



# Retail - Current Landscape and Beyond

**Don Williams, Retail Partner**

**E mail: [don.williams@kpmg.co.uk](mailto:don.williams@kpmg.co.uk)**

**Mobile: 07775 705569**

**GCVA: February 2024**



# Economic Outlook

## Short term outlook for the UK economy

	2023	2024	2025
Real GDP	0.1	0.1	0.9
Consumer spending	0.3	-0.1	0.9
Investment	2.9	0.5	1.4
Unemployment rate	4.0	4.3	4.6
Inflation	7.4	2.2	2.0
Base interest rate	5.25	4.25	3.00

Source: ONS, KPMG forecasts. Average % change on previous calendar year except for unemployment rate, which is average annual rate. Investment represents Gross Fixed Capital Formation, inflation measure used is CPI and unemployment measure is LFS. Interest rate represents level at the end of calendar year.

## Sterling exchange rate

	2020	2021	2022	2023	2024
Exchange rate GBP/USD (average)	1.28	1.38	1.24	1.24	1.26

Note: 2024 figures are based on forward market data.

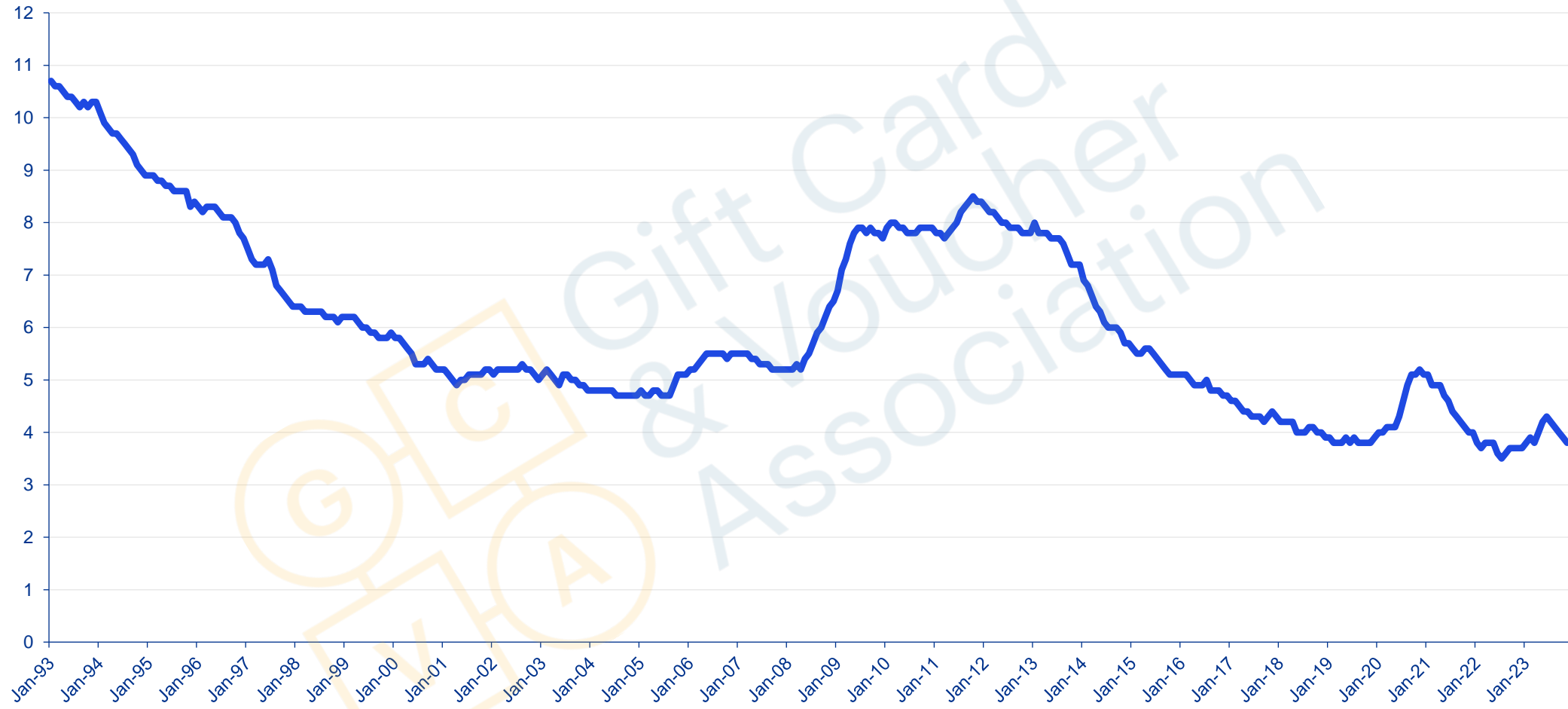
Source: Bank of England, Refinitiv



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# The UK labour market

UK unemployment rate, past 30 years, in percent

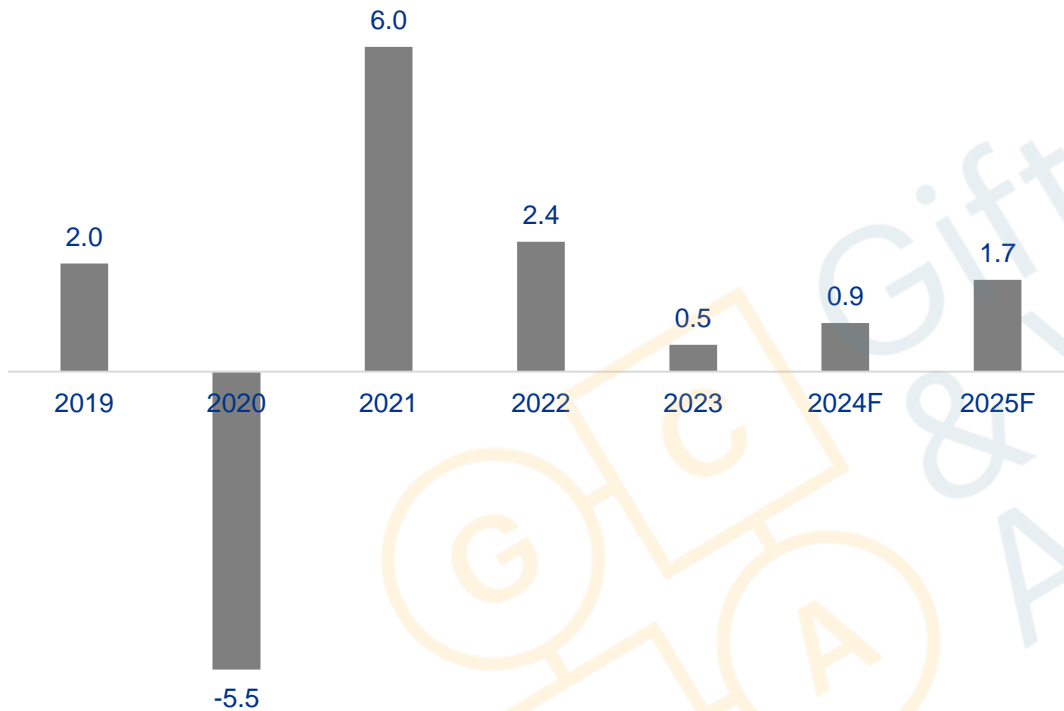


Source: ONS; accessed on 22 February 2024

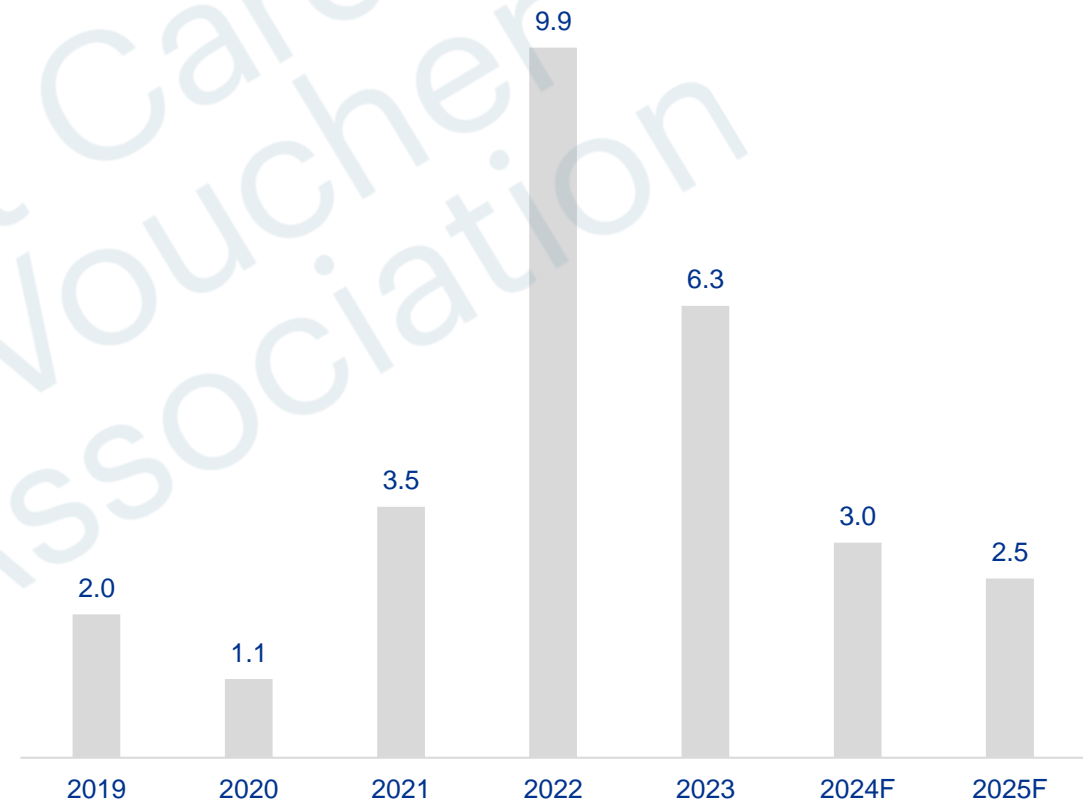
# Economic Outlook (EU)

