EDGE
BY ASCENTIAL

#KNOWLEDGE TO WIN

FUTURE RETAIL DISRUPTION

Responding to Change

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EDGE
BY ASCENTIAL

RETAIL INSIGHT
STRATEGY WEBCAST

Agenda

Edge by Ascential's STEIP approach identifies change that will disrupt your business

We use STEIP as a focal lens to form a view on how the future world might evolve.
From this, we have established four winning strategies to embrace.

S	T	E	I	P
SOCIETY	TECHNOLOGY	ECONOMY	INDUSTRY	POLICY
The drivers altering consumer behavior and preferences	The drivers enabling new models, processes and possibilities	The drivers impacting the health of global retail	The drivers dictating the competitive environment	The wildcards and disruptions

New Set of Assumptions About the Future

Implications for Strategic Decisions

Define Winning Strategies

- Ecommerce & Digital Ecosystem Management
- Store of the Future
- Supply Chain & Fulfillment
- Engagement & Retention

Our Future World:

The Scenario We are Planning for

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How our STEIP drivers of change translate into our future scenario

SOCIETY

Aging Societies
Home-bound Consumers
Focus Shift to Safety & Localism
Health & Hygiene
Responsible Consumption
Rise of Gen-Z

TECHNOLOGY

Digital Payment
Retail Automation
AI-powered Retail
5G Networks
Voice Commerce
Blockchain
Augmented & Virtual Reality

ECONOMY

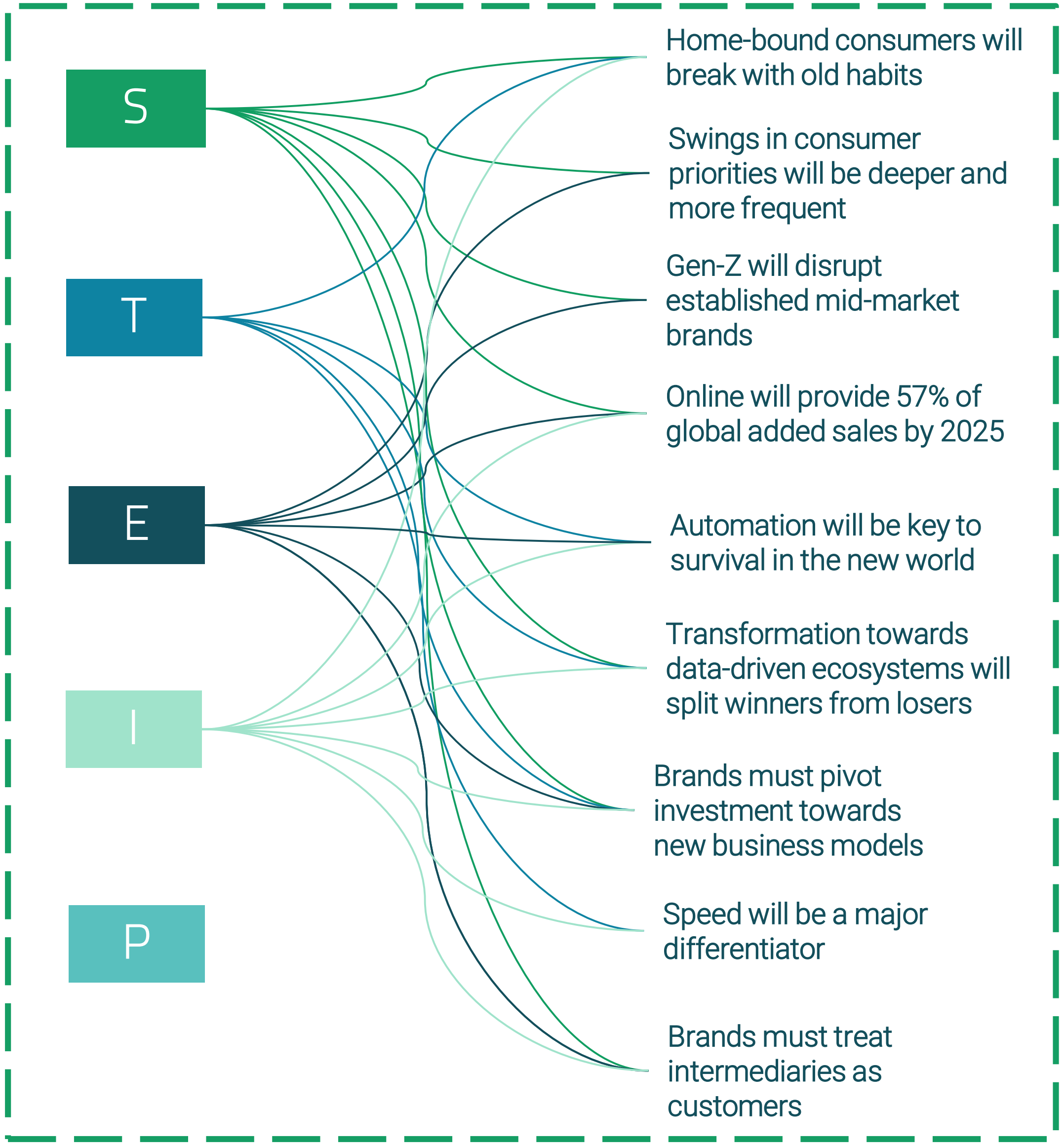
Outlook Uncertainty
Decline in Consumer Confidence
Growing Income Inequality
Spending Shifts
Digital Addressability

