

The impact of **megatrends** on the Western Retail sector



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Agenda

1. What exactly is a megatrends?
2. How megatrends will affect Western European Retail companies
3. Facts and key questions about these megatrends
4. Key takeaways



...in a nutshell...



One hurricane is not a trend, it's an **event**...



An increasing number of hurricanes in the US is a **trend**, not necessarily a megatrend



A worldwide increase in number and intensity of hurricanes would be a **megatrend**



And the **consequences** might trigger new (mega)trends

my 'rules of thumb'

- long-lasting
- amplifying
- cause disruptive shift
- have a global impact
- ... almost feel inevitable
(not prone to change of taste or mood, lobby)

Megatrends on my watch list

		Probability level
Demographics/ cultural change		
1	Ageing population	100%
2	Increasing world population	100%
3	Generation Y/ Millennials	100%
4	Urbanization	100%
5	Geographical mobility	80%
6	Multi-ethnic society	80%
7	Gap rich-poor widens	80%
Sustainability		
8	Green technologies	100%
9	Energy dependency, look for alternatives	100%
10	Scarcety of natural resources	95%
11	Global Warming	90%
12	Biodiversity	90%
Tech		
13	Pervasiveness of tech (ubiquitous)	95%
14	Global Grid	95%
15	Desintermediation	95%
16	Crowdsourcing	95%
17	Social Media	95%
18	Augmented reality	95%
19	Saas, DIY	95%
20	Collaboration	95%
21	Consumerization of IT	95%
22	Cloud computing	95%
23	3D	90%
24	GRIN Techs	80%
(geo)Politics		
25	Shift to East	100%
26	Globalization 3.0	95%
27	More trade-blocks and monetary unions	95%
28	More wealthy countries	95%
29	Rising middle class	90%
30	The Market State	80%
31	Decline of Dollar	60%
32	Global currency	20%

		Probability level
Consumer		
33	Consumer power	100%
34	Mass Customization	100%
35	Radical Transparency	80%
36	Individualization	80%
37	Trading up	80%
38	Less is more	70%
39	Buy local	60%
40	Gender Blending	40%
41	Generation Blending	40%
Society		
42	Dematerialization (digitalization)	90%
43	Tribalism	90%
44	Talent gap/shortage	90%
45	Boundary Blurring	90%
46	Polarization ('have's and have not's)	90%
47	Digital divide	80%
48	Search for Meaning	60%
49	Open source (free, collaborative, ...)	60%
Business		
50	Corporate citizenship	90%
51	Social entrepreneurship	90%
52	Decentralization	70%
53	Partnering with competitors	50%
54	Virtual company	40%

