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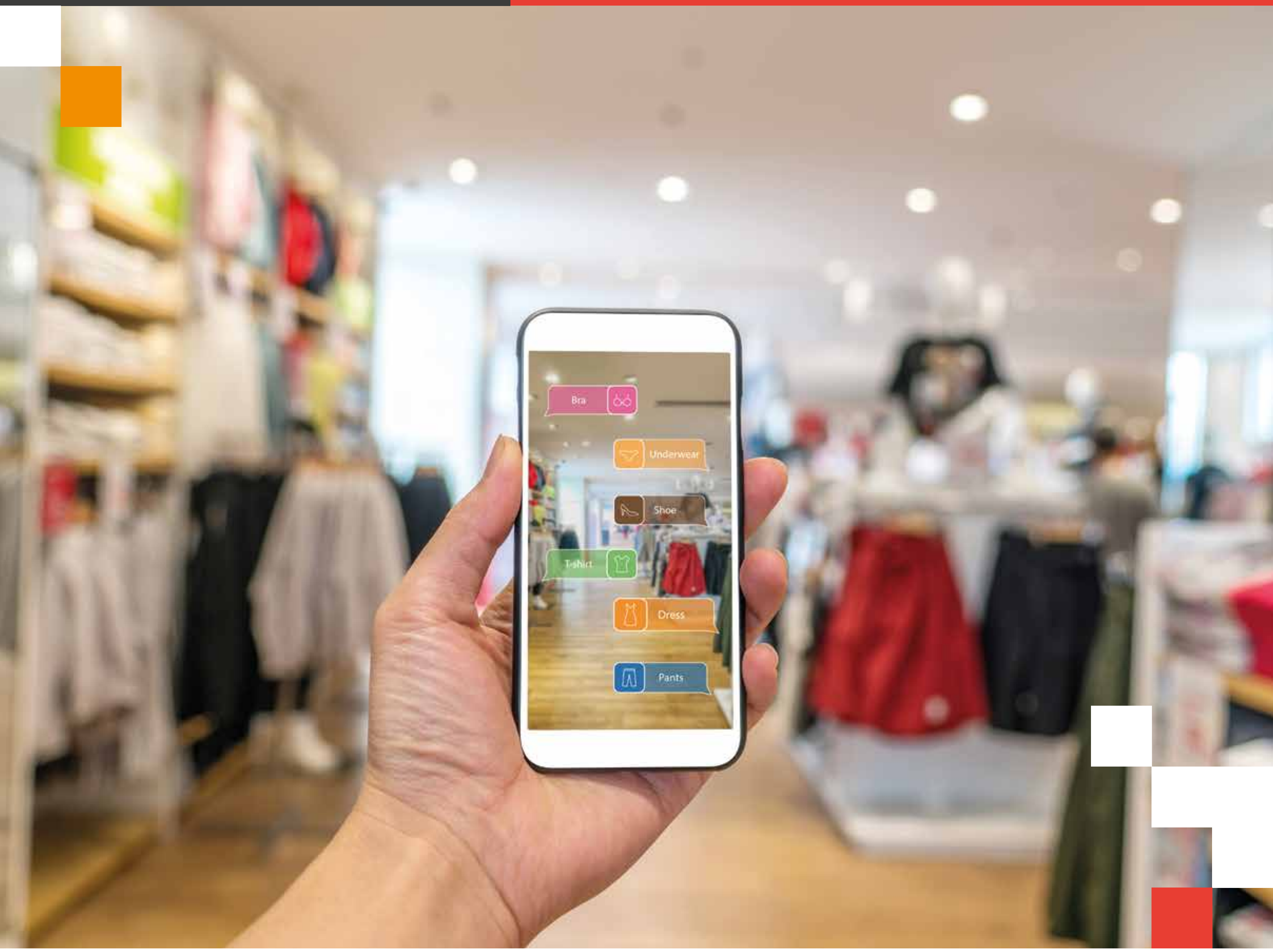
Retail 2030 – consumer trends for tomorrow's retail market

Future of retail – part 1



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Welcome to the year 2030!

What will life be like in 2030?

Maybe we'll all be going to work in air taxis, or we'll be using self-driving cars to get home from the supermarket? It may sound unlikely, but none of us should underestimate how quickly technology is advancing!

Population trends are one thing that we can predict with more certainty. More and more of the many Baby Boomers will retire, while Gen Z – the "digital natives" – will continue entering the workforce and shaping consumer trends. Urbanisation will continue, with brick-and-mortar stores remaining a cornerstone of city centres and neighbourhoods. The divisions between living, working, shopping and leisure time will continue to blur.

This study aims to illustrate the factors that will have the greatest effect on retail consumption in 2030. We also take a look at trends that are becoming visible today.

