

A person's profile is shown in silhouette, holding a smartphone. The image is overlaid with a complex digital network of glowing blue and purple lines and nodes, suggesting data connectivity and technology. The background is a gradient of blue and purple with a subtle starry pattern.

KANTAR

The future of retail

How data, AI, and retailer ecosystems are impacting commerce and suppliers

Barry Thomas

Canadian Retail Insights Conference

September 2023

AGENDA

The background features a silhouette of a person's head in profile, facing left. Overlaid on this is a complex digital network of glowing blue and white lines and nodes. A smartphone is visible in the lower right, held in a hand, with its screen displaying a grid of data points. The overall color palette is dominated by deep blues and purples, with bright highlights from the digital elements.

1 Generation 4 commerce

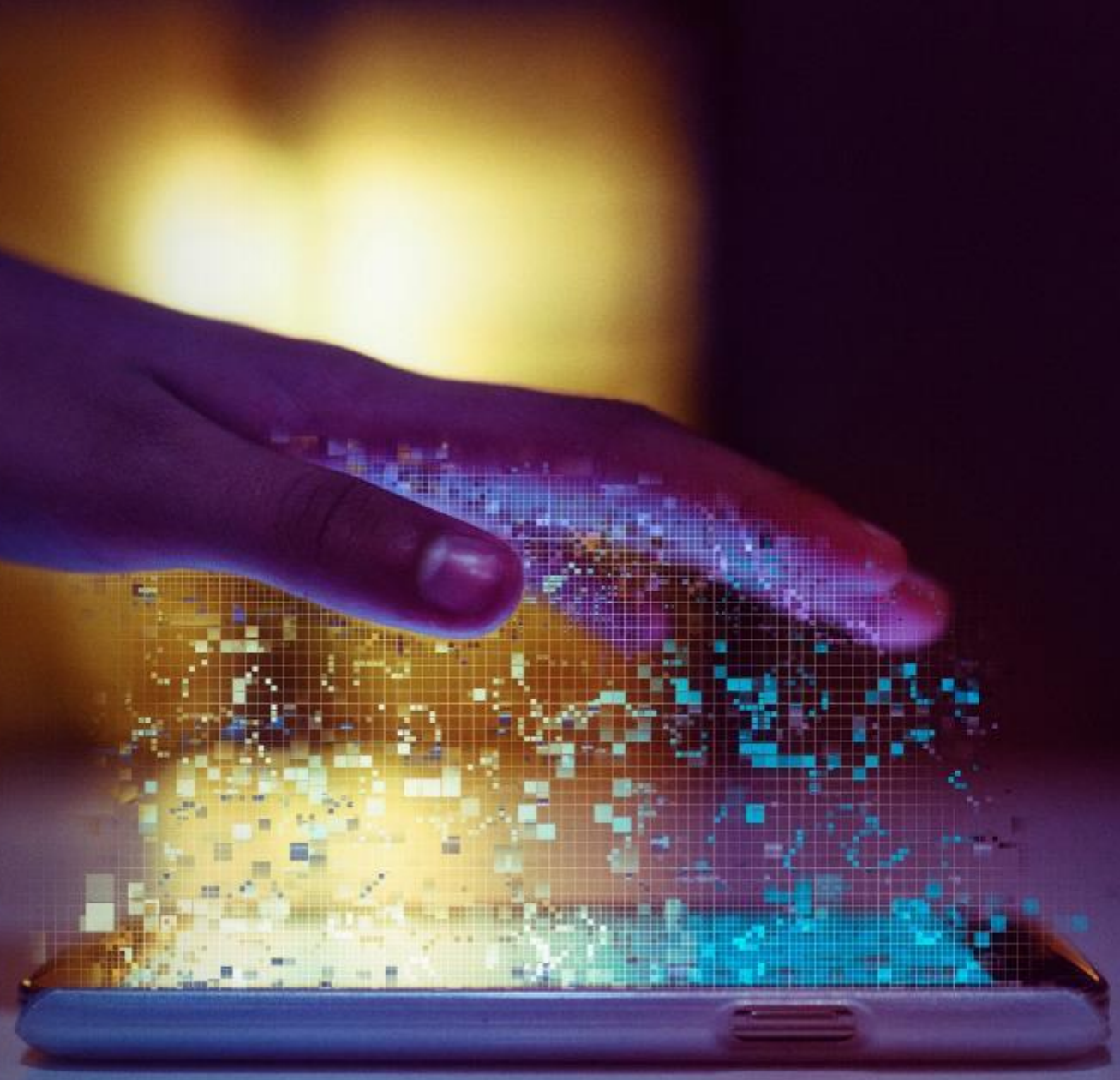
2 Data, AI, and automation

3 Ecosystem customer attributes

4 How to win






5 Turning insights into actions

1
Generation 4
commerce



We are entering the fourth era of global commerce

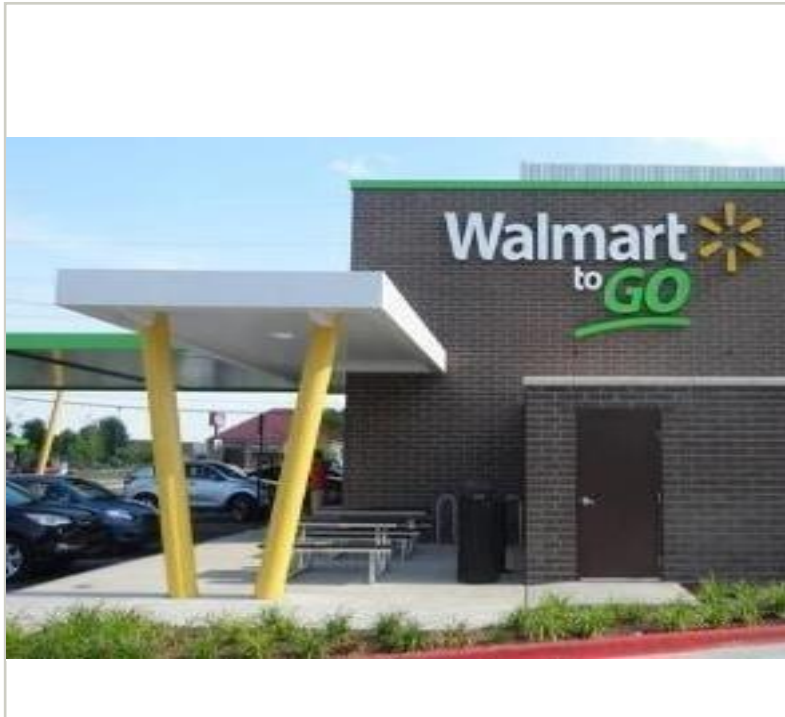
Retailers and brands are moving to a more real-time responsive operating model driven by increased data capture, algorithms, artificial intelligence, and automation

