

A Preview of the Retail Marketplace of 2016

Changes in technology and food consumption to shape the industry

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NATIONAL REPORT — Economic improvement, changes in category consumption and technology innovation are three factors that will have major effects on the retail marketplace in the near future, according to James Russo, senior vice president of global consumer insights at Nielsen.

Data from Nielsen shows that while dollar sales have picked up, unit sales still languish. At the same time, sales in certain categories such as health care products, produce and deli are growing.

"We are starting to see greater growth across a broader spectrum of departments and categories," Russo said during a Dec. 15 webcast presentation entitled "What's in Store: 2016 and Beyond."

He also noted that despite contraction of numerous center-store categories, the demise of the center store is overstated. "It's not as severe as you may think," Russo said, noting that declines are being offset by categories posting large gains, including salty snacks, new-age beverages, candy and coffee.

Economic conditions are also improving, though they remain a top concern for consumers, many of whom believe the United States is still in a recession. This is good news for retailers, but they should stay aware that uncertainty permeates the consumer mindset still.

Some key year-end insights from Nielsen include that:

The holiday shopping season has extended and now essentially begins before Thanksgiving, with 47 percent of consumers having begun holiday shopping as of Halloween week; Millennial and multicultural segments are the emerging segments most driving growth; and Online shopping is now mainstream, with 75 percent of consumers making purchases through the internet. In 2016 and beyond, connected commerce will become a reality as the intersection of brick-and-mortar retail and digital retail best meets consumer needs. Russo cited Target's LA25 innovation initiative as a good example of testing ways to attract digitally savvy customers to the brand, either in-store or online.

Looking past the new year, as far out as 2020, the U.S. consumer base will grow older and more multicultural, and sales of food away from home will grow faster than food at home.

Consumers will also become more mobile over the long term, as only 25 percent of millennials expect to live in the same place five years in the future. Texas and Florida in particular are seeing high growth across age groups.

It is critical that retailers be mindful of the future of connectivity, according to Russo. By 2020, 85 percent of the world population is expected to use the internet, and he pointed out that mobile usage has already grown to more than half of total daily digital media time as of 2015. The time it takes for brands to connect and resonate will be reduced, and more and more physical objects will have internet connectivity.

The way people eat in future will also be different as mealtimes continue to be under pressure, time spent preparing meals declines and eating habits grow more flexible. New cooking methods and novel snack applications, such as hot vending products, will arise. At the same time, consumers are not willing to sacrifice nutrition for convenience.

"Health and wellness is going to continue to be a focus and important to consumers," Russo said

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