I hope you have an informative read!

Dr Christian Wulff
Consumer Markets Leader,
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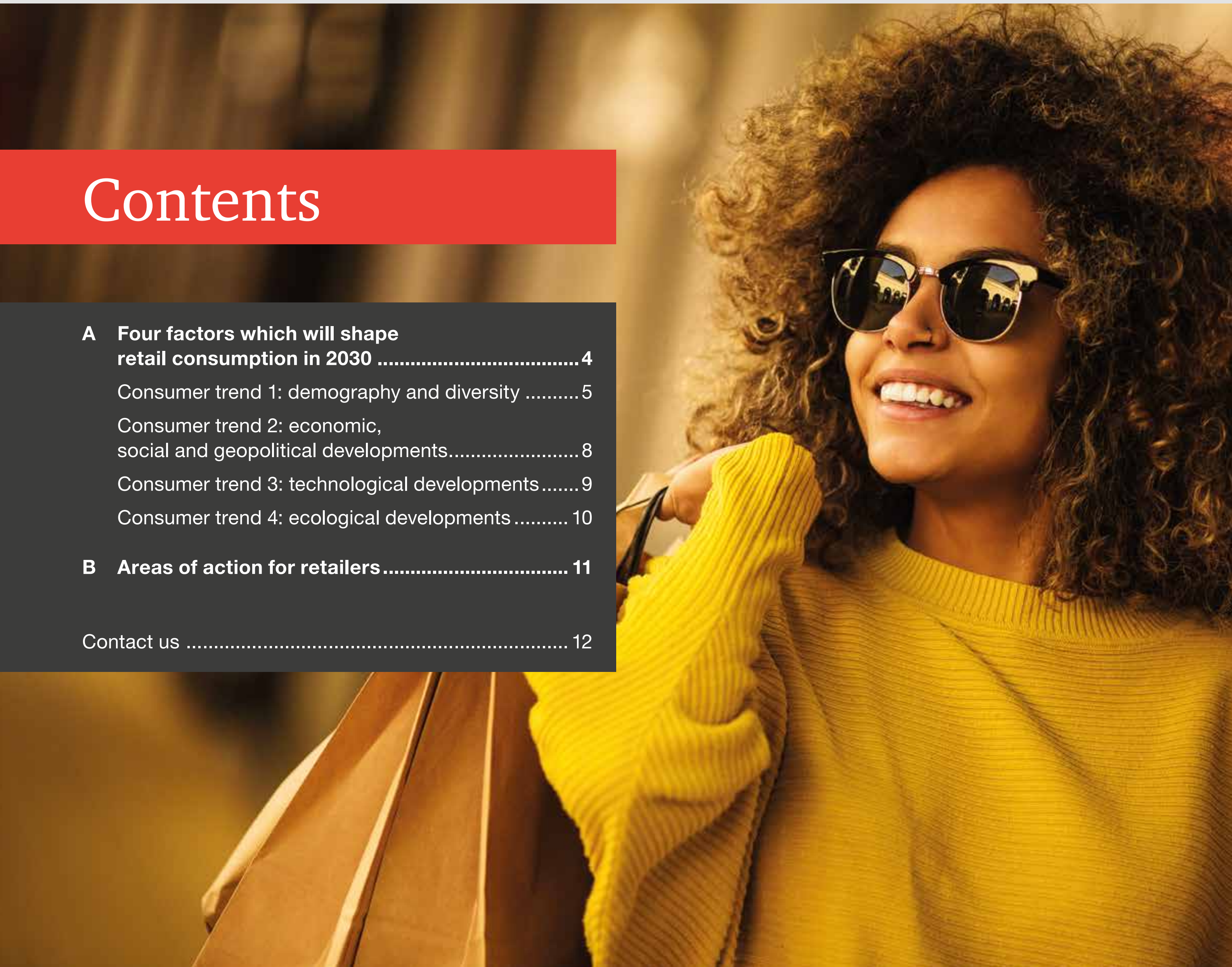
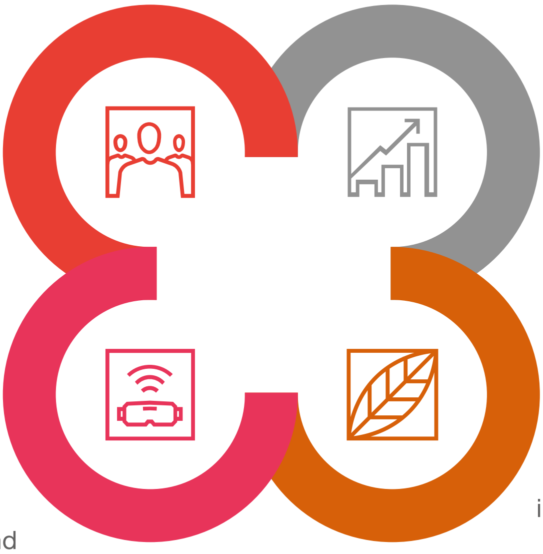


