffic and purchasing in the future.

Cashless payment options (such as paying with your mobile phone) will fast become the norm in more developed markets as we approach 2020.

- Scan the barcode of the product and your mobile phone account will automatically be charged…you can then just walk straight out with your product(s).

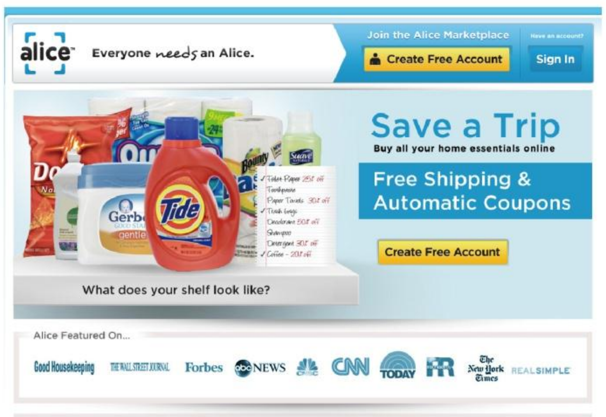
‘Returns policy’ in digital channels helps overcome shopper’s anxiety around purchasing goods and services in a ‘virtual’ arena.

- Delivery becomes not just about getting the product to me but also about accepting it back if it does not meet my expectations. Major online retailers such as Amazon and Victoria’s Secret already accept unconditional returns within a set timeframe on many of their products.

Peer referral and / or referral by an official independent source plays a more significant role in the overall decision making process for both Physical and Digital retailers.

Success as a 2020 Retailer
Deliver Better Basics
3.1.1 Next Generation Basics

Alice.com is particularly active on 'ticking the referral box' and on creating a 'fan base' on Facebook.



Expectations around Better Basics will continue to change as the market develops. Shoppers' expectations are never stagnant in any market.

Philippines : Sari Sari Store

Thailand : Convenience Store


India : Small Supermarket

China : Hypermarket

Better Basics is NOT a one-off project

Japan : Convenience Store

Success as a 2020 Retailer
Deliver Better Basics
3.1.1 Next Generation Basics

Peng Chee Choo - Dairy Farm, Hong Kong

"Basics is not static and evolves with the changing consumer's expectations and their experience benchmark. Basics also mean different things to different people. Therefore retailers must first determine what basics are for their market and customer segment before they can make it better."

Predicted Better Basic focus areas by market.

Initial focus on meeting shopper expectations for better basics within the physical store environment.

Market focus on meeting shopper expectations for better basics will shift to the digital environment – physical better basics having already largely been met.

Choose between proactive and reactive stance.

- Sustainability, while not currently a shopper driven development direction, could be an external game changer that will have a significant and instantaneous impact on both 2020 Retailing and consumer attitudes and behaviors. Either Government regulations or competitive actions could make Sustainability a necessary ‘Better Basic’ requirement.
- Retailers need to prepare now for the impact of increased social consciousness & government legislation, and may choose to accelerate the move proactively. Many companies are already positioning themselves as having higher ‘green credentials’ than their competitors.

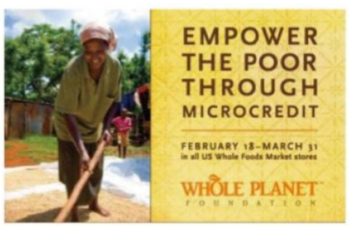
'Sustainability' could be an externally driven game changer that will be accelerated by governments' legislations.

- In most Asian countries, the school curriculum now includes Sustainability; today's teens are being raised with that awareness.
- Already, 52% of shoppers in northern Asia are willing to pay a 5% premium for environmentally friendly products; 33% are willing to pay 10% more.
- Organics products are one of the fastest growing categories in several Asian market including Japan and Singapore.

Retailers need to prepare now for the impact of increased social consciousness & governments' legislation.

