

WHAT CAN RETAILERS IN THE UK LEARN FROM THE ASIAN RETAIL MARKET



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INTRODUCTION

As organized retail is only a few decades old, Asian consumers have adopted quickly to new modes of shopping ranging from online to multi-channel retail.



Retailers in the United Kingdom have been facing several challenges over the last year; discounters and online competition, more expensive energy and rising business rates are just some of the extra expenses that retailers are now juggling. As a result, some of the key brands in the U.K. have been forced to shut down a consistent number of stores across the country. In an increasingly digital world, many businesses have chosen to focus (sometimes almost exclusively) on online channels for sale instead of promoting the in-store experience. It is unclear whether this lack of attention for the bricks and mortar shopping experience has contributed to driving this shift in marketing budgets or whether this is a consequence of flailing high street revenues.

Retail executives seeking to understand the future of retail should take a close look at Asia. It has the world's highest rate of Internet shopping and the fastest growth in overall sales. We expect around half of all retail growth will continue to come from Asia in the next five years.

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Asian consumers are known to quickly adapt, as a result, some modern retail formats have struggled in hyper/supermarkets in the Asia Pacific. The reason is that getting around Asia's cities can be difficult especially due to factors including pollution and congestion, so people want the convenience of shopping nearby. Destination shopping malls were successful, up to a point; increasingly, physical retail space needs to be where shoppers are, not where retailers want consumers to visit. This means retail in public transportation hubs, office complexes and the multi-purpose developments that comprise residential, retail, office, and services have to be all-in-one spaces. This means that retail formats have had to fit the location, not the other way around. As a result, formats are now more fluid mini-marts, rather than full-sized supermarkets. The online-offline integration has also created a level of choice and convenience for consumers who now expect to get the most of what they want from wherever they are, either immediately or delivered to their door.

The rapid penetration of smartphones has played a significant role in eliminating all those hours previously wasted commuting through heavy traffic each day. Consumers now watch television, listen to music, read books, explore new travel destinations and shop, all from one device and all while on the go. This forced retail to rapidly become part of a wider consumer digital experience. Physical retailers, therefore, have not only started offering grocery delivery services, but also complimentary consumer solutions such as laundry, banking, settling bills, and buying travel tickets. Retailers, especially convenience store have therefore become almost like a local community utility. They offer many services that consumers need in their daily lives, all within one space, whilst also offering basic shopping and somewhere to sit and have a coffee.

MINI MARTS ARE SUCCEEDING WHILE LARGE FORMATS ARE STRUGGLING





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PHYSICAL STORES ARE EVOLVING TO STAY RELEVANT

This is not to say that the physical retail space has stood still. On the contrary; many traditional retail formats have re-imagined themselves in order to stay relevant. Supermarkets have had to become more like wet markets and spaces with various niche food stalls, sometimes making it hard to tell where the supermarket ends, and the outdoor market begins. But that is the point.

Consumers don't feel the need to be loyal to one big brand; they are drawn to niche brands and exotic offerings, tucked-away for them to discover. They don't mind if that is actually all under one roof and under the direction of one retail company; they just want to enjoy the experience! Consumers have no respect for the walls between stores. And why should they? Store formats, shopping mall units, and other retail spaces are not what interests them. They are interested in what's inside. What consumers want is an experience, environment, and ambiance. This is where retail in Asia Pacific has really begun to get much more creative.

The concept of everything at your fingertips has already evolved. Today, nearly everyone in Asia has a smartphone; nearly every smartphone owner is on social media; and social media apps (such as WeChat in China) combine nearly every service one needs to get by, including social messaging, online banking, payments, car hailing, food ordering and delivery, travel planning, and retail shopping. It's no surprise that retail has rapidly moved into the social media space. 'Social retail' has already evolved from offering a route to online shopping via social media apps, to a more nuanced integration of social conversation and retail.



BRINGING SOCIAL MEDIA TO THE FOREFRONT

1

Retailers need to move away from the 'traditional retail' ideas of fixed physical spaces to provide a more fluid, interesting, and experiential retail space. For instance, offer short-term rents on smaller spaces to niche brands. Provide more creative and experience-led retail offers via pop-ups and exclusives to deliver the atmosphere that consumers crave.

2

Stores no longer need to stock everything, just the items that serve an immediate need. The rest can be offered via online shopping screens and delivered to customers' doors. Retailers, especially convenience stores, should become almost like a local community utility, providing basic food and drink, but also free space to sit, and work. They can offer the essential services that consumers need in their daily lives, as well as support a sense of community.

3

Retailers should look to social retailing as it creates genuine, two-way interaction with consumers and allows retailers to give product information and purchase advice in real time. It also creates opportunities to forge social media dialogues that can spin-off into consumer recommendations, or ideas for new product/service development. Already companies are launching social media-exclusive products, not offered in physical stores or online retail platforms, to highly targeted micro communities.



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