Contents

A Four factors which will shape retail consumption in 2030

1. Demography and diversity
Many European countries are set to witness a major demographic shift between now and 2030. The numerous Baby Boomers will retire and thus have less disposable income in most cases, while more and more of Gen Z – the "digital natives" – will be starting their careers. Preferences held by younger generations in areas such as sustainability and technology will become increasingly visible. Skills shortage and labour shortage are set to intensify; immigration will only be able to partially alleviate this issue. Society will become more diverse, leading to more heterogeneous consumer needs, varying shopping habits and an increasingly fragmented customer base.

2. Economic, social and geopolitical developments
Geopolitical conflicts and the state of the economy have unsettled many consumers in 2024, making them reluctant to spend – though it is unlikely that this situation will persist unchanged until 2030. Many consumers are already planning to increase their spending. However, climate change will mean that certain products may be hard to find or significantly more expensive in 2030, regardless of the geopolitical situation. Price consciousness will therefore remain high, particularly among less well-off consumers.



3. Technological developments
From new hardware to the capture, analysis and linking of data – technology is developing rapidly and broadening the horizon of possibilities for retailers and manufacturers. While artificial intelligence (AI) is no longer a new technology, it is gaining exponential acceptance among companies and in the general population and is changing the way consumers shop.

4. Ecological developments
Awareness of climate change and the effects associated with it is steadily increasing among both consumers and companies. Planetary boundaries are reaching a critical point in Europe, for example in terms of the availability of arable land and drinking water. Climate-related price fluctuations for everyday products are increasing. The changes for the retail sector are largely shaped by stricter regulations (e.g. the EU Corporate Social Due Diligence Directive).

Consumer trend 1: demography and diversity

Lifestyles and preferences are becoming significantly more heterogeneous

Diversity among consumers – in terms of age, income, ethnic background, tech affinity, sustainability consciousness and other factors – is giving rise to a wide variety of lifestyles.

What was once "the middle classes" is now an increasingly fragmented series of customer segments with very different preferences. Two illustrative examples are:

Health-conscious consumers
Health-conscious lifestyles including regular exercise, a balanced diet, relaxation and wellness are becoming ever more popular. Every second European (48%) is willing to use health-tracking features via smart wearables, some take food intolerance tests to identify allergies. More than a third of older people use or are interested in health apps, while 40% of European consumers are interested in weight loss medication.

Cross-cultural consumers
Some people with foreign heritage connect with their culture of origin by seeking out products from that culture – for example, authentic food and beverages. But people without any foreign heritage also often enjoy authentic products from other countries, as they might have found about them online or while travelling (e.g. Kbeauty, Korean skincare).

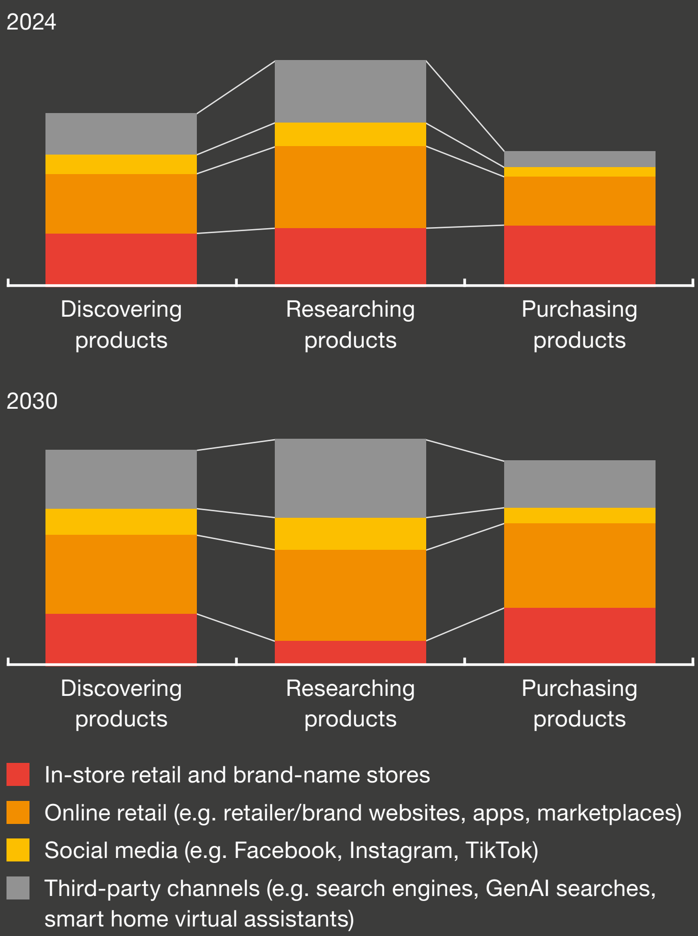
In the food segment, the market share held by health-focused products (e.g. high in protein, low in sugar, containing ingredients such as omega 3 fatty acids or probiotics) will continue to grow, and these products will be increasingly widely marketed. Demand for personalised products and services using consumer health data will also increase (e.g. individual diet packages and/or dietary supplements – potentially as subscription services). Alongside changes in the food industry, we also expect health ecosystems to form and collaboration between brands to become more widespread (e.g. between sportswear brands, supplement manufacturers and fitness platforms).