	Era 1 (pre-1900)	Era 2 (1950 to present day)	Era 3 (2000 to present day)	Era 4 (2015 to 2030s)
	<p>Informal independents</p>  <ul style="list-style-type: none"> Fragmented local outlets Heavy wholesaler influence Mini supermarket High proximity 	<p>Era 1 to 4:</p> <ul style="list-style-type: none"> Consumer costs down Convenience up Transparency up Substitutions from previous era 		<p>data driven commerce</p> 
<p> Attributes</p>		<p>Era 4 callouts:</p> <ul style="list-style-type: none"> Unified E2E synchronized data IDs (unified commerce) Data, AI, and automation Ecosystem customers Traditional trade c-store digitalization (China 6M, India 13M) 		<p>Marketplaces and ecosystems</p> <p>(impulse redefined)</p> <p>and data/personalization)</p> <p>incubation</p>
<p> Key factors</p>	<ul style="list-style-type: none"> Availability Supply chain Product distribution Wholesaler influence 			<p>Information</p> <p>as a service)</p> <p>market/real time</p> <p>commerce</p> <p>digital business models</p>
<p> Market examples</p>	Pakistan, Nigeria, Mexico	Russia, Brazil, Germany, Spain	France, Germany, UK, US	China, US

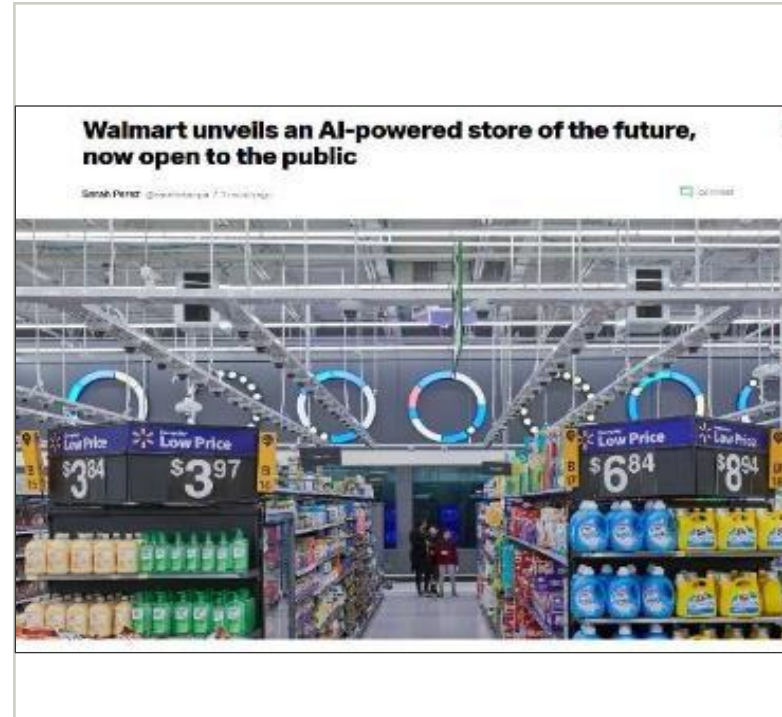
Retailers, restaurants are evolving their outlets and business models: Walmart

