

The Future of Retail

Sustainability Matters Webinar
June 20, 2019



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The Business of a Better World

THE FUTURE OF RETAIL TODAY'S SPEAKERS



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Why futures thinking?



Disruption is the new norm

- The world around us is changing more rapidly than ever before
- The context for sustainable business is radically different
- Businesses that fail to adapt quickly to changing conditions are at risk of being swept aside

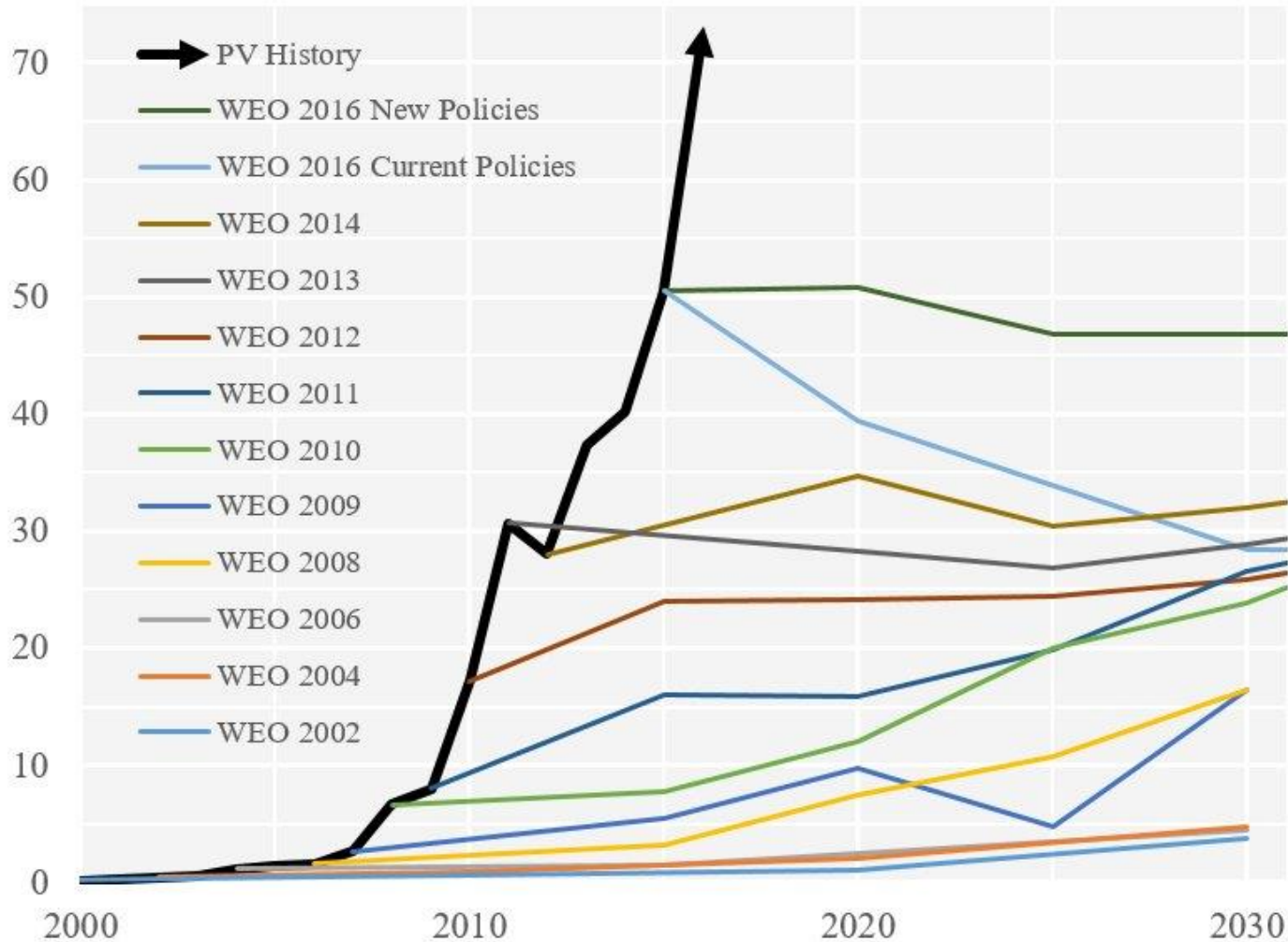


But we struggle to make sense of disruptive change

- Our brains evolved to help us think about short-term survival needs. We have hard-wired cognitive biases that make it **difficult for us to think effectively about complex global issues and unpredictable change.**
- We frequently respond to uncertain future possibilities with **denial** (oversimplification or false confidence) **or paralysis** (planning for everything or wait and see).
- Our business tools **rely too much on extrapolation from the past** and outmoded mental models.
- Yet effective leaders need more than ever to be able to think about complex and unpredictable change, and to **make wise strategic decisions in the face of uncertainty.**