- Some retailers may seek to gain competitive advantage through a proactive shift towards greater sustainability (although they should beware assuming consumers will pay extra for greener products).
- By 2020, retailers will face increasing pressure to ensure sustainable / environmentally friendly business practices.
- Therefore, by 2020 all other retailers will need to react, due to some combination of government legislation, direct demands from consumers or competitive action. This could have a significant impact from route to market / supply chain costs through to in-store operations and advertising.
- Focus areas such as reducing CO2 emissions and overall energy efficiency in particular will be themes that will dominate well beyond 2020.

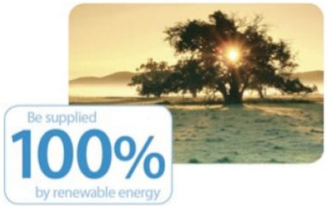
Many companies are already positioning themselves as having higher 'green credentials' than their competitors.



An attempt to take advantage of early consumer green consciousness ahead of any Government driven regulation that may require all retailers to make significant adjustments to their go to market strategies

Deliver Better Basics
Success as a 2020 Retailer
3.1.2
Sustrainabiliaty

Similarly, Walmart already has a wide range of sustainable initiatives across their retail business



Clarity of choice to deliver against Ease-of-Shop or experiential demands of shoppers will be important for retailers.
Greater differentiation in the physical store environment will be required.
Timely shopper insights will be critical to inform which direction to take.

Retailers will need to innovate diverse physical retail formats and offers to focus on either Ease-of-Shop or Experience, using timely shopper insights to understand how Generation 2020 is developing in their individual country

Positioning along each part of Path to Purchase.

The differentiation between shoppers' desire for Convenience (Ease of Shop) on the one hand and Experience on the other will become increasingly polarized and driven from more 'extreme' positions in 2020. Retailers will need to clearly understand their retail positioning along this basic needs continuum at both a macro level and at each stage of the path-to-purchase in order to ensure Shopper engagement and overall business success.

Ease-of-Shop

"How will I position my business along this spectrum?"

Experience

Retailers 'Must Have' for 2020

- A clear understanding (and implementation) of a definite positioning for each format within the market across the Ease-of-Shop and Experience continuum – retailers who do not specify a positioning risk losing relevance, appeal and engagement with Gen 2020 shoppers.

- Retailers will need to become more individualized and specialized for specific target groups. Each target group will have specific motivations and retail expectations. In 2020 there will no longer be a "one-size-fits-all" retail offering or format in terms of in-store experience or ease-of-shop. Gen 2020 are a highly differentiated demographic that want products, services and shopping experiences that are as distinctive as they are.

Retailers 'Must Have' for 2020

- Leading 2020 retailers will aim to satisfy in-store experience requirements by diversifying (both in terms of store format and overall offer) and often specializing. Hence the trend that can already be seen in some markets towards "niche" stores and format development.

- Shopper insights will play a critical role in helping leading 2020 retailers to understand where Ease-of-Shop as opposed to Experience plays a more dominant role across each step of the Path-to-Purchase.

A single dinner party shows a mix of Ease-of-Shop and Experience.

Experience
- Tweet my friends about the success of my dinner party and recommend the retailer's dinner party planning website.
- Write blog on my experience and recommend to friends.
- Mark website down as a must-use for the next dinner party.

Experience
- Selects type of dinner party she would like it to be > Casual BBQ, Romantic, Celebration…
- Gets suggested menu, recipes and online recommendations & advice from the resident Michelin chef.
- Watches online demonstrations and reads reviews from previous dinner party hosts and guests in terms of what they liked and didn't like.

Ease-of-Shop
- Delivery made @ pre-agreed time – allowing longer to ponder outfit for the evening!

Ease-of-Shop
- Shopping list is automatically populated and dispatched to the nearest outlet.
- Confirmation text sent to Shopper with option to add additional last minute items.
- Grocery bill charged to mobile phone account.

Innovate Formats and Offers
Success as a 2020 Retailer
3.2.1 Ease-of-Shop of Experience

The danger of not choosing a clear positioning in such a competitive retail environment.