Frederic De Meyer, April 2011

 = almost certainty
 = highly speculative

Agenda

1. What exactly is a megatrends?

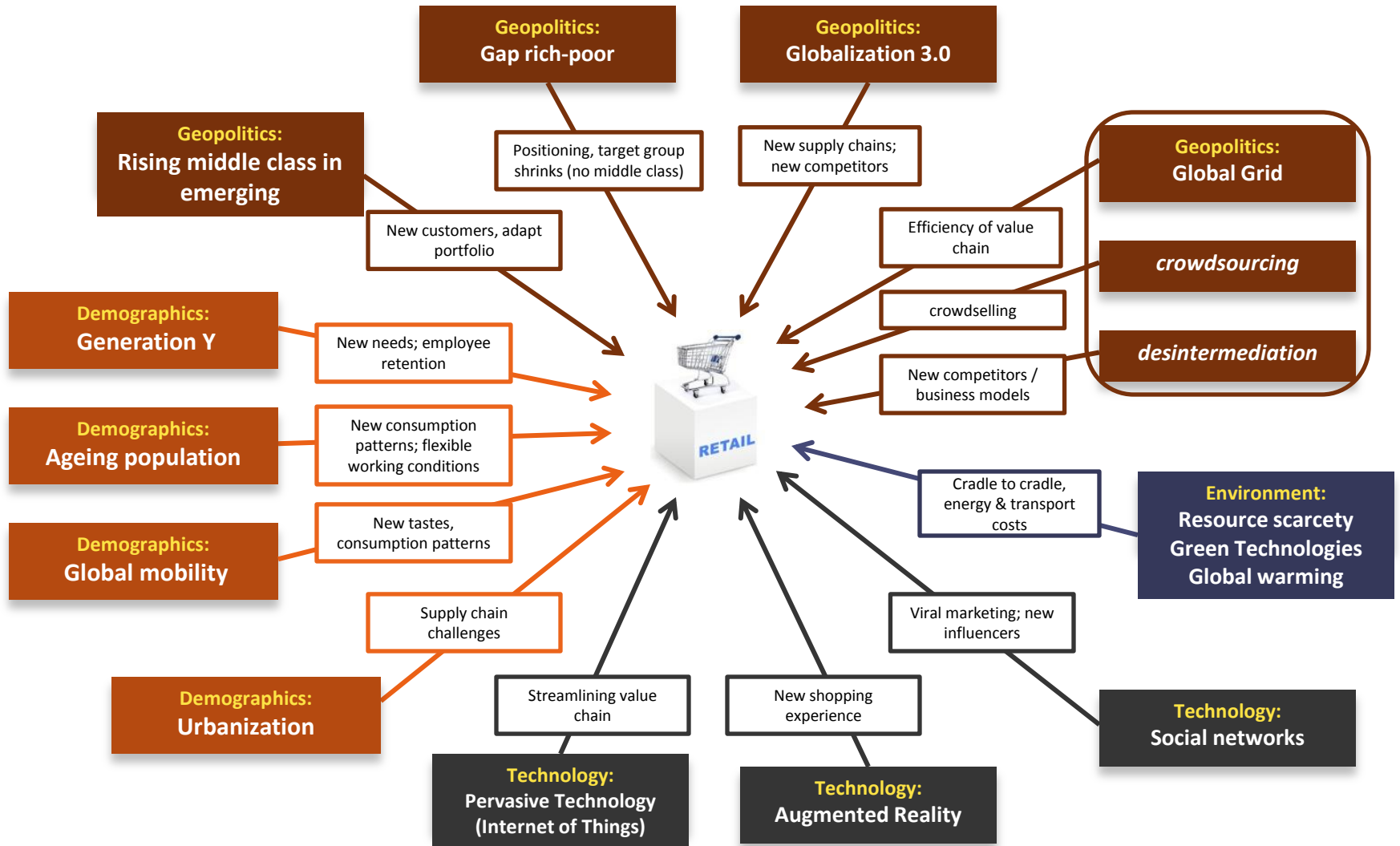
2. How megatrends will affect Western European Retail companies

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The impact of megatrends on Western Retailers



PS: Pure consumer trends such as ethical consumption and mass customization were not taken into account

Top threats for Western Retailers



Sustainability issues will increasingly determine consumer

- Energy and resource scarcity will might drive prices up; will consumers prefer sustainable retailers?
- Will suppliers or customers push for 'cradle to cradle' concept? How will this affect retailers?
- Should you invest in 'Life Cucle Assessments' of your products? Should you be pro-active or reactive?



Globalization 3.0, new competitors in the hood?

- Chinese companies take over natural resources in Africa, how will this affect your products?
- Are (some parts of) your value chain targets for M&A's from emerging countries? If so, do you know how this will affect their ecosystem? Is there any benchmark you can use to assess the potential threat?



Ageing population & GenY will change general consumption patterns

- Do you know how your (or your client's) target group will be affected by the chaging needs of the ageing population or the upcoming GenY ? Are they moving to more ethical buying?
- Are you dependent on key skills that are at risk of becoming scarce? If so, do you have a strategy to fill the gaps with elderly workers or GenY? Are you aware of their needs and requirements?



Peer-to-peer services, when will it hit retail? Well, it already does !

- Can your activity be prone to desintermediation? Can it be replaced by a peer-to-peer business model?
- Should you embrace or fight the peer-to-peer movement in your specific area? Is there a competitive advantage to be the first?

Top opportunities for Western retailers



Rising middle class in emerging markets - a new set of customers at your feet

- Can your company benefit from the millions of new tourists and business people to travel to Western countries?
- Do you know their tastes and habits? Should you adapt to them or keep things as usual?