Expectations placed on product portfolios by consumers are becoming more diverse. Retailers will have to broaden their product ranges or become specialists in particular segments. Reaching new groups of potential customers will require optimised marketing using their preferred language and channels.

The growing variety of lifestyles and needs offers an opportunity for new brands to gain a foothold. (Online-) communities are an important way for consumers to connect and build trust with like-minded people. As well as providing a means of standing out from the competition and increasing customer loyalty, they also offer retailers and brands a source of innovation and co-creation through community engagement.

Focus on complex customer journeys
Food and beverages

Channels used for grocery shopping



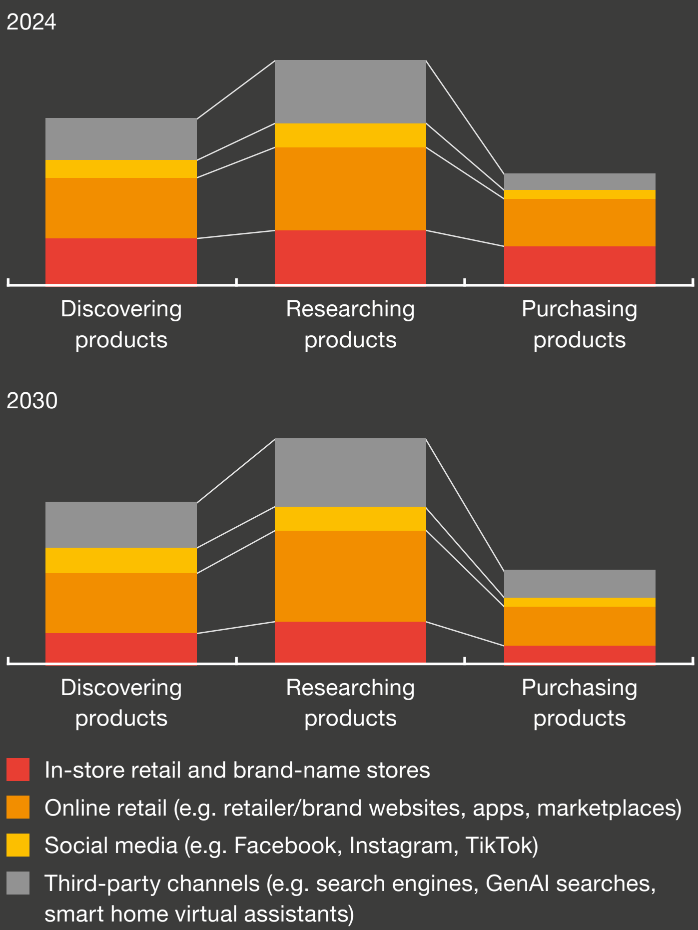
The channels used at the different stages of the customer journey are set to change, depending on the product category.

In the grocery market, we expect to see the following changes:

- In-store grocery retail will remain important, although we do expect a slight fall in the number of users. This will be particularly pronounced in the product research phase. With self-service and autonomous stores becoming ever more common, consumers will increasingly do their research online.
- Online sales channels will become more important, particularly for the purchasing phase. Repeat purchases (e.g. subscriptions) and personal shopping services will grow, and AI tools will increasingly be used to make purchases autonomously, based on individual consumer preferences.
- Social media will become more important for (premium) groceries when it comes to discovery and research, but will remain relatively unimportant for purchases.