Investments often directed towards three important areas

Optimizing the current format



Future concept store/restaurant

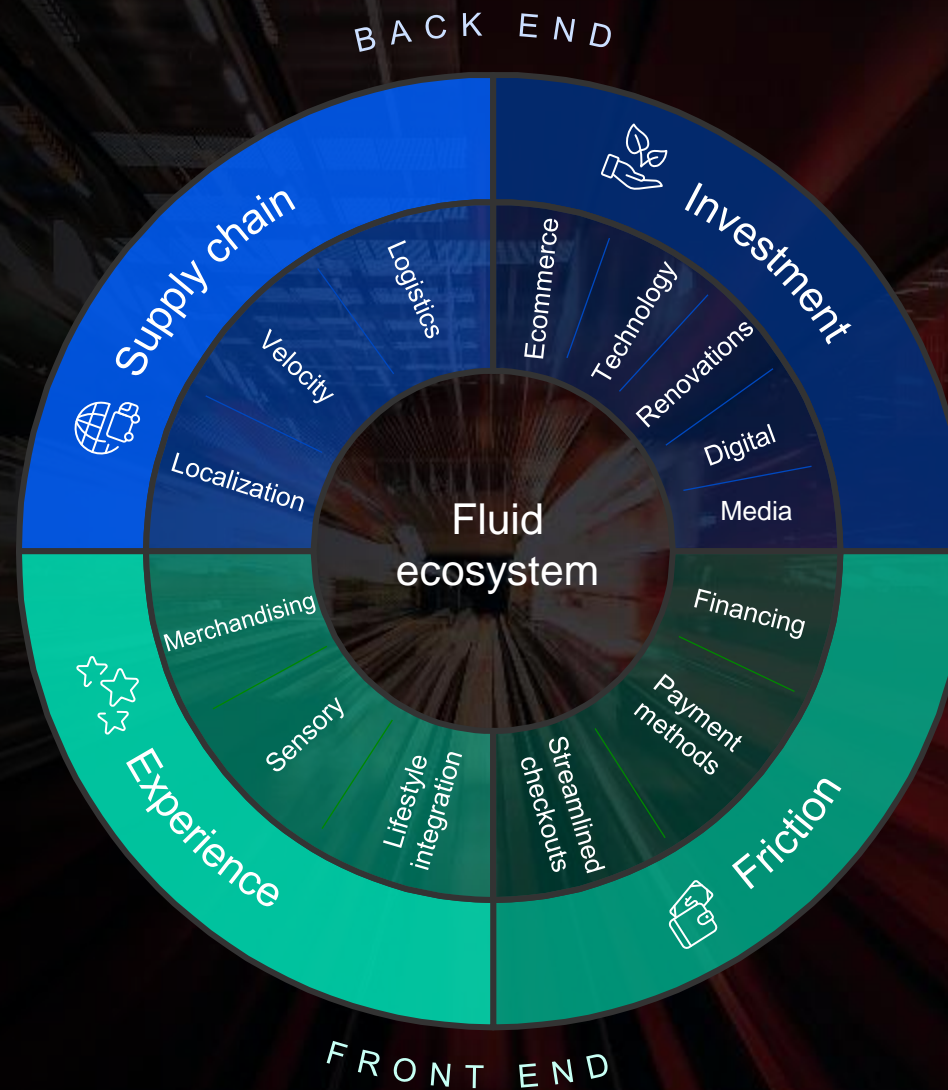


Ecosystem business model



More retailers move to more fluid and dynamic ecosystem business models

These integrated retailer networks can remain agile and drive new growth profit pools.



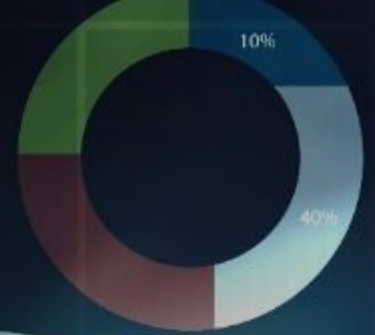
2 Data, AI, and automation



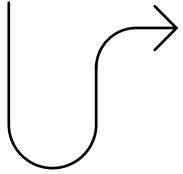
Future merchants will transcend what we think of today as buyers or category managers.

With data science partnerships and new agile ways of working emerging, merchants become the curators of experiences, the designers and inventors of new consumer offerings.

Given that **more merchant-type decisions are being made by algorithms out of sight**, retail is moving at real-time speed, putting pressure on suppliers to move quicker and lead with data science to capture future growth opportunities.

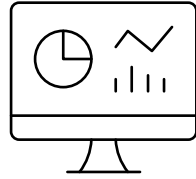


Global retailer investments in AI will grow to USD57.8 billion by 2030, with a 41% CAGR from 2023 to 2030



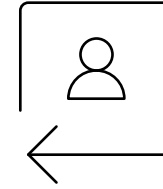
Drivers

- Growing awareness about AI and big data and analytics
- Adoption of multichannel or omnichannel retailer strategies
- Need to enhance end-user experience and improved productivity



By applications

- Predictive merchandising
- Programmatic advertising
- Market forecasting
- In-store visual monitoring and surveillance
- Location-based marketing

