

Press Release

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Retail Study: The Economy is Driven by Customers, Global Retail Players' Revenue Grows by 5.2%

Prague, 30 January 2017 – The revenue of 250 global apparel and accessories retailers for the 2015 fiscal year totalled USD 4.31 trillion, which is an increase of 5.2%. For the third time in a row, these retailers have outperformed other product sectors in terms of revenue. This category is one of the most profitable ones in retail. However, retailers of fast-moving consumer goods are, by far, the largest ones, generating revenue of nearly USD 21.6 billion. The Global Powers of Retailing 2017 study performed for the 20th consecutive year by Deloitte has focused on the trends in this area.

The conclusion is that customer behaviour is changing: Over the last two years, the *consumption of experiences* has been growing three times faster than the *consumption of goods*. Social media are the ones to set the trends; the retailing formats are changing.

"Slow economic growth in major developed economies, high levels of debt in emerging economies, and a protectionist backlash against globalisation were among the main factors which contributed to a challenging economic environment for retailers," says David Marek, the Chief Economist at Deloitte.

Globalisation has a high impact on retail. Two thirds of the 250 retailers operated outside their home country borders. On average, they had retail operations in more than 10 countries. Nearly one quarter of their total revenues have been generated abroad.

Customer Preferences Are Changing, Experiences Are Preferred Over Goods

The study results have shown there is a shift in the trend: The consumption of experiences was three times higher than the consumption of goods. The number of customers physically coming to shop at major retailers and in department stores is decreasing. Customers seek products that reflect their own *personal brand*, which they promote on social media. There is a shift from mass production towards *bespoke*, custom-tailored products. These are the major trends.

"Customer preferences are changing and their motto is: Less is more. We are living at a time in which trends are set by social media. The retailing formats are changing. Customers seek new products and expect shopping to be an

experience. On the other hand, retailers look for ways to meet these customer needs to maintain their position in a highly competitive environment and to enhance customer loyalty. In doing so, they deploy modern technologies shifting retail to absolutely different dimensions than what we have been used to so far," says Anna Bezděková, Director at Deloitte's Consumer Business Department.

However, technology alone is not enough. Customers are seeking new and surprising products and experiences. They are more interested in where the goods come from and whether all manufacturing processes, taking into account environmental protection and social responsibility, have been adhered to. Customers expect quality, but at a lower price.

Major Trends:

- **Less is More:** Customers are defining themselves less by how many things they own and more by how curated their lives are in terms of possessions and experiences. Bespoke, that is, custom-tailored products are preferred over major retailers or department store shopping. They are interested in what distance it takes for a product to reach the retailer (fair trade, social responsibility, environmental protection).
- **Customers seek experiences and products that reflect their own personal brand, which they promote on social media:** The trends focusing on personalisation and customer experience are not new. What is new is the level to which customers define themselves by the products they buy and the experiences they have. This trend has been set by social media.
- **Tomorrow will be too late:** Customers require immediate satisfaction of their needs. Relevancy will be driven by retailers' ability to meet modern customers' expectations as quickly as possible. Delivery of ordered goods within one hour? That is the trend.
- **How is a retailer defined?** In the past, the rules identifying individual retailers were strictly determined. The sharing economy, and other factors have made it increasingly difficult to define what a retailer is and does. Moreover, in 2017 the retail market will become increasingly fragmented.
- **Technology accelerating life:** Both the way we live and shop is changing. Artificial intelligence, robotics, sensors, and virtual reality are no longer only a fantasy, for many retailers, they have become a steady counterpart of their business. The most innovative ones are using modern technologies to enhance their interaction with customers and to alter the way they operate.
- **E-commerce:** Has continuously been a primary retail growth factor.

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