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# RESEARCH & INSIGHTS

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## Business Insights Industry Focus: The Future of Consumer Markets

For more than a year, the Covid-19 pandemic has raged on and continues to create significant challenges for a variety of business sectors. As being demonstrated in the likes of India, Vietnam and United Kingdom in recent weeks, countries around the world struggle with balancing multiple waves of infections and new variations with their plans to open economies to some form of normal.



New lockdowns, snap restrictions and slow or inconsistent vaccine distribution plagues the way we work, interact, shop and cope with the new reality that the Covid-19 pandemic will be around for a long time to come in some shape or form.

Consumer-facing companies, airlines, hospitality and the healthcare sector have taken a heavy hit and have been at the front lines in dealing with the upheaval.

At the beginning of the crisis, many industry trends accelerated as people rapidly adapted their behaviours to meet health and safety requirements. As difficult as disruption can be, it often nudges us - or in the case of Covid thrust us into a future state. Consumers, many of whom had already embraced e-commerce, jumped onto the internet in even greater numbers helped by mass mobile penetration, buying more groceries and other goods online and selecting from an array of outside-the-store fulfilment options, such as curbside pickup and home delivery.

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*“ As difficult as disruption can be, it often nudges us - or in the case of Covid thrust us into a future state.” - Darryl Judd, Logistics Executive Group*

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Demonstrating just how fundamental this shift has been, the share of e-commerce sales in the retail sector is expected to increase from 13.9% in 2019 to 22.4% by 2023, according to data from Statista. What was also clear from the early months of the pandemic was that the pre-pandemic movement towards more socially and environmentally conscious buying rapidly gained steam, as people increasingly considered not just their own health and wellbeing, but that of society and the world at large.

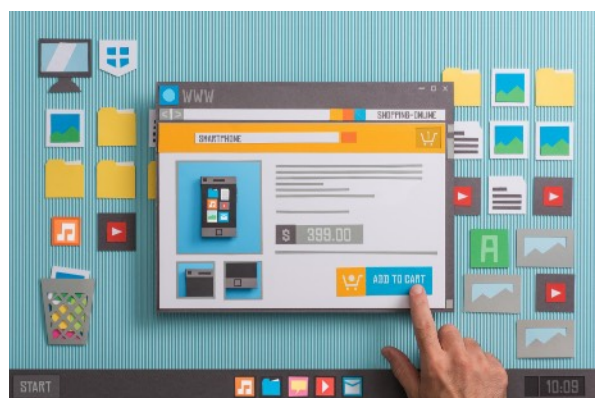
Some 16 months, since the first reported outbreak, consumers have settled into new behaviors and there is an increasing clarity of what the future consumer market may look like.

## Five Macro Trends

Pre-pandemic fundamental shifts were already underway in consumer markets led primarily by increased digitalisation and social buying channels. According to a recent report from PwC, these five global macro trends are transforming the industry and have accelerated since the onset of the pandemic.

### 1. The Future Store

The store of the future will be omnichannel and ‘experience-rich’ and will fuse the physical and digital worlds, where technology will continue to revolutionise online and physical retail, forcing rapid change and innovation. The consumers’ expectation of a frictionless, tech-enabled experience will rise and the traditional channels will blur as retailers and manufacturers embrace a direct-to-consumer model. The fulfilment experience will become an increasingly critical execution point.



## 2. Brand Relevance

Consumers will keep raising their expectations for the brands they engage with as socially conscious consumerism continues. Not only will people seek brands that they trust and that align with their values, they will also demand it. Brands will need to have a clear, articulate meaningful value proposition to win customers, in a world of social media increasingly influencing how the brand is perceived and its reputation. Consumers will seek purpose-driven brands that are responsive to an array of environmental, social and governance (ESG) concerns.



## 3. The Digital Supply Chain

Rapidly changing consumer expectations and behaviours have forced supply chains to be more responsive and transparent, with end-to-end visibility being the number one requirement for effective supply chain management. The supply chain of the future will need to operate with near autonomy, making 'smart' decisions to self-regulate with digital enablement being critical to evolving the supply chain. Retailers will need to ensure they overcome the challenges of omnichannel shopping, multiple fulfilment points and channels, and dealing with unannounced geopolitical issues.

## 4. The Future of Food

Three main trends will influence the world of food with food security being front and centre: the local, the mass-produced and the personalised. Consumer demand for healthier products is rapidly on the rise, with expectations for greater transparency and sustainability in the food value chain. Individual health and environmental sustainability concerns are revolutionising the food industry as consumers make more informed decisions. Digital direct-to-consumer business models will be further blur of the lines in how and where retailers and consumer packaged goods companies compete for customers.