Focus on complex customer journeys
Consumer electronics

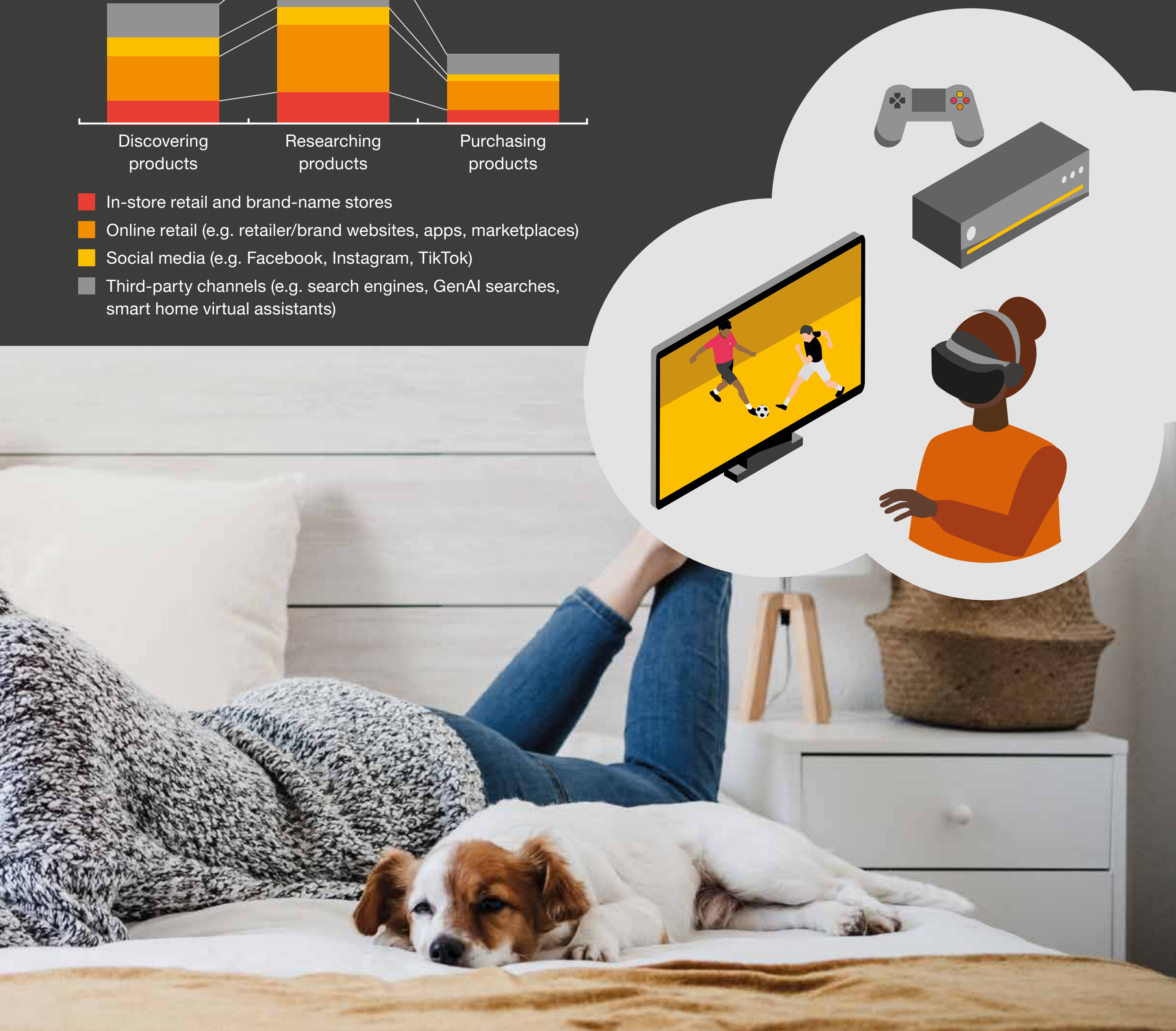
Channels used for purchasing consumer electronics



The channels used at the different stages of the customer journey are set to change, depending on the product category.

In the consumer electronics market, we expect to see the following changes:

- Online research is becoming increasingly common. Consumers want to know about technical details and other people's experiences, especially with high-tech products.
- At the same time, consumers also want to be able to try out and experience electronic devices. Brick-and-mortar stores will therefore increasingly become showrooms built to create an experience, where consumers can discover whole new worlds of products.



