

Oh, how we envy those Tier 1 companies with their big budgets and their ability to spend their way to success. Being big comes with a series of challenges that make SME's cringe. Below are the Top Ten trends that high volume retailers and vendors will confront in 2008.

ONE

Cash & Credit Crunch

Headwinds from the macroeconomy (outside of our industry) now cloud the outlook for the business climate and the consumer spending environment for retailers. The European Bank says "a perfect economic storm" is on the horizon. Let's not talk ourselves into a recession but acknowledge the reality of America's mortgage and foreclosure crisis, UK's Northern Rock fiasco, France's Société Générale's rogue trader scandal, Germany's government-backed bailouts of German banks, and Spain's new reliance on ECB finding for their banks.

A solid credit rating and healthy balance sheet will serve retailers well during 2008 as they again demonstrate why cash is king. With consumer spending constrained by economic weakness and tight credit, the marginal players in the industry are in for a tough time. Companies who struggled to grow sales last year, even when growth was robust, may have increase borrowings under their credit lines, if they haven't already done so, to fund operations. Financial and credit managers from distributors, retailers and vendors should observe these trends at www.ecf-congress.eu

TWO

Search for Perceived Value

Retail in affluent economies is an emotion-filled business where product purchases are driven by consumers' desires to satisfy wants, rather than simply meet needs. In an environment where consumers have a lot of reasons to feel unsettled about the economy, retailers need to demonstrate value-added on top of compelling prices and quality merchandise.

THREE

Growth for Private Brands and Branded Non-Brands

The increased penetration of private brands is not a new phenomenon, but with retailers and disties facing tough market conditions for 2008, the allure of direct sourcing will result in acceleration. The capabilities of retailers' internal product development teams have improved, but building a brand from scratch is never easy, so the more common strategy involves entering into exclusive distribution agreements.

Interesting note: in what appears to be an oxymoron, there's a trend to successfully brand Private Label

FOUR

The Rush to Authenticity & Transparency

Thanks to the internet, anyone with a blog or video recorder can be an investigative reporter with instantaneous worldwide communication. Dubious business practices can be quickly revealed in cyberspace so the only option for retailers in an increasingly transparent world is to embrace integrity. Add to this rising security concerns: any communication from an employee or supplier could be interpreted differently than the sender intended. It costs hardly nothing to start a fire but a fortune to put one out.

FIVE

More thanks to flat panels and GPS

Best Buy says consumer electronics now accounts for 46% of its business. Rising stars (a double-digit sales gain in flat-panel TVs and a triple-digit sales gain in GPS devices) were more than offset by falling stars (projection and tube TVs as well as MP3 devices.)

Research from GfK shows retailers have no choice but to keep chasing more SKUs in order to grow sales and profits.

SIX

Shopcasting and Crowdsumption

Social shopping or "crowdsumption" is what happens when social networking principles meet eetailing.

Shopcasting describes people that look at what other people are buying on the web.. Narcissism? There is definitely something going on, especially sites like Nethaggler that tap into the purchasing power of large groups of individuals. More sites like Osoyou.com and ThisNext.com connect people with similar interests and tastes and represent what some observers are calling a new 'referral economy'. And that will come to our industry. too.

SEVEN

Feeling the Need for Speed:

It no longer takes 9-12 months to "fast follow" runway trends. Companies are able to translate and merchandise trends for a mass audience with production cycles of fewer than 30 days.

EIGHT

If consumers have the power, what do we have?

The internet changes consumer behaviour because it shifts power in the form of information from the retailer to the customer. Shoppers are now increasingly well-informed and increasingly impatient thanks to the speed of the net and the control it gives to buyers.

Many customers also like physical stores if they are sensory and catering to personalized interests. Physical stores need to invest in both worlds: superfast access to info and emotive/experiential stores.

Circuit City in USA promises buyers any item ordered over the Internet will be available in-store within 24 minutes (or the customer will get a US\$24 gift card to soothe their lack of instant gratification.) Circuit City reports 50% of online orders are now picked up from one of their stores.

Best-Buy invests more heavily in staff training so staff know at least as much about the products they are selling as their prosumer customers.

Customers want more info and to be in control. They want delivery and payment to speed up, and they want more service. If all that clashes with their desire for low prices then you can call today's customer both demanding and contradictory.

NINE

Something for nothing: The "Freemium" Economy

One of the business models emerging from internet is to give away stuff for free in the hope that customers will one day pay to upgrade their experience (or subscription). Many people today pay Skype for services when the original service was free.

This is the "Freemium" economy and some critics argue this is way that all digital products and

services will be 'sold' in the future. Do we thank software companies for this or credit the razor blade companies?

In either case, retail has yet to decide how it can either counter or utilize Freemium.

TEN

Green is the channel

Retailers have seen the supply chain efficiency benefits that come from viewing their operations through the lens of sustainability. Now Green is popular and industry leaders will push sustainability and Green initiatives at an even more aggressive pace. Green' consumerism means customers are more aware of things like climate change and want retailers and vendors to do their bit.

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