## 5. The Rise of ESG

With pressure from regulators and consumers to focus on ESG intensifying, boardrooms will need to embrace ESG initiatives to ensure long-term value creation. Companies will have to embed ESG goals and ideals into the corporate culture and daily operating behaviours if they are to 'win' consumers and ensure their brands remain relevant.

With the store of the future led by omnichannel and being 'experience-rich', there will need to be a fusion between the physical and digital worlds. The ongoing migration towards all things digital and the influence of modern retailing giants such as Amazon, JD and Alibaba continue to force innovation in physical and digital retail spaces.



Photo Source: Nucleus Vision

Even strides made by companies in other sectors, such as Uber's pioneering ease-of-payment model, have ramifications for the store experience because they instill in customers an expectation for digital solutions in all aspects of their consumption.

Retailers will need to meet consumers where they are, whether through a website, on a smartphone, in a bricks-and mortar store, on Instagram or TikTok, or through third party partners such as product subscription boxes and delivery services. Companies that can't reimagine their in-store products and services in the digital realm will be left far behind.

As behaviour of consumers continue to evolve, the demarcation line between retailers and manufacturers is growing narrower, and the direct-to-consumer (D2C) path is becoming more crowded as retailers smarten up their supply chains and as logistics companies develop increased service models.

The consumer markets value chain is increasingly intertwined. Manufacturers have long wanted to leapfrog their retail partners, and court consumers directly. With the advent of ubiquitous digital tools, there are greater opportunities than ever to appeal directly to consumers, by-passing over the physical and digital stores.

'Outside-the-store' fulfilment experience is now the new battleground for retailers and one that's ready for ongoing innovation. The consumer journey might start online, but it increasingly ends at the front door or car trunk, and the standards set by fulfilment innovators such as Walmart—which has introduced a home-delivery service that includes

purchases, prescriptions and returns—will put increased pressure on all industry players, even those that aren't direct competitors.

Consumer experience is fast becoming the key differentiator and one that's closely tied to perceptions of service and quality.

For many organisations, the challenge is no longer in the understanding of the consumer; it's the need to digitally integrate quickly and ensure a robust, flexible supply chain.

The ability to pivot to a supply chain focus on being more customer-centric, enabled by AI to sense and link demand to supply will be crucial. Rather than pushing products at consumers, retailers will need to ensure more fluid data on consumer demand from a range of tech touchpoints and then use this information to drive supply chain decision making.

Future consumers, not manufacturers, will truly dictate what's happening in the supply chain on an almost real-time basis. Digitally connecting this supply chain to all relevant internal functions—such as merchandising, category management, store operations, finance and tax—and integrate supply chain partners, including suppliers, logistics service providers, customers and innovation partners will highlight the need to by-pass legacy systems and adopt flexible, purpose driven new technology such as rising cloud giant, Anchanto.

This connectivity will form a tech enabled ecosystem that can operate with near autonomy, making 'smart' decisions related to procurement, production, warehousing and logistics. Innovators such as China's e-commerce giant JD.com and trendy European fashion retailer Zara have demonstrated that investing in technology can give a company a powerful competitive advantage in a world where having the right products available at the right time and speedy product fulfilment are essential.

Digital discovery will reign and of course impact the physical store. The customer journey increasingly begins online, with robust product information and feedback from reviews and influencers. Store browsing is being complemented and even usurped by online browsing—especially in the era of Covid-19. And among online modes for discovery, it's clear that mobile should be a priority.

Shopping via mobile phone and smartphone continues to be the fastest-growing channel, according to PwC's March 2021 consumer research. There's no doubt that digital discovery will continue to grow; it only remains to be seen how much it will grow and how quickly.

The experience of Covid-19 has forever changed the world in which we live and our behaviours. Some of these changes can provide positive experiences that are therefore likely to last longer, particularly those driven by convenience and well-being, such as digital adoption, value-based purchasing and increased health awareness. For retailers it provides the opportunity to be innovative, overhaul, increase value-based and integrated products to better align to consumer needs and their future behaviours.

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## ABOUT THE AUTHOR

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**Darryl Judd**  
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Darryl brings 30 years of executive leadership and consulting experience and is regular contributor on thought leadership across numerous industry publications and is a frequent speaker at international conferences and events on business leadership, strategy, extracting improved business performance and M&A. With a degree in Economics and rich business knowledge across Asia, Middle East and Africa, Darryl is considered to be an expert in the linkage of business strategy and supply chain best practices to business performance. Since 2001 he has been a principle partner in Logistics Executive Group, an internationally known corporate advisory firm with offices in 14 countries and currently serves as an Independent Board Director for a range of regional companies including LogiSYM Hong Kong, Taya Group and EGI.

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