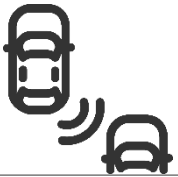
Forecasts have their limits

Annual PV additions: historic data vs IEA WEO predictions
In GW of added capacity per year - sources World Energy Outlook and PVMA



Resilient companies need a different approach

There is increasing demand for tools that allow companies to better understand emerging issues and evolve strategies in real time. Companies want to:



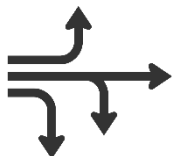
- **Gain a full picture of future trends and key uncertainties** likely to impact the business – actively identifying blind spots



- **Build internal capacity** to understand and respond to longer-term possibilities



- **Plan the best course of action today**, avoiding oversimplification, false confidence, over planning, and/or a “wait and see” approach



- **Proactively outline reasonable responses** to possible future developments



- **Improve organizational agility** by developing systems to identify and address disruptive changes

The background of the slide is a composite image. It features silhouettes of several people in a professional setting, some holding tablets. Overlaid on this is a large, glowing digital globe composed of a network of white lines and dots, representing a global network or data flow. The overall color palette is dominated by blues and greys, with a soft, ethereal glow emanating from the digital elements.

What is Futures Thinking?

Forces shaping the future

The starting point in any foresight project is identifying, categorizing, and understanding the forces shaping the future. Some of these forces are tectonic—large, slow, and inexorable. Others are ephemeral or disruptive. Some, like population growth, are highly predictable, while others, like political attitudes, are often highly dynamic.



Megatrends, such as urbanization, are long-term global shifts that can be foreseen with a high degree of certainty. They cut across many different domains and geographies. Although highly visible they can also be diffuse and hard to grapple with. All futures work should take megatrends into account.

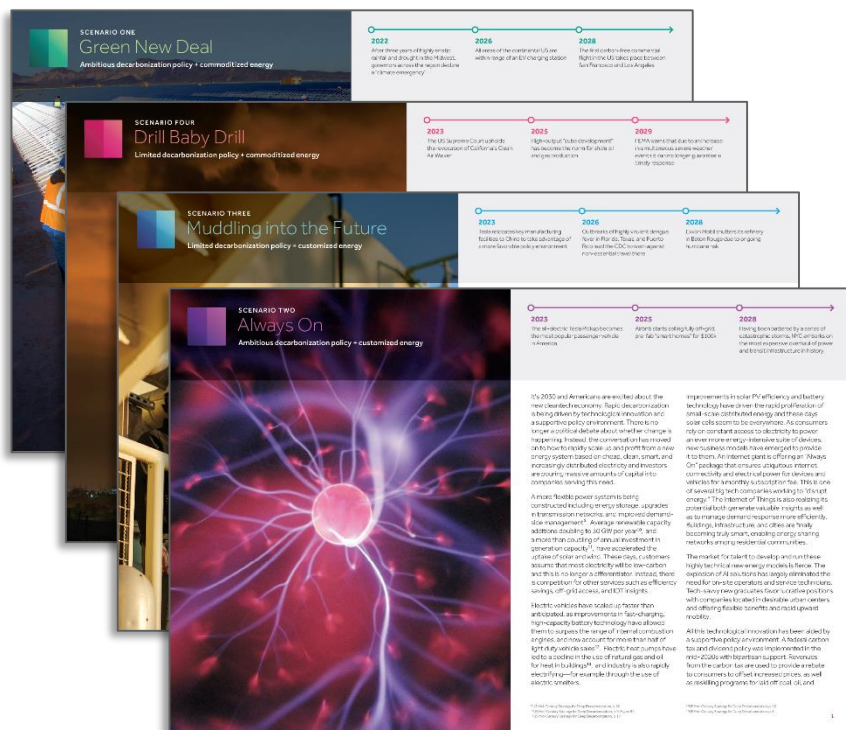


Factors, such as nationalism, wind energy, or the price of oil, are key issues reshaping the future. Social, technological, environmental, economic, and political factors are the building blocks of futures work. Depending on the industry or geography some factors will be more relevant than others. **Trends** are factors with an observed directionality, such as increasing water scarcity. However, caution must be exercised when using trends as their trajectories always change, often abruptly and unexpectedly.