Crowdsourcing: opportunities to optimize your business

- Can you crowdsource part of your business (marketing, production, design, innovation)? Would this lead to efficiency improvements or cost savings?
- Did you consider 'crowdselling' to reach new target audiences?



Social Networking: limitless new ways of reaching your customers

- Do you leverage social media to raise brand awareness? Are your competitors? Do you benchmark with them?
- Are you aware of what people tell about you on social media? Do you have a monitoring (and response) system in place?
- Are social media an integrated part of your marketing campaigns?



Augmented reality: how to benefit from new customer experiences?

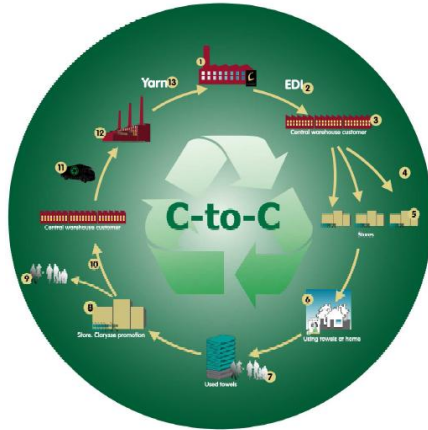
- Can you use Augmented Reality to enhance customer experience and create a competitive advantage? Are your competitors? What would be the ROI?

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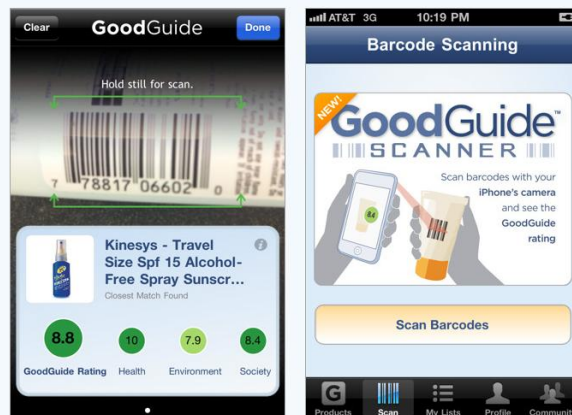


Sustainability issues will increasingly determine consumer spending



Graphic from www.andersbekekenblog.nl

iPhone Screenshots



CONSEQUENCES

- Consumers likely to be increasingly influenced by sustainability issues, which will drive adoption of Cradle-to-Cradle, Life Cycle Assessments, ...
- Climate changes, natural resource scarcity and energy dependence might increase cost of supply chain;
- Through tools like 'Goodguide', consumers will have increasing insights in total Life Cycle (LCA) of their purchase, which will change their buying behavior; This will increase incentive for companies to closely monitor their business and value chain.

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Globalization 3.0, new competitors in the hood?

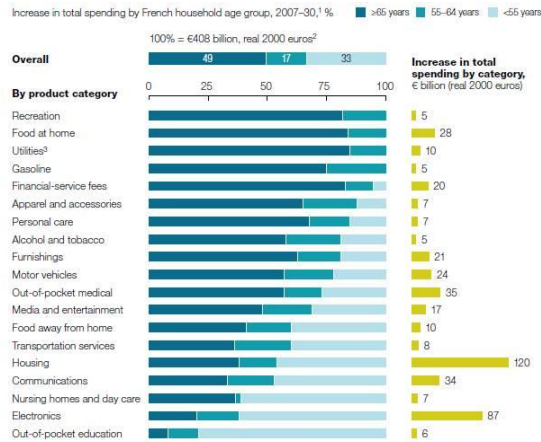


CONSEQUENCES

- Increasing number of European companies bought by emerging companies (Hummer, Volvo, ...);
- This might alter the value and supply chain of Retailers, need to put monitoring system in place to be prepared;
- Consumer products will need to adapt to different tastes;

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Ageing population & GenY will change general consumption patterns and widen talent shortage

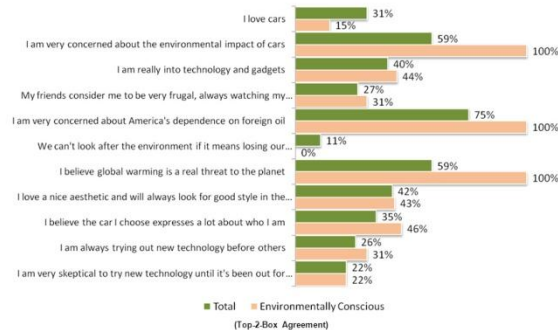


¹ Projected; mature households aged 55 and over account for >100% of additional spending in recreation, food at home, utilities, and gasoline, since they compensate for lower consumption by younger age groups.
² Figures do not sum to 100%, because of rounding.
³ Electricity, heating materials (eg, coal, wood), natural gas, and water.

