Capgemini invent

INVENTING THE FUTURE OF DIGILOGUE CONSUMERS IN RETAIL 2030

Driving forces and scenarios for European retail 2030

CONTENTS

1 INTRODUCTION: INVENTING THE FUTURE OF DIGILOGUE CONSUMERS IN RETAIL 2030

The future of European retail is deeply uncertain. The increasing merging of digital and analogue into a "digilogue" state raises the question of what the future of digital and analogue consumers in retail could look like in 2030. Which driving forces could influence the digilogue consumer's buying decisions in retail? What user experience will this customer of the future want? What impact could political changes have on all this? However, one thing is certain: The retail sector of the future must adapt to digital and analogue consumer needs.

In order to survive and thrive in this turbulent world, and now more than ever, EU retailers need to consider a new set of services, experiences, and business models that will enable new capabilities within their businesses. Retail is undergoing a disruptive transformation. Expectations about when, why, and how retailers engage are shifting. The implication of these developments is that retailers will need to redefine propositions, set up ways to continuously test and measure their success, and create strategies that will align with what they need their business to look like in the future – all while ensuring they are able to adapt to changing customer needs and market conditions.

To be successful in the future, retailers must start to act today. What's needed is to develop a positive and diverse future for European retail. Strategic Foresight enables us to do just that by building future-ready strategies able to construct positive futures. This set of methodologies also allows us to navigate turbulences encountered on the way. This study on the future of digilogue consumers in Europe 2030 is a foundation for such strategies, analyzing current, emerging, and future driving forces around retail and narrating alternative future worlds of what European retail could look like in 2030. Ensuring future-ready retail channels requires all hands on deck – for this reason, various workshops brought together leading retail and foresight experts to form our Strategic Foresight team, the Capgemini Invent Foresight Force. The result of these Strategic Foresight workshops is a shortlist of 149 driving forces and, based on this, four alternative future scenarios for the future of consumers in retail. To briefly summarize:

- The first scenario, Perpetuum Mobile, anticipates cooperation during the 2020s which enables lasting success with the transformation to omnichannel retail. By 2030, brick-and-mortar retail and online retail merge seamlessly and shopping evolves into an experience culture. Data-sharing consumers allow European retailers to target the digital and analogue consumers individually. Cybercrime evolves to one of the greatest threats to the retail industry in 2030. In general, the retail industry does well in identifying emerging trends and proves its agility by adapting to them. Based on many partnerships, a highly interconnected retail industry in the European Union (EU) evolves.
- In a second future world, End of an Era, retail sees the customer as an individual and engages customer needs in detail. Transformation to omnichannel retail is leading to a market shakeout in Europe. Customers tend to use online retail channels and are turning to new providers, such as innovative retailers in China that better fulfill their individual needs. User profiling is increasingly being applied, but migration of data out of Europe towards Asia is making it more difficult for EU retailers to compete. Established European retailers face the end of their era.

- In a third alternative future, Flying Blindly, consumers have low acceptance of data sharing and transformation into omnichannel remains unrecognized. Consumer data is missing and because of this the retail industry relies on prescribed products and targets the mass instead of the individual. Brick-and-mortar as well as online shopping are both important, and sustainability becomes a key driver. New players with data analytics capabilities present pricing problems to established retailers, some becoming unprofitable.
- In a fourth scenario, The Stony World, retail focuses on cost efficiency and consumers accept underlying standardization in favor of price advantage. High pressure on margins is forcing retail to create new distribution channels such as cost-efficient virtual shopping streets. Players with low flexibility to react to changing market needs now face increasing costs to stay in their markets. Technologies such as 5G, artificial intelligence (AI) and blockchain evolve to provide market advantage to European retailers and they initiate an era of highly efficient omnichannel retail.

These four scenarios show how vastly different the future of retail could look in 2030. Just seeing the dramatic change in consumer behavior through the COVID-19 pandemic gives us a sense of how disruptive and uncertain this future could be. New digital workplace developments – particularly with the rise of the home office and the consequent geographic flexibility of working – have massively impacted the way customers consume. As part of human-scale city and smart city developments, the connection between products, sales experience, presentation, and events is becoming key for retailers. Retailers must be prepared to meet often-changing consumer needs. Our Strategic Foresight approach supports this by enabling stakeholders across the private and public sectors to obtain a clear, holistic vision of the future in order to build a world we would love to live in.

> 21st century retail is less about the intrinsic superiority of digital versus offline and more about how best to combine the two and stay relevant to the changing needs of those all-powerful customers."

Aiman Ezzat
Group CEO
Capgemini Group (2020)

LET'S INVENT OUR FUTURE, TODAY!

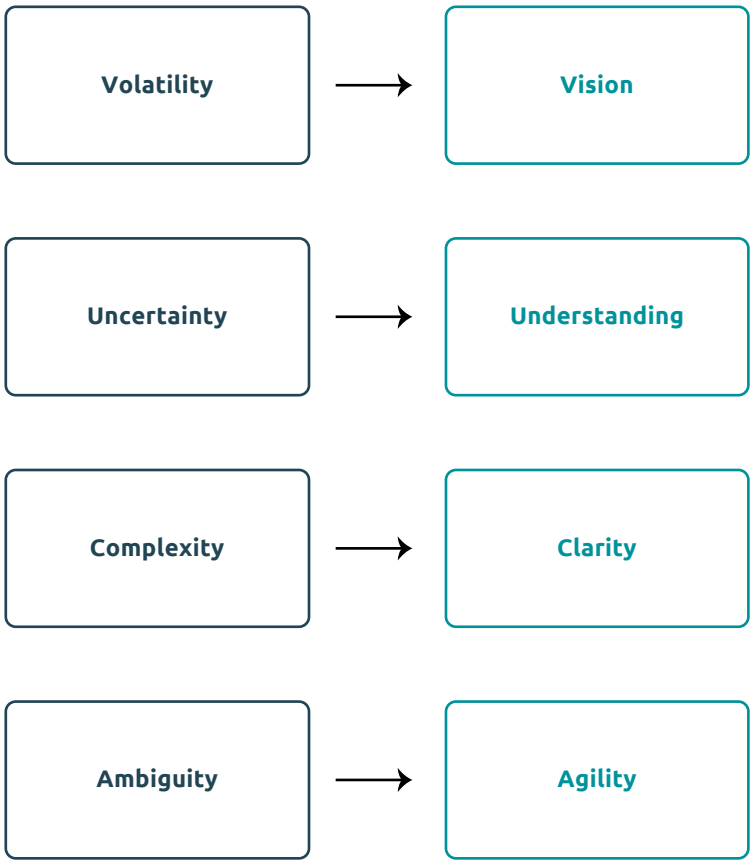
2 WHY, WHAT, AND HOW: RULING THE VUCA WORLD WITH A FUTURE-READY STRATEGY THROUGH STRATEGIC FORESIGHT

Strategic Foresight enables retailers to invent the future they want to see. It allows retailers to cope with turbulence today and tomorrow by providing a future-ready strategy. Strategic Foresight includes a variety of methodologies designed to capture the future and build a resilient yet flexible strategy, allowing retailers to adapt to a world in which change is fast-paced and radical, with constant disruption.

Why: Today´s VUCA world and tomorrow´s turbulence

We live in a VUCA world – a world characterized by volatility, uncertainty, complexity, and ambiguity. The exponential speed of change in industries, markets, and our world in general is forcing our hand in everyday decision making. A shortage of reliable knowledge on how the economy, politics, and society will develop is restricting our ability to perceive what's next. The sheer amount of interacting and interdependent factors that need to be taken into account in strategic planning weighs down on any choice about the future. The proliferation, vagueness, and inconclusiveness of concepts and developments around us is submerging us in a fog of indecisiveness. All four VUCA factors create turbulence and disturbances on our journey into the future. In order to achieve a positive future, we must successfully navigate this turbulence. Doing so requires us to come to terms with the VUCA forces around us and to turn them upside down; we want to create vision from volatility, understanding from uncertainty, clarity from complexity, and agility from ambiguity. To manage this, we need to build future-ready strategies.

Figure 1 **Turning VUCA on its head**



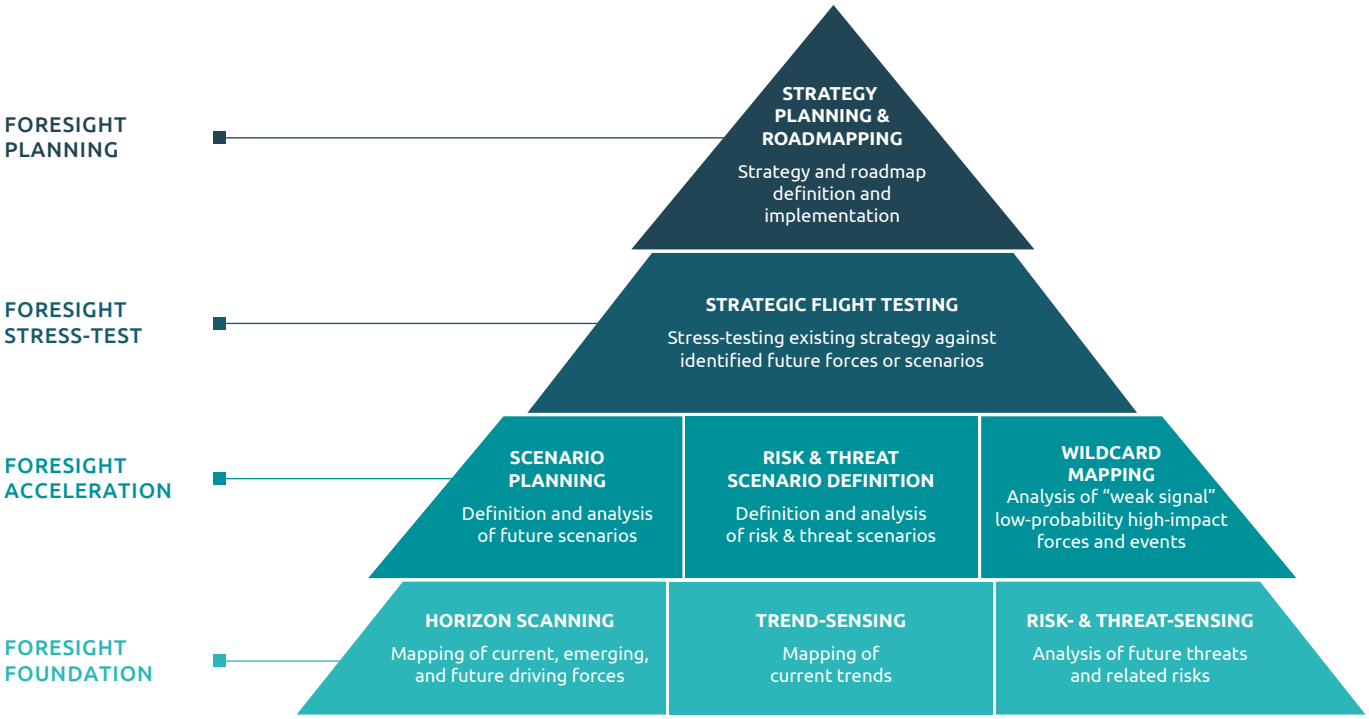
What: Navigating turbulence with a future-ready strategy

To anticipate and avoid or overcome these disturbances and instabilities, the strategies and policies of private and public sector organizations alike must offer a solid frame for action while allowing room for quick strategic maneuvering within this frame. Conventional strategy methodologies are ill-equipped for this with their backward-focused, linear, blind-spot-prone, and long-drawn-out nature and their inability to capture the multidimensionality of change. To construct future-ready strategies that can tackle turbulence, we need to employ a different kind of thinking from that which conventional strategic planning has to offer. This, of course, does not mean we must – or should – forget strategic wisdom. However, in order to achieve a solid strategic frame with the flexibility to navigate ever-changing conditions, we need to supplement traditional planning methodologies with forward-thinking ones: Strategic Foresight methodologies.

