Retail and Foodservice 2025
The Future for Customers, Operators, Facilities and Cold Chain Partners
E360 Forum • Chicago, IL • October 5, 2017
Dean Landeche
Vice President of Marketing, Cold Chain Emerson
Emerson sought expertise on which emerging trends will shape the grocery retail and chained foodservice sectors in the future and what impact these developments will have on retail store and restaurant design and infrastructure.

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

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

**CHALLENGE**

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

**APPROACH**

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

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

**RESULTS**

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

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

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

Focus on Convenience
- Just-in-Time Delivery
- Click + Collect
- Subscription Models

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

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

Omnichannel Proficiency
- Always Shopping
- Reinventing Checkout
- Reinventing Loyalty

Each Trend Has Direct, Significant Implications for Cold Chain Participants.
Retail and Foodservice Operational Shifts Through 2025

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

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

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

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

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

What’s It Mean for Cold Chain Participants?

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

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

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

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

Omnichannel Proficiency
Temperature and location management needs to expand. Refrigeration with cloud, IoT data is everywhere — up to and beyond the customers’ doors.
How We Will Explore Each Trend?

**Background**

**Sub-Trends**

**Innovations**

**Inspiration**

**Impact**
INTRODUCTION
MEGATRENDS

- DIGITAL SHOPPERS
- FOCUS ON CONVENIENCE
- NEW RETAIL FORMATS
- EXPERIENTIAL RETAIL
- OMNICHANNEL PROFICIENCY

CONCLUSION
Emerging Technologies Are Changing Customer Expectations

Drivers
Convenience
Connectivity
Lowering costs
Ease of use

DIGITAL SHOPPERS

3 in 4
U.S. households own a smartphone (2016)

$1 tn
in digital purchases forecast by 2018 in the U.S.

47%
of digital purchases made by mobile devices in the U.S. (2016)
Despite Challenges, Digital Forges Ahead in Retail, Foodservice

Mobile Engagement

Mobile Order + Pay

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

Walmart Savings Catcher

Introducing Savings Catcher from Walmart

1. Enter or scan your store receipt
2. We'll compare ad prices from top area stores
3. You get the difference on an eGift Card

Get Started

Domino’s continuously expands AnyWare Technology

In-store, Wi-Fi connectivity

Starbucks — mobile orders reboot
McDonald's Corp. Chief Executive Steve Easterbrook demonstrates a self-service kiosk at a McDonald’s restaurant in N.Y.
### Staying Ahead of Evolving Technology and Customer Expectations Is Critical

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

Drivers
- Urbanization
- Smaller households
- Changing gender roles
- Hectic lifestyles
- Hyper-connectivity

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

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

65% of global consumers are looking to simplify their lives
New Business Models Evolving to Deliver Greater Convenience

- **Just-in-Time Delivery**
- **Click + Collect**
- **Replenishment Models**
FOCUS ON CONVENIENCE

Convenience Ranges From Utilitarian to Experiential Involvement

Last-mile suppliers bridge the gap

Automatic replenishment systems

Beyond click & collect

Experiential subscriptions (from Blue Apron to Nerd Loot)
Amazon Go: A new kind of store with no checkout required was beta tested in Seattle (December 2016).
## FOCUS ON CONVENIENCE

While Disruptive, Convenience Required to Be Competitive

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

CONCLUSION
Too Many Options; Formats Challenged to Be More Thoughtful

NEW RETAIL FORMATS

Drivers
- Channel blurring
- Polarization
- Private label
- Urbanization
- Hectic lifestyles

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

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

10 years Consecutive streak of shrinking store sizes for traditional U.S. grocery stores
Mid-Market Takes a Hit

Small-Format Convenience

Retail/Foodservice Blurs
Competitive Pressures Mean Business as Usual Is Not an Option

Shrinking profits drive industry consolidation

Coop diversifies with new small-format stores

Whole Foods rethinks rapid expansion; sells to Amazon

Big-box retailers experimenting with different options
Lidl: Europe’s leading soft discounter speeds up its U.S. invasion with its hyper-efficient model perfected in Europe.
## NEW RETAIL FORMATS

Players Diversify Formats and Modernize Behind the Scenes Ops

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

Drivers
- Increased options
- New fulfillment models
- Millennial spending power
- Emotive connections
- Differentiation

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

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

39% of global shoppers like to browse, even if they don’t need anything (2016)
Differentiation Today Focused at High End, But Will Impact Value Stores as Well