- ... may be one of Woolworths' biggest failings from the consumer standpoint; it has succeeded in creating adequate shopping experiences but has failed to create interesting ones. In a world where it is too easy to just order your groceries online and have them delivered, interesting store experiences with positive human contact will eventually be one of the few reasons left for people to go to these places at all.
- Small food retailers should take note of all these trends because they reinforce once again the importance of competing on non-price characteristics. They will need to work harder than ever on the basics that the major supermarket chains long seemed to have given up on – interesting stores, excellent products, sales associates that care, and convenience.

Source: SMH, MICHAEL BAKER May 26, 2010

Predicted development directions by market for Ease-of-Shop and Experience.

Physical Ease-of-Shop	Physical Experience
Thailand, Malaysia, The Phillipines, Tier 2 Cities, India, Indonesia, Tier 3 Cities	Japan, Korea, New Zealand, Australia, Singapore, Hong Kong, Taiwan, Tier 1 Cities
Digital Ease-of-Shop	**Digital Experience**
Japan, Korea, New Zealand, Australia, Tier 1 Cities	Japan, Korea, New Zealand, Australia, Tier 1 Cities

Develop Generation 2020 targeted offerings

Retailers will need to innovate in the physical store environment:

- They will need to create greater differentiation within physical channel propositions, with specialized assortments and services to meet the specific needs of experience and Ease-of-Shop.
- Due to increasing urbanization, the cost of property, and consumer mobility, there will be a clear difference between inner city and outer city formats across most Asian markets.
- There will be increased use of technology at the point of purchase .

Retailers will need to create greater differentiation within physical channel propositions to target either Ease-of-Shop and experience or both.

- **Ease-of-Shop**
  - Convenience Stores / Mini Markets – Targeted Proximity (at a specific neighborhood's needs).
  - Discounters – Targeted Value (at limited product range).
- **Experience**
  - Showrooms – Edutainment (higher involvement categories).
  - Local Market Stores – Fresh (fresh and organic categories).
- **Hypermarkets** – Clear targeted assortment (at specific occasions or shopper groups); separate Ease-of-Shop and Experience.

Innovate Formats and Offers
Success as a 2020 Retailer
3.2.2
Physical Store Environment

There will be an opportunity for new retail formats in the 2020 retail landscape targeted at experience.

- Thematic / specialty shops and malls (based on **specific lifestyles**)
- Seasonal Shops (based on **consumption occasion**)
- Pop up shops and kiosks (based on **shopper location / mobility**)

Differences between inner city and outer city formats will increase.

- Due to increasing urbanization, the cost of property and consumer mobility, retailers will have to offer different formats for inner city and outer city across most Asian markets
- Convenience stores / mini markets and local market stores will dominate the city centres, while Hypermarkets and Experience stores move out.

Use of technologies at the point of purchase will be on the rise.

- It will support the non-linear Path-to-Purchase of Generation 2020.
- It will also contribute towards the delivery of convenience, experience, and/ or entertainment to shoppers in store.

Timely shopper insights will be important to support this innovation by tracking how rapidly this generation is evolving and in what unexpected ways.

- We have developed a shopper development direction tool* to allow retailers to update the findings of this report regarding their own country's development direction.
- The new digital and social media allow new forms of shopper research and tracking which will be important for understanding their digital shopping behavior.
- This will help innovation by identifying where Generation 2020 perceive value above and beyond price.



* available www.ccrrc.org

Having the right capabilities to track the changes will be critical.

- Cutting edge digital technologies and tools are providing retailers with an unprecedented ability to both interact with, understand and measure consumer and shopper attitudes and behavior in real time.
- Knowing which technological platforms and tools to focus on, how to interpret ' the voice of the shopper ', and how to cost effectively leverage this insight to deliver an ultimate business benefit requires an evolved skill set that may not typically exist in the retail organizations of today.
- The pace of change in this area is revolutionary. Retailers need to ensure that the focus placed on parallel capability development is equally revolutionary.

Shopper insights will help retailers innovate by identifying where Generation 2020 see value beyond price.