INDUSTRY

Adapting Store Layouts
Omnichannel Fulfillment Diversity
Supply Chain Flexibility
Retail Concentration
Channel Shifts
Social Commerce
Direct-to-Consumer Models
Digital Ecosystems
Data-driven Innovation

POLICY

Trade Link Disruption
Changing Market Framework
Health & Sustainability



The scenario we are planning for

Shoppers	Retailers	Brands
Home-bound consumers will break with old habits	Online will provide 57% of global added sales by 2025	Brands must pivot investment towards new business models
Swings in consumer priorities will be deeper and more frequent	Automation will be key to survival in the new world	Speed will be a major differentiator
Gen-Z will disrupt established mid-market brands	Transformation towards data-driven ecosystems will split winners from losers	Brands must treat intermediaries as customers

The Future of Shoppers

Home-bound consumers will break with old habits

What it Takes to Win

- Convenience and online grocery
- Fast fulfillment
- Digital engagement
- Clear brand positioning

Swings in consumer priorities will be deeper and more frequent

What it Takes to Win

- Ingredients and packaging
- Agile product curation
- Contactless/ contactlight shopping environments
- Mobile-tailored content

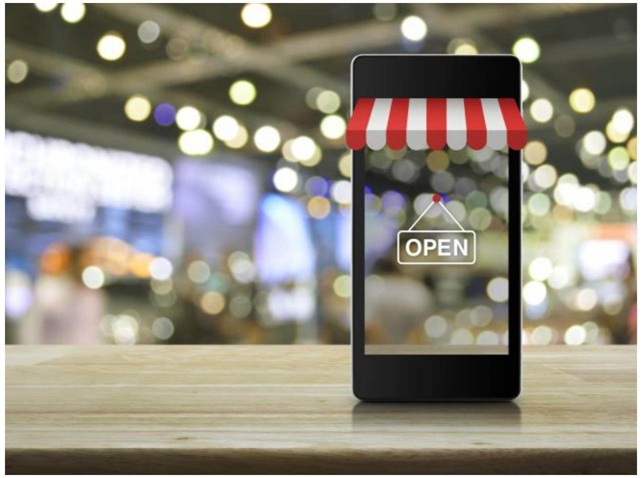
Gen-Z will disrupt established mid-market brands

What it Takes to Win

- Accountability and traceability
- Strong communication
- Inspirational initiatives
- Fast innovation cycles

The Future of Retailers

Online will provide 57% of global added sales by 2025



What it Takes to Win

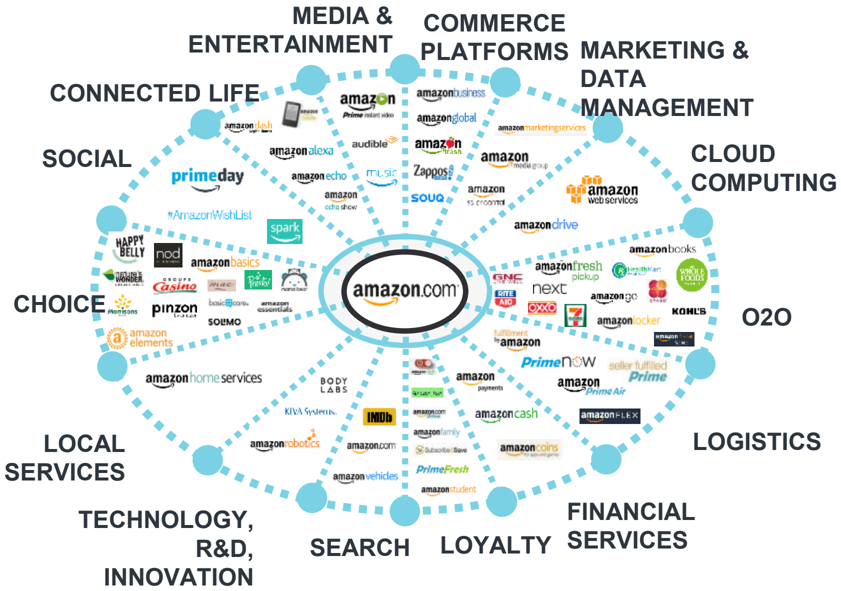
- O2O integration
- Partnering with online early
- Supply chain agility
- Online experience and personalized engagement