Retail-tainment

Experts On-site

Virtual + Augmented Reality
On-site nutritionists and dieticians

Sephora debuts augmented reality

Apparel and home furnishing go virtual

Digital floorplans and improved navigation
Eataly: The world’s largest marketplace (food hall) is taking consumers to Europe for a truly Italian experience.
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<td>FACILITIES</td>
<td>Repurpose physical assets (branding tools, entertaining destinations)</td>
<td>Build equity vs. competition</td>
</tr>
<tr>
<td>SUPPLY CHAIN</td>
<td>Repurpose non-experiential sites as fulfillment centers</td>
<td>Faster delivery, defend market share</td>
</tr>
<tr>
<td>E-COMMERCE</td>
<td>Personalized shopper marketing Ensure positive digital experience</td>
<td>More loyal customers</td>
</tr>
<tr>
<td>HUMAN RESOURCES</td>
<td>Culture shift, consumer-centric mission In-store expertise</td>
<td>Improved equity vs. competition Drive traffic</td>
</tr>
<tr>
<td>CUSTOMER EXPERIENCE</td>
<td>New experiential atmosphere Low or ‘no cost’ value-adds (perception)</td>
<td>More engaged shoppers (draw traffic in-store, upsell)</td>
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CONCLUSION
The Omnichannel Concept Pulls Together Many of the Topics Previously Discussed

**OMNICHANNEL PROFICIENCY**

**Drivers**
- Millennials
- Digital devices
- New fulfillment models
- Convenience
- Always-on lifestyles

**+23%**
Increase in trips among U.S. omnichannel shoppers (2015)

**+13%**
Increase in spend among U.S. omnichannel shoppers (2015)

**29%**
Shop more often at stores where they have a loyalty card or membership (Global Shoppers, 2016)
OMNICHANNEL PROFICIENCY

Omnichannel: Sales Anytime, Anywhere, Seamlessly

Always Shopping

Reinventing Loyalty

Online Goes Offline
OMNICHANNEL PROFICIENCY

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

Commerce goes conversational

Seamless loyalty interactions

Carrefour leads omnichannel via Oracle Service Cloud

Amazon expands offline presence
AmazonFresh Pickup: The long-anticipated foray into a curbside, drive-up grocery store
## OMNICHANNEL PROFICIENCY

New Ways to Engage Shoppers Will Be Challenging

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<td>FACILITIES</td>
<td>Seamless interaction among technology, operations and store design</td>
<td>Increased customer engagement</td>
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<tr>
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<td></td>
<td>Eliminate inefficiencies, costs</td>
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<tr>
<td>SUPPLY CHAIN</td>
<td>Tracking of inventory more important Warehouse strategy even more critical</td>
<td>Expand reach at low costs</td>
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<td></td>
<td>Fulfill multiple channels from one site</td>
</tr>
<tr>
<td>E-COMMERCE</td>
<td>New infrastructure if entering online Personalized, real-time engagement</td>
<td>Slows industry commoditization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Build equity vs. competition</td>
</tr>
<tr>
<td>HUMAN RESOURCES</td>
<td>Consistent customer service Troubleshooting/returns from anywhere</td>
<td>Greater customer satisfaction</td>
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<td></td>
<td>Higher brand loyalty</td>
</tr>
<tr>
<td>CUSTOMER EXPERIENCE</td>
<td>Consistent experience across formats Ability to shop anywhere, anytime</td>
<td>Higher brand loyalty</td>
</tr>
<tr>
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<td></td>
<td>Increased sales</td>
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CONCLUSION
Advancing technologies will create huge opportunities in how we interact with and serve customers. Consumers have to do more with less time. The right items in the right places will be critical to long-term retail and foodservice success. Store formats must continuously evolve to remain relevant. Urban store formats need to address a new range of shopper needs, and mid-market retailers must choose a lane. Experience will become a key differentiating factor for physical stores as online shopping continues to grow, requiring greater investment. Physical stores to remain important to retail and foodservice, but anytime/anywhere sales are critical and must be facilitated to keep up with competition.
## What’s It Mean for Cold Chain Participants?

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<td>Operators expect suppliers and partners to adopt digital technology in their own businesses, reducing costs and providing information for customers.</td>
<td>Always-available equipment enhances the shopping experience. Suppliers must offer different hours, flexible responses and faster service.</td>
<td>Smaller footprints and faster resets drive compact, flexible, multi-purpose equipment. Inventory, parts and technician skills will all change to support.</td>
<td>Equipment is part of the “set” and must reflect the brand and desired experience. New services for graphics, refurbishment, plus friendlier user experiences.</td>
<td>Temperature and location management needs to expand. Refrigeration with cloud, IoT data is everywhere — up to and beyond the customers’ doors.</td>
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What do these connected solutions enable?

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

— Euromonitor, Consumers in 2025
Questions?

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