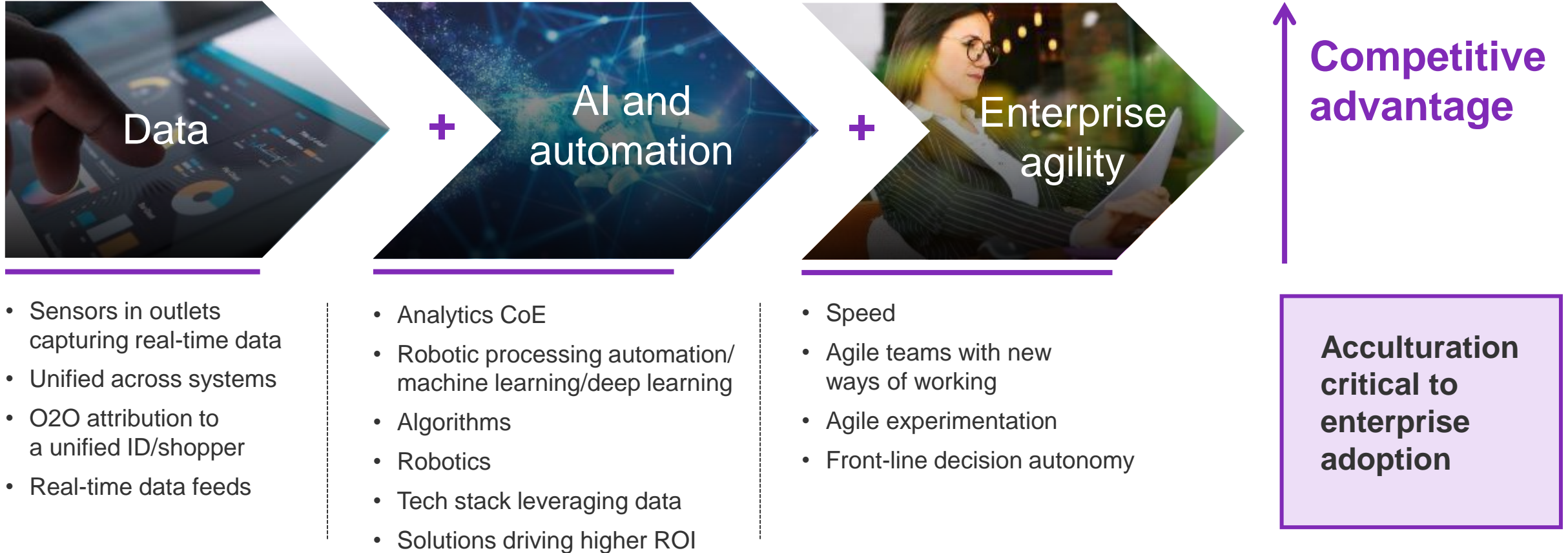


By end user

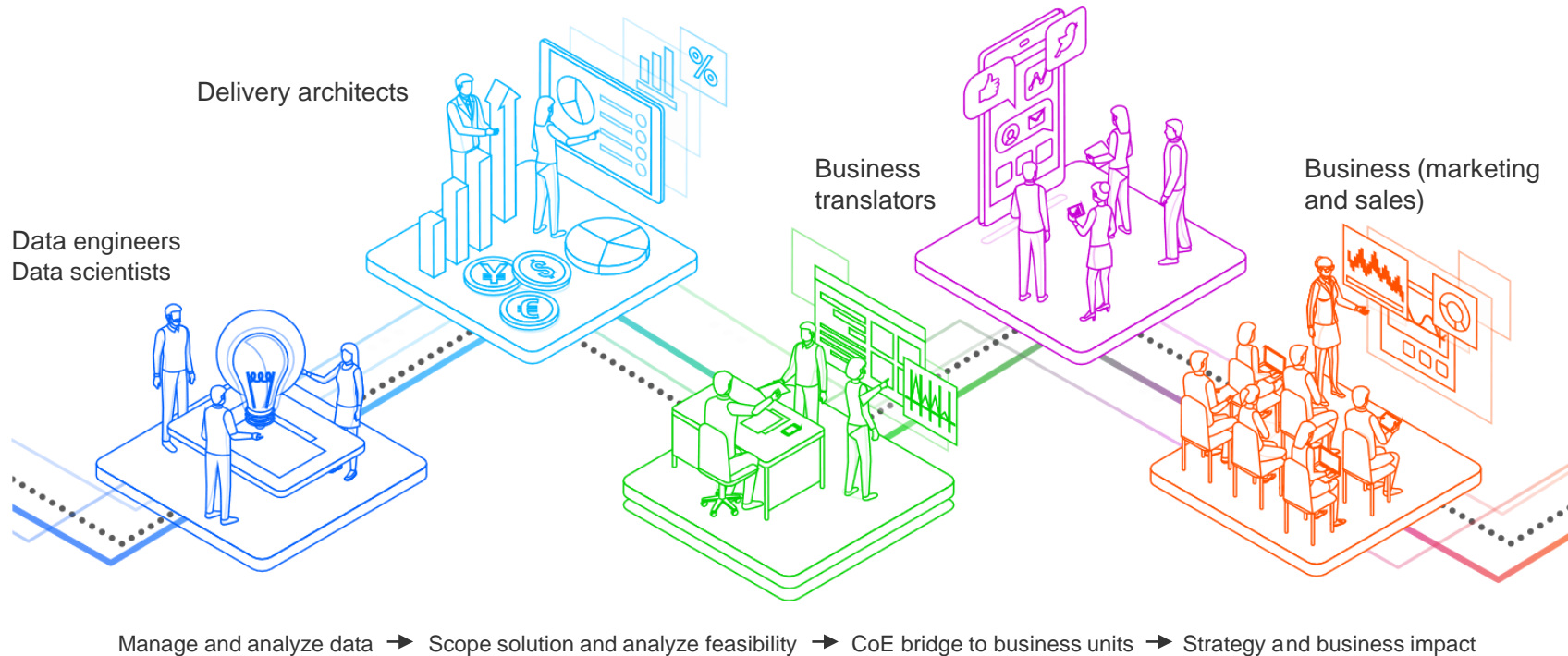
- Fashion and clothing
- Food and groceries
- Electronics and white goods
- Health and wellness
- Automotive

AI and automation simply accelerated due to COVID

The competitive advantage with Era 4 commerce (automated-algorithmic retailing) in part centres on this framework; the highest-value areas are data and execution capabilities



A best-in-class Era 4 analytics Centre of Excellence (CoE) is a critical business model enabler that helps drive enterprise agility and smarter innovations



Best-in-class CoE:

- Is at the epicenter of cultural changes across the enterprise
- Solves many problems for each function
- Prioritizes use cases that drive the highest value that can be measured
- Drives new ideas and innovation practices across business units and the organization
- Upskills employees quicker while doing the hands-on keyboard work
- Sets governance on data standards
- Offers business, technical, and data science expertise

A CoE is a team within an organization that provides knowledge and expertise to accelerate the path to becoming a data-driven organization. Leading retailers and FMCGs are moving towards this model.

Walmart is now working to automate negotiations with chatbots

Walmart Reportedly Finds 75% of Vendors Prefer Negotiating With Chatbot

PUBLISHED BY PYMNTS
21 HOURS AGO



Autonomous negotiations:

- Pactum's AI can conduct pleasant and highly detailed negotiations over legal and commercial terms fully autonomously.
- Pactum is designed to take on contract negotiations with the long tail of suppliers and vendors that most large corporations have.
- Pactum says that by using its software, a large customer like Walmart can gain 2.8% to 6.8% in profitability from each supplier deal Pactum negotiates.
- The retailer uses the AI-powered tool to negotiate only for smaller contracts and only with suppliers that provide equipment it uses, rather than goods it sells.
- Walmart has found that the chatbot closes deals in days rather than weeks and that nearly three out of four suppliers prefer negotiating with the chatbot.

