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A word cloud of retail-related terms. The words are arranged in a roughly circular pattern. The most prominent words are 'collaboration', 'employees', 'retail', 'consumer-centric', 'sustainability', 'ROI', 'value chain', 'trust', and 'change'. Other words include 'behaviour', 'engaging', 'people', 'ethical', 'solutions', 'affordable', 'legacy structures', 'shareholder', 'convenience', 'data', 'awareness', 'brand', 'proactive', 'technology', 'environmental', 'filter', 'operating models', 'real-time', 'segmentation', 'diversity', 'listening', 'systems', and 'experiences'. The colors used are primarily shades of green, blue, and yellow.

Retail Convention: Insights

November 2019

The latest technology changes have brought a massive shift, with change inevitable.

Technology has accentuated the importance of being consumer-centric.

Too often companies find themselves in a trap of doing what they have done before.

The future of retail is about being proactive and remaining relevant to consumers by developing targeted solutions.



The Deloitte Africa Retail Convention 2019 is a convening of retail and consumer business leaders to continue learning, growing and making an impact – all while promoting an important exchange of ideas. The event brought together key stakeholders from across the retail ecosystem with more than 65 representatives from retail and fast-moving consumer goods (FMCG) participating. In addition, the Deloitte and BrandsEye’s [Consumer Sentiment in Retail: Insights for South Africa](#) report was launched at the convention. This report provides insights to the retail industry that can be leveraged to better serve customer needs and enable the industry to reach its full potential. Stakeholder collaboration is key: together we can better adapt to the ever-changing environment, technological advances and consumer demand.



Day's welcome and context



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Digital technologies are disrupting the retail sector. While this creates opportunity across the business value chain, it is posing new challenges. Retailers stand at an inflection point, and the risk of not responding effectively, and not evolving, is higher than ever before.

The traditional retail paradigm – planning, moving, buying and selling goods – is quickly becoming outdated. The relentless evolution of technology has shifted the way value is created by an organisation and for its consumers. This has made it increasingly important to move towards listening, developing, serving and delighting customers. This means listening to consumer needs and wants, and actively responding to them by developing meaningful solutions and experiences. It translates into serving consumers when and where they want, and ultimately delighting them by providing their desired value propositions at every touchpoint.

This has implications for the entire retail value chain, and necessitates collaboration across it that puts the customer first. Competition to own the aisle has thus shifted to owning the customer.

SA retail sentiment insights



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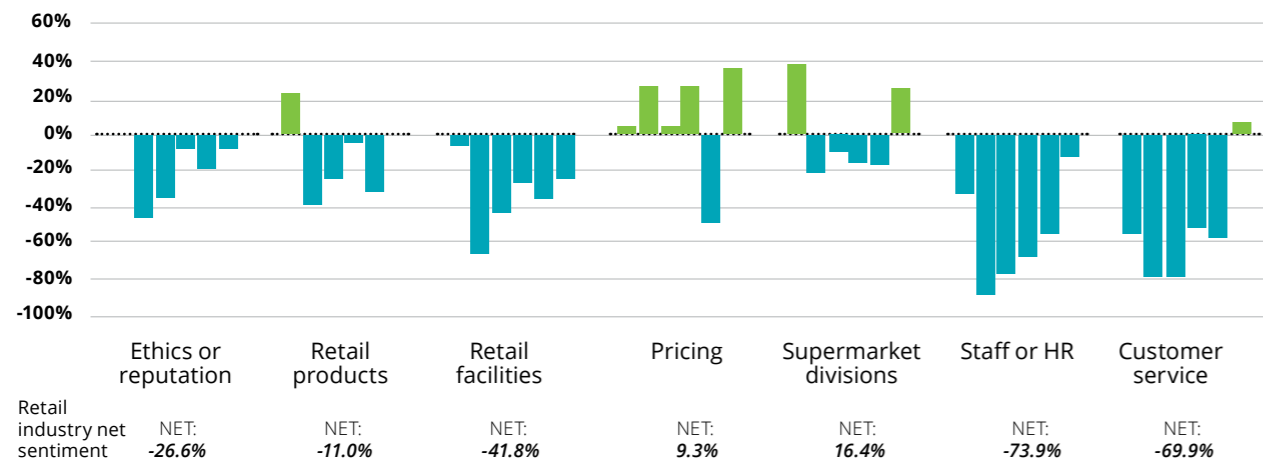
“Thanks to advances in digital technology, the retail sector has entered into an exciting era of hyper-connectivity, characterised by instant feedback from consumers and unique opportunities for retailers to engage with their customers and to differentiate themselves in the market place.”