- The battle of retailers to win the loyalty of this savvier and more fragmented Generation 2020 customer base, will see innovation focused on in-store experience, social consciousness, Ease-of-Shop and the creation of 'community'.
- There is no doubt that price will remain one of the most decisive elements within the overall 'Value Proposition' made to shoppers well beyond 2020.
- However, the ability of shoppers to easily and quickly compare prices across multiple outlets and channels will heighten the pressure on retailers to both compete directly on price and / or to broaden their value proposition to Generation 2020 Shoppers in more relevant ways.

Opportunity to expand into the Digital sales channel.

Shopper engagement through digital & social media.

Seamless integration between physical and digital.

Retailers will need to use a combination of digital tools to engage Generation 2020 shopper, whether or not they decide to create a full digital sales "channel"

If decision is made to create a digital sales channel, it will be important to choose between Ease-of-Shop and Experience across every stage of the Path-to-Purchase.

- An ultimate power to reckon with, the dual forces of DIGITAL (the Digital Sales Channel & Digital Information) will dominate the 2020 retail landscape, revolutionize the Generation 2020 Path-to-Purchase and compel retailers to rethink every element of their business from route to market strategy and store concepts through to store layouts, ranging, pricing and merchandising choices.

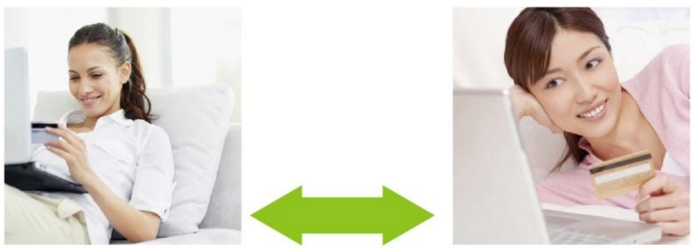
We saw earlier that retailers need to consider two key elements within their digital strategy.

1
Satisfying shoppers' demands for both <u>Ease-of-Shop and Experience within the Digital Channel</u>.

2
Digital as a vehicle for driving <u>Shopper Engagement & Loyalty</u> along Generation 2020 Path-to-Purchase.

Including the use of technology at store level.

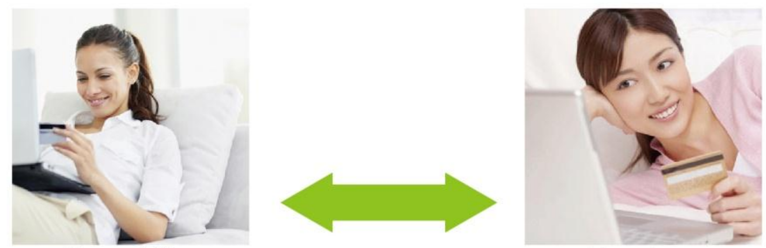
Having a digital channel will be optional and will require the ability to respond to the shopper needs of Ease-of-Shop and / or Experience.



Ease-of-Shop **Experience**

Responding to the fundamental shopper needs of Ease-of-Shop and Experience.

Specifically, digital retailers will need to determine their positioning against either Ease-of-Shop or Experience for each step of the Path-to-Purchase. This positioning choice will in turn impact every element of the retailers business model and the way in which they utilize various digital mediums.



Ease-of-Shop **Experience**

"How will I position my business along this spectrum?"

Store Concept | Store Layout | Assort-ment | Promo, Price, Service | Delivery

Success as a 2020 Retailer

Be Digital

3.3.1 Digital Sales Channel

Store Concept | Store Layout | Assort-ment | Promo, Price, Service | Delivery

Ease-of-Shop

“How will I position my business along this spectrum?”

Experience

Focused on easy replenishment of products, speed and convenience of interface, online interaction & delivery. Can complement physical store or act as standalone.

Life-like virtual store, focused on creating an enjoyable shopping experience.

Be Digital

Success as a 2020 Retailer

3.3.1 Digital Sales Channel

Store Concept | Store Layout | Assort-ment | Promo, Price, Service | Delivery

Ease-of-Shop

“How will I position my business along this spectrum?”

Experience

Catalogue like, segmented by category (Tesco Online).

Emulating real store with aisles, fixtures, merchandising, promotions all shown on screen; option to touch / examine products & access instant consumption experiences.