Chart by McKinsey Quarterly

Segment 1: Environmentally Conscious

This group of EV considerers are driven first and foremost by environmental concerns.



Q01 Now thinking about electric vehicles, chargers and your own opinions and attitudes, how much do you agree or disagree with the following statements?



CONSEQUENCES

- The gap between (more) elderly and (fewer) young people will drive labor skills shortage; people will need to work longer but will likely want to do it at different conditions (flexibility), or do different work altogether (crowdsource);
- Consumption patterns will likely shift, elderly buying more recreation, utilities, ... (see Mckinsey chart), younger people shift to sustainable, ethical buying(?)

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Peer-to-peer services, when will it hit retail?

Peer to peer lending eating away market share of banks

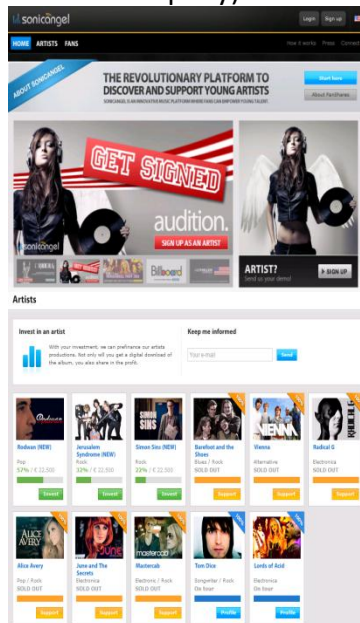
Loan volume of P2P Lending Companies
created by P2P-Banking.com Oct. 28th, 2008

Pos.	Co.	Company	Vol. [millions]	Cur.	~ US\$	Date retr.	Source
1.	US	Virginmoney	370.0	US\$	370.0	10-27-08	
2.	US	Prosper	178.0	US\$	178.0	10-27-08	
3.	US	Kiva	47.7	US\$	47.7	10-27-08	
4.	UK	Zopa (UK)	25.0	GBP	39.1	09-01-08	
5.	US	Lending Club	19.8	US\$	19.8	10-27-08	
6.	US	Moneyauktion	7.8	US\$	7.8	09-01-07	
7.	DE	MyC4	5.1	EUR	6.4	10-27-08	
8.	DE	Smava	4.6	EUR	5.8	10-27-08	
9.	IT	Zopa (Italy)	3.4	EUR	4.3	10-27-08	
10.	NL	Boober (NL)	2.5	EUR	3.1	10-27-08	
11.	US	Microplace	n.a	US\$			
12.	PL	Kokos	2.9	PLN	0.9	10-27-08	
13.	PL	Fimansowo	2.5	PLN	0.8	10-27-08	
14.	IT	Boober (Italy)	0.5	EUR	0.6	10-27-08	
15.	PL	Monetto	2.0	PLN	0.6	10-23-08	
16.	DE	Loanland	0.5	EUR	0.6	10-28-08	
17.	US	Globefunder	n.a.				
18.	US	Oneclick	n.a.				
19.	US	iGrin	0.2	AUD	0.1	10-27-08	
20.	US	Fynanz	<0.1	US\$	0.1	10-28-08	
20.	US	Greennote	<0.1	US\$	0.1	10-28-08	
20.	CH	Cashare	<0.1	CHF	0.1	10-28-08	
20.	DE	Auxmoney	<0.1	EUR	0.1	10-28-08	
20.	DE	PPDai	<0.1	EUR	0.1	10-28-08	
20.	DE	Qifang	<0.1	EUR	0.1	10-28-08	
20.	DE	RangDe	<0.1	EUR	0.1	10-28-08	
20.	DE	Dhanax	<0.1	EUR	0.1	10-28-08	
20.	US	Pretp2p	n.a.				
29.	US	Loanio	New	US\$	0	10-28-08	
29.	JP	Maneo	New	JPY	0	10-28-08	
29.	US	Friendsclear	New	EUR	0	10-28-08	
29.	US	Youcredit	New	EUR	0	10-28-08	