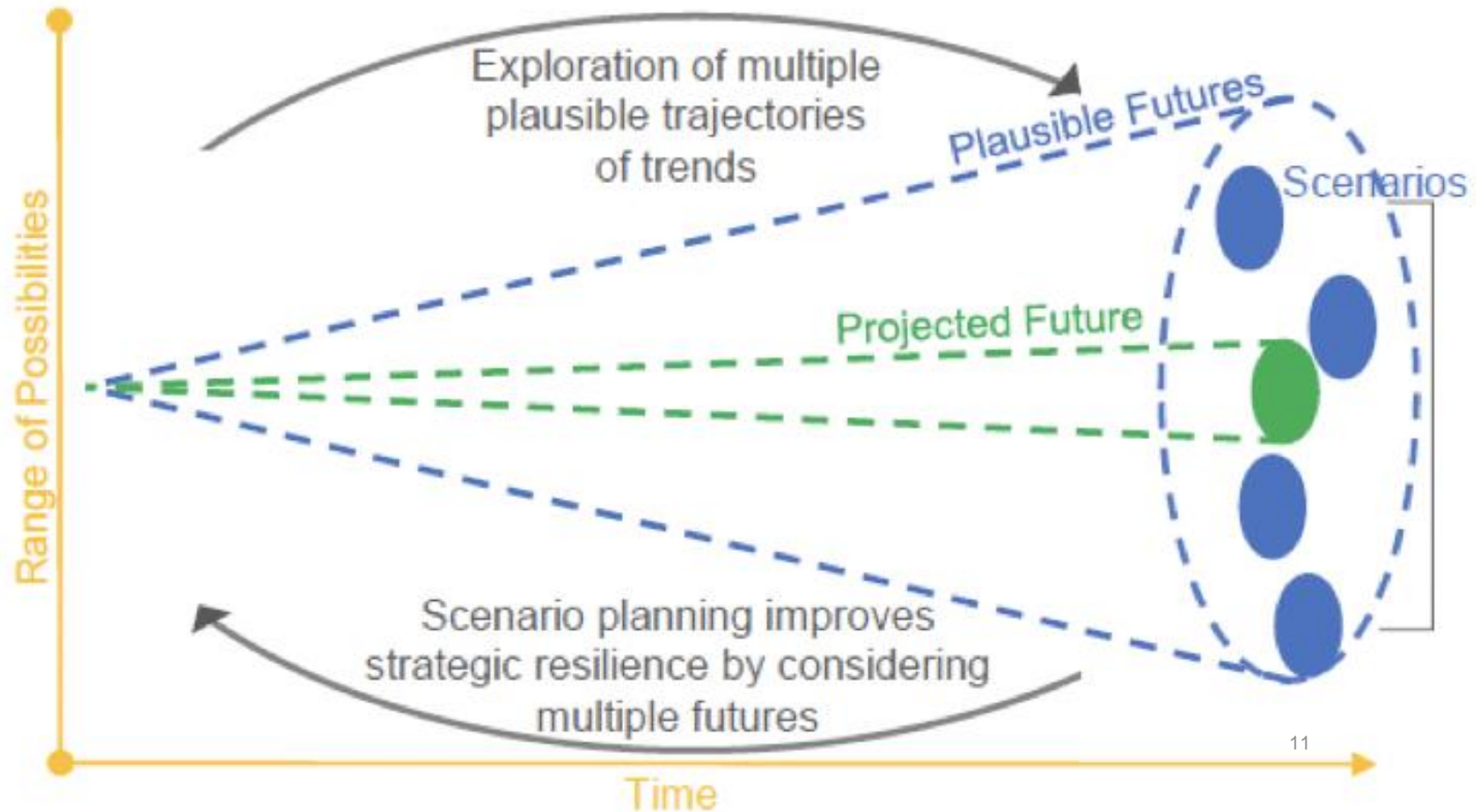
Signals of change are new and generally niche developments that indicate possible future disruptions to prevailing trends—or sometimes the emergence of entirely new trends. Signals are highly diverse and might range from a scientific breakthrough to a new policy idea. The significance of the most interesting signals is often ambiguous at first. **Detecting and making sense of signals of change is a key aspect of futures work.**