Consumer trend 2: economic, social and geopolitical developments

Price consciousness set to remain high

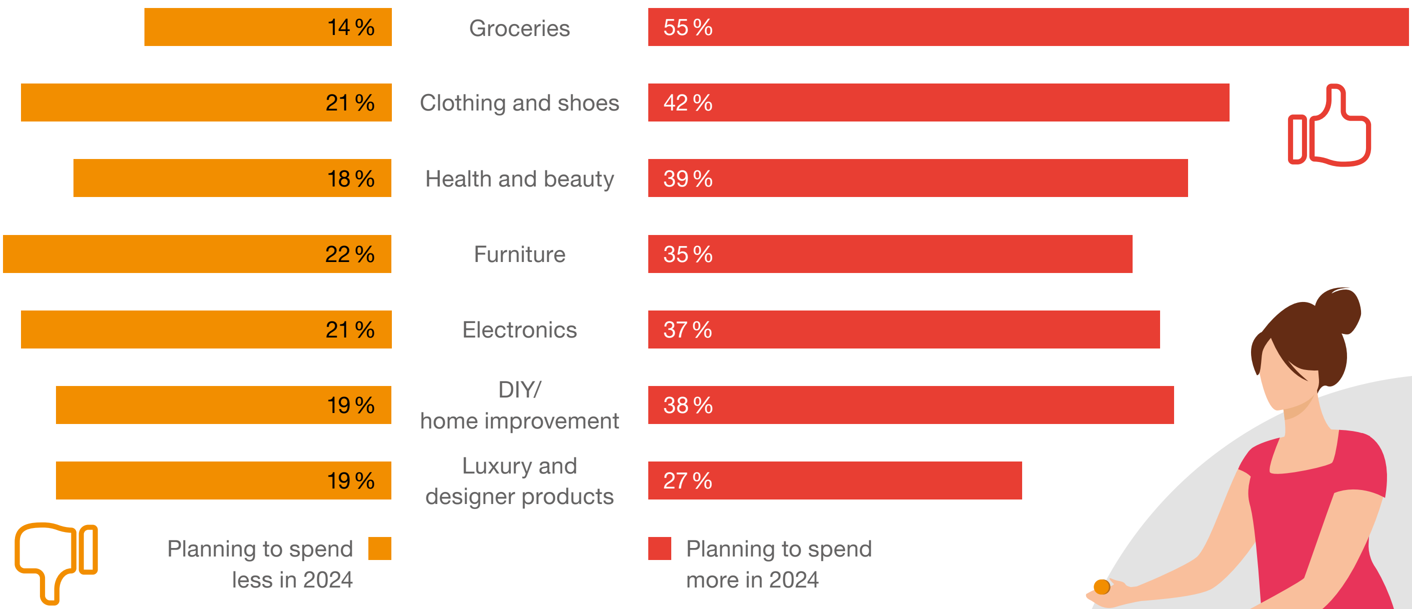
European consumers remain price-sensitive and pay close attention to how much value for money they get. Almost half (47%) declare that they want to try out alternative brands that offer better value for money than well-known favourites. A further 31% of consumers say they would consider switching brands if another brand provides special offers and discounts. Overall, we expect brand loyalty to further decrease between now and 2030.

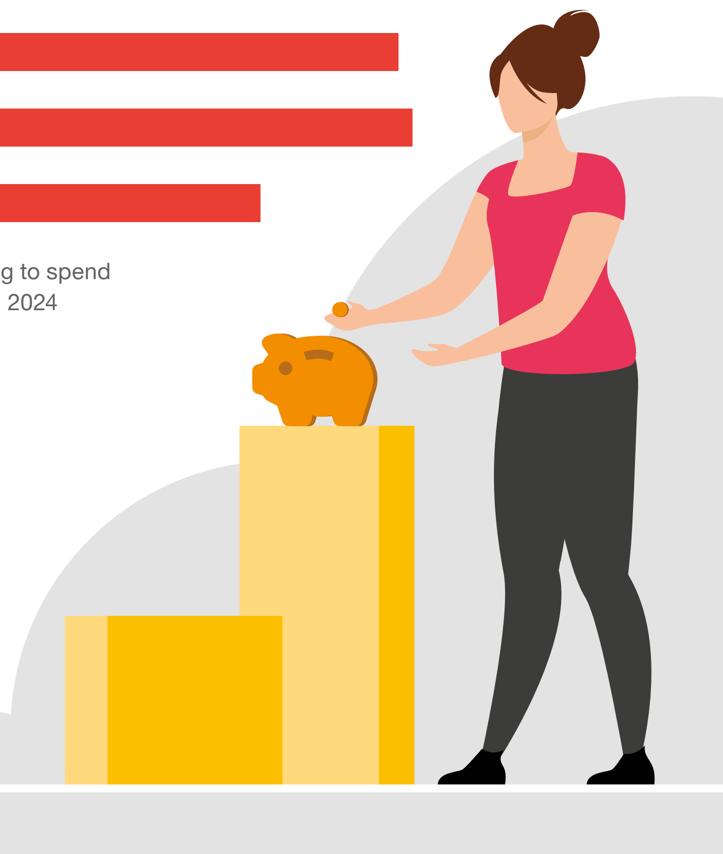
Despite being so price-conscious, German consumers are simultaneously increasingly prepared to spend money on products and brands that play into their individual lifestyles. These range from beauty brands, sustainable fashion labels and organic groceries to longevity supplements, luxury handbags and high-end HiFi systems.