## EU economy

Real GDP growth (annual percentage change)



Inflation rate, average consumer prices (annual percentage change)



Note: The values are as per Winter 2024 Interim forecast

Source: European Commission; accessed on 22 February 2024

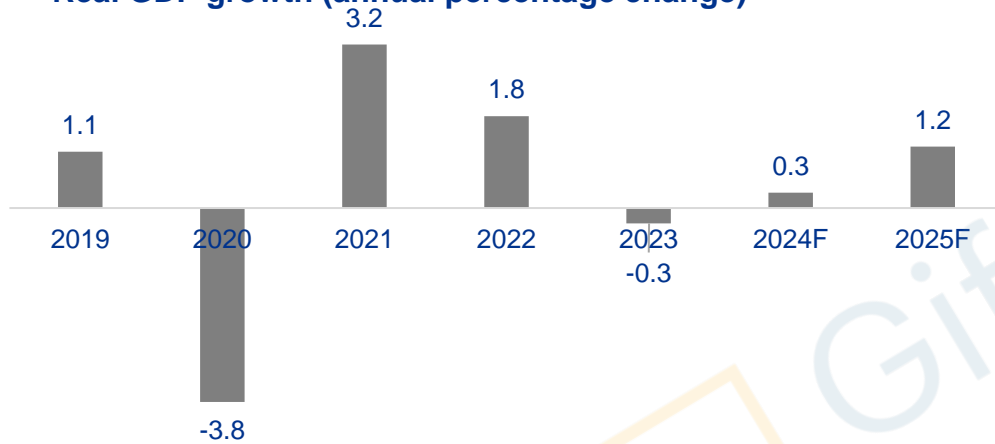


© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

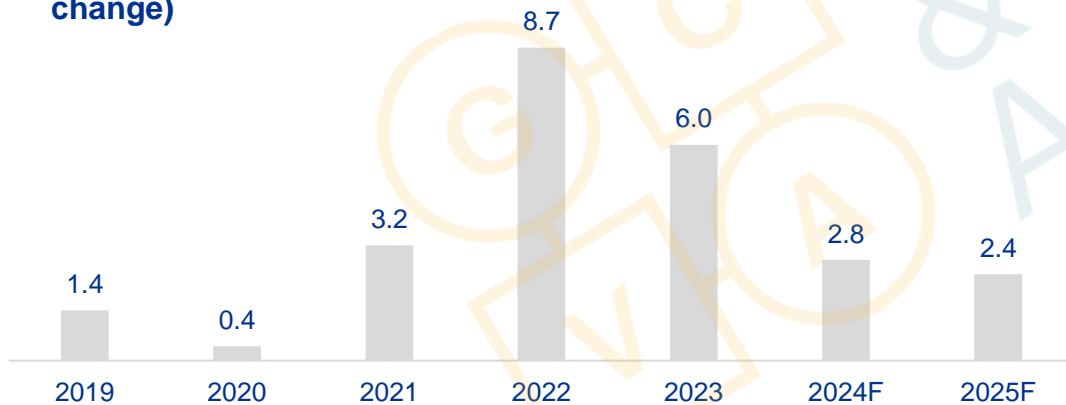
# Economic Outlook (Germany, France)

## Germany

Real GDP growth (annual percentage change)



Inflation rate, average consumer prices (annual percentage change)