How: Building a future-ready strategy through Strategic Foresight

Strategic Foresight is a structured way of forward-focused strategic thinking that aims to capture the volatility, uncertainty, complexity, and ambiguity of current, emerging, and future developments and to overcome the VUCA nature of our world. Strategic Foresight includes a variety of different methodologies used to anticipate the future and build future-proof strategies, enabling stakeholders to construct a positive tomorrow. While Strategic Foresight contrasts with conventional planning methodologies, it is not new in public or private sector planning. Scenario planning is one of the most prevalent foresight methodologies, and it first emerged in the context of World War II in military planning.[1] Since then, it has been employed and adapted in private and public sector contexts and in the academic field.

Figure 2 The Capgemini Invent Strategic Foresight portfolio



[1] *Peter Schwartz, The Art of the Long View: Planning for the future in an uncertain world (New York, 1996), p. 7.*

The Capgemini Invent Strategic Foresight portfolio builds on this history, adding our own inventive touch. In our foresight approach, we bring together various prevalent Strategic Foresight methodologies: Horizon-scanning, trend-sensing, risk- and threat-sensing, scenario planning, threat scenario definition, wildcard mapping, strategic flight testing, and future-ready strategic planning and implementation. With these methodologies, we enable stakeholders to obtain holistic 360° vision of the forces impacting their future.

We build on academically rigorous foundations to ensure objectivity and minimize blind spots, employ innovative sensing tools, and bring together leading subject, industry, and foresight experts in our Capgemini Invent Foresight Force. In doing so, we apply five principles to our foresight work: Cherishing diversity in our kaleidoscope thinking, thinking outside in, combining tradition with innovation, our (in)venting approach of leveraging both creativity and positive tension in discussion, and looking backward to see forward. Needless to say, our Capgemini Invent Foresight Force cannot predict the future – we do not have crystal balls or tarot cards. What we can do is create a picture of the current and future realities we might encounter, and pinpoint the action we need to take today not only to be prepared for future change but also to own it and the transformation that goes along with it.

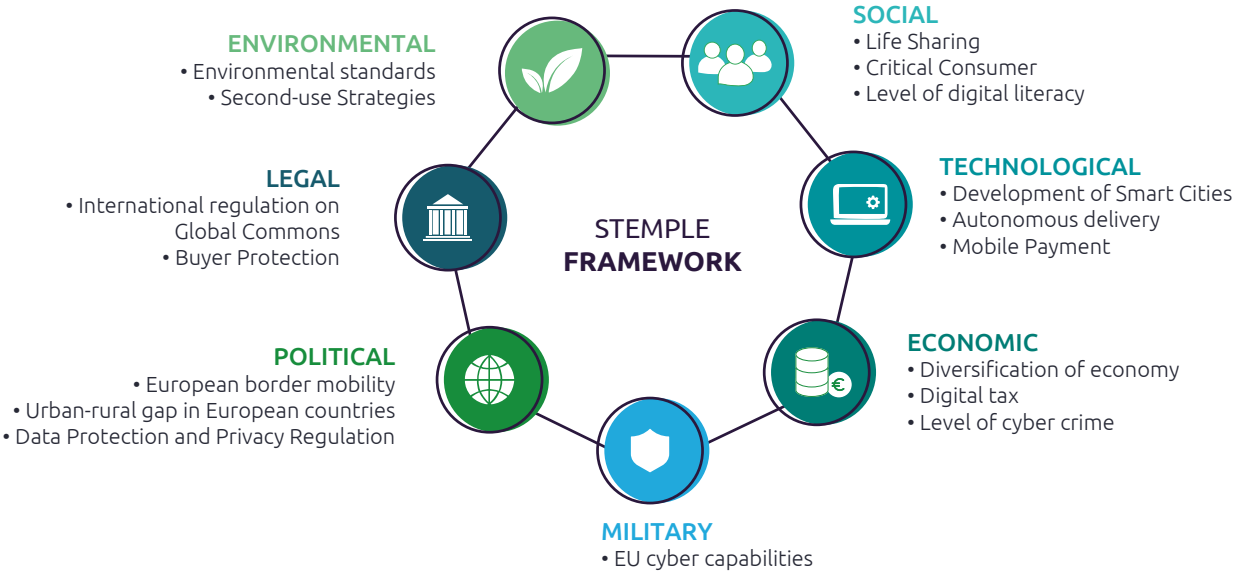
Figure 3 **Five principles that form our Strategic Foresight DNA**

This is precisely what we did in this project. Combining the approaches of horizon scanning and scenario analysis, we created a holistic picture of the forces driving European retail. Based on this, we built four alternative future scenarios to show what digilogue consumers could look like. These driving forces and scenarios serve as a foundation for creating a future-ready strategy – and ultimately, they help us to invent the future we want.

3 DRIVING THE FUTURE OF RETAIL: A HORIZON SCAN ON DRIVING FORCES IMPACTING EUROPEAN RETAIL 2030

In order to build a positive future for European retail, we need an understanding of those forces driving consumers in Europe from now to 2030. Horizon scanning, the analysis of driving forces, ensures a holistic 360° vision of current, emerging, and future developments in this field. It enables a cross-industry, interdisciplinary view and reduces blind spots. Driving forces can be social, technological, economic, military, political, legal, and environmental (STEMPLE) variables that hold potential to impact our future. They form the foundation of Strategic Foresight.

Figure 4 **The STEMPLE Framework exemplified, ensuring a holistic 360° view of the future for digilogue consumers**

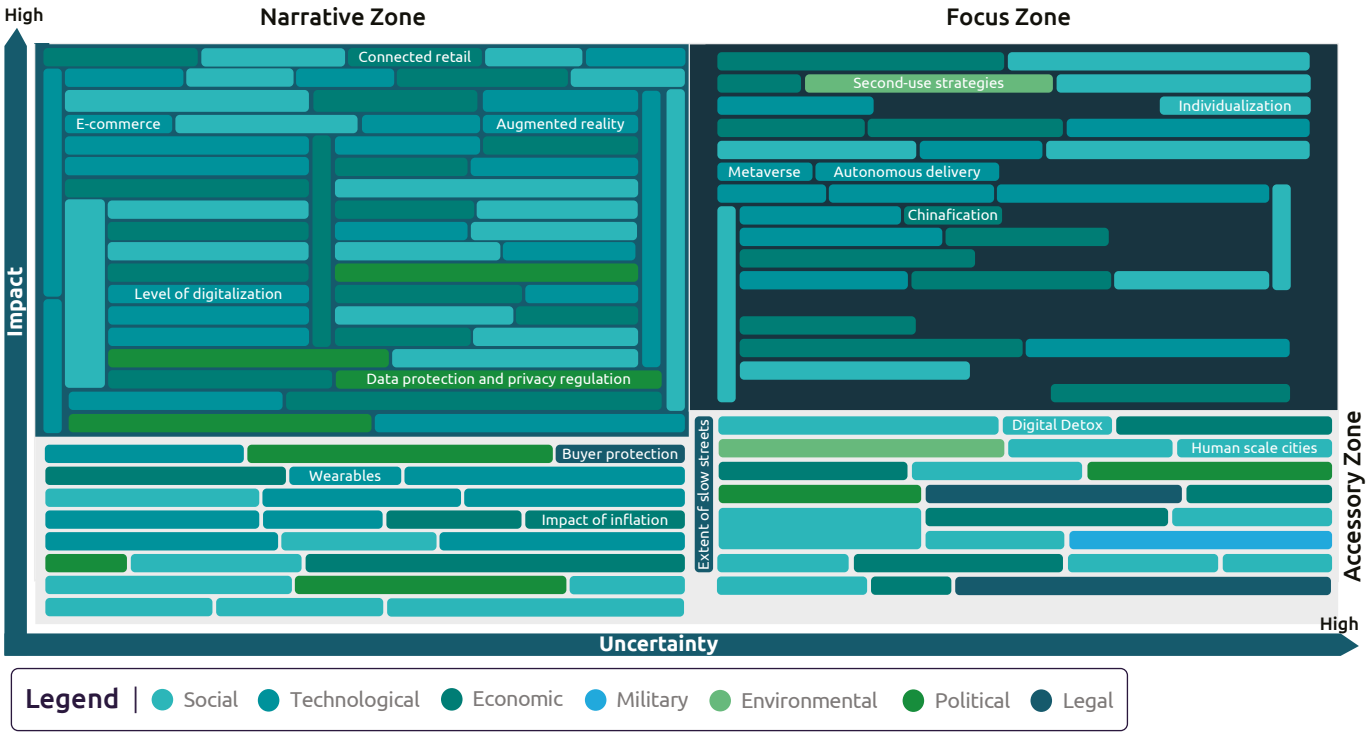


For the future of digilogue consumers, we shortlisted 149 such driving forces across all STEMPLE categories. These drivers emerged in our technology-based research, traditional research, and expert conversations and were vetted and selected by our Capgemini Invent Foresight Force based on relevance to the future of European retail. Of course, there are many more factors impacting this complex field. However, to capture the complexity and ambiguity around European retail while reducing the noise, we needed to focus on the key driving forces. To refine this focus, we then rated each driving force according to its individual impact on the future of digilogue consumers as we approach 2030 and on the uncertainty attached to its specific development. This resulted in a driver landscape matrix with three zones of drivers: The focus (top right), narrative (top left), and accessory (bottom) zones.

TREND EXPLORER

The VUCA world creates a lot of noise around current, emerging, and future topics. When researching topics with traditional search engines, we are overwhelmed by an enormous mass of information. This makes it easy to get lost and miss out on key information. In the field of Strategic Foresight, the problem is aggravated by the enormous number of factors that need to be pinpointed to generate 360° vision. Technologized research tools help us reduce the noise and cut to the chase by focusing on key developments and recognizing change at an early stage. We leverage the innovative trendexplorer tool to find, consolidate, and analyze driving forces, trends, threats, and risks. The trendexplorer tool helps our analysts to recognize and process information about the transformation around us.

Figure 5 The focus, narrative, and accessory zones in the future of digilogue consumers driver landscape



FOCUS ZONE – HIGHLY IMPACTFUL AND HIGHLY UNCERTAIN DRIVING FORCES

This group of driving forces includes those drivers with a high impact on European retail 2030 and high uncertainty about how they could develop in the future. These are the driving forces that are particularly representative of our VUCA world and that we need to capture to proactively shape the future. They form the structure of our future world with their function as a 'switch' for their individual possible developments. The focus zone includes 35 shortlisted driving forces across all STEMPLE categories. In the following section, we highlight and discuss in some detail just five of these drivers – the ones that generated particularly interesting debates among our retail and foresight experts.

1. Autonomous delivery

The driving force of autonomous delivery describes the ongoing development of autonomous delivery concepts and corresponding infrastructure. The biggest challenge in logistics is the last leg of the transportation of goods to the customer's doorstep. It generates the largest share of the total cost of a parcel delivery, and personnel deployment is the biggest cost factor here. As a result, the last mile is increasingly being managed autonomously, for example by using delivery robots. In the delivery context, the term 'autonomous' refers to the fully automated driving of a vehicle without a driver, which automatically performs all tasks required for its specific purpose. According to the Allied Market Research forecast on the Autonomous Last Mile Delivery Market from 2022, the market volume of autonomous last-mile delivery is likely to be almost USD $90 billion by 2030, more than seven times as large as in 2020. Due to growing shipment volumes in recent years, courier, express, and parcel (CEP) companies are increasingly working to improve their last-mile delivery, including through autonomous delivery methods such as delivery drones and robots. The development of autonomous delivery concepts could substantially change logistics in retail. In spite of this, it must be taken into account that autonomous delivery is heavily dependent on technological developments. In addition, the legal framework must be in place so that autonomous delivery can be deployed on a large scale. Environmental factors are also crucial, as autonomous delivery can reduce CO2 emissions in the logistics sector, so it is perceived as more sustainable than traditional delivery. As such, the impact of autonomous delivery on the future of retail could be very significant. In particular, the costly challenge of last-mile delivery can be addressed by autonomous delivery, and retail consumers could benefit from shorter lead times, lower purchase prices due to cost-efficient logistics, and the increased availability of online products as autonomous delivery could overcome the bottleneck of a limited workforce within logistics. However, the technological and legal uncertainties make it hard to gauge the way in which autonomous delivery will develop.