P2P-Banking.com

Company information
Figure stated in press article
Estimate

Fan Funding makes music production more profitable (for musician, fans and company)



CONSEQUENCES

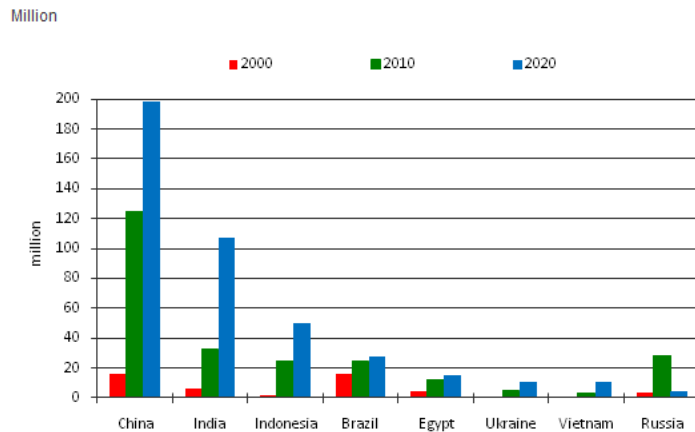
- Intermediate services increasingly have to deal with competitive 'peer-to-peer' business models, can a classical retail shop be affected as well? E-Tailers are increasingly diversifying and mixing 'classical' selling with peer-to-peer...

- Banking, music, health care (pharmacies), education, ... no sector looks safe...

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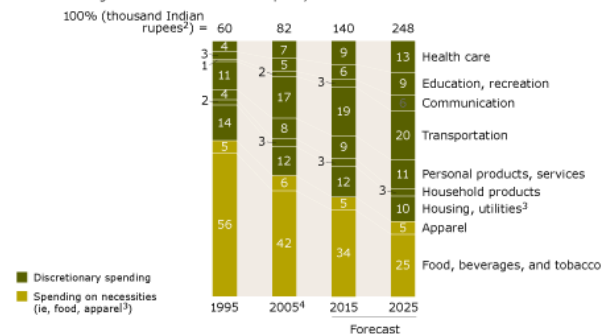
Rising middle class in Emerging Markets will change global consumption patterns

Number of households with annual disposable income of US\$5,000-15,000 in selected economies: 2000-2020



Source: Euromonitor International from national statistics. Note: Data for 2010 and 2020 are forecasts.

Share of average annual household consumption, %¹



¹Figures may not sum to 100%, because of rounding.

²Real 2000 rupees: 45.7 rupees = \$1 in real 2000 dollars or 8.5 rupees = \$1 adjusted for purchasing power parity.

³McKinsey Global Institute's cross-country comparisons of necessary consumption exclude housing from the category of necessity because of significant variations in national housing market structures, regulations, and measurement methodologies.

⁴Estimated.

Source: McKinsey Global Institute analysis

CONSEQUENCES

A new middle class is developing in emerging market economies as significant proportions of the population rise up from poverty in line with rapid economic growth. The expansion of this middle class not only provides competition for labor and resources, but also enormous potential for global consumer markets.

As a result, there will be a gradual shift in the dominance of global consumer markets from advanced economies to emerging market economies.