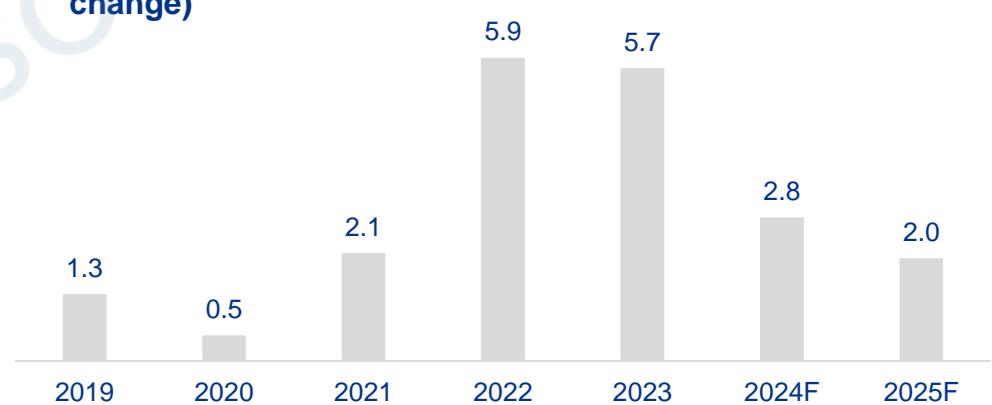


## France

Real GDP growth (annual percentage change)



Inflation rate, average consumer prices (annual percentage change)

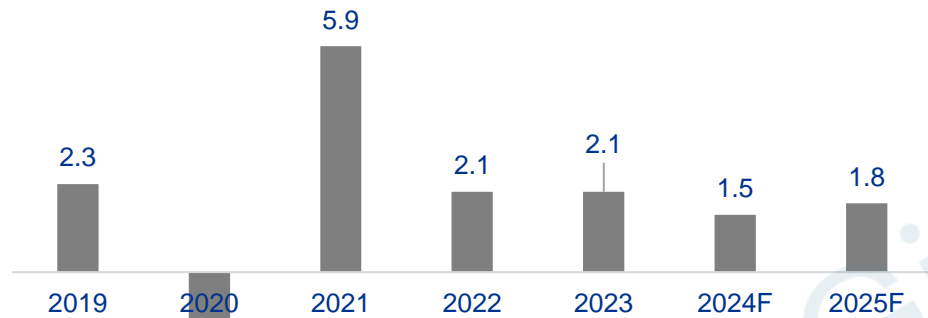


Note: The values are as per Winter 2024 Interim forecast  
 Source: European Commission; accessed on 22 February 2024

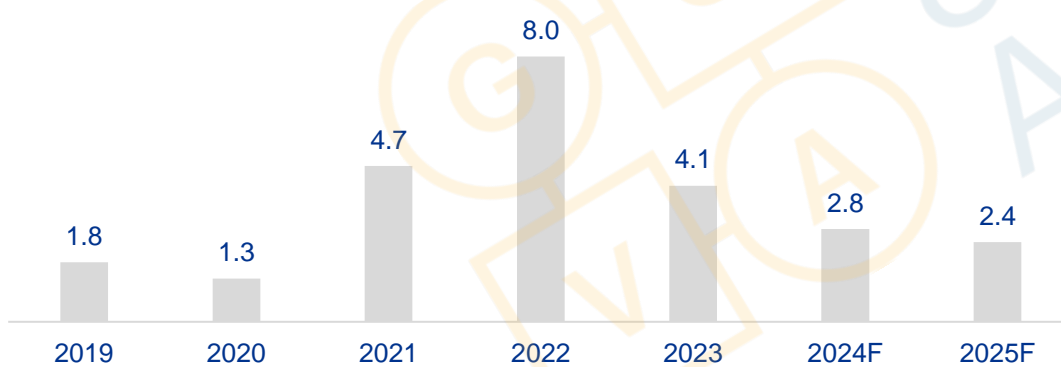
# Economic Outlook (US, China)

US

Real GDP growth (annual percentage change)

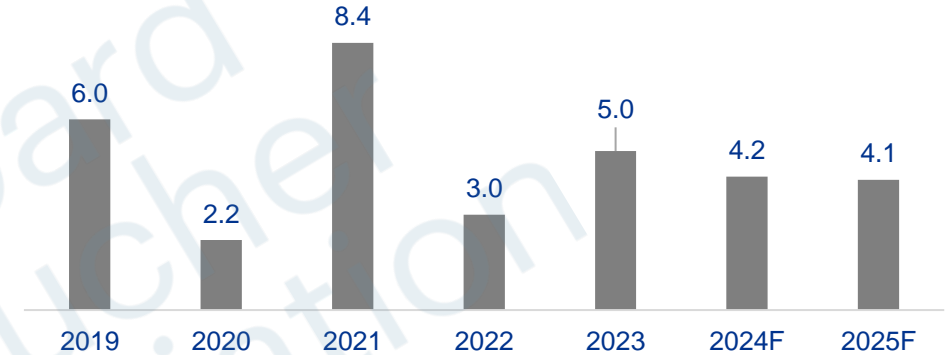


Inflation rate, average consumer prices (annual percentage change)

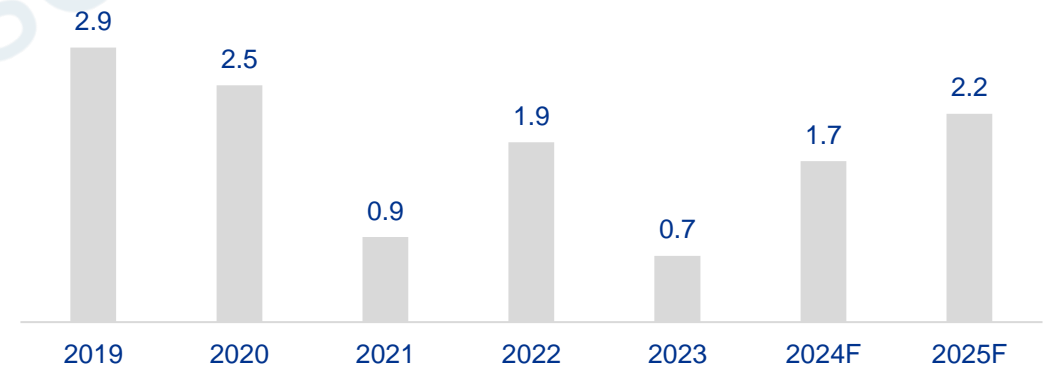


China

Real GDP growth (annual percentage change)



Inflation rate, average consumer prices (annual percentage change)



Note: The values are as published in October 2023  
 Source: IMF; accessed on 26 February 2024



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# BRC KPMG retail sales monitor

	February 2024 <sup>1</sup>	February 2023
UK retail sales (LFL)	1.0%	4.9%
UK total sales	1.1%	5.2%
Online sales – non-food	-4.1%	-3.1%
Online penetration rate	35.7%	36.1%
	Three months to February 2024 <sup>1</sup>	12 months to February 2024
Food sales (LFL)	5.8%	NA
Total food sales	6.0%	NA
Non-food retail sales (LFL)	-2.9%	NA
Non-food retail sales (total)	-2.5%	NA
Online sales – non-food	-2.9%	-2.9%
Instore sales – non-food (total)	-2.3%	0.3%
Instore sales – non-food (LFL)	-2.9%	-0.3%

## Online Penetration by Category

Categories Year	Health and Beauty	Home accessories	House Textiles	Clothing	Toys & Baby Equipment	Footwear	Furniture	Household Appliances	Computing	Other non-food
2023	15.2%	22.8%	36.3%	38.1%	41.2%	50.7%	51.3%	59.0%	67.3%	34.7%
2024	15.6%	22.6%	36.8%	37.6%	41.2%	49.1%	51.0%	58.6%	67.9%	34.4%





Note 1. Covering the four weeks of 28th January 2024 –24th February 2024

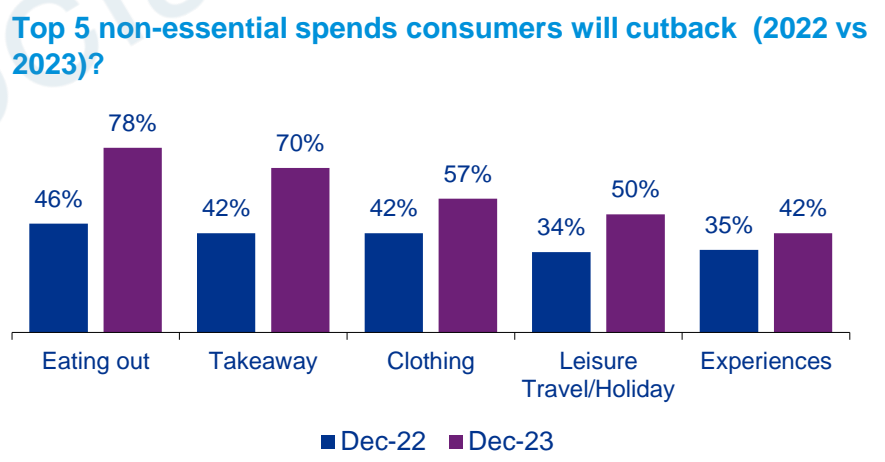
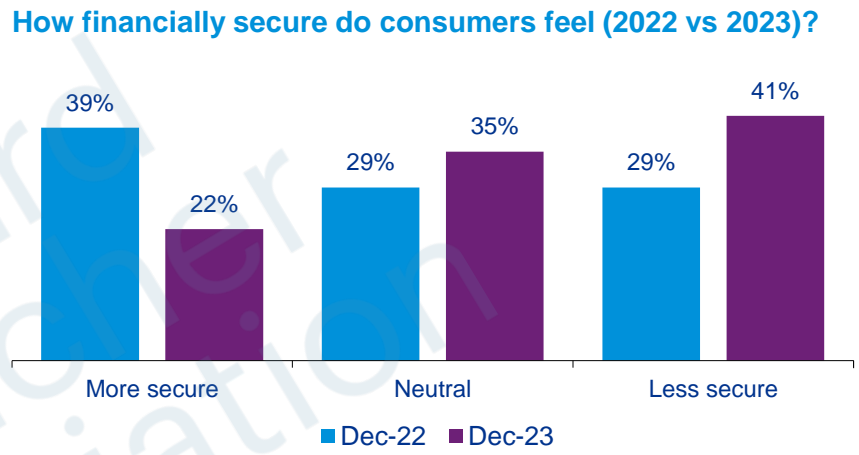
Source: BRC



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Consumer Pulse: 2024 Outlook (1/2)

<p><b>41 percent</b> of the consumers <b>feeling less financially secure</b> heading into 2024.</p>	
<p><b>58 percent</b> of the consumers say they will <b>cut-back on non-essentials spending</b>, while only 8 percent say they will increase non-essential spending.</p>	
<p><b>Eating out</b> is the most common <b>non-essential cutback category</b> for 2024 with <b>78 percent</b> of votes, followed by takeaway with 70 percent.</p>	
<p><b>53 percent</b> of consumers stated that they will <b>increase their non-essential spending in Leisure Travel/Holiday</b>.</p>	
<p><b>46 percent</b> of the respondents said they will buy more <b>own brand or value goods</b> in 2024, also more <b>promotional or discount items</b>.</p>	



Source: [KPMG UK Consumer Pulse survey](#); accessed on 9 January 2024

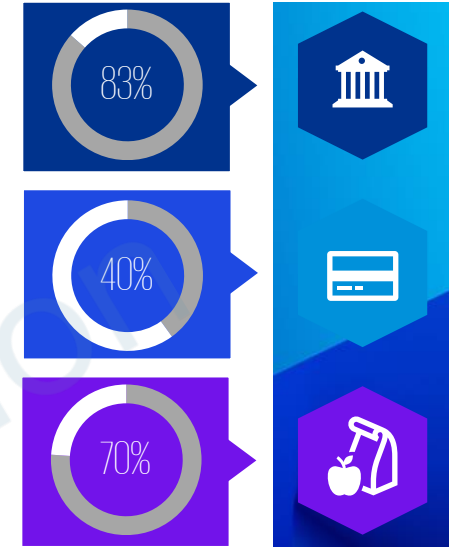


# Consumer Pulse: 2024 Outlook (2/2)

**Price** is the top consideration when purchasing goods and services in 2024 for **83 percent** of the respondents, followed by quality.

**40 percent** of consumers say they will **increase their use of retailer loyalty schemes** in 2024, up from 18% at the start of 2023.

**70 percent** of the respondents stated that they will be **buying their groceries in-store**, compared to 16 percent who will be buying groceries online.



Do you prefer to buy in-store or online (by category)?



Source: [KPMG UK Consumer Pulse survey](#); accessed on 9 January 2024

# Current themes

- **Cost and efficiency – SKU, location, partner, talent**
- **Cash – funding, working capital, incentives**
- **Supply chain resilience**
- **Technology**
- **Regulatory compliance – including ESG**



# Emerging discussions with clients

- **Seamless commerce and Deep knowledge of the customer**
- **New revenue streams**
- **Artificial Intelligence**

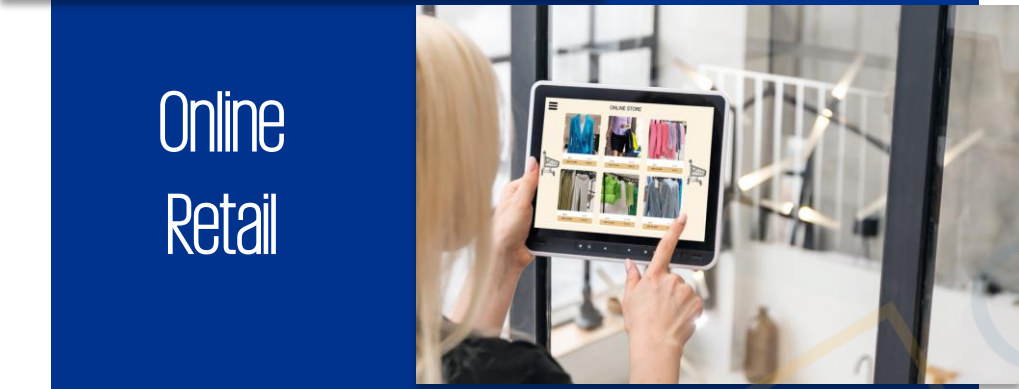




## Brick and Mortar

# Seamless commerce and deep knowledge of the customer - an essential for success in retail

Both online and offline channels have their benefits which can be mutually exclusive or contradictory at times. To give the consumer a well-rounded experience, bridging the gap to cover these differences requires a comprehensive omnichannel strategy. Some key elements for retailers to focus on include:



## Online Retail



## Seamless commerce



**Hybrid-in-store experiences**



**Technological enablement of customer facing employees**



**Social media integration**



**Using data for:**

- Personalising customer journeys for experience and operational optimisation
- Customer-centric economics



**Website optimisation across devices**



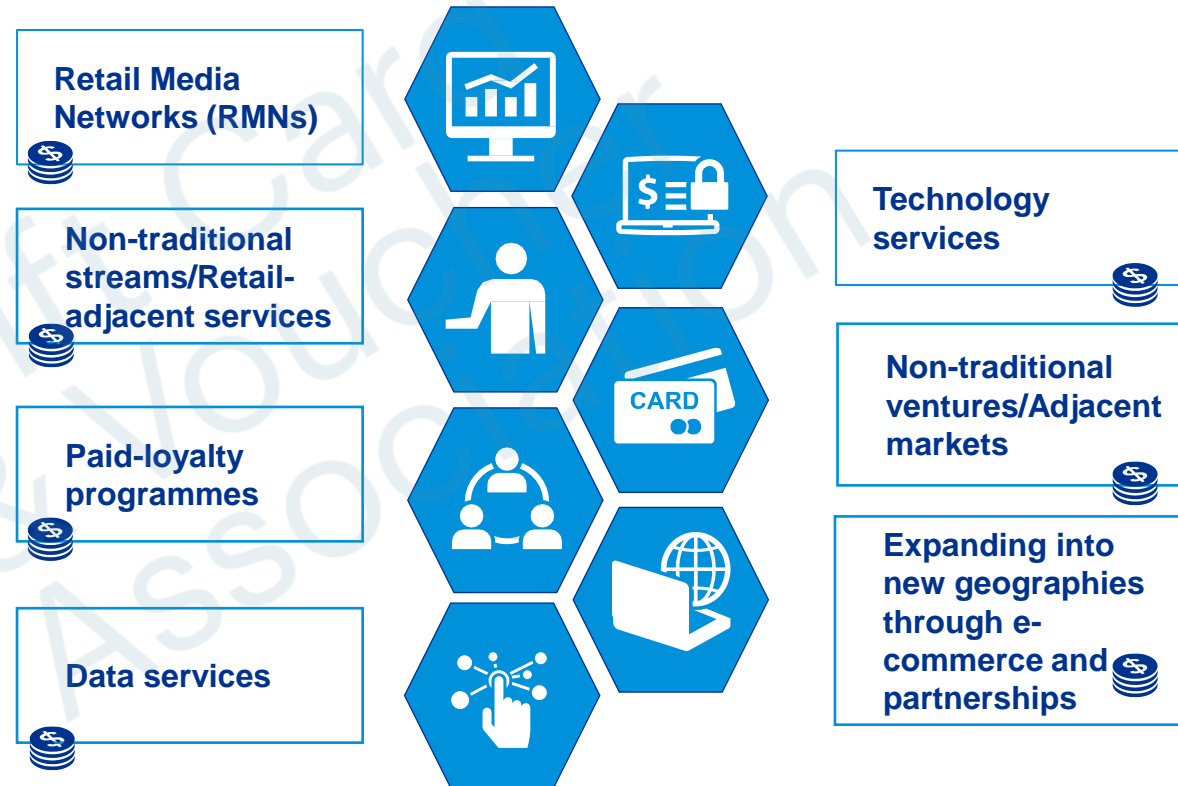
**Multi-channel customer loyalty programmes**



**Frictionless fulfilment**

# Retailers are exploring new revenue streams, while optimising existing ones

Retailers need to tap into data, analytics and technology to monetise on opportunities which will serve as new revenue streams in tandem with traditional retail:



# There is an opportunity for AI integration across retail - from operations to customer experience



## Optimising operations

- Demand forecasting
- Automated inventory management
- Dynamic pricing
- Fraud detection
- Robotic fulfilment centres
- Delivery route optimisation



## Enhancing customer experience

- Personalised recommendations
- Chatbots and virtual assistants
- Smart mirrors and fitting rooms
- Frictionless checkout



## Customer analytics

- Predictive analysis
- Sentiment analysis
- Market research
- Targeted marketing
- Facial recognition for targeted advertising



## Generative AI

- Product description
- Content Generation
- Video/image generation
- Marketing campaign design

# Thank You

## Access to other thought leadership

If you are interested in receiving and getting access to our thought leadership pieces including regular economic updates, monthly BRC/KPMG sales monitor and Retail Think Tank papers then please join our Beyond platform. Link to sign up is [KPMG Beyond Retail C-Suite community](#)

I am more than happy for you to share this link with other members of your leadership teams so they can join and have access too.



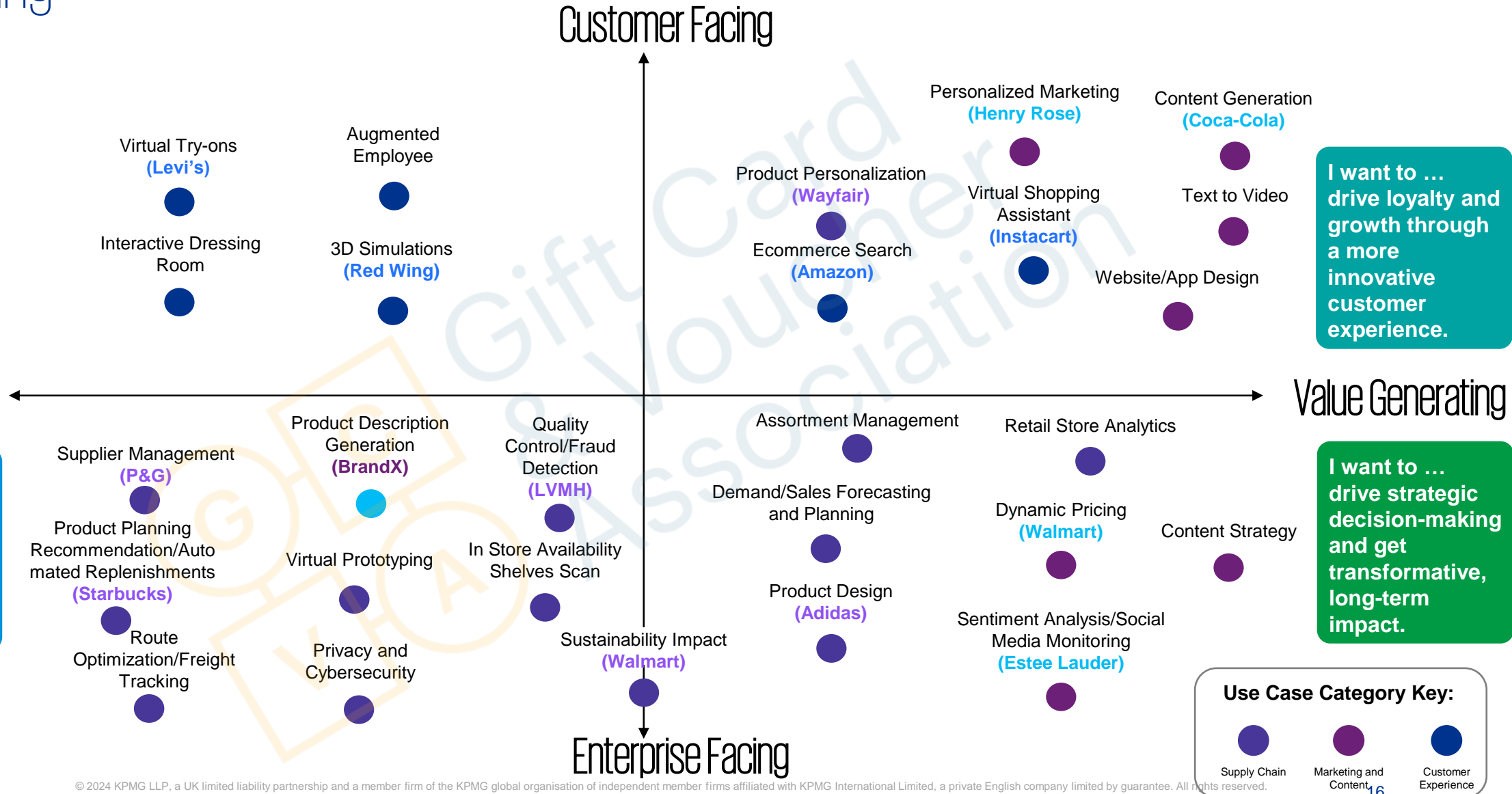
# AI use cases offer potential across the spectrum of cost saving to value generating

I want to ... streamline operations and make customer interactions more efficient.

I want to ... drive loyalty and growth through a more innovative customer experience.

I want to ... automate and optