

Predicting the future of retail



The recent TU Dublin Retail Symposium saw a wealth of speakers assessing the current state of Irish retail and predicting the trends and technologies likely to shape its future.

THE Annual TU Dublin Retail Symposium took place on March 20 & 21 at the Faculty of Business, City Campus, Aungier Street, Dublin. The symposium focused on smart retailing and the development of smart retailing strategies through innovative technology adoption, featuring a variety of speakers from academics to members of leading FMCG companies and the grocery retail sector.

Austin Hughes, Former Chief Economist with KBC Bank, shared his insights on consumer sentiment: "Ireland has kept an annual record of consumer sentiment since 1996. This is particularly important because economics is a social science, and much of what happens in an economy is related to how people 'feel' about what happens rather than the precise details of what is happening. In 2008, the Consumer Sentiment Index (CSI) in Ireland hit the lowest point since records began and this

reflected peoples' reaction to the severe banking crisis. 2020 saw another low point as the pandemic hit and late last year, levels fell to similar lows as we were hit with spiralling energy costs and rampant inflation."

However, the latest CSI figures show an increase, which he described as very good news: "It reflects the fact that people have survived a very difficult winter, energy costs are reducing and there are some reasons to be optimistic about the rest of the year. Having said that, the figures for February 2023 are way below where they were in February of 2022 since that survey was completed just before Russia's illegal invasion of Ukraine and the subsequent spike in food and energy prices. The precise number of the CSI does not matter as much as the trend, and we are seeing an upward trend so far this year. The value of knowing this is that it can help brands

prepare a strategy for how to interact with consumers over the year."

Economist Jim Power provided some additional context for the retail sector here, "Ireland had one of the most stringent lockdowns in Europe. When we emerged from it, there was a lot of optimism and a spending boom. However, the supply chain had been disrupted and demand exceeded supply, which led to some inflation. This likely would have balanced itself out before long, were it not for the invasion of Ukraine by Russia last year, creating huge pressure on food and energy prices. The major result of all of this was dramatic increases in interest rates, which came as a shock to consumers who had become used to historically low interest rates over the previous decade."

Power went on to stress, however, that the Irish economy is quite resilient

at the moment. "Our GDP is strong; our tax revenues are very strong; we are at full employment; our export levels are high and growing; and while consumer confidence is fragile, it is improving. Retail sales volume here shrank last year by -0.6% but due to inflation, the value of sales actually increased by +7.5%, which is good news for Irish companies and brands. The trick is how to find a value proposition that you can present to your customers and how to use all the tools available in the digital age to communicate that proposition effectively to your customers."

The mega trends to watch

Owen McFeely, Director of Retail & Consumer Practice, PwC, explained how PwC Ireland have identified five "mega trends affecting Irish companies and what they mean for markets over the next 10-20 years". These mega trends are: Rapid Urbanisation, Climate Change, Shifts in Global Power, Demographic & Social Changes and Technological Developments. "We first identified these trends back in 2013 and it is now clear that they have transformed our world even faster than we had predicted they would," McFeely said.

Climate Change is affecting the world and consumers' purchasing decisions more than ever before, McFeely explained: "We are coming to a point where it will seriously affect the viability of global supply chains, which will directly affect



Cathal Deavy, Customer Director, Tesco Ireland.

Irish companies' abilities to import and export goods and services. We are also at the point where technology related to dealing with climate change is creating new opportunities, markets and jobs. By 2030, nearly half the world's population will be living under severe water stress, which will significantly impact production and consumption patterns globally."

Technological disruption is another trend that has accelerated rapidly, according to the PwC Director: "The latest developments in AI may well have significant impacts on employment in the future. It may also allow us to develop models that will be far better at predicting future actions and spending patterns. There are also now far more ways to interact with consumers than ever before and consumers are far better informed and with more choice of how and where to shop than ever before."

He highlighted how certain demographic shifts are having a real impact, such as the significant ageing in the populations of developed countries, which will not only impact areas like healthcare, but also on things such as food and consumers goods as older people tend to purchase less volume and less often. "It should be noted that Ireland's population demographic is not set to skew as old as many other European nations until after they do," McFeely noted. "This

means companies focused on the domestic market will need to make different plans to those more focused on exports."

A global outlook

Taking a global view, McFeely noted how shifts in global power have seen the influence of the United States diminish over the last couple of decades and the rise in influence of China. "Does it make sense to manufacture product in China?" he asked. "What about the rise in importance of rare earth elements in modern devices and electric vehicles? Companies also need to consider how robust their access to the supply of their raw materials will be and whether relying on imports from abroad is sustainable."

Social instability is a trend that could have "very negative impacts," McFeely warned. "As fewer people hold a greater proportion of wealth, you need to decide if your brand is exposed to risks associated with dissatisfaction. France and the UK have seen significant disruptions for companies as a result of significant and sustained strike action. You should also consider how exposed you are to attacks from disaffected hackers, who can take advantage of technology to disrupt supply."