Walmart Canada is using an automated AI-assist to keep shelves stocked and provide the best possible customer and associate experience



How the AI-assist works:

- Computer vision cameras installed in popular areas throughout the store point directly at shelves. At predetermined intervals, the cameras scan the shelves.
- When a product goes out of stock, it will trigger replenishment through Walmart's existing inventory systems.
- An associate receives the alert and restocks the shelf as soon as possible to ensure the best product availability for customers.

Walmart is one of the first retailers in Canada to deploy an AI solution for on-shelf availability, and it has been a game changer for associates and customers so far.

Pepviz is a new data science practice for retail and restaurant partners

The practice combines real-time data, advanced analytics, data science, and industry expertise to help partners grow their food and beverage businesses faster and in new ways

**using technology
+ insights to
unlock growth**

we're announcing a first of its kind data practice focused on delivering new ways for PepsiCo and our retail partners to grow together

pepviz  **PEPSICO**

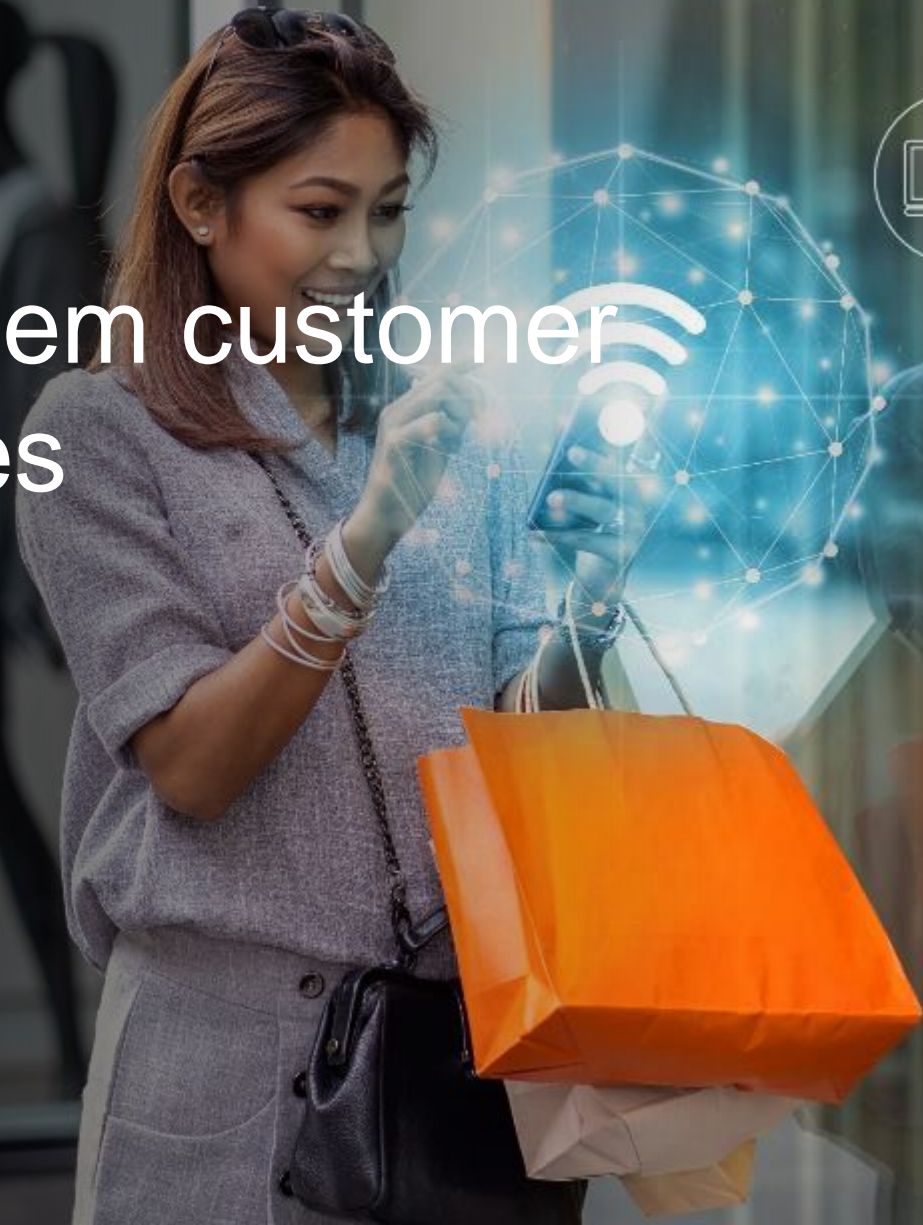
PepsiCo has launched its Pepviz capability to retailers, seeking data-sharing partners to develop the technology into customized solutions.

The company has been developing a data practice over the last several years in which it leverages data-driven predictive analytics in partnership with retailers to drive growth.

Pepviz opportunities include:

- Customizing predictive AI solutions
- Moving with speed and agility to solve customer problems
- Precisely predicting assortments for specific brands
- Improving collaboration and trust with partners
- Being recognized as a premier supplier with the trade
- Unlocking new retailer growth opportunities

3 Ecosystem customer attributes

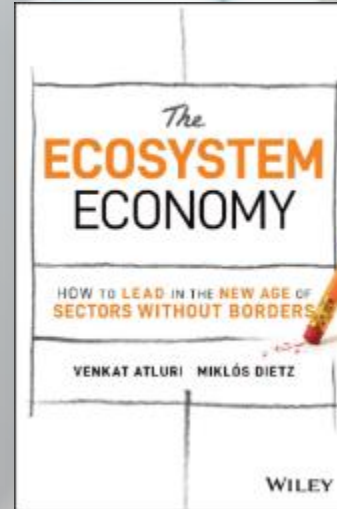


Why are ecosystem enterprises important?