Success as a 2020 Retailer

Be Digital

3.3.1 Digital Sales Channel

Store Concept | Store Layout | Assort-ment | Promo, Price, Service | Delivery

Ease-of-Shop

“How will I position my business along this spectrum?”

Experience

Focused on core range of high demand skus, lower involvement categories to begin with.

Wide assortment of international brands, assorted by lifestyle, occasion, & category. Strong service & advice elements .

Be Digital

Success as a 2020 Retailer

3.3.1 Digital Sales Channel

Store Concept | Store Layout | Assort-ment | Promo, Price, Service | Delivery

Ease-of-Shop

“How will I position my business along this spectrum?”

Experience

Promotion and price focus on competitiveness and allow for transparent comparison across (digital and physical) retailers. Service focuses on ease of payment, ease and speed of delivery and return.

Promotions tailored to individual purchase behavior and lifestyle, while pricing could include a gaming element (bidding). Service will include personal recommendations and real-time advice before, during and after purchase.

Store Concept | Store Layout | Assort-ment | Promo, Price, Service | Delivery

Ease-of-Shop

Options for automatic replenishment, personalised delivery or pick up.

"How will I position my business along this spectrum?"

Experience

Options for personalised delivery of complete 'occasion based solution' or pick up, demonstrator / chef may even bring the delivery.

Use digital media to establish a shopper engagement culture.

- The 2020 realm of digital technologies will open up a myriad of opportunities to the savvy retailer to both interact with and engage Generation 2020 Shoppers along the Path-to-Purchase in ways never before imagined – irrespective of whether the final purchase is made online or in a physical store environment.
- Irrespective of whether the final retail purchase of Generation 2020 shoppers is made in an online or physical store environment, **retailers will need to strategically plan how to utilize various digital media to influence both opinion and behavior at each step.**

Simply having a website is NOT a digital strategy!

Several retailers are already utilizing digital tools to engage shoppers....

Target.

‘Target has introduced a program in which shoppers text-message to receive coded coupons that can be scanned on their phones at checkout’.

Get Coupons now!

‘Growth in digital coupon redemption (especially online) is easily outpacing all other delivery vehicles, and redemption rates are also significantly higher. (In 2009, 15.9% of Internet coupons were redeemed vs.. 0.8% of newspaper FSIs)’.

Ahold

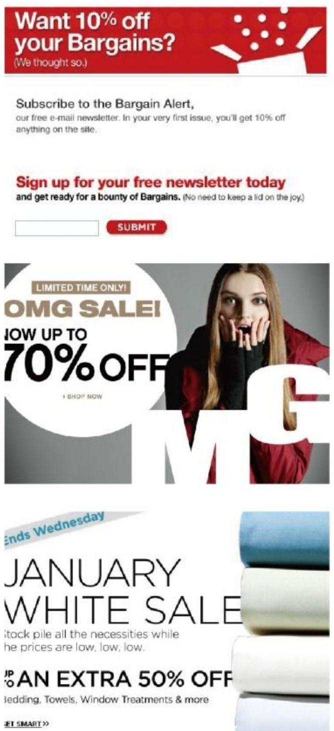
‘Ahold USA offers its frequent shoppers Scan It!, a hand-held device that lets them scan groceries while they shop for fast, one-swipe checkout at the register; it also delivers targeted coupon offers based on personal purchase history.’

Several retailers are already utilizing digital tools to engage shoppers....

CVS/pharmacy
Expect something extra

CVS/pharmacy stores have an ‘Extra Care Coupon Center’ kiosk that prints out targeted offers. Such in-store deployments allow shoppers to activate rewards in the likeliest of places: at the point of purchase. In a study released in July, the National Retail Federation suggests, The ability to tie a loyalty membership number to a mobile phone not only dramatically increases consumer participation [but] also enhances the data that is collected about that consumer.

Adoption of solution marketing in the digital sales channel.