Automation will be key to survival in the new world

What it Takes to Win

- Real-time inventory visibility
- Automated warehouses/ MFC
- Shopper analytics
- Credibility on data security

Data-driven ecosystems will split winners from losers



What it Takes to Win

- Understanding ecosystem priorities
- Data sharing agreements
- Early-cycle engagement

The Future of Brands

Brands must pivot investment towards new business models

What it Takes to Win

- Real-time insight
- Smart manufacturing
- Data analytics
- Direct-to-consumer

Speed will be a major differentiator

What it Takes to Win

- Flexible supply chains
- Data-driven NPD
- Curation agility
- Direct-to-consumer models

Brands must treat intermediaries as customers

What it Takes to Win

- Strong communication with intermediaries and retailers
- Enhanced searchability and product content
- Optimized pack sizes

What to Prioritize

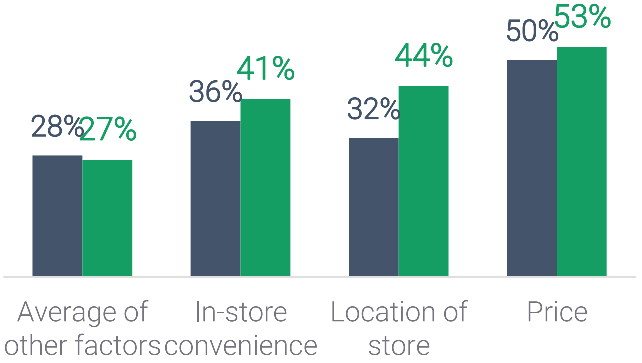
2020 and Beyond

What to prioritize in 2020

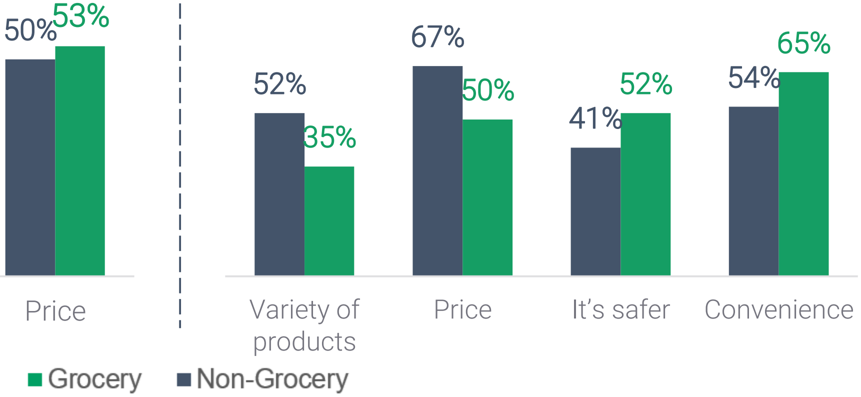
Home-bound Consumers

Q: What are the factors that influence your decision to go to a grocery/non-grocery store? % of consumers interviewed, global scope, June 2020

Factors Influencing Decisions to Go to a Store



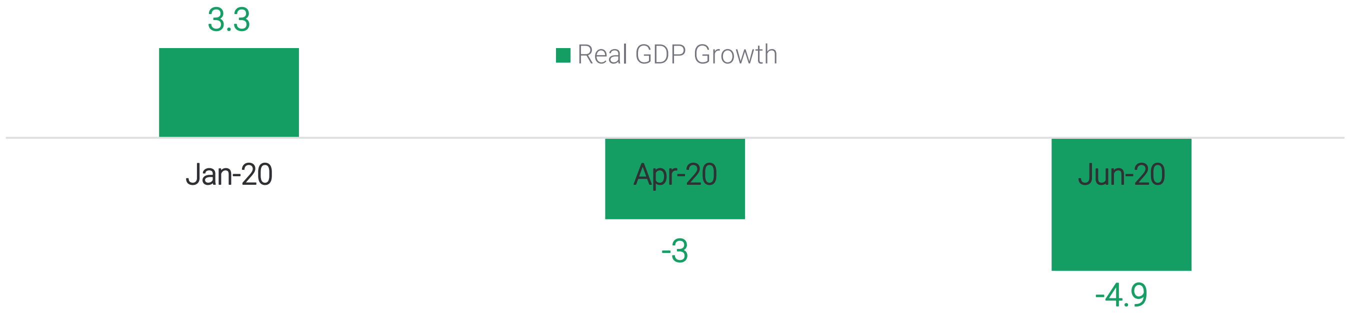
Factors Influencing Decisions to Buy Online