Deloitte Africa and BrandsEye; Consumer Sentiment in Retail: Insights for South Africa.

Using technology-driven solutions to leverage the massive volumes of real-time consumer sentiment on social media, BrandsEye and Deloitte Africa analysed the retail industry's performance. This revealed the retail industry (although net negative) outperforming other industries on net sentiment, with some retailers even achieving net positive sentiment. For example, the telecommunications and insurance industries show a large net negative sentiment – meaning consumers tend to actively voice their concerns via social media.

Focussing on retail, the performance is mixed across the drivers of sentiment (Figure 1). Ethics and reputation, which is the biggest driver by volume, is largely negative across retailers with consumers vocal on retailers' behaviour. Customer service is also largely negative across all retailers: two of the retailers tracked as part of the data collection have challenges with turnaround time, while others have issues on queuing and billings or payments.

Figure 1. How did consumers feel about the themes?



Source: Deloitte Africa and BrandsEye Retail Sentiment presentation

Five themes emerged from the social listening data (captured in the [report](#)): the sustainability-seeking consumer, governance and brand, the price-conscious and value-seeking consumer, personalisation of customer experience, and convenience driving innovation. Linked to the five themes, key highlights include:

- The South African economy is struggling: weak economic growth, rising input prices and high unemployment remain a drag on consumer spending. In this context consumers are driven towards price-competitiveness and differentiation through value creation. Yet, the data indicates that complaints are more focussed on the value experience over price. Business strategy should thus be informed by understanding the value chain, consumer segmentation and customer touchpoints, i.e. the moments of truth.
- The chore of shopping is disappearing. Seamless integration of virtual and physical customer engagement is critical. Nevertheless, there is still opportunity to tap into the human emotion, and the touch and feel

desired in the store. Businesses need to be thoughtful of brick and mortar experiences. The route, channel, experience and integration between retailers and other stakeholders, such as shopping centres, are becoming essential in enhancing customer experiences. A focus on experience also centres on the employee: a happy employee makes a happy customer. Concepts like gamification can assist with employee engagement. This is showcased in [Deloitte's Connected Retail](#) store where cashiers compete for the most scans.

- The relationship between retailers and manufacturers is evolving. Technology advancements have heightened the need for collaboration to compete for, and respond to customer experience demands. For example, one retailer introduced licence renewals at their flagship stores. Although it had nothing to do with shopping, the convenience created for customers had a positive impact on sentiment.
- Consumers are increasingly holding retailers accountable for transparency in their value chain. There is a growing call for, and focus on ethical sourcing, sustainability and visibility throughout

the value chain. For example, Deloitte is working with farmers in Ireland using blockchain to create visibility throughout the value chain. This is not only for the consumer, but also for the retailer to ensure ethical sourcing.

- There is a greater need for appropriate governance structures and alignment on what the brand means. This is especially important for damage control in the inevitable case of something going wrong – the right processes and communication can assist in handling such a situation.

Breakout session

Technology has accentuated the importance of being consumer-centric. Consumers want better experiences, lower costs, ethical behaviour and greater sustainability. This is no easy task, and requires fostering trust with consumers, utilising and filtering big data, collaborating across the value chain, engaging employees and overcoming legacy challenges.

The five themes became the foundation for the breakout session: over 65 retailers and FMCG representatives unpacked the different themes through collaborative insights using design-thinking led and technology-enabled processes. The session, which was held in [Deloitte's Greenhouse](#), was specifically designed to accelerate insight-rich decision-making.



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Sustainability, governance and brand*

There is heightened awareness around ethics and sustainability among consumers. Many organisations have not defined ethical behaviour, leading to inconsistent messaging, internally and externally. This often leads to communication being misaligned with the set brand's values. This calls for leadership buy-in and a shared model around ethics to protect brand reputation.

Consumers are also placing the responsibility on retailers to be sustainable throughout their value chain, often expecting this instantaneously. This has led many retailers to avoid communication on sustainability. Moreover, sustainability is challenging for retailers as infrastructure around it is often lacking and practical alternatives are not affordable for many South African consumers.

The push from consumers creates an opportunity for retailers to innovate, incentivise, increase transparency and educate various stakeholders, including consumers. Importantly this should happen across the value chain and between retailers, necessitating collaboration. Moreover, this includes engaging in ethical behaviour with employees and ensuring they are also experiencing the values of the brand. It is thus crucial for business models to adjust for this heightened awareness.

Table 1. Primary ideation insights

Root causes/underlying drivers	Challenges	Opportunities	Implications for retailers	Retail response
<ul style="list-style-type: none"> Environmental concerns Social media has increased environmental responsibility awareness Customers are more careful how they engage Retailers are physical – it's the first port of call Protecting reputation Lack of recycling infrastructure and culture Moving too fast, making decisions too fast Lack of shared mental model of ethical behaviour Ethics dilemma – being the best at any cost Executive remuneration 	<ul style="list-style-type: none"> Authenticity in brand Centralised distribution Commercialising the alternative (viably and quickly) Trade-off with price – consumers are price sensitive Customers expect instant sustainability Consistent messaging Assumption that all plastics are bad Diversity of consumers Lack of agility in organisation Supply chain transparency Consumer boycott 	<ul style="list-style-type: none"> Consistent innovation Education – share information and teach sustainability Transparency and more dialogue Backward integration Change behaviour Integrating consumers in value chain Collaboration between retailers (to change behaviour), and with FMCGs 	<ul style="list-style-type: none"> Call for collaboration Transparency about source of the product How do we: <ul style="list-style-type: none"> – engage ethically with staff – incentivise those who can't afford – stay on top and drive the sustainability agenda – educate consumers on the implication of choices – rethink what it means to be a "sustainable" business – measure and track – drive sustainability through the consumer or shareholder? 	<ul style="list-style-type: none"> Retailer involvement in the post-purchase behaviour (especially regarding waste i.e. single-use plastic) Retailers to incentivise responsible consumer behaviour Involve the consumer and government Take accountability for what you stock Listen to consumers

*The sustainability-seeking consumer, as well as the governance and brand themes were grouped.

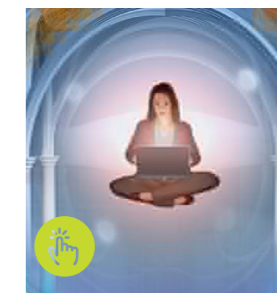


Personalisation of customer experience

Data is critical in understanding consumers, and entails a new way of segmentation. Consumers are willing to give data if they see value for themselves. This requires building trust with consumers, and demonstrating the value it provides. This means being focussed: filter out the noise in data, market with intent and ensure that solutions are customer-led, i.e. making consumers feel in control of the experience. Moreover, it necessitates industry trust, industry standards and collaboration throughout the industry and value chain.

Similar to customers, employees should also feel valued. Technology can act as a medium to make their lives easier, and free up space to utilise their human element more effectively. This again calls for data sharing across the value chain. If data is shared and managed comprehensively, all stakeholders would be better off than just keeping it in silos.

Read: Building trust in digital technology



Technologies used for digital transformation can also be leveraged to enhance trust – when they're used to enhance transparency, reinforce ethical practices, boost data privacy, and harden security.

Table 2. Primary ideation insights

Root causes/underlying drivers	Challenges	Opportunities	Implications for retailers	Retail response
<ul style="list-style-type: none"> Lack of ROI on customer experience Scalability of communication, relevance, process, tech, data and skills Customer segmentation Understanding customers Building trust Consistency of the experience Transparency of information Multiple customer touchpoints 	<ul style="list-style-type: none"> Focus – filter out clutter Scalability of solutions Lack of belief that customer is linked to value ROI on personalisation Privacy/trust of data Understanding customers Data skills shortage Employees – ethical at staff level and do good for community Legal implications Response times Emerging customer Legacy systems: digital and physical integration Inconsistent omnichannel experiences 	<ul style="list-style-type: none"> Consumer needs Employees' product knowledge Value of data is for customers – segment properly Benefit of the future state in streamlining spend and servicing UX Design opportunity Consolidate all brand feedback and respond to negative media with speed and accountability De-aggregation (store level and human contact) Business model design centred on customer Value beyond margin 	<ul style="list-style-type: none"> Being nimble to move with customers and understand what drives them Focus on acquisition and retention of consumers Keeping a human element, training service staff in products and customers Make consumers feel in control Permission and transparency for data Engaging the whole community, value beyond margin Data integration across all customer touchpoints 	<ul style="list-style-type: none"> Build/earn trust Be subtle but relevant Be unobtrusive Be proactive Understanding consumers on a more granular level Creating relevance for segments of customers Speed and transparency for end-consumers Collaboration in the supply chain and sharing data Choose moments that matter – can't be everything to everyone Mine data correctly and integrate data platforms



The price-conscious and value-seeking consumer

Value is more than price. The old way of segmenting customers no longer suffices. This requires a reassessment of how value is perceived and delivered, thus understanding how value is created for different people, and understanding customers' value propositions. This also means taking into account the holistic cost of shopping, e.g. the cost of transport, while taking into consideration shareholders requirements on profitability.

Data can assist in reassessing the concept of value and should be used internally and across value chains. Nevertheless, differentiation is key: from communications to products and to rewards. This calls for strategic partnerships, clear messaging and clear value propositions.

Read: The consumer is changing, but perhaps not how you think



Contrary to conventional wisdom, there's been no fundamental rewiring of the consumer. A swirl of economic and marketplace dynamics is influencing consumer behaviour.

Table 3. Primary ideation insights

Root causes/underlying drivers	Challenges	Opportunities	Implications for retailers	Retail response
<ul style="list-style-type: none"> Value is not just price Smaller wallet: fuel, electricity (input costs) Low GDP, high unemployment Availability of prices (transparency) Lower cost expectation Fragmentation of market Value is emotional Buying local New technologies and cost to fail 	<ul style="list-style-type: none"> Access to information Slow movement of online purchases LSM metric Assumptions: own personal context, don't make assumptions Cost of sustainable packaging Prices/cost perceptions Fragmented customer experiences Franchises and location Discounting 	<ul style="list-style-type: none"> Monetise "shopping journey" Private label Use data to drive personalised value Industry convergence Data aggregation Subscription vs discount Cost consolidation Service other retailers Bulk buy/individual use Utilise staff to improve customer experience Target big ticket spend (e.g. stokvels) 	<ul style="list-style-type: none"> Need to sense change in consumer demand/behaviour (i.e. customer listening) Differentiation is key Should not use LSM metrics anymore Higher customer experience Need to rethink how value is perceived and delivered Are we seeing a race to the bottom? Differentiation will only be on value 	<ul style="list-style-type: none"> Provide value wider than product cost Consistent customer experience Launch and grow private label Get value from data Rethink current staff roles and value of stores Partnerships Have a clear message and value proposition Direct to consumer Dark stores and drop shipping



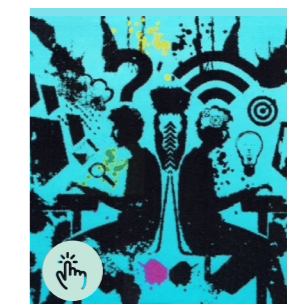
Convenience driving innovation

Innovation is often driven by business rather than as a response to consumer needs. Convenience has become critical, but convenience is in the eye of the consumer. For some it is around service, and for others around effort or product availability. This leads to various benchmarks of what consumers perceive as acceptable, some influenced by global trends.

Moreover, what becomes an innovation at one retailer is often expected to be offered by others. Likewise, innovation should be used internally, and could contribute to staffing solutions and ultimately improve customer experience. It is important though that innovation is targeted and sustainable, and not merely for the sake of innovation.

Execution, however, is difficult. It requires agility to make tailored solutions for consumers, with segmentation a challenge. This is exacerbated by legacy systems, substandard technologies (that drives a loss in confidence) and the need for constant return on investments. In addition, it is important to ensure that business delivers on innovation promises. This means aligning communication and the innovation delivered. For example, apps are being compared against all apps and not only those of retailers.

Read: The digital-ready worker



To be effective in an increasingly technological workplace, workers must know not just how to use digital tools, but when and why to use them.

Table 4. Primary ideation insights

Root causes/underlying drivers	Challenges	Opportunities	Implications for retailers	Retail response
<ul style="list-style-type: none"> Convenience Different needs of consumers Convenience has a value perception Instant gratification Competitor standards set the benchmark for what convenience is expected Trade-offs: customers do not want to compromise (e.g. convenience/range) Perceived lack of service mentality New technologies On demand, convergent shopping and services ecosystem 	<ul style="list-style-type: none"> Legacy/IT systems Substandard technology Investment cost Innovation used as an acquisition tool and driven by company perspective Customer is not at the centre of business model High staff turnover Competitor set standards Continuously changing customer needs Measurement does not capture innovation's value Data privacy and consent Own biases Leadership and tenure Slow pace and company response 	<ul style="list-style-type: none"> Payment convenience Payment innovation to reduce queueing Targeting customers when in store Getting to know your customers more personally Segment specific convenience offerings Thinking of local solutions while taking global solutions into consideration Link consumer ecosystems Full financial transaction experience Lead convenience through non-core products 	<ul style="list-style-type: none"> Convenience and consistency of service/brand Acting practically on segmentation – need intentional differentiation Strategy needs to be agile Perceived ROI vs return on customer experiences Right type of funding Find local solutions using leading tech innovations to create tailored convenience solutions Enable and empower staff Competition with banks Innovation impacting customer perception 	<ul style="list-style-type: none"> Focus – pick your battles Can't be all things for all customers Ask what customers want Agility and flexibility Smart differentiation Strategy for innovative sustainability Get over fear of failure Intent of innovation and result not always creating convenience Communication to drive consumer perception Invest in ecosystem partnerships Solve convenience outside shopping experience

Panel discussion: What now for retailers?



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Too often companies find themselves in a trap of doing what they have done before. The latest technology changes have brought a massive shift, with change inevitable.

Retail concentration has intensified. The grocery retailer intermediates brand owners' access to markets with this concentration resulting in increased power. Many retailers have not aggressively pursued differentiation away from price. Value is thus often reduced to a single variable. However, for brand owners, the equation is more complex. The concept of brand and how it addresses customers' needs are critical, especially in a convenience-orientated world. Although the channel is controlled by retailers that have their own agendas, consumers go to shops because they are filled with brands. Brands need to gain back some leverage and create a pool for brand products – this requires more collaboration across value chains.

The power ultimately lies with consumers in this hyper-connected world: they choose products to buy and retailers and/or online platforms from which to buy. Retailers often communicate economic value during tough times, but consumers also buy for social value.

Although many South Africans are strapped for cash, it is possible to link price with the consumer experience.

Moreover, customers' decision making is not static: purchasing patterns differ between end and beginning of the month, in winter and summer, etc. Social listening is often too focussed on marketing. Rather it should be about understanding how consumers are experiencing products/services in an unsolicited way. Not only is it publicly available data which provides a good level of understanding of the market, but it also offers real-time information. This provides the opportunity to learn from competitors and react in real-time.

However, filtering the sheer amount of data available is challenging. This is exacerbated by the number of pre-existing opinions. Although all of the data will assist, none individually will answer the question. It is important to consolidate information, by finding rigorous ways to validate data and keep the datasets that work. For example, Deloitte's Connected Retail solution makes use of algorithms to filter data and predict future sales. Businesses thus have to filter ruthlessly, execute quickly and change when needed. Notably, decisions should be agile and business should be prepared to stop if the path chosen is not working. Yet, too often people are vested in the decision made and are not willing to make changes.

The availability of data has clearly changed the conversation. It is important to rethink consumers from first principles and reach them at the right time and place. This requires a shift away from blanket campaigns towards a targeted approach. This will not happen overnight and necessitates investment. However, it is not new money that is needed for investment, but better spent money.

This also relates to employee investment. At every moment of truth where an employee does not feel valued, this is felt by consumers, which in turn is felt by the business. There is a heightened awareness that employees hold the power in creating a powerful experience for consumers. If employees feel like they matter, they will make customers feel the same.

Deloitte focusses on engaging employees using technology. For example, a store manager that runs a grocery store – managing turnover, fridges, etc. – cannot effectively manage if they need to physically check on each element. This is where **superjobs** come in: technology has the power to augment traditional jobs, and enhance employee experience which is then translated into customer experience. Thus, rather than the manager running to see if the fridges are working, they can manage the store via a tablet which frees up time for providing a superior customer experience.



“The retailer is fighting for feet especially in a low growth market like ours – it is all an arm wrestle for shoppers.”

– Martin Neethling, Pioneer, Business Executive: Groceries

Summary and close



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The future of retail is about being proactive and remaining relevant to consumers by developing targeted solutions.

Technology has placed consumers at the heart of change. Operating models should be consumer-centric, with a clear understanding of where the business is going. This means that retailers have to be proactive and build systems that can filter information and react in real-time to develop meaningful customer solutions and experiences.

This is no easy task. Consumers are asking for more, with heightened awareness around experience, convenience, ethical behaviour and sustainability. Simultaneously, businesses tend to move at a relatively slower pace deterred by legacy structures and shareholder constraints. Tough calls are warranted, and require collaboration across the value chain and industry, fostering trust with consumers, utilising and filtering big data, appropriate customer segmentation, and engaging employees.

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