- **Shopper Solutions Marketing** (communication which focuses on providing solutions to consumers' everyday needs) provides the opportunity for retailers to engage with Generation 2020 in an increasingly meaningful way as part of an overall Shopper Engagement Strategy. Unique content that helps consumers meet their day to day needs can help build "communities" around retailers and brands and, either directly or indirectly, drive retail sales. Such content also can be used as a basis for co-marketing programs that will directly drive sales.

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3.3.2
Digital Shopper Engagement

Retailers will need to determine the role of social networks in engaging Generation 2020 shoppers…

- **Social Marketing In 2020:** From the perspective of sheer audience numbers, leading social networks are certainly a place to be. However, the social network sites that exist today (and those that will appear between now and 2020) will continue to be challenging environments for retailers to engage meaningfully with shoppers and certainly to drive sales.

- For the many attempts that have been made to date, only a handful have succeeded thus far (e.g. the Starbucks community on Facebook, and Whole Foods, Home Depot and Tesco on Twitter). Retailers must tread a fine line between providing relevant information, building community and engaging consumers on the one hand and basically stalking potential shoppers online on the other.

Seamless integration between physical and digital.

Retailers will need to develop the capability of Convergence Marketing (the seamless integration of marketing activities across all ‘5 P’s’ between digital and physical channels).

- It will be a must have for successful businesses irrespective of the prevailing development directions within the markets.
- It is already a reality in several key markets, (including China, Korea and Japan, where young shoppers spend as much time online as they do offline).
- It represents the core mechanism through which to ensure retailers are engaging with Generation 2020 shoppers in a meaningful and impactful way at every stage of the Path-to-Purchase.

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3.3.3 Convergence & Social Marketing

Collaborative approaches can help build internal convergence marketing capabilities.

- Bricks & Mortar and Digital retailers / ‘service’ providers will also increasingly find value in taking a collaborative approach to the construction of joint convergence marketing programs where the strengths of each retailer can bring business benefit to the other.

- An early example of this can be seen in the joint convergence marketing program run by 7-Eleven and Zynga Game Network, the company behind wildly popular social games such as Farmville.

An example of a collaborative approach to convergence marketing.

- Convenience store giant 7-Eleven made an ambitious attempt to directly drive sales via Facebook through a marketing alliance with the Zynga Games Network. The chain staged a massive rewards program in which players earned game-playing credits by purchasing real products in 7-Eleven stores. 7-Eleven was so committed to the promotion that it revamped packaging for several SKUs.

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3.3.3
Convergence & Social Marketing

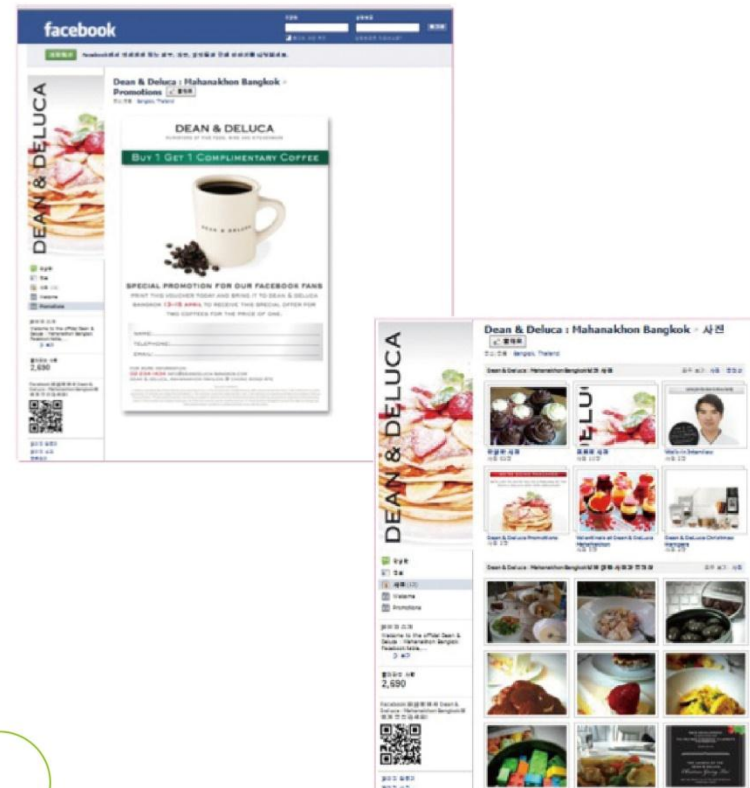
A collaborative approach to convergence marketing.