McFeely concluded that "big trends mean big decisions for Irish companies to make, but by being aware of them, you can

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Economist Jim Power addressed the TU Dublin Retail Symposium.

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Practical ideas

Cathal Deavy, Customer Director, Tesco Ireland, shared some very practical ideas on retail with the symposium. Deavy worked with Coca-Cola and Unilever, before starting in Tesco Ireland just before the Covid-19 pandemic hit. "Obviously the pandemic forced us to make really significant changes in the way we ran things," he admitted. "One thing that stood to us is that we had been preparing for Brexit and supply issues resulting from that. As a result, our warehouse in Donabate, which is one of largest buildings by volume in the world and the only building in Ireland visible from space, was very well stocked."

One of the biggest changes in shopping habits brought about by the pandemic was the rise in online grocery shopping. "The pandemic advanced our plans for online by about three to five years in a matter of months," he noted. "We are years ahead of where we expected to be and we have had to react accordingly. What we have found is that profitability is extremely hard to find in online grocery; it simply has more costs. We need to pick the product and deliver the product and it is a very intensive operation. We have recently had to increase what we charge for deliveries to reflect the significant increase in costs, but that is the first increase in years. We need

to supply our customers in a way that they want but also one that is sustainable for us. Depending on how the delivery sector grows here, we may bring in same day delivery, which Tesco does offer in the UK."

Tesco have been looking at the virtual space as well, as Deavy explains: "Full VR grocery shopping is a while away in Ireland. There is much talk about the

metaverse and that notion of a virtual space for shopping will likely arrive in the future. It offers a huge amount of potential, because of the information that can be collected on users and any virtual Tesco that a user might use in the future can be laid out in precisely the same way their local Tesco is, making it easy to navigate. The ideas around VR shopping are exciting but it will be some time before those ideas become a reality."

The power of data

Data is a hugely valuable commodity in terms of understanding customers, and Deavy revealed that over 50% of Tesco shoppers are Clubcard customers, giving the retailer access to "incredibly rich data about our shoppers".

"We have the potential to offer incredibly personalised promotions to our customers and that is certainly going to be a growth area over the coming years," he stressed. "It is an area we are looking at very closely and it will allow us to offer personalised value to our Clubcard shoppers that will genuinely save them money and increase their loyalty to our brand."

Ireland enjoys "some of the highest standards in convenience retail in the world," Deavy maintains, predicting that eCommerce is going to be an ever-increasing part of convenience retailing in the future. "Thinking about how the future of eCommerce will develop and



Pictured are Dr Edmund O'Callaghan, Head of Discipline Retail/E-Commerce, School of Business Technology, Retail & Supply Chain, Faculty of Business, TU Dublin, with Owen McFeely, Director Retail & Consumer Practice, PwC, and Matthew Hopkinson, Managing Director at Didobi.

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how it will allow us to use our position to take a greater share of the convenience sector is one of the most interesting and exciting things we do at the moment. But again, it must be customer-led, with Tesco responding to wants and needs of Irish consumers as they change."

Accessing the customer journey

Sean Higgins, MD of Future Proof Insights & Future Proof Media, shared some really interesting information on the field of neuroscience and retail marketing. "We are taking research to the next level by measuring electroencephalography, eye tracking, galvanic skin response and facial coding by using devices that technology has made smaller and easier to use than ever. The problem with market research is that people do not always know why we do what we do. By using technology to measure exactly what people do and how their brain reacts to stimuli, we are able to provide retailers and brands with a deep understanding of how and why people shop the way they do."

This kind of innovative technology allows them to understand precisely how people navigate their shopping experience by letting them go inside the customer journey. He cited the example of how in the western world, shoppers, when searching for goods on a shelf, go top to bottom, left to right, because that is how we read. "We have also found that

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Sean Higgins, MD of Future Proof Insights & Future Proof Media, addresses delegates.

producing a high mental workload, as in when a product is hard to find, will result in a relatively short search by consumers and a high likelihood of abandoning the purchase," he noted.

For most consumers, contrast attracts attention, as does any motion of movement that can be injected into the process, Higgins explained. "The 'follower effect' means that customers will look where other people are looking or pointing - it is just human nature - and brands and retailers can use this to make the shopping experience easier for their customers, increasing spend and building loyalty.

"Creating motivation or desire in customers is difficult and brands spend billions in marketing doing it," Higgins

stressed. "The reality is that if you make the shopping process easier, people buy more and are happier with the outcome and it can be done in a much more cost-effective manner when you understand the journey."

Higgins predicted that the area of Virtual Reality is "going to add a whole new dimension to all of this once it becomes more prevalent. But the same fundamental truth will hold: the easier you make the purchasing process for your customers, the more you will sell."

The TU Dublin Retail Symposium offered some fascinating insights into the current state of grocery retail in Ireland and some very interesting ideas to consider about what the future of grocery retail will be over the coming decades.