Brands and brand loyalty play an important role when it comes to products with a lifestyle component. Lifestyle brands often use social media, influencers and celebrities in their marketing. 60% of European consumers and 78% of Gen Z consumers state that social media advertising has an influence on what they decide to purchase.

Climate change will mean that certain products may be hard to find or significantly more expensive in 2030, changes which could be permanent in some cases. Demand will therefore shift to any attractive substitutes that are available at stable prices. Developing and selling products of this nature will become a key success factor for retailers and manufacturers.[1]

How European consumers are planning to change their spending in the coming months, by product category





[1] These impacts on prices are already visible. For example, climate change is reducing the amount of land suitable for growing cocoa, and the price of cocoa beans has increased accordingly – from $2,417 per tonne in July 2019 to $7,163 per tonne in July 2024, an increase of some 200% (calculations by the Hamburg Institute of International Economics). Another example can be found in Madagascar, origin of 80% of the world's vanilla. When a cyclone struck in 2017 and destroyed 30% of the harvest, the price of vanilla rose to over $500/kg; in 2015, it was just $100/kg.

Consumer trend 3: technological developments

Technology enables new forms of convenience

The most visited sales channel in Europe is and remains brick-and-mortar retail. The reasons for choosing physical stores are primarily the available product selection and easy accessibility from home or work. In the future, consumers will plan the purposes for which they use the various sales channels even more precisely. Brick-and-mortar retail will have to offer consumers a special experience to attract them to the stores, for example with inspiring store layouts, showrooms for experiencing products and, last but not least, expert and personal advice. Technology will enable new forms of convenience in brick-and-mortar experience-oriented retail, for example through virtual clothes fitting.

While Gen Z already recognises and uses the added value of in-store technologies, in the coming years retailers must take the older generation on the journey to the “store of the future”. The hurdles facing Baby Boomers in the use of new technologies can be reduced with increased support, for example in the form of human points of contact or comprehensible instructions. Retail technologies such as self-scan checkouts and autonomous stores will also be crucial in the coming years for counteracting the shortage of skilled workers. For example, our forecasts for Germany show that around one in five jobs (19%) in retail will remain vacant in 2030.

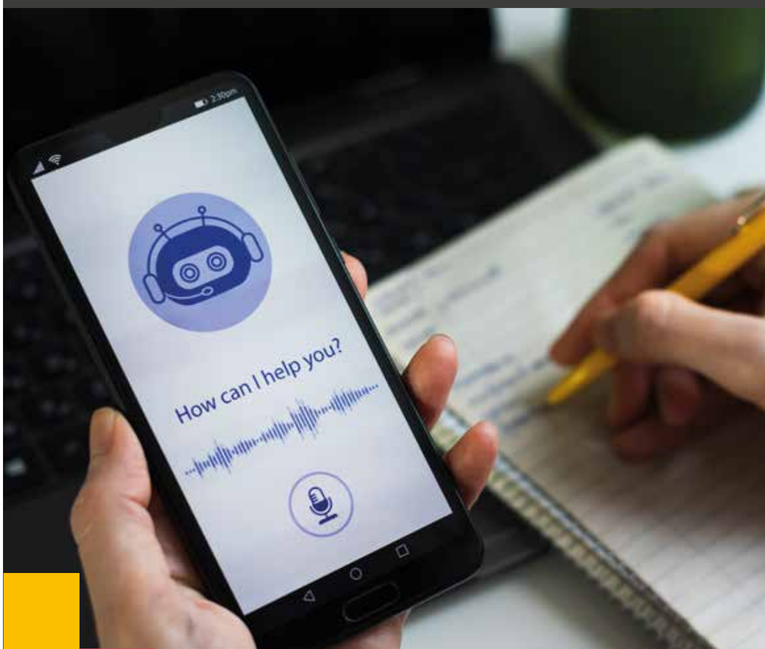
The high demands on the frictionless linking of various channels will increase significantly. Retailer apps in particular will link online and offline channels. Collected customer data will make it possible to offer the personalised deals, advice and products that customers will expect across channels.

When purchasing everyday goods, consumers will rely even more on convenience made possible by technological advancements. AI can be used to advise customers and make recurring purchases automatically, for example by calculating consumption times and then automatically reordering the preferred brands or the cheapest available products. In rural areas, new technologies will help to provide convenient and profitable brick-and-mortar offerings. For example, autonomous micro-stores for groceries can use technology to ensure they are stocked 24/7.