- '7-Eleven's partnership with Zynga has launched one of the most unique convergent campaigns in our company's history,' said Rita Bargerhuff, 7-Eleven vice president and chief marketing officer in a recent press release. 'It gives millions of loyal fans, who regularly play Zynga games, access to incentives on more than 30 products in our stores.The Zynga universe of gamers is vast, and we knew we had to come up with a campaign fit for this demographic. Attracting millions of consumers to 7-Eleven stores with exclusive items for Zynga games creates an additional opportunity for them to try some of our newest products, like our proprietary 7-Select™ ice cream and candy, along with long-time favorites, such as Slurpee ™ and coffee drinks.' (www.venturebeat.com)

Key elements of 7-Eleven's convergent marketing strategy.

http://www.BuyEarnPlay.com

Convergence marketing on a smaller (more intimate) scale.



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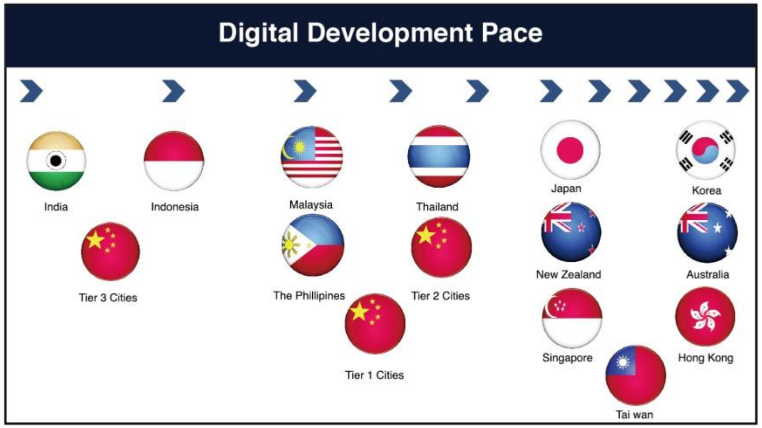
3.3.3 Convergence & Social Marketing

Predicted pace of the digital revolution across markets.



- Digital will be a force to reckon with in each and every market over time. The pace of development will however vary between markets and is predicted to be as visually represented in the above visual. (ranging between rapid development on the left to extremely rapid development on the right).

Final Call To Action

Attracting The Next Generation of Asian Shoppers

Generation 2020 shoppers do indeed represent a rich seam of future profits for Asian grocery retailers, but only if they have a very clear understanding of how to mine it. Current developments in each Asian market suggest an initial area or areas of retailer focus in terms of convenience, experience, or digital interaction, but every retailer will also have to track developments closely, and respond promptly to changes. Yet this is no straightjacket: those retailers that keep ahead of consumer expectations, not simply meet them, can often mould them, earning important competitive advantage. As such, the journey to attract the next generation of shoppers should start right now...

Acknowledgement

This report presents selected results of the CCRRCA study into the next generation of Asian shoppers, which was conducted by Kantar Retail and TNS. The study was only possible due to the support and guidance provided by the CCRRCA members. Their on-going exchange of experiences and new ideas, as well as their validation of the hypotheses that emerged along the way were instrumental in completing the study.

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Kantar Retail is a global insight and consultancy business delivering tangible and transformational growth solutions to the world's leading blue chip brands and companies. Kantar Retail consultants and analysts work hand in hand with their clients to create the richest insight, develop the most effective strategies and transform the capabilities of their organization.

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TNS advises clients on specific growth strategies around new market entry, innovation, brand switching and stakeholder management, based on long-established expertise and market-leading solutions. With a presence in over 80 countries, TNS understands individual human behaviors and attitudes across every cultural, economic and political region of the world.

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