Futures scenarios



- Scenarios are a set (often three or four) of narrative depictions of different plausible futures
- Scenarios are not predictions
- Scenarios create a testbed for strategy

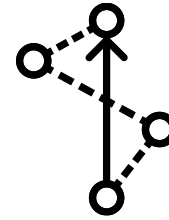
Scenarios expand our field of view



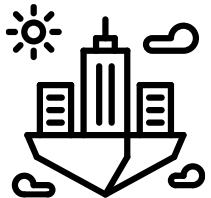
Benefits of Futures Thinking



Identifies blind spots and challenges groupthink by testing assumptions about the future



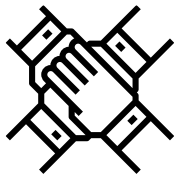
Supports the development of more resilient strategy



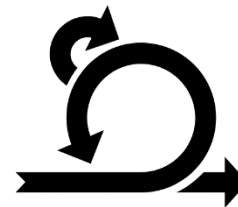
Builds capacity to understand and engage with sustainability.



Enables the rehearsal of responses to possible future developments



Provides a platform for alignment and collaboration



Improves individual and organizational agility

Scenarios for the future of business

During the second half of 2018 BSR undertook a collaborative process to develop scenarios exploring the future operating context for sustainable business.



We researched dozens of factors shaping the future of sustainable business, and signals of change indicating possible disruptions.

Workshops were held in New York, San Francisco and Hong Kong, bringing together external experts, members, and BSR staff to explore the research and identify **critical uncertainties**.

Four scenario narratives were drafted and iterated with the help of participants and BSR global staff.

How the World is Changing For Sustainable Business

The Changing
Nature of
HUMANITY

The Race to Stay
within **PLANETARY**
BOUNDARIES

Accelerating
TECHNOLOGICAL
DISRUPTION

Rewriting the
SOCIAL
CONTRACT

The Future of Retail

Five Trends and Signals of Change



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The Workforce of Tomorrow

- While income inequality decreases, focus remains on wage initiatives such as UK's Living Wage Foundation and IKEA's living wage commitment. Also, national legal systems are increasingly adopting gender pay laws, such as in the UK, Iceland and Holland to document and reduce the gap
- The 4-day work week is gaining ground, with successful examples in Sweden and Germany, and proving as productive as average week
- Millennials will comprise 75% of the global workforce by 2025, but in Europe those 50 and older will be over 20% of the active population. Those under 35 will be the segment developing new skills required in the automated and A.I. economy. The majority (43%) of the skilled population will be female
- Automation is poised to significantly disrupt retail. McKinsey and PwC estimates that 62 million jobs in Europe's 5 biggest economies can be automated, with retail being ca. 20-30% by 2030. At the same time, there are many opportunities for job evolution and reskilling. Only 5% of retail jobs can be fully automated with current technology.
- Due to ageing populations and birth rates decline, AI might however make up for productivity shortfalls mitigating technical unemployment.

Signals of Change



Chinese online retailer JD.com launched first fully automated warehouse with 4 employees replacing 400 staff. In the UK, Ocado is trialing humanoid robot warehouse assistant. Amazon Go is first convenience store without tills and lines, using sensors for automatic payment.



Stockton, a California city where one in four people live in poverty, is launching a pilot of Universal Basic Income. It will give 100 residents \$500 a month for 18 months, no strings attached.



The SEC is considering a rule change to allow gig economy workers to be compensated with equity. Airbnb and Uber have voiced support for the idea.