Outlook uncertainty

The great lockdown has triggered a recession greater than the great recession

Global GDP Real Growth, 2020 (year-on-year % change)



Adapting Store Layouts

Digital will be at the heart of physical store formats

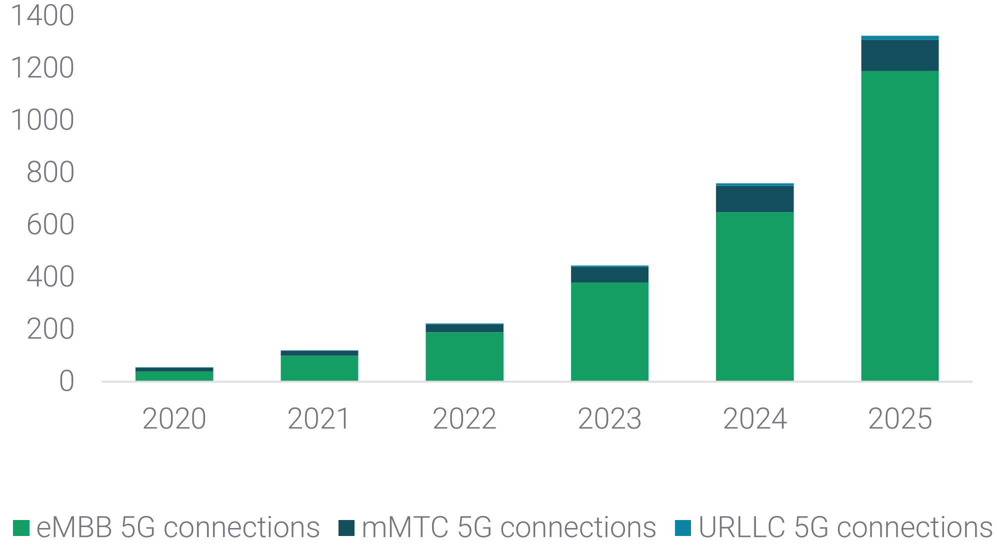
53% of retailers expect to close underperforming stores in the aftermath of COVID-19.

US retailer Target has found store pickup to be 90% cheaper in the average cost per unit, versus shipping from a warehouse.

What to monitor

5G Networks

Global 5G connections, 2020-2025 (millions)



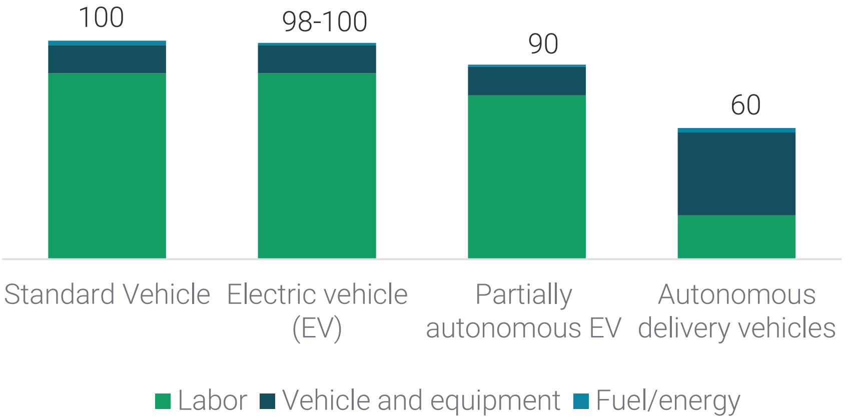
Retail Automation

Order Fulfillment Models Comparison

Automated FC	In-store	Automated MFC
Out-of-city location	In-store	In-store or third-party urban location
Fully-automated solution	Limited automation and labor-based solution	Semi-automated solution
Over 200,000 orders per week	Over 1,000 per week	Over 4,000 orders per week
Same-day fulfillment	One-hour fulfillment	One-hour fulfillment
Long term planning and investment	Fast implementation	Fast implementation
Capital Investment: **$$$**	Capital Investment: **$**	Capital Investment: **$$**

Impact of Automated Delivery

Last-mile delivery cost per parcel in an average city, indexed



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Disrupt or be disrupted!