The global economy is being fundamentally transformed by the acceleration of new technology developments, evolving shopper behaviours, business models, and organizational and performance management constructs.

In the ecosystem age, organizations have made great strides in reconceptualizing themselves as ecological systems rather than as standard sector-centred companies. **Research shows that ecosystem businesses lead growth, are highly adaptive, and poised to win even more.**

For those reasons, more retailers are embracing the ecosystem business model. Many retailers see a context where they need to grow profits beyond product profits and supplier trade dollars.



Ecosystem retailers to grow in importance

The central premise is powerful and simple: Retailers that generate profits beyond gross margins on products sold and supplier promotional dollars have higher returns for shareholders.

- Our Kantar 2027 retail forecasts show that four of the top five retailers operate ecosystem-centric models.
- More retailers like Schwarz Group's Lidl, Kroger, and others are experimenting with ecosystem expansions.

Retailer ecosystems often create value by:

- Generating more revenue in the core commerce business due to the expanded value the ecosystem provides
- Driving incremental revenue streams by creating new media platforms, monetizing data, and delivering new fee-based services

Top 10 Global Retailers in 2027
(USD, billions)



Case study

Walmart

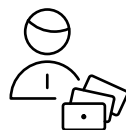
Walmart is building an impressive, integrated ecosystem to diversify its revenue capture and deepen its share of life with its 150 million weekly US customers.



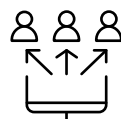
The retailer is expanding its healthcare services with primary health clinics and in-store labs with Quest Diagnostics. It is also working with Humana to sell Medicare drug plans.



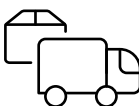
Walmart is expanding its financial services with prepaid Green Dot cards, offering money transfer services via MoneyGram and tax services through Jackson Hewitt.



The Walmart+ membership program includes free shipping and discounted prescriptions.



Walmart is expanding its Marketplace's network of third-party sellers to compete more effectively with Amazon.



Walmart is offering its Walmart Commerce Technologies and GoLocal to other retailers to help them improve their fulfilment and delivery, which drives new revenue for Walmart. With this partnership, other US-based retailers can leverage the same sellers.



Case study

Dollar General

Dollar General has created a unique business model that revolves around small stores in small, isolated towns with few shopping options. The retailer is expanding to an ecosystem business model with new products and services.



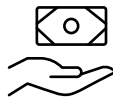
The first priority is delivering on its core value proposition. The retailer is looking to save shoppers money with expanded categories at low prices. Dollar General is now selling more fresh categories through DG Fresh to drive sales.



The company is making a big long-term bet on health management by increasing its health and wellness assortment in rural stores. The chain is partnering with DocGo, a provider of mobile health and transportation services, to pilot mobile health clinics. The clinics are located in vans set up in the parking lots of three Dollar General stores in Tennessee.



Dollar General is also leveraging technology, including its app, self-checkout, and in-store collection to make shopping faster.



Dollar General is also providing financial services for underbanked or unbanked shoppers through partnerships.



The retailer has upgraded its retail media network as competitors ramp up efforts to sell advertising.



Case study

Alibaba and JD.com

CPGs often launch new items first on these platforms and then scale to wider markets.



- Capitalizing on the growing popularity of mala, the Chinese word for “numbing and spicy,” the world’s biggest confection maker, Mars, teamed up with Alibaba Group to create a chili-infused Snickers bar.
- The collaboration involved integrating analytics from Mars’ consumer research, the 500 million-plus users of Alibaba’s online marketplaces, and a customer survey aimed at finding a new flavor to bring to market.



- The online supermarket branch of JD.com signed a strategic agreement with Nestlé to team up on consumer operations, product customization, marketing, and supply chain support.
- Nestlé will now launch products specifically for JD’s online supermarket, and JD will provide sales and marketing data services to help strengthen Nestlé’s marketing.

4

How to win



CPGs often group retail ecosystems into segments

These customers often secure priority resources given their value-creation assets

Level 1

Global customers



Level 2

Regional customers

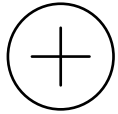


Level 3

Last-mile providers



CPG customer segmentation models often call for investing more in ecosystem retailers and less in other retailers



Overinvestment

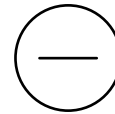
CPG customer segmentation model attributes for ecosystem retailers typically include these areas:

Formal measurable KPIs:

- Share of total business
- Share of revenue growth
- Share of total investments
- Share of customer profits

Informal value:

- Data capture
- Insights
- Innovation
- Marketing



Underinvestment

CPGs often view retailers with the following attributes as candidates for underinvestment:

- Generating profits primarily from product sales and CPG trade investments
- Lacking alternative revenue streams like media, data, and services
- Increasingly under profit pressures and demand more trade dollars from CPG suppliers
- Growing retail sales below market growth rates
- Not investing in contemporary IT infrastructure

These types of customers are often seen as “terminal” with increasingly difficult futures.