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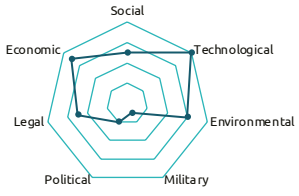
Dependencies to STEMPLE categories



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1977
First self-driving car travelling 50 meters with 30 kilometers per second, equipped with two cameras

2027+
Forecasted global market volume of autonomous last mile delivery is 49.6 billion US-Dollar

Illustrative development

2021
Daimler S class fulfills level 3 regulations and can drive autonomous on highways

2030+
Autonomous drones are shipping retail products directly to the customer

2. Metaverse

The metaverse can be described as a massively scaled and interoperable network in the form of a shared online world. It merges the virtual world, augmented reality, and the physical world. It can be experienced synchronously and persistently by a practically unlimited number of users. Participants can use their digital identities, in a shared virtual space without internal boundaries, to move, communicate, pay, grant permissions, exchange objects, and more, all while ensuring the continuity of data. The metaverse has not yet reached its full potential and range[2] and, in the main, both social and technological driving forces are shaping the metaverse.

The metaverse driving force is going to fundamentally change and extend consumer experiences within retail. For example, a customer might test a product within the digital space or interact with a hologram to receive an introduction on how to use a product. But this driver is also the result of various developments across all STEMPLE categories such as environmental imperatives to achieve a more sustainable economy, consumer-facing and enterprise AI hardware, real-time 5G networking connections, and consumer behavior.

Clearly, the metaverse could have an enormous impact on the digilogue consumer in 2030. The immersive user experience could revolutionize retail and other industries of the future, as consumers increasingly pursue flexibility and autonomy.
So the metaverse could enhance the shopping experience using virtual and augmented reality and extending the choice of goods by offering virtual goods, digital land (a token that represents a digital piece of the retailer's platform), and rare or unique items called collectibles. The low effort of adding new users and ubiquitous access allows the metaverse to grow exponentially and this raises exciting opportunities for users and organizations. For example, a company can leverage new monetization potential with new revenue streams by changing business models and services in the new virtual world.

Undoubtedly, the metaverse could shape the future of the retail sector and impact digilogue consumers in 2030. Retailers could open virtual stores and showrooms within the metaverse, and this would transform the retail experience, reduce the need for brick-and-mortar stores, and facilitate consumer targeting regardless of physical location.

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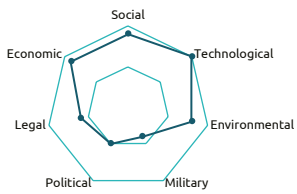

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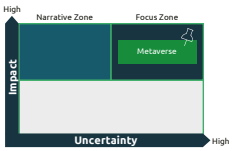

[2] *Ball, M, 'The Metaverse: What It Is, Where to Find it, and Who Will Build It'; https://www.matthewball.vc/all/themetaverse (accessed March 2021).*

3. Second-use strategies

Second-use strategies are strategies to encourage reusing an already used product instead of discarding it. The retail industry depends on natural raw materials such as wood, metals, and water remaining available in the long term. Therefore, second-use strategies are of great importance to the retail industry for the sustainable use of natural resources throughout the entire value chain, from raw material extraction to eco-friendly disposal and recycling.

Second-use strategies are mostly influenced by environmental factors. More and more people in society realize the necessity of second-use strategies, strengthening social awareness of climate neutrality.

Political and legal forces also influence this driver by creating incentives and framework conditions for second-use strategies. The need to increase climate friendliness and climate protection could lead to the digilogue consumer's desire for more second-use products. The trend towards greater sustainability could change digilogue consumer buying behavior, resulting in an increase in demand for second-use products. It could therefore be important for retailers to establish second-use strategies that enable customers to use products sensibly even after initial use, so that they can be upgraded or upcycled for other customers.

Equally, the concept of products-as-a-service (such as rentable products or shareconomy solutions with shared products) could play a role here. For retailers this means it may be important to engage in new environmentally friendly business opportunities – an example could be to offer second-use markets in online shops or provide repair services for used products.

It follows that this driving force could deeply impact the retail world in 2030. However, it is difficult to gauge the future development of this driver as it is highly uncertain how the social acceptance of second-use products will evolve. It is also hard to know how warranties, refund policies, and more with this type of transaction should be handled in an uncertain legal landscape.

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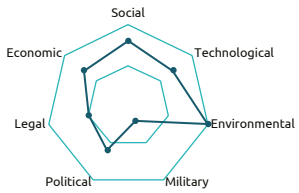

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1995
The online platform eBay goes online enabling users to sell used products via the Internet

2010+
Second-Use Apps like Vinted, Shpock or Booklooker enter the market

Illustrative development

2020+
The second-hand market boom is especially driven by resale platforms, engaging on customers prioritising sustainability

2030+
Every online retailer offers a secondary market including repair and resell services for used products

4. Individualization

Individualization describes the transformation of society from a collective orientation to becoming more focused on individualism and personal self-realization. In contrast to segmentation (in which individuals are categorized into segments), individualization seeks to understand each user and their individual context. This means fully understanding the moment-to-moment experiences of the individual customer journey.

Individualization could open up opportunities with the digilogue consumer 2030, and it represents one of the biggest driving forces in society at the moment, interacting closely with a myriad of other drivers. Today, industrial manufacturing creates many products more cheaply than in the past, so they become affordable to the majority of consumers. However, the desire for differentiation and something special is part of human nature. Therefore, for the digilogue consumer, it is important the product purchased is also different, so that it stands out from the crowd and becomes a means of expressing one's own individuality.

For the retail industry, this opens up opportunities to address the digilogue consumer directly as an individual – completely unlike mass customization. The development towards individualization could have a major impact on the behavior of the digilogue consumer 2030, shifting demand and influencing underlying manufacturing. However, this driver is closely related to a number of uncertain driving forces, like digital literacy. Retailers with a low level of technology maturity may find themselves struggling to cope. It therefore remains to be seen how exactly the influence of individualization will manifest itself.

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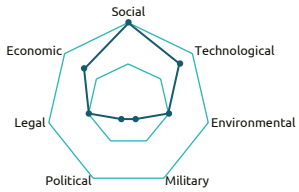

Individualization is highly dependent on social factors because individualization focuses on the individual. In addition, technological factors are also important, enabling retailers to have the technical possibilities data and information to be able to engage with customers on an individual basis.

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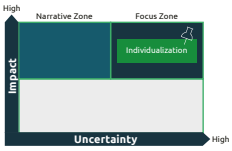

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1996
Young programmer Lou Montulli first introduces HTTP Cookies, allowing Websites to trace Information about the browsing history of each user

2010+
Consumer behavior shifts from mass consumption to mass customization

Illustrative development

2012
Coca-Cola launched the "Share a coke"- marketing campaign, replacing the Coca-Cola logo with a human name, winning many marketing prizes

2030+
Retailers engage the digilogue consumer with highly individualized products and services quickly delivered

5. Chinafication

Chinafication describes the increasing importation of Chinese goods and increasing influence of these goods on consumers around the globe. Large Chinese companies are expanding their influence on world markets, making other economies more economically dependent on their goods and products.

Chinafication is most influenced by economic and political forces and the Chinese state is trying to establish and expand its economic and political power in the world. With over 1.4 billion inhabitants, the Republic of China has an enormous workforce at its disposal to conduct an expansive economic policy, which is bolstered by considerable monetary and physical resources. Chinese President Xi Jinping has urged major online platforms such as Alibaba, JD, and Tmall to expand business into Europe. Chinafication and its corresponding influence on the global economy could have a major impact on the digilogue consumer 2030. The biggest noticeable difference for the consumer is the perception that the products they purchase are increasingly made in China. Chinese products could appear more attractive to European consumers because of price, availability, and – in future – quality.

In addition Chinafication could increasingly lead to the takeover of established EU retail chains by Chinese players looking to expand their influence in Europe. And it's not just retail companies and chains that can be taken over to secure Chinese influence; it can also include logistics infrastructure such as ports.

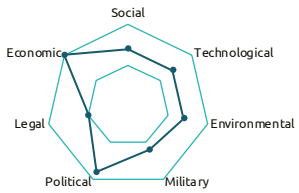
For example, we can already see increased Chinese involvement in infrastructure – just recently, state-owned China COSCO Shipping, China's leading ocean freight company, increased its stake in Greece's largest port to 67%, strengthening control of a key link in China's Belt and Road Initiative. The Portuguese port of Setúbal has also been under discussion in this regard.

The development of Chinafication is highly uncertain and many different political and economic factors influence the progress of this driver. No-one can predict the political targets of the Chinese state in the coming years nor whether there may be EU trade sanctions over time. Despite this uncertainty, the influence of this driver could be very large and could strongly impact consumer behavior.

Chinafication

Chinafication describes the increasing importation of Chinese goods and increasing influence of these goods on consumers around the globe. Large Chinese companies are expanding their influence on world markets, making other economies more economically dependent on their goods and products.

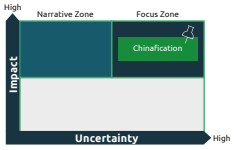
Dependencies to STEMPLE categories



Chinafication is most influenced by economic and political forces. The Chinese state is trying to establish and expand its economic and political power in the world. With over one billion inhabitants, the Republic of China has an enormous amount of resources and workforce at its disposal to conduct an expansive economic policy.

Relevance

Chinafication and its corresponding influence on the global economy could have a major impact on the digilogue consumers 2030. The biggest noticeable difference for the consumers is the perception that the products they purchase are increasingly made in China. Chinese products could appear more attractive to European consumers because of price, availability, and – in future – quality. In addition Chinafication could increasingly lead to the takeover of established EU retail chains by Chinese players looking to expand their influence in Europe. And it's not just retail companies and chains that can be taken over to secure Chinese influence; it can also include logistics infrastructure such as ports. The development of Chinafication is highly uncertain and many different political and economic factors influence the progress of this driver. No-one can predict the political targets of the Chinese state in the coming years nor whether there may be EU trade sanctions over time. Despite this uncertainty, the influence of this driver could be very large and could strongly impact consumer behavior.



1990
The phase of attracting foreign investors is overlaid with the goal of autonomous development promoted by the Communist Party of China.

2021
China adopts the 14th Five-Year Plan for 2021-2025, which is designed to be innovation-driven, environmentally friendly and focus on key and core technologies

Illustrative development

2009
For the first time after 6 years in succession Germany is no longer world export champion, overtaken by China

2049
For the 100th anniversary of the founding of the VR China, the "socialist modernization" is completed, making the world economy dependent.

NARRATIVE ZONE – HIGHLY IMPACTFUL AND CERTAIN DRIVING FORCES

This group of driving forces includes those with high impact on European retail 2030 and low uncertainty about how they will develop in the future. The driving forces of the narrative zone give a common development outline in our foresight work. In our scenario planning, they are used as story blocks for alternative future narratives. The narrative zone includes 57 shortlisted driving forces across all STEMPLE categories. Here we describe in some detail five drivers from the narrative zone that are relevant to the digilogue consumer.

1. Level of digitalization

The level of digitalization concept indicates the extent to which a company, institution, or national state is digitalized. The importance for retailers of digital maturity has been growing exponentially in past years. Digital maturity models can be used to determine the potential for digitalization, and retailers can leverage digital technologies and digitized data to enable or improve processes that raise their level of digitalization.

With developing digital technologies, overall levels of digitalization are rapidly increasing. However, this driver is not only determined by technological factors but also by political decisions and regulations which can advance or restrict the level of digitalization. The impact of digitalization on the consumer could be very high. For retail companies in the early 2000s, digitalization already played a key role – digital maturity could decisively determine the efficiency and continued existence of a retailer. In addition, the type of customer experience a company could offer was decided by its level of digitalization. How online retailing develops depends crucially on how the customer journey of a product is digitized. The level of digitalization and digital maturity are key performance indicators that greatly impact the present day. However, the future development of this technological driving force is far from being fully realized. More and more products, infrastructure, and distribution channels can be further digitized, possibly arriving in the metaverse, and this leaves some uncertainty about how and to what extent this driver will develop in the future.