Smart Everywhere

- Omnichannel continues to develop with automation creating greater seamlessness between online and offline
- AI and data analytics are driving enhanced personalization. By 2021, nearly 79% of retailers will be able to customize the store visit for customers as a majority of them will know when a specific customer is in the store
- VR and AR are enabling retail companies to immerse customers in a highly personalized interaction and bring the retail experience closer to home or anywhere their consumers are connected. The majority of retailers are already implementing or planning to further invest in mixed reality
- AI is enabling companies to better anticipate consumer preferences and is already capable of improving demand forecasting up to 50%
- Autonomous vehicles may soon reconfigure our logistics, landscapes, and society. They are poised to disrupt trucking and potentially solve the problems with last mile delivery

Signals of Change



Walmart applied for a sensory shopping cart patent to track heart rate, body temperature, grip and walking speed while shopping. This will help Walmart analyze how shoppers are physically responding to different parts of the store. Carrefour is testing VLC to offer location-based services in stores.



40 German supermarkets tested face scanning technology on customers waiting in checkout lines to use the information for personalized ads in adjacent screens targeting specific demographic groups. It is estimated that 59% of fashion stores already use the technology in some form.



Amazon now offers delivery to the trunk of your car. The new service is available in 37 cities in the US and leverages the connected technologies embedded in many modern vehicles today.

The Social Life of Business

- Recent movements such as #MeToo have shone a spotlight on issues of diversity, discrimination, and inclusion and increasingly drawn the business community into the conversation
- Corporate activism is on the rise, with issues such as refugees and immigration, LGBTQ rights, and the climate crisis drawing public commentary from thousands of executives, companies, and their employees. Brands from Primark to Starbucks are supporting various causes through their products, marketing or commitments such as IKEA's Refugee Employment Program
- In Deloitte's Millennial Survey 2018, three-quarters of the young workers interviewed see businesses around the world focusing on their own agendas rather than considering the wider society, and climate tops the list of issues where they expect business to take action
- According to FleishmanHillard, two-thirds of consumers said they've already stopped using a company's products or services because that company's response to an issue didn't comport with their own views

Signals of Change



A collaboration between large retailers and NGOs in Denmark has created surplus food supermarkets to reduce food waste and support low-income groups. Similar 'social supermarkets' are growing in the UK.



Tesco is piloting a "relaxed checkout lane" service intended for seniors and others who require additional time.



56% of Gen Z and 46% of Millennial consumers do NOT always buy clothes designed for their own gender.

Over There is Now Here

Major forces of change are poised to have significant impacts on supply chains from today to 2025.



Widespread Adoption of Technology, Including Automation, Across the Value Chain



Shifting Consumer Demands and Changing Market Demographics



Global Climate Change and Resource Scarcity



Human Migration on a Mass Scale



Mixed Signals on Trade and Transparency

Signals of Change



Sourcemap launched the Open Apparel Registry, an open, crowdsourced database of apparel facilities around the world. It improves supply chain transparency by providing the apparel industry, manufacturers, and consumers with information about factories making their clothes.



Retailers are using blockchain solutions for food traceability.

Walmart and IBM implemented a food safety solution for leafy green vegetables. In April 2019, Carrefour has rolled out blockchain to chicken, tomatoes and milk products in France.



Sewbot, an automated garment manufacturing technology, can produce T-shirts at a cost competitive with human production in low-wage countries. Verisk Maplecroft warned this year that job losses from automation in the supply chain may spike slavery and labor abuses.

Race to Stay Within Planetary Boundaries

- The urgency to act on climate change has significantly increased this year, following recent reports from the IPCC and Stockholm Resilience Institute.
- The EU aims to achieve carbon neutrality by 2050. In 2018, it aligned its ambitious Circular Economy Plan in an MoU with China.
- Plastics became a hot button issue last year, both single use plastics such as straws as well as microplastics, which have been found in everything from fish to bottled water to table salt – to human stools.
- The European Parliament has voted for a complete ban on a range of single-use plastics across the union in a bid to stop pollution of the oceans. Other waste bans, e.g. on microplastics, are likely imminent.
- Retailers are setting more ambitious waste reduction targets. M&S, one of Europe's largest supermarkets, through its Plan A sustainability strategy is committed to zero waste to landfill and to halve food waste by 2025.

Signals of Change



EU is considering a law for the 'right to repair', forcing manufacturers to make repair accessible for all their products, either at repair shops or in their own stores.

Product rental and ***rent-à-porter***, is emerging thanks to companies such as Vigga, leasing baby clothes, IKEA, and even in department stores such as LaFayette.



Fast fashion brand C&A has launched its first line of circular and Cradle-to-Cradle certified products.