Although consumers already trust certain AI solutions, they also see the risks in digitalisation. Baby Boomers see significantly more risks than Gen Z, in particular they fear less human contact in everyday life (47% vs 33% for Gen Z), a higher risk of fraud and hacker attacks (53% vs 38% for Gen Z) and a lack of human judgment (47% vs 29% for Gen Z).

Activities that consumers trust AI-based technologies to perform

We expect consumer confidence in AI-based technologies to increase significantly by 2030.



Consumer trend 4: ecological developments

Sustainable consumption is becoming mainstream

European consumers are already feeling the effects of climate change and are aware that they can influence it with their (shopping) behaviour. In order to reduce the impact of their consumption on climate change, consumers want to shop more consciously in the future and thereby reduce overall consumption (43%) and/or buy sustainable products that have a lower climate impact (e.g. products made from recycled materials) (39%). Sustainable consumption will become mainstream by 2030 if it is not inconvenient and laborious for consumers. Examples of sustainable consumption include more sustainable ingredients in food or less or more environmentally friendly packaging for products.

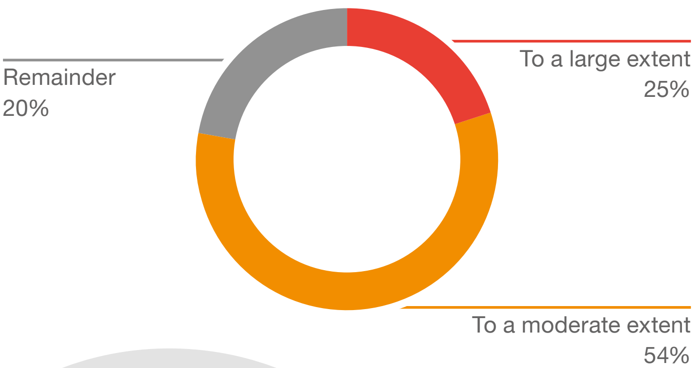
Customers will demand even more transparency and information in the future. In order to be able to make an informed purchasing decision easily, consumers want standardised and mandatory sustainability labelling on products together with additional information on factors relating to the product's sustainability.

Younger generations in particular are driving the trend towards sustainable consumption. 41% of Gen Z plan to buy more sustainable products in the future. The purchasing decisions of younger consumers will have a greater impact by 2030 owing to generational change. Retailers can help make sustainable consumption mainstream through the design of their product range and by listing sustainable products.

In addition to consumers' expectations, regulatory requirements are encouraging companies to act sustainably. The list of sustainability-related regulations is long and will become significantly longer by 2030. The following regulations are examples of those which are important for companies operating in the sector:

- Corporate Sustainability Reporting Directive (CSRD)
- Carbon Border Adjustment Mechanism (CBAM)
- EU Taxonomy
- EU Deforestation Regulation (EUDR)
- EU Corporate Social Due Diligence Directive (CSDDD)
- Green Claims Directive
- Ecodesign for Sustainable Products Regulation (ESPR)
- Extended Producer Responsibility (EPR)

Consumers who have already noticed the effects of climate change (e.g. extreme temperatures, floods and storms)



B Areas of action for retailers

For retailers, the consumption trends point to five major areas of action that will be significant for the successful transformation of their companies by 2030. However, companies do not have to lead in all areas. Rather, retailers should develop a target image of their transformation that suits their business model and their target customer groups and plan a sequential implementation. In the second part of the Future of Retail series, we will show you how you as a retailer can tackle the individual areas of action.

Areas of action for retailers

Customer focus

- Personalisation and individualisation
- Adaptive layouts and product lines
- Focussed customer touchpoints
- Consumer data excellence as an enabler
- Personnel and service

Cost efficiency

- Purchasing and verticalisation (control)
- Operational excellence (automation)
- Back office, employee productivity

Omnichannel enablement

- Frontend: store layout, retailer apps
- Operational excellence (availability of goods, store processes, returns)
- Logistics (especially shared inventories)
- Employees and talent

ESG-compliance

- Suppliers especially the Supply Chain Act (EU CSDDD)
- Logistics for circular economy
- Compliance

Technology fit

- Retail technology capabilities
- IT standardisation and development

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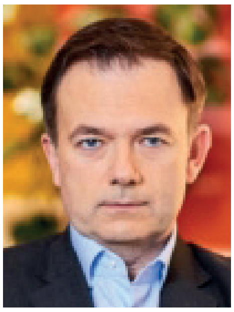

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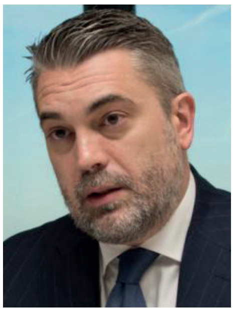

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