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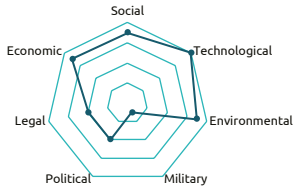

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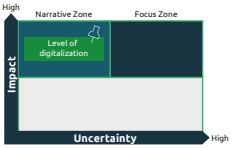

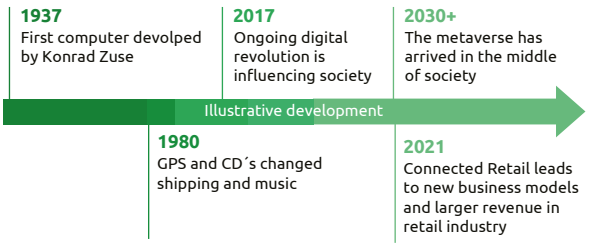

2. Data protection and privacy regulation

Individuals are safeguarded by data protection and privacy regulation which directs the processing of personal data and restricts its movement. This regulation is an important step towards strengthening the fundamental rights of individuals in the digital age and facilitating business activities by clarifying the rules for companies and public bodies in what is an increasingly digital market.

Legal forces have the main impact on data protection and privacy regulation. Due to the enormous amount of personal data on the Internet, the growth of e-commerce, and increasing numbers of cyberattacks, personal data must be protected. Relevant laws represent the legal framework with which businesses must comply to provide digital security to consumers. Since Europe introduced the General Data Protection Regulation (GDPR) in 2016, its laws have been uniformly regulated and constantly developed to keep up with innovations in technology.

Companies are responsible for managing the data they collect. For the digilogue consumer 2030, data protection and privacy regulation could have high importance, because security of customer data in the digital space is essential to avoid identity theft and other unpleasant fraud attempts by criminals. This regulation could have major impact on the shopping behavior of consumers, as retailers can either engage consumers individually (if data protection and privacy laws allow it) or prevent detailed engagement with consumers (if laws require extreme data protection).

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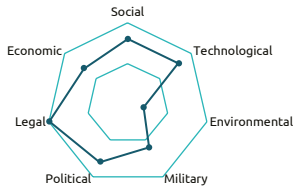

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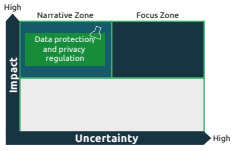

1970
German federal state Hesse passed the world's first data protection law focusing on the introduction of data protection officers and the primacy of the protection of personal data

2018
The EU-GDRP is enforced applying when personal data of EU citizens is processed even by companies outside the EU

Illustrative development

2020
Only 34% of German consumers trust the state and authorities when it comes to data protection, behind banks (72%) and health insurance companies (40%)

2030+
Data Protection and Privacy Regulation are the consumers number one buying criteria

3. E-commerce

E-commerce is any type of business transaction (such as the sale or purchase of goods and services) as well as business processes conducted electronically (including advertising, aftersales services, and online banking) in which the involved parties deal with each other electronically via the Internet or mobile carrier networks and are not in direct physical contact through physical exchanges.

E-commerce is mainly influenced by social and economic factors. Noticing the customer's need to be able to purchase products on the Internet, retailers have expanded their business model with new distribution channels. Technical advances and the simplicity of creating online stores enable many – even the smallest retailers – to expand their offerings and reach a broader range of customers. E-commerce changes shopping experiences for customers as they are now searching for desired products and services online prior to purchase and increasingly shifting their purchasing to online channels. This has the effect of turning more and more brick-and-mortar retail spaces into showrooms.

Over the last few years, e-commerce has become an indispensable part of the global retail framework. Like many other industries, the retail landscape has undergone a substantial transformation following the advent of the Internet and, thanks to the ongoing digitalization of modern life, consumers benefit from the perks of online transactions. As Internet access is rapidly increasing worldwide, the number of digital buyers rises every year. The future of e-commerce can be assessed as certain. E-commerce has become established in recent years and could have a major impact on the consumer in 2030, as the place of purchase can be anywhere and as consumers are eager to exploit new e-commerce opportunities.

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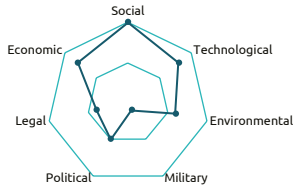

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1994
The very first legitimate online transaction is made by Dan Kohn selling a CD of Sting's "Ten Summoner's Tales"

2017
E-commerce giant Amazon accounts for 44% of all US E-Commerce sales

2021
Around 51% of today's online shoppers conduct purchases via mobile devices

Illustrative development

2030+
Highly individualized and automated e-commerce takes a leading role in Omnichannel retail reaching high levels of customer satisfaction

4. Connected retail

The concept of connected retail refers to all of the measures that connect physical sales (such as in-store transactions) with digital possibilities. Online and offline retail have different advantages and could complement each other perfectly. Connected retail merges brick-and-mortar and digital retail in order to accomplish the best symbiosis between online and offline. The primary goal of connected retail is to optimize the customer experience and ensure long-term customer loyalty.

Connected retail is particularly influenced by economic forces because retailers can use it to expand the business model. However, the fusion of online and offline retail would not be possible for a significant number of retailers without the enabling technological drivers of connected retail. This driver is also impacted by social forces, because each digilogue consumer wants the best online and offline retail advantages during their shopping experience.

Through connected retail, retailers have the opportunity to create more touchpoints with digital technology and also to personalize and individualize communication with the consumer, which makes this communication more efficient. In terms of efficiency, one of the biggest challenges for retailers is limited store space – something that can be addressed through connected retail by offering more products online.

For the digilogue consumer, the advantage of this driver is being able to choose from online and offline offers. For example, the consumer does not have to wait for the usual delivery time but can simply pick up in store an item ordered online (in other words, they can click and collect).

This driver could have great impact on the digilogue consumer in 2030 by connecting online and offline offers and giving the customer the best of both worlds. The implementation of connected retail is already fully underway, so this driver is likely to play a large role in the future. However, it is highly dependent on the degree of technologization and the digital skills of retailers, both of which are proving to be a challenge for European retailers.

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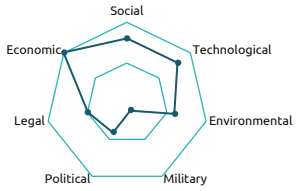

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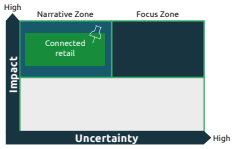

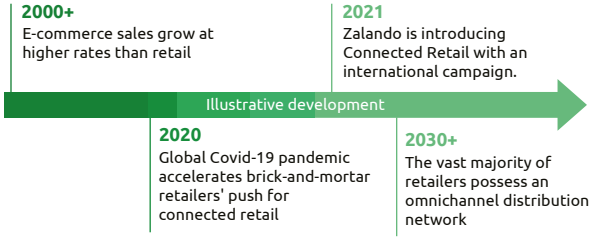

5. Augmented reality

A computer-assisted extension of reality, augmented reality superimposes additional information through a computer onto wearables like a pair of glasses or onto the display of other mobile devices, in the context of specific application areas. As a key part of the Internet of Things (IoT), augmented reality helps create the framework to open up interaction between humans and any networked electronic devices and systems.

Augmented reality is highly data driven and relies on capable technological equipment. Therefore, it is mainly technological factors that influence the use and evolution of this driver. Social and economic factors also influence augmented reality. Since society is increasingly using wearables and other gadgets for a better shopping experience, retailers could target the consumer more specifically through augmented reality.

Although this driver currently plays a very small role in retail, its impact on the digilogue consumer could be very high in future, if the technology is optimally leveraged. One of the main problems retailers face when selling online is consumer doubt about product quality and handling, as potential customers have no direct contact with the product in the online buying process. Augmented reality can blur this line between the physical and the digital. The merging of physical and digital is a major challenge but also an opportunity for retailers looking to adapt to the needs of the 21st century digilogue consumer. Augmented reality has already arrived in today's retail industry and, therefore, we are very certain the expansion of augmented reality within retail will continue.

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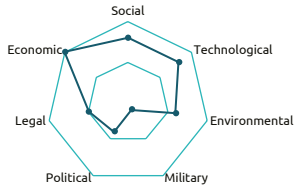

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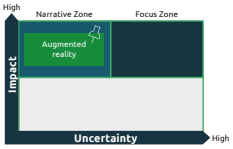

1990
Former Boeing researcher Thomas P Caudell coined the term "augmented reality

1998
Sportsvision broadcasts the first live NFL game with the virtual 1st & Ten graphic system – aka the yellow yard marker

Illustrative development

2021
Capgemini, SharpEnd and The Drum have joined forces to create CornerShop, the retail shop of the future including AR

2030+
Virtual changing rooms, virtual mirrors and 3D items can be accessed from home with AR technology

ACCESSORY ZONE – LOWER-IMPACT DRIVING FORCES WITH LOW TO HIGH UNCERTAINTY

This group of driving forces includes those with a lower impact on digilogue consumers. We group these drivers together irrespective of their uncertainty level, as their lower impact rating means they will be slightly deprioritized (but not forgotten!) in subsequent strategy making. For example, in our scenario planning they are used as additional input for detailed scenario narratives. The accessory drivers are those that construct the edges of our future world by adding supplementary potential or depth to the narrative and focus drivers. The accessory zone includes 57 shortlisted driving forces across all STEMPLE categories from which we describe five in more detail.

1. Human-scale cities

The term human-scale city describes a concept of urban planning which focuses on the human well-being and intends to improve the quality of life. This can apply to any perspective from physical to psychological. A human-scale city could enable a livable density that seeks to provide social, cultural, economic, and environmental amenities in very close proximity. Of course, this will have a certain impact on the retail landscape in cities.

Human-scale cities are highly driven by social factors. If the society expresses its needs for a healthy and sustainable environment, it can shape the development. But also the interests of retail companies and environmental organizations influence this driver, as well as laws around urban development.

Development towards a human-scale city could change urban areas significantly. Areas sealed by the construction of motorways could be broken up to enable modern urban planning at human scale and this could subsequently create space for new retail facilities to achieve the goal of reaching all everyday amenities within a 15-minute walking distance.

Human-scale cities support other narratives and this concept interacts with other drivers in both the narrative and focus zones. For example, this driver can help to transform analogue retail concepts such as shopping malls into more virtual shopping experiences, a change that can reshape the current analogue and digital infrastructure of shopping districts and cities. Furthermore, it can also enable additional services such as autonomous delivery and shop-and-go concepts, requiring a redesign of urban areas so that traffic routes are capable of supporting autonomous delivery and the cell towers required for IoT devices are integrated in the urban layout. Consequently, the driver of human-scale cities holds the potential to impact future digilogue consumers, but is likely to do this in indirect ways.

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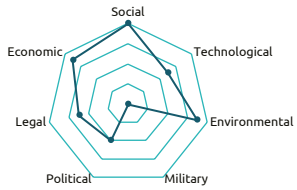

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1900+
Massive expansion of department stores like Galeries Lafayette (Paris) in European cities for shopping and entertainment

2000+
Online retail is growing and some of the established large retail stores are under pressure

Illustrative development

1956
The first shopping mall opened near Detroit leading to a trend with ever growing retail spaces.

2030+
First German City becomes a “15-minute city” including food, beverages or clothes delivered within 15 minutes

2. Wearables

Wearables are smart, portable mini-computers worn on the body as accessories or on clothing. They are a concretization of ubiquitous computing, the omnipresence of data processing and part of the Internet of Things (IoT). They are also referred to as wearable technology and wearable computers. Their purpose is usually to support an activity in the real world, for example by providing (additional) information, evaluations, and instructions during the shopping experience.

Wearables are highly driven by technological factors. Social factors also play a role in the extent to which wearables are accepted by society. Acceptance by society is an important indicator, especially for retail companies, because wearables could represent great opportunities for retailers to influence the customer's shopping experience. Personal technology has been a defining force for nearly two decades. An entire generation of consumers can measure landmarks in time by the release of devices like smartphones, tablets, and smart speakers. The technology has continued to evolve and many industries already benefit from how these technologies facilitate direct connection to customers and employees.

As consumers demand more personalized, convenient experiences, retailers could make technology work for them. In recent years, wearables have received a strong technological boost and are increasingly worn even by less tech-savvy people. Wearables have accompanied the modern customer for some time now and we saw a huge increase in popularity during the Covid-19 pandemic, particularly in the area of contactless payment. For consumers, wearables have made their way into the retail sector and are already part of the shopping experience. as the technologies have been widely available for several years.

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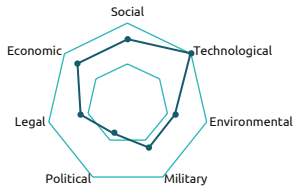

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1983
The first commercially available wearable device is the Casio Databank with integrated phone book, calendar, world map and calculator.

2012
Google introduces Google Glass, a miniature computer worn on the head, displaying and collecting information of surroundings

Illustrative development

2020
Digital wallets prove effective for contactless payment during Covid-19 pandemic

2030+
Wearables are always handed out in every brick-and-mortar store before entering, leveraging the shopping experience

3. Digital tax

Digital tax refers to various concepts for taxing the digital economy. Digital companies can offer their products across borders and generate profits without maintaining a traditional permanent establishment in a specific country. The basic idea behind the digital tax concept is that digital corporations should also pay taxes in European countries and have fewer options for tax avoidance.

Digital tax is primarily influenced by economic factors. In the successive merging of brick-and-mortar and online retail, and the increasing importance of digital goods and non-fungible tokens (NFTs), legal and political forces must offer a clear added value proposition for digital versus traditional taxation. The increasing number of investigations by the EU and member states into digital companies such as Amazon, Apple, Facebook, and Google show that the digital sector is highly involved in aggressive tax planning practices. Taxation of e-commerce is problematic due to anonymity, difficulty in determining the amount of tax, lack of paper trails, tax havens, companies incurring liability in multiple countries, and the tax administration's lack of capacity to identify and manage companies.

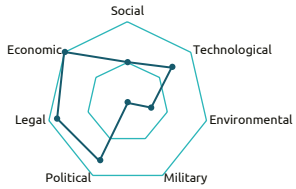
These factors increase the difficulty for tax administrations to collect value-added tax (VAT), especially due to base erosion and profit shifting (BEPS) risks arising from tax exemptions on low-value imports and digital supplies to consumers.

Digital tax is considered necessary by the EU in order to fairly tax tech giants. However, what exactly this digital tax will look like is still very uncertain. But it is reasonable to assume that digital tax will have particular impact on larger technology-focused companies.

Digital tax

Digital tax refers to various concepts for taxing the digital economy. Digital companies can offer their products across borders and generate profits without maintaining a traditional permanent establishment in a specific country. The basic idea behind the digital tax concept is that digital corporations should also pay taxes in European countries and have fewer options for tax avoidance.

Dependencies to STEMPLE categories



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1997
The Internet Tax Freedom Act (ITFA) by the United States federal government prohibits taxes on Internet access

2020
France charges a 3% digital tax on sales generated in France from digital services, affecting around 30 companies with global sales of more than 750 million € and at least 25 million € in France.

Illustrative development

2013
The OECD begins a project to examine base erosion and profit shifting of multinational companies, with aim to create a single set of consensus-based international tax rules.

2030+
Globally operating major corporations are taxed by a globally applicable minimum tax

4. Buyer protection

Buyer protection refers to the entirety of efforts and measures designed to protect people in their role as consumers of goods and services. It also includes functions transferred by the state to consumer protection associations. This need for protection is based on the premise that consumers are structurally inferior to producers and distributors of goods and to service providers –in other words, they may be disadvantaged as a result of inferior expertise, information, resources, and/or experience. The concern and task of buyer protection is to redress this imbalance in a meaningful way and to enable adequate assertion of consumer interests to the supplier side.

Buyer protection is particularly influenced by legal forces and is intended to provide the legal basis for end-consumer protection from companies. In this context, political forces perceive the desires of society for a secure shopping experience and exert a strong influence through legislation. Customer protection can also be simplified by technological innovations, such as PayPal's Buyer Protection which gives customers a sense of security during the shopping process.

As customers are increasingly shopping online, they are exposed to higher risks of cybercrime. Fake stores and fraudsters have become a major threat to consumers in the digital space. It became therefore be increasingly important to safeguard consumers against such criminal activities. Buyer protection has already made its way into the world of retail and is considered a mainstream solution. It protects consumers from fraud by relieving the buyer of risk; for example, by refunding the purchase price if the goods are not delivered.

As this driver is already established in the retail industry, it could not impact the retail world in a major way and it has therefore been allocated to the accessory zone.

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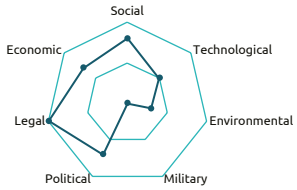

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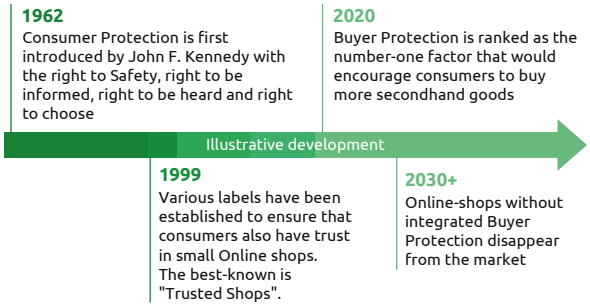

5. Impact of inflation

Inflation is a continuing process of money devaluation which becomes noticeable through general price increases. One monetary unit then buys less and less – in other words, the purchasing power of money is permanently and continuously reduced. Inflation does not include one-time, temporary price level increases caused by unusual events such as crop failure or a strike or price increases for specific goods or production factors. Inflation is measured by the increase in a price index that best reflects the general price level, such as the consumer price index in Germany.

Inflation is mostly influenced by economic factors since the devaluation of money melts away the assets of savers. Political forces also have a high impact on inflation because the impact of inflation is influenced by the policies of central banks and nation states that regulate the amount of money in circulation. Inflation has a big impact on the society by reducing the real purchasing power of millions of customers as inflation rises. Customers are also faced with rising prices during inflation as increased costs for retailers often have to be passed on to customers. This changes customer behavior, which is why consumers become more sensitive and increase their attention to special offers and good prices.

The need to be price-sensitive and find good deals at times of inflation is rising for the digilogue consumer. But inflation is not expected to be a long-term event since it occurs as a cyclical phenomenon. In the long run, the digilogue consumer of 2030 is thereof not likely to be highly affected by inflation.

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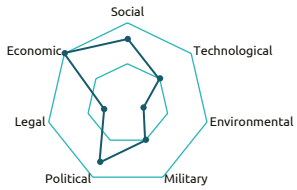

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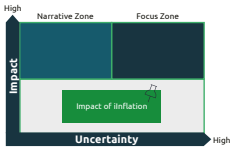


1914
Brockhaus Encyclopedia does not even include the term inflation as a keyword

2020+
Corona crisis leads to rising prices in all sectors and elevates global inflation level to over 5% p.a..

Illustrative development

1923
1 US Dollar is equal to 4,21 Trillion German Mark as a result of hyperinflation

2030+
The nominal purchasing from 2020 power at 2% inflation p.a. is halved within 35 years

Each of the three zones – focus, narrative, and accessory – plays a different role in constructing a future-ready strategy. By definition, this horizon scan allows us to capture the uncertainty related to individual factors around European retail. Understanding the various forces at play and their interaction is vital in pinning down which factors contribute the highest volatility; it's an essential step to creating a clear view of what lies ahead for the future of digilogue consumers in retail.

This process massively reduces the complexity around the future digilogue consumer – and shines a light on how we can impact this future. To do just that, we have taken our understanding from this horizon scan to the next level by supplementing it with scenario analysis.

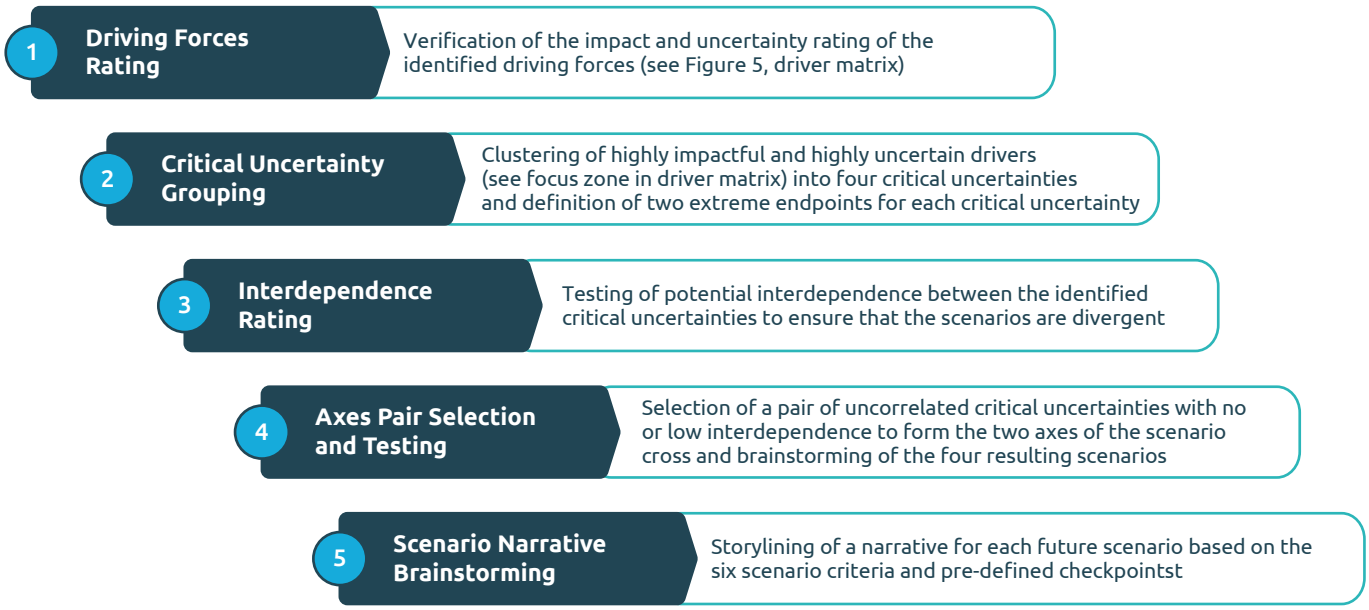
4 INVENTING THE FUTURE: FOUR SCENARIOS FOR DIGILOGUE CONSUMERS 2030

Scenario planning is a Strategic Foresight methodology aimed at translating the forces that form our future into alternative future worlds. Through scenario planning we capture critical uncertainties that are usually excluded but crucial for effective strategy making. This process is based on the holistic driving forces and trends that have been identified, and it brings together a diverse range of stakeholders to construct a shared foundation for strategic action. It is a unique forward-focused methodology to anticipate uncertain change and prepare a strategic response, combining an academically rigorous methodology with innovative interaction formats and tools. A scenario is described very aptly by Peter Schwartz, one of the pioneers of scenario planning, as "a tool for ordering one´s perception about alternative future environments in which one´s decisions might be played out."[3] As such, scenarios help us in our endeavors to build a positive future by allowing us to reperceive and reframe the way we look at the future.[4]

In our scenario analysis of the digilogue consumer 2030, we therefore developed four alternative future scenarios to serve as a basis for strategic conversation and, ultimately, for strategic action. To do so, we applied our five-step scenario process in a scenario workshop with our Strategic Foresight team, drawing together the perspectives and knowledge of leading retail and foresight experts and practitioners from the market. In this workshop, we defined four future scenarios:

1. Perpetuum mobile
2. End of an era
3. Flying blindly
4. The stony world

Figure 6 **Our five-step scenario workshop process**



[3] *Schwartz, The Art of the Long View, p. 4.*
[4] *Ramirez, Rafael; Wilkinson, Angela, Strategic Reframing: The Oxford Scenario Planning Approach (Oxford, 2016), pp. 3-4.*

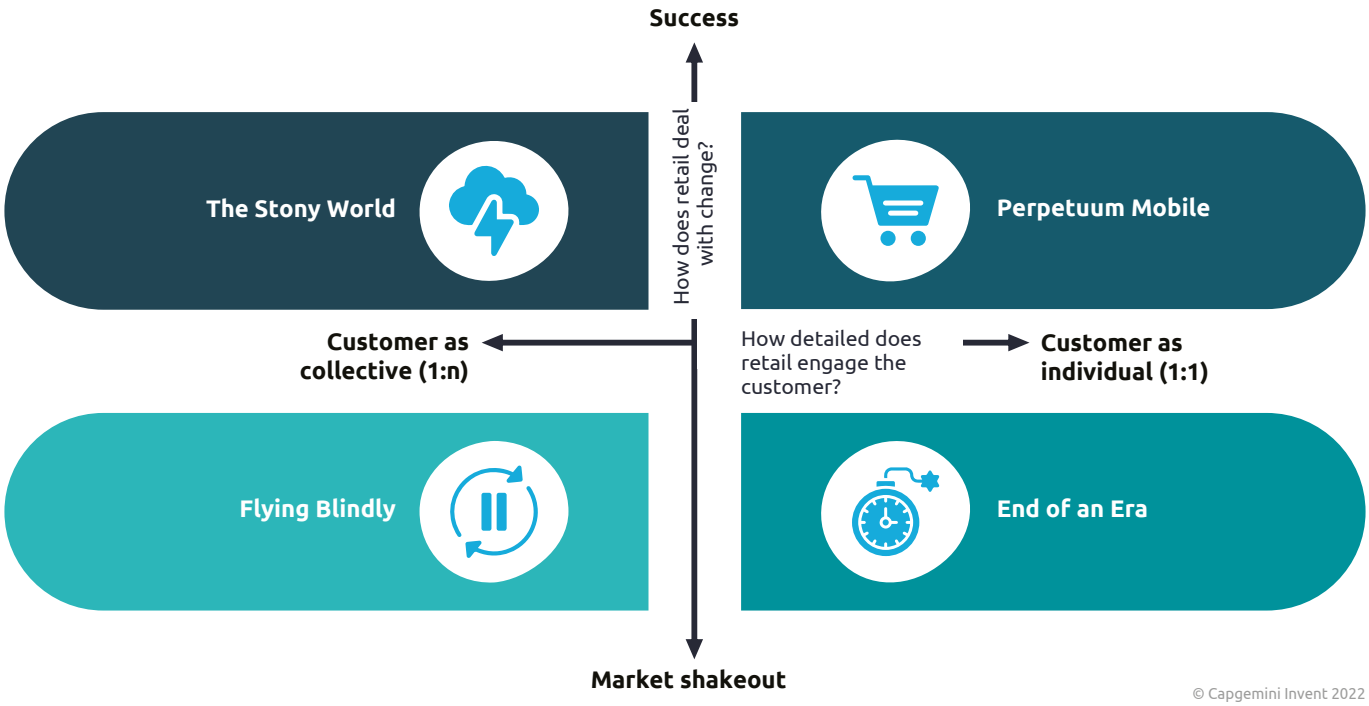
These four scenarios emerged by combining two independent critical uncertainties around the future of digilogue consumers that emerged in our scenario workshops. Critical uncertainties are clusters of highly uncertain and highly impactful driving forces from our focus zone that hold the potential to determine our future and steer our tomorrow in one direction or another. As such, they pose key questions. The answers to these questions have the potential to tip developments in retail in one direction or another.

The two selected critical uncertainties for the future of the digilogue consumer 2030 are presented the following questions:

- How detailed will the retailer response be to the consumer in 2030 in terms of the fulfillment of individual requirements? Retailers could either engage the customer as an individual or collectively.
- How successful will the change to omnichannel retail be? It could either be successful or characterized by a market shakeout.

The combination of these two questions and their four endpoints in a 2x2 framework results in a frame structuring our four scenarios.

Figure 7 **Scenario axes pair with four scenarios on the future of digilogue consumers 2030**



Each of these scenarios fulfills six criteria: They are all plausible, relevant, challenging our perception, contain an inherent logic, balance negative and positive aspects of their story while being divergent to the remaining scenarios, and engage stakeholders.

These four scenarios are set in 2030, and map vastly different stories of what European retail could look like at this point.

SCENARIO 1:
PERPETUUM MOBILE

In the Perpetuum Mobile future scenario, the European retailer considers the customer as an individual and engages in a very detailed way with customer needs.

Following cooperation during the 2020s within the European retail industry, by 2030 the transformation process from traditional to omnichannel retail is a success and achieves a high level of customer satisfaction. The development of the consumer into a transparent consumer enables European retailers to target the digilogue consumer individually. All parts of the supply chain are frictionlessly connected.

Consumer

In a successive merging of analogue and digital retail during the 2020s, wearables and tech gadgets such as personal assistant devices are proving to be of high value to retailers and consumers by 2030. The customer is evolving into a digilogue consumer, using both the analogue and digital space for their shopping experience. With the introduction of the metaverse in the early 2020s, European retailers reach end consumers right in their own living rooms, securing a new virtual B2C distribution channel that has already become integrated and embraced by consumers during this decade. Almost all consumers have created a virtual presence in the metaverse, which is easily accessed through the Internet. The social virtual reality gives users the opportunity to connect and interact with others online in ways that go far beyond physical possibilities.

Since the early 2020s the shopping process has evolved more and more into an experience culture for consumers, who encounter a continuous touchpoint-oriented shopping experience. But it is not only digital marketplaces that meet customer requirements. Brick-and-mortar retail and online retail have merged seamlessly and shine with smooth shopping experiences for customers. The transparent characteristic of the consumer willing to share personal information enables European retailers to apply personalized marketing.

Market

The recognition of trends is of high importance to European retail in 2030. Therefore, agility plays a key role in identifying and adapting to emerging trends. European retail does well in the identification of trends at an early stage and can adapt changes accordingly, resulting in a high level of customer satisfaction and loyalty. For example, the introduction of cryptocurrencies as a payment method has a major impact on digilogue consumer behavior in 2030 since proponents of cryptocurrencies have been demanding retailers accept cryptocurrencies as a payment method for a long time.

In 2030 the EU's internal market is flourishing and is based on many partnerships within the highly interconnected retail industry. The cooperation between European retailers is developing especially due to ongoing competition with Asian retail companies. With increasing interconnectivity and creation of sustainable supply chains to avoid dependency on the Asian market, the EU together with the retail industry is investing billions in the development of intra-European freight transportation and the creation of original design manufacturer (ODM) factories, allowing wholesalers and product manufacturers to quickly engage with product change requests from retailers. Innovations in all business areas are the result of pooling intra-industry resources and know-how, unleashing retail's full potential.

European retail in 2030 is successfully implementing a hybrid shopping model of analogue and digital customer contact and ensures the continued existence of brick-and-mortar retail. The development of different distribution channels addressing the analogue and digital consumer allows retailers to operate profitably in the long term, bringing individualized products to the customer.

European retailers are proving to be trendsetters and drivers of innovation in the retail industry, establishing international standards. The supply chain is optimized through higher flexibility and the product portfolio is specifically adapted to individual customer needs. Products of various physical size can be delivered precisely to customers' homes through autonomous shipping and connected retail capabilities. External trends and influences can be quickly adopted and implemented due to supply chain flexibility, minimizing the time to market.

Data and technology

Data analytics plays a key role for EU retail in 2030, because the transparent consumer agrees to the collection and storage of purchase-related data. They accept this as they benefit from increased individuality of the products and services they receive. Over the last couple of years the EU has had to lower its data protection requirements as people want to give convenient access to their data. This offers the economy great opportunities to adequately adapt products and services to customer needs. However, the storage and use of data comes with great risk. Cybercrime represents one of the largest threats to the retail industry in 2030, as sensitive, personal data is increasingly being targeted by criminals. To avoid compromising customer trust, the industry is therefore making record-breaking investments in cybersecurity and using this to fend off cyberattacks. Nevertheless, the public still remembers the data breaches of the 2020s and, by 2030, with growing volumes of customer data, there is continued concern about data protection.

The challenge of last-mile logistics is increasingly being met by autonomous shipping technology and solved in a sustainably profitable way. Autonomous vehicles on the road and drones in the airspace result in a symbiosis in logistics. The legal requirements of this autonomous technology are established and preserved by the future-oriented legislation of the EU.

In general, intra-industry cooperation in retail enables European retailers to remain competitive in the global market, benefiting from the transparent characteristics of the consumer and fast adoption of trends.

SCENARIO 2:
END OF AN ERA

In this scenario, retail sees the customer as an individual and engages with customer needs in detail. However, poor management of the transformation from traditional retail to omnichannel retail is leading to a market shakeout in Europe.

The increasing importation of Chinese goods and its influence on consumers within the retail sector in 2030 is the result of European retail's resistance to omnichannel transformation. European retail is not living up to its claims of embracing the transition and finds itself in a laggard role. Declining growth leads to a reallocation of the market, and even established retailers are falling victim to this.

Consumer

The consumer in 2030 has highly transparent characteristics and accepts the provision of purchase-related data to retailers in order to receive individual offers. Consumers not only find these offers in the physical space but also virtually, and the physical shopping experience is replicated and developed into an enriched type of 3-dimensional online experience. However, European retailers are struggling to leverage the virtual environment, having missed opportunities to invest in their digital offerings during the mid-2020s. Unlike Chinese retailers, European retailers mistake the needs of the consumer; they interpret the product as a means to an end. In contrast to this, the consumer in 2030 yearns for an individual shopping experience and individualized products. In fact, consumers want to be actively approached by retailers because they highly value the shopping experience. As a result, consumers are turning to new providers, such as innovative Chinese retailers and various startups. Customer data is migrating to China in particular, so that EU consumers are becoming increasingly dependent on Chinese products and are influenced by Chinese advertising. Here they are confronted with the fact that their data is no longer sufficiently protected by EU laws.

Market

Investment in readaptation to a more individual shopping experience became too costly for European retailers during the 2020s because of a lack of willingness to experiment. Due to the high pressure on margins, no mistakes were allowed in established retail and an open and positive error culture hardly existed during this time. As a result, by 2030 innovations are not being achieved by established retailers. This role is taken over by new suppliers. Innovative startups are attracting investors with new business concepts and can quickly raise large amounts of venture capital. Startups are directly competing to establish themselves in the EU market.

The Chinese retail sector in particular has been quick to recognize the shift to connected retail, and back in the early 2020s invested in improving the shopping experience and individualization of products. In 2030, Chinese retail is considered a trendsetter in the EU retail industry and the growth of its export revenues is higher than the growth of the European retail industry which is lagging behind the trends due to a lack of flexibility. Chinafication is well underway with the increasing importation of Chinese products and their influence on EU consumers, risking the extinction of established European retailers.

Online retail continues to hold a strong and dominant market position in 2030. The mainly digital customer is dependent on online retail because brick-and-mortar retail can no longer fulfill the needs of the customer. By 2030, the digilogue consumer is provided with digital apps that make it possible to compare products quickly and easily. Because of this, digilogue consumers purchase decisions are largely based on the price and individuality of products. As a result, consumer loyalty to established brands is declining. Large online platforms can efficiently keep prices low, whereas the European market has been losing control of its own costs and now cannot maintain international price levels, resulting in declining margins and sales. The market shakeout of established EU retailers not going along with the trend to individualization; simply put, the takeover by innovative, experimental new players and increasing Chinafication mark the end of an era.

Data and technology

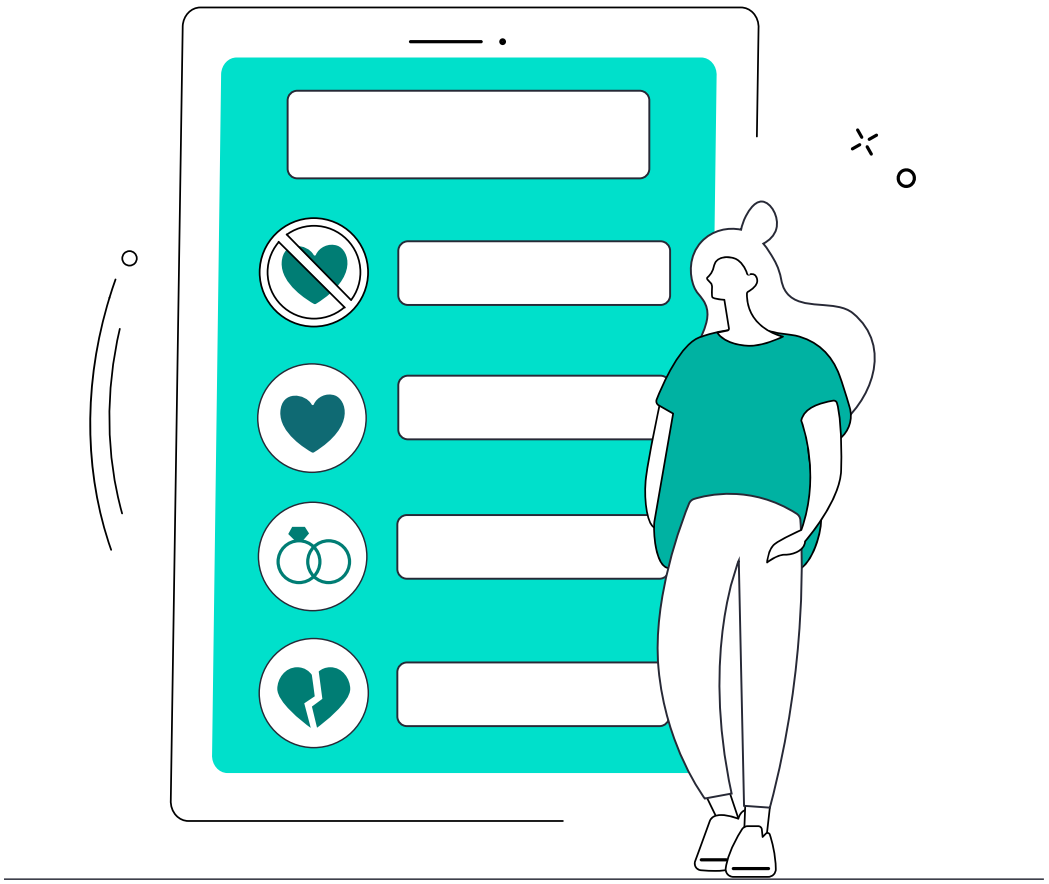
In order to engage precisely with consumer preferences, user profiling is increasingly being applied in 2030, using the huge amounts of data that everyone generates every day. The traces consumers leave allow detailed images to be drawn up about them. This, in turn, is enabling retailers to adjust digital products and services to get to know customers precisely, activate them purposefully, and personalize the user experience.

While data protection rights in the EU are regulated in a consumer-protective manner, more personal data is entering China. The EU in 2030 perceives this collection and storage of personal data by Chinese online retail corporations as intrusive and insufficiently regulated.

Investments in new technologies often do not seem lucrative to European retailers and their apparent evidence of low ROI strengthens this assumption. As a result, innovation does not emerge in European retail and, although the depth of data analytics determines the extent to which retailers can offer individualized products, in Europe this level is much shallower than in China.

New players in particular try to follow every trend when entering the EU the market, bringing a a sharp increase in technological trends. Some prove to be useful; others are quickly discontinued. Trends such as e-commerce as a video are becoming established in society. This grew from the discovery by retailers in the early 2020s of a new distribution channel which combines e-commerce, social media, and livestream. While watching a video sales show, the customer can ask questions to the seller via a chat; they can also rate the product and buy with one click.

The willingness of new players to experiment, engage on individualization, and adopt emerging trends marks the end of an era for established EU retailers.



SCENARIO 3: FLYING BLINDLY

In the Flying Blindly scenario, European retail only engages superficially with the needs of consumers and regards consumers as a crowd. There is moreover a shakeout in the market as retailers fail to manage the transformation to omnichannel retailing.

What happened in the early 2020s were severe data leaks which made consumers unwilling to be transparent with retail companies. Necessary changes towards a modern omnichannel retail remained unrecognized through the 2020s and so European retail has since been flying blindly, not knowing customer needs and missing opportunities to engage with customers individually.

Consumer

In 2030 the protection of personal data is highly important to EU customers – they feel the protection of personal data is more important than an individualized shopping experience. That is why consumers do not accept the collection and use of their purchase-related data, which in turn is making it difficult for retailers to individualize products and services and engage with consumers at an individual level. A lack of information makes the customer almost invisible to the retailer. As a result of this, the retail industry is having to prescribe products for the end consumer which differ only slightly from one another.

For the consumer in 2030, brick-and-mortar retail is still very important and local stores are preferred over online platforms as people are proud of local businesses and can shop more anonymously. However, online marketplaces are also an important retail channel because the consumer in 2030 is used to a high level of convenience. Consumers enjoy the ease of payment processing such as one-click payment and the wide range of products offered second hand in customer-to-customer (C2C) marketplaces. Consumers in 2030 care deeply about sustainability, which is why they seek out recycled products and enjoy sharing products and services with others. Such offers are easier to find online in 2030.

Market

As a consequence of consumer refusal to give purchase-related data, EU retailers are becoming less interested in this data and their strategies are changing to focus on data that reflects the market instead of individual needs. Retailers provide consumers with standardized and limited products over individualized ones, suiting the behavior of a mass of customers. However, the push from European retail towards the customer is proving to be disadvantageous. Since 2022, the European retail industry has failed to align itself with the global market to meet the needs of the customer. At that point in time, customer dissatisfaction was reflected in declining sales and gloomy sales forecasts. European retailers were left groping in the dark when asked about consumer needs and they found themselves in a dilemma. On the one hand, consumers were asking for their needs to be met but, on the other hand, they wanted to disclose as little purchase-related data as possible.

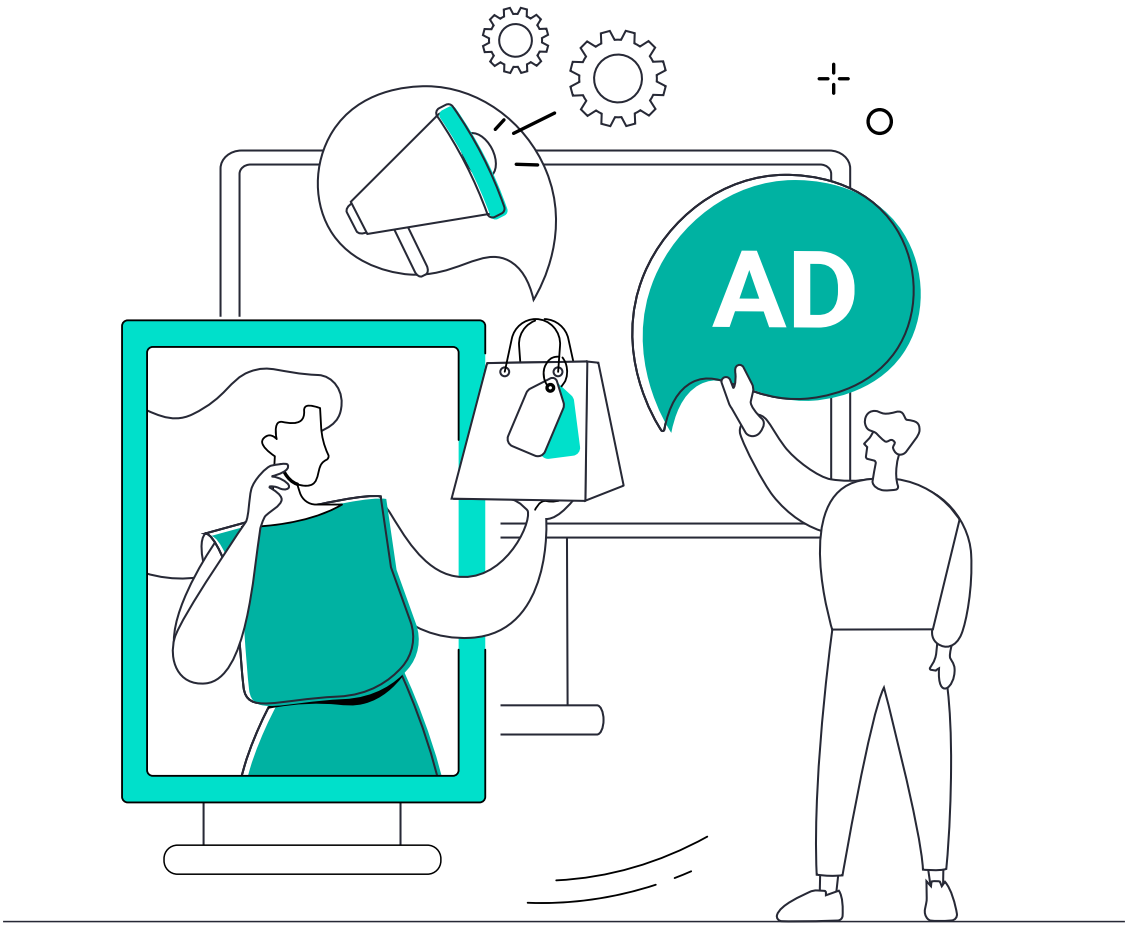
This lack of EU customer data in 2030 is causing big problems for demand planning, making global supply chains vulnerable to demand peaks. Medium-term demand planning can only be carried out with difficulty because there is rare information about what consumers want. European retailers have missed the point in the transformation process and are paying for their lack of readiness for change with conditions that threaten their very existence. The European retail sector is in a downward spiral. The failures of established retailers are being exploited by new players that understand market needs and are forcing their way into the market, challenging established retailers.

New players are managing to strike a balance between brick-and-mortar and online retailing. They understand that they have to offer consumers sustainable products without collecting too much personal information. In addition to selling new products, they also offer the option of returning used products on their online platforms and selling them as second-hand items. New suppliers are not dependent on rigid supply chain structures. This makes it easier for them to reduce costs in the supply chain, for example through autonomous deliveries or self-service stores. Innovations and investments in supply chain optimization and sustainable structures are proving to be an important advantage in the price war that many EU retailers have failed to realize.

Data and technology

In the mid-2020s many severe data breaches came to light and personal data was traded on black markets. In response to this, the EU introduced complex data regulation and strong customer protection rights, giving consumers a high level of security in the analogue and digital space. However, this represented a major challenge for European retailers. By 2030 it is now very difficult for retailers to obtain consumer data; this requires the consumer to actively agree to the use of their data. As a result, product development is focused on products for the broad mass of society. The low level of data usage by the EU retail industry makes direct access to customers more difficult. One result is that more money is being invested in larger marketing campaigns to retain customer attention.

Necessary innovations in the technological field during the 2020s were not seen as essential by the established European retail industry and were therefore not achieved. During this decade, new entrants relied on experimentation and the adoption of trends – for example through non-fungible tokens (NFT), experience data, and in-store analytics – to gain competitive advantage. By 2030, established retailers are now unable to keep up with emerging trends and are paying the price of this as they blindly head for cost problems and unprofitability.



SCENARIO 4:
THE STONY WORLD

In The Stony World the customer is seen as a collective and European retailers handle the change to omnichannel retail well.

The Stony World scenario is characterized by high data protection hurdles for European retailers, which are equivalent to a prohibition on data use. Retailers are pushing toward omnichannel retail and are merging brick-and-mortar and online retail. Customers in 2030 are not proactive leaders of this development but rather stay anonymous. Technologies such as blockchain and artificial intelligence are optimizing supply chains.

Consumer

The EU consumer in 2030 is very cautious about giving out personal data after several data breaches in the mid-2020s. The protection of data represents a priority for the consumer in 2030. European retailers nevertheless manage to create a balance of brick-and-mortar and online retail. Retailers have recognized that, with the growing share of online retail, they are able to increase efficiency, for example by replacing employees and optimizing supply chains to reduce prices and costs.

The digilogue consumer in 2030 perceives the new mix of omnichannel retail as pleasant, since a lower online price compared with competing products from purely brick-and-mortar retailers is a big sales argument for consumers. The result is a gradual merging of brick-and-mortar and online retail so that more consumers can be reached and retailers achieve increased process efficiency. The balanced mix of brick-and-mortar and online retail with mainly standardized products is sufficient for the consumer since sharing more data to get more individualized products and services is rejected by the majority of society. In principle, consumers have very low expectations of individualized products, as long as the item meets their requirements. Products serve merely as a means to an end, which is why consumers tend to choose the cheapest one. This is leading to a loss of customer loyalty. Therefore, consumers are confronted with a large number of bonus programs offered by retailers trying to retain customer loyalty.

Market

European retailers are focusing on merging brick-and-mortar and online retail. The high pressure on margins is forcing them to create new distribution channels, attempting to get into contact with the end consumer and make processes as efficient as possible. Virtual shopping streets, accessible from any location, enable a new shopping experience for consumers while lowering the cost of physical locations for retailers. Pure players are losing in this scenario as they are not flexible enough to react to market needs and have comparatively high costs.

European retail sees the customer as a collective and does a good job of anticipating what the market expects, thereby meeting the needs of consumers without detailed engagement. By investing substantially in process efficiency in the 2020s, European retailers in 2030 remains competitive with Asian retailers.

The various customer segments open up niche markets in which there is strong competition between retailers. Purchasing is proving to be a decisive competitive advantage, as it enables a rapid response to the needs of customer segments, reduces time to market, and lowers retail prices. In the purchasing process, aspects such as sustainable supply chains, working conditions, and climate protection are pushed into the background. In particular, there is less concern in 2030 about working conditions that cause damage to poorly paid employees as it is more important to win the price war.

Data and technology

The strengthening of data protection laws is equivalent to a prohibition on the use of data for the European retail sector. Personal data may now only be collected and used with the unambiguous consent of customers. Furthermore, this usage must be reauthorized by the customer at regular intervals and the customer must be shown transparently which data is used for which purpose.

Technology has been developing rapidly, especially since the introduction of the metaverse, which represents a great challenge but also an enormous opportunity for retailers. The metaverse became a battleground for innovation during the mid-2020s, as technology opened the doors to a new world waiting to be shaped. In a very short space of time, new innovations and business opportunities have been created within the metaverse that are also impacting the real, physical world.

As technology demands grow, the EU private sector is lobbying for a 5G boost to remain competitive internationally. There is support from policymakers and the telecommunications industry in introducing and expanding 5G technology in Europe, and this is one of the success factors for European retailers in 2030. The establishment of this technology is leading the development of subsequent technologies such as autonomous delivery, tracking sensors, and expansion of the metaverse.

The enormous challenges of just-in-time logistics in a highly interconnected 2030 economy exceed the capacity of the human workforce and are therefore being tackled by applying blockchain, artificial intelligence, and other technologies as an integral part of the supply chain. Blockchain enables the establishment of a secure, cross-company communication architecture in the end-to-end supply chain with manufacturers, shippers, carriers, suppliers, and customers in a secure environment, independent of the company's own IT systems, thereby reaching high levels of process efficiency. In conjunction with artificial intelligence, companies are better able to manage inventory and sales forecasting, and purchasing processes can be optimized. As a result, the use of human capital for logistics and purchasing is constantly declining as the deployment of automated templates keeps costs under control.

Due to the merging of brick-and-mortar and online retail and the creation of new virtual distribution channels, there is an increasing need for omnichannel retail to clarify digital ownership for digital goods. For the digilogue consumer in 2030, digital ownership of digital goods is of significant importance. The solution to this challenge was already provided in the early 2020s and by 2030 is now established by non-fungible tokens (NFT) that unambiguously identify the owner of a digital item in a way that is tamper-proof and freely accessible. Retailers benefit a lot from adding NFTs to their portfolio as this gives digilogue consumers the chance of exclusive access to content and even presales.

All in all, European retail successfully transforms into a omnichannel environment despite the reluctance of customers to openly share personal data with retailers and the imposition of strict data protection guidelines. EU retailers can therefore reach maximum process efficiency.

5 GETTING THERE: STRATEGIC FORESIGHT IMPLICATIONS FOR THE FUTURE OF DIGILOGUE CONSUMERS

The drivers and scenarios outlined in this study constitute just the beginning. They serve as a basis for conversation and, more importantly, for action. To build the future digilogue consumer we want to see, stakeholders must develop and implement appropriate strategies and policies. This horizon scan and scenario analysis can form the foundation of such strategies and policies. There is still a long way to go. To kick-start the journey of inventing our future, we asked some Capgemini retail and industry experts, as well as selected clients, two of the most pressing key questions coming out of this study:

- What key implications result from these retail drivers and/or scenarios for your area of expertise or industry field?
- What is one key priority action that must be taken now to build a positive future for European retail?

"Although all four of the scenarios paint a vastly different picture of the future, they all share certain common implications. One key shared implication is the role of technology as a central strategic element and governance necessity in retail. Retailers will have to radically change the way they view and play technology in the market. Only by leveraging existing and emerging technologies and driving the technology transformation will retailers be able to respond to and shape the way consumers use technologies in their shopping experience. Mastering technologies is therefore essential in rising to the expectations of the digilogue consumer of the future."

Nora Preisker, Vice President,
Head of Enterprise Transformation Germany

"Consumers will continue and even increase the ongoing switch between the analogue and digital worlds by connecting the best out of the two worlds. Taking the apparel industry, for example, the consumer of the future will place value on the degree of individualization as well as the enjoyment of e-commerce just as much as innovative analogue service offerings. At the same time and in addition to individualization, the consumer (especially generation Z consumers) will give a high priority to the environmental and social standards under which the goods were designed, sourced, produced, and sold. Here, new consumption and ownership concepts will shape the market too.

The study makes it clear that physical retail in Europe is at a crossroad and that its future viability will be decided in the dimension's technology, data, and customer satisfaction. In this context, organizational readiness for change and its successful implementation will be critical to maintain profitability, increase innovation and survive in the long term. Most retailers are transforming into omnichannel or marketplace players - in both cases, completely new technologies, algorithms, and organizational structures as well as capabilities are required: These must be established quickly, otherwise the transformation will not succeed."

René Fleischer, Senior Manager,
frog Customer First – Future Organisation

"Where analogue and digital retail continue to merge, retailers need to continue to embrace technology to provide seamless and attractive customer experiences across all channels. Important drivers identified in this study, for example the metaverse, second-use, and individualization, not only challenge the way things are done in the business but also require new technologies and the acumen to apply them successfully. After all, there is no digital business without a digital IT.

Today's IT function will probably not solve tomorrow's challenges. Therefore, it is paramount for retailers to understand their technology landscape and their organizational capabilities to be symbiotic and dynamic. Both need to evolve constantly and in sync with each other.

A key differentiator will be the ability to adapt to new market drivers and technology opportunities. Successful retailers set up their IT operating model accordingly to accommodate change in all dimensions. They shape their technology landscape proactively. They build and develop required capabilities. And they embrace an ecosystem of partners not only for cost efficiency but also for innovation, scalability, and competency.

Product orientation, architecture management, IT competence development, and smart IT sourcing are key for retailers to overcome the challenges and seize the opportunities outlined in this study."

Felix Middendorf, Senior Director
Enterprise Transformation Germany

"The connection between the physical and virtual worlds in any kind of customer service is crucial for customer acceptance. Digital identities and seamless solutions for ownership in the digital world are key for this connection. On top, the integration and/or combination of several services will be key to win customers' interest in new products. The foundation of this connected digital and virtual world is Web3 – bringing a new level of user centricity, ownership, connectivity, and data analytics. As one key priority action that must be taken now, firms need to understand the impact of Web3 on their business and define their Web3 strategy."

Steffen Reidt, Senior Manager
Enterprise Transformation Germany

"For retailers, it will be crucial to satisfy both consumer demands: Individualization and sustainability. To react more quickly to changing demands at the same time as guaranteeing transparency along the value chain, sourcing from manufacturers with production sites in Europe is a scenario that retailers will increasingly consider. Manufacturers in the apparel industry will hence increasingly look to relocate their production sites to Europe. However, the use of new technologies and the digitization of processes are key requisites to meet the demands of the digilogue consumer."

Kristina von Gehlen, Senior Consultant
frog Customer First Germany

"The future of the digilogue consumer results in a digilogue employee; in other words, future customer experience and related digital skills acquired are forming a digilogue workforce.

For decades the work environment as well as the chosen profession have in many ways defined the skills and competencies of employees, with training being offered based on business needs. Nowadays, but even more in the future, the digilogue consumer develop digital competencies via trends such as augmented and virtual reality, e-commerce, and the metaverse that would also have a benefit on their employability.

What is more, trends such as individualization, connected retail, and the resulting individual shopping experience create a holistic customer experience that an employee would also expect in their work-life, in other words, a holistic employee experience. From a digitalization perspective employees will seek a frictionless employee journey across all employee touchpoints with mobile apps and smart workflows. From an emotional perspective this journey needs to focus on the individual, supporting them in their individual development and career path.

Retailers need to establish a digilogue workforce that is motivated and enabled to deal with and support the needed change. Such a workforce will be based on two aspects:

1. Development of a digital culture that helps to define a positive future

   62% of companies confirm that their own corporate culture is the biggest hurdle on the way to digital transformation (Capgemini Digital Transformation Institute Survey, Digital Culture). Our research has also shown that:

   - Digital cultural change is possible and measurable
   - This change makes digital transformation really successful for companies
   - Businesses and employees alike benefit from a shift towards a digital culture

   Focusing on a digital culture that fosters experimentation, creativity, and innovation as well as the adoption of new technologies will result in a workforce that actively seeks to define the future retailer.

2. Development of necessary skills and competencies that help the workforce to build a positive future

Augmenting the workforce equips employees with the technology they need to assume new ways of thinking. But it's absolutely essential to enable employees to explore digitalization accordingly. Establishing a learning strategy with a focus on continuous learning and creating individual learning experiences will enable the motivated workforce to actually create the future of European retail."

Iris Brückner, Director
Workforce & Organization Germany

"The best way to predict the future is to **invent it**."

Alan Kay

6 AFTERWORD: CALL TO ACTION

One thing about the future is certain: It will remain uncertain!

Crises, unpredictable demand fluctuations, supply chain disruptions etc. are becoming or are the "new normal". The ability to react quickly to such developments is becoming more and more a real competitive advantage, taking its place alongside classic aspects such as product quality or price. At the same time, technological development continues to gain momentum and thus promotes sustainable disruptions of retail business models.

In order to realize this competitive advantage, it requires not only a suitable, solitary strategy, but above all the right plans in the drawer, in order to be able to draw on them according to the situation. So, what must be done:

1. Define the relevant driving forces for your sector and map them on the landscape
   Each sector (such as grocery or fashion retail) has its own particularities and, consequently, an individual weighting of the driving forces.
2. Derive the relevant scenarios
   Identify and describe the relevant scenarios out of the driving forces of your sector.
3. Make it tangible
   Operationalize the relevant scenarios into concrete measures and derive the prerequisites required for them, such as necessary resources
4. Define the right trigger point(s)
   Identify critical triggers for the implementation of the bundle of measures

We are happy to engage with you to discuss the "what" and "how".

Torsten Schmalbach,
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Consumer Products & Retail

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Capgemini invent

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