Adidas manufacturers first 'ocean plastic' shoe and vows to use only recycled polyester by 2024. Similarly Gant uses upcycled plastic waste.



Ellen McArthur's New Plastics Economy launched in 2018 to promote circularity and ensure 100% of plastic packaging can be reused, recycled, or composted by 2025. 290 companies have signed the commitment.

A coalition of brands with TerraCycle is launching Loopstore, a zero-waste home delivery platform.

Q&A

- What resonates the most ?
- Which of these issues do you hope to explore further?

Thank you

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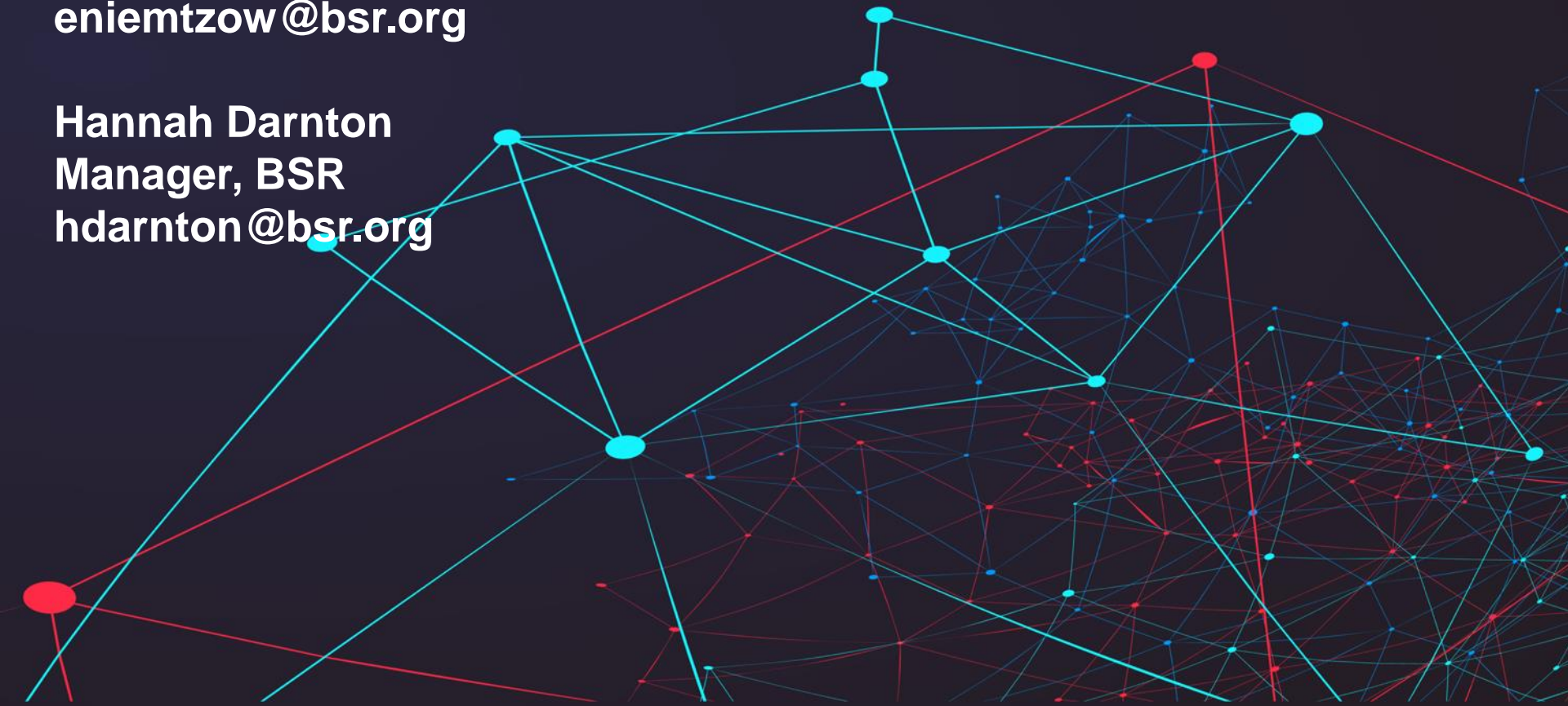
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BSR is a global nonprofit organization that works with its network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.



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