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Crowdsourcing provides retailers with opportunity for business model innovation

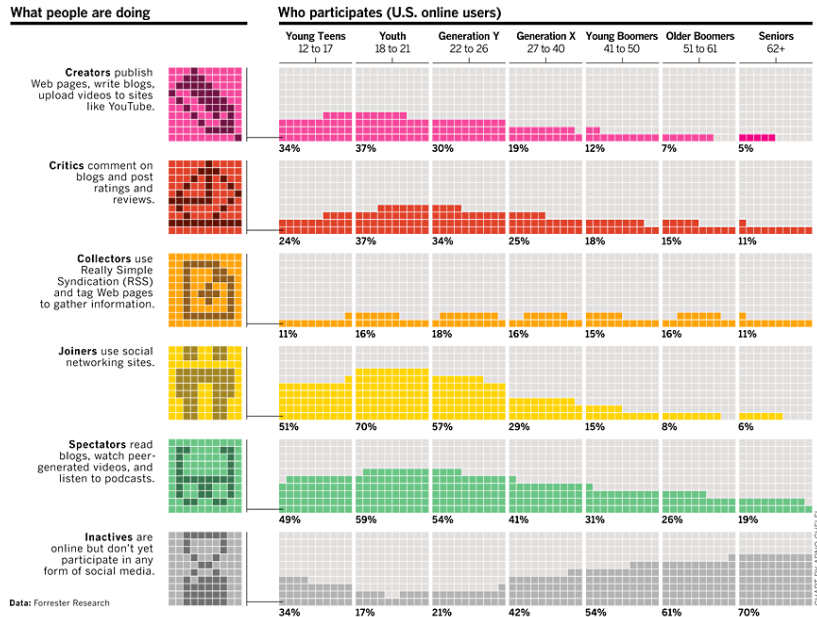


CONSEQUENCES

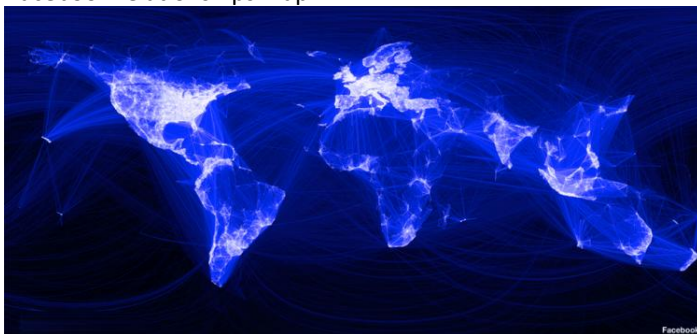
- The Global Grid results in possibility of new business models, opening markets for new entrants or possibilities for business model innovation for existing players;
- Crowdsourcing provides ways of turning the same business model more profitable, efficiency gains.

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Social networks offer limitless possibilities to reach your (new) audiences



Facebook relationships map:



CONSEQUENCES

Social Media will be subject to many changes in the next few years. Some of them will change it for the longer term, like:

- **Complete decentralization of social networks:** The concept of a friend network will be a portable experience.
- **Influencer marketing will be redefined:** Discovering people that can help you to reach your desired consumer will become exponentially more effective and important.
- **Thinking beyond “nowness”:** In a semantic web world, search engines, for example, will anticipate the best search results we’re looking for based on what they know about us (such as all our public social networking profiles).

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Augmented reality: how to benefit from new customer experiences?



Try the **Ray-Ban** Virtual Mirror



CONSEQUENCES

The goal of augmented reality is to add information and meaning to a real object or place. Unlike virtual reality, augmented reality does not create a simulation of reality. Instead, it takes a real object or space as the foundation and incorporates technologies that add contextual data to deepen a person's understanding of the subject. Augmented reality might add audio commentary, location data, historical context, or other forms of content that can make a user's experience of a thing or a place more meaningful;

Multiple retail applications already, creates a competitive edge.

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how do megatrends affect your company?

Can we improve efficiency with crowdsourcing?

How can we benefit from the rising middle class in the emerging countries?

Will our value chain be required to be more sustainable? Are we prepared for cradle-to-cradle? Should we proactively perform Life Cycle Assessments?

Are we ready to enhance customer experience with augmented reality?

Will our customers' spending patterns change in the near future? Should we focus on ageing population or on GenY

Are new investors from emerging countries a threat or an opportunity?

Is our business prone for desintermediation? Should we proactively develop this model?

Should we embrace or fear new business models?

Are we dependent on key skills that might become scarce in the future? How to fill the gap with GenY or ageing workers?

Notes:



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founder

the institute for future insights
-helping you anticipate the future-

*Keynote speech at the start of your strategic planning session
...or your industry event;
Eye opening workshops for internal planning purposes;
Discussions on ways to innovate for the future;*

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