The global customer and commercial function can play a critical role in helping customer teams drive more value with retailer ecosystems

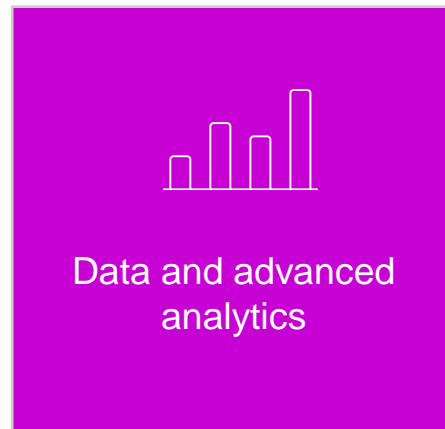
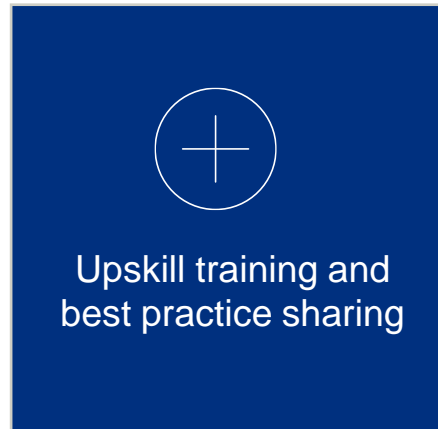
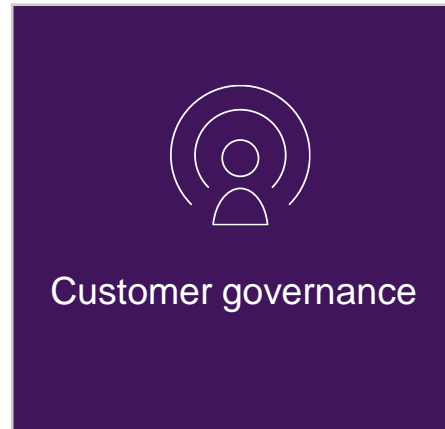
The **global centre** helps proactively leverage customer knowledge across markets, including insights, best practices, team building, and networking events.

As such, the global centre helps CPGs maximize the value of retail ecosystem customers across the organization.



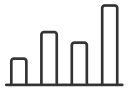
The global customer centre supports local ecosystem customers in these areas to drive maximum value for customers and the supplier organization

Retailer ecosystems move far faster than traditional legacy retail customers. The global centre helps customer teams move with speed and confidence across all these areas.



CPG customer teams often take new selling, marketing, and innovation approaches to drive maximum value with retailer ecosystems

Integrated cross-functional demand-creation and capture team



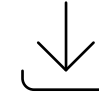
Data and analytics



Customer management



Demand teams



Algorithmic selling



Marketing and innovation

Team skills

- Ecommerce (1P and 3P)
- Performance marketing
- Media management
- Data and advanced analytics
- Supply chain
- Advanced negotiating
- Influencing algorithms
- Portfolio and innovation
- Revenue growth management
- Agility and speed

Global customer and commerce COE

CPGs can use ecosystem retailer data in many ways to drive competitive advantage

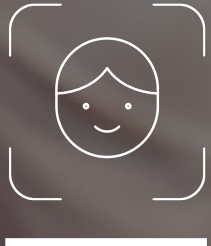
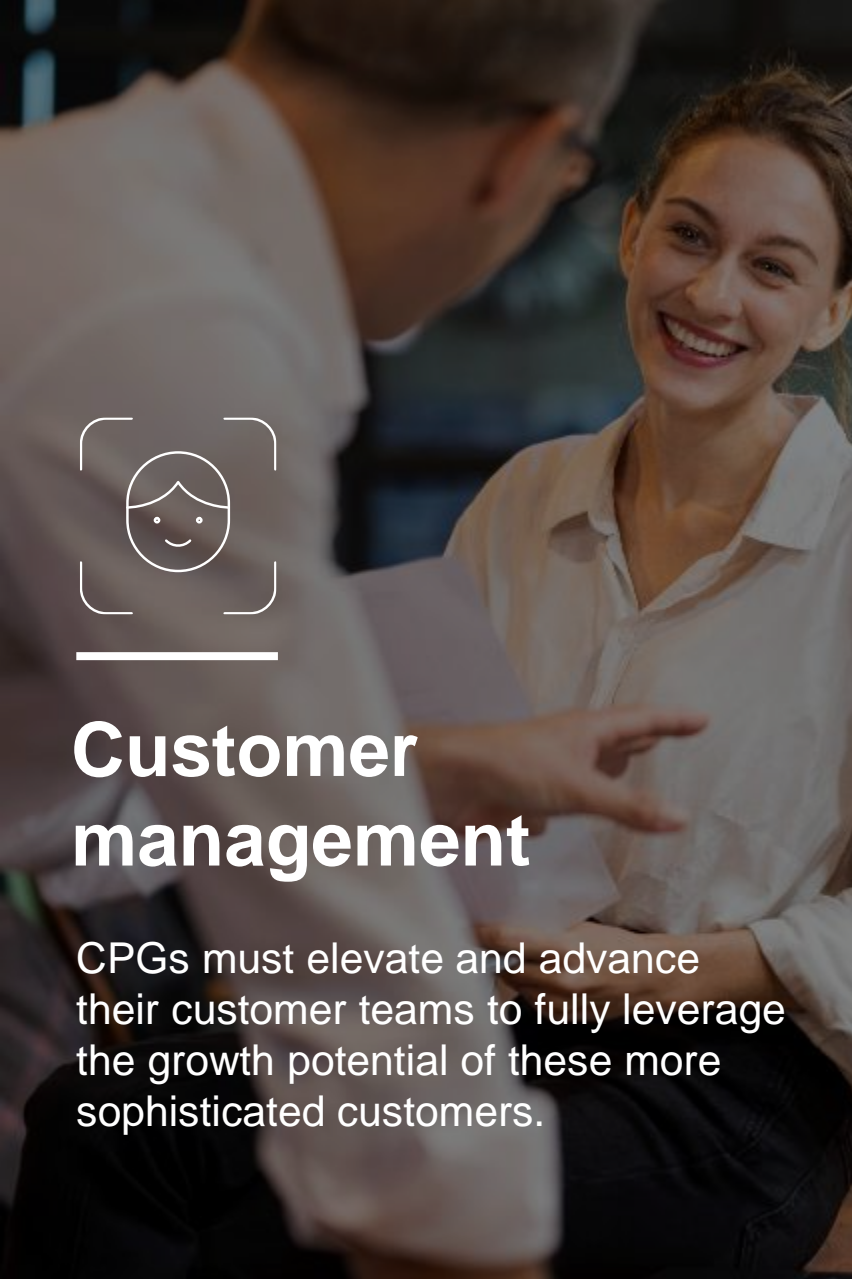
How CPGs are leveraging data from across the retailer ecosystem:

- Capture as much data as possible from stores and online transactions.
- More brands are using retail media data combined with other ecosystem data streams.
- **Best-in-class CPGs build global customer smart data capability centres.**
 - A custom-built global data platform absorbs disparate data sources into one central system (e.g., 1P, retail media network). CPGs can build the centralized smart data centre that collects and integrates data from across customers, fueling innovation. Most companies will have strict firewalls protecting this 1P data.
 - Local customer team users are trained on how to use the central system for real-time insights and actions.



Data and analytics

CPGs should look to build robust data and analytics capabilities from retailer ecosystems that can provide enormous value for the customer teams and the enterprise.



Customer management

CPGs must elevate and advance their customer teams to fully leverage the growth potential of these more sophisticated customers.

Suppliers are upskilling customer teams managing retailer ecosystems to accelerate growth and profits

How CPGs manage these growth retailers:

Teams consistently update their customer contact ecosystem maps.

- Fully understand the new areas to support, add value to, and influence (e.g., B2B, health, marketplace, financial, media).

Suppliers break down the internal silos between teams that often work on different verticals within the same customer.

- The customer team leader should provide the organization with clear visibility into all the internal co-workers who are working on the retailer's business.



Demand teams

CPGs can create demand teams with ecosystem retailers to fully leverage their tech and data stacks to drive innovation.

Suppliers are creating demand teams that move fast to capture real-time customer and brand opportunities

How CPGs can use customer demand teams:

Embrace new ways of working.

- Customer team leaders must work differently to capture maximum value with these advanced customers. New growth vectors for CPGs can be developed by working more closely with internal brand, media, data science, and R&D teams.
- Customer teams need to bring their innovation and marketing plans to these customers earlier to fully maximize their potent tech stacks. Planning 24 months out with these customers and then working backward creates more value for all stakeholders.

Set up a cross-functional team to measure and scale growth pilots.

Partner with the retailer's innovation and digital lab teams.



Algorithmic selling

CPGs will see these customers use advanced data and AI technologies for merchant teams and decision-making.

Suppliers must prepare for a rapid shift to AI and automation with advanced customer platforms

What CPGs will see with these customers and how they can respond:

Key areas like negotiating, assortment, pricing, and promotion are being led or influenced by AI and algorithms.

- Retailers like Amazon and Walmart are using algorithms to manage the business.
- Suppliers must learn how to understand and influence category recommendations made by algorithms as more merchants make decisions out of sight.

CPGs must upskill their customer teams to work with these retailers.

Leading CPGs are developing their own in-house data science and consulting practices to drive value with advanced customers.

- PepsiCo's Pepviz data science and consulting practice helps retailers.
- Mars Wrigley's AIM (Accelerating Impulse Moments) helps retailers grow their profitable impulse categories.



Marketing and innovation

CPG suppliers are partnering more strategically with these platform customers to drive innovation.

Leading suppliers partner deeply with these customers to drive innovation and scale across the entire enterprise

How CPGs are marketing and innovating with these customers:

Utilize the Alibaba Tmall Innovation Centre (TMIC) for global value.

- More CPG firms are borrowing insights, agile ways of working, and faster innovation strategies from the TMIC and taking them to other markets.
- Brands like Philips and Nivea (e.g., tiger grass skin care products) are taking new products developed with Alibaba in China to Asian and European markets.
- The TMIC essentially provides brands with an incubation centre for global insights and learnings that benefit other markets.

Test and learn first with the retailer's marketplace.

- Brands are launching new products first on retailer marketplaces. Once they test and optimize the product, copy, and creative there, they can move to store distribution.

5
Turning insights
into actions



Turning insights into actions



Learn to influence algorithms

Data, AI, and automation will play a larger role in B2B and B2B2C negotiations with suppliers. More suppliers must learn how to influence merchant algorithms to achieve their growth objectives.



Increase investments

More suppliers are making larger investments in top-tier ecosystem retailers based on sales growth potential, marketing value to brands, and innovation opportunities.



Increase team speed and innovation

Suppliers must improve their speed to market with retailer ecosystems whose marketing and innovation lifecycles are markedly faster than those of traditional retailers. Create dedicated demand teams to focus on real-time growth opportunities to capture disproportionate category growth.



Upskill customer teams

Suppliers will need to adjust to newer, more advanced retailer KPIs to have success and meet JBP goals.

CPG companies are adopting credentialed learning for teams in areas like AI, advanced analytics, brand building, and media.



Utilize the global customer centre

Suppliers should create a global standardized process for sharing innovation learnings across customers. Partner with customer team leaders to eliminate silos between internal teams working on different verticals within the same customer. Internal teams benefit greatly from seeing each other's work across functional areas.

A person's profile is shown in silhouette, holding a smartphone. The image is overlaid with a complex digital network of white lines and dots, suggesting connectivity and data. The background is a gradient of blue and purple with a starry, cosmic texture.

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QUESTIONS?

For further information please refer to
retailiq.kantar.com

Contact:
Barry Thomas
Senior Global Thought Leader

barry.thomas@kantar.com

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111 Huntington Ave., 20th Floor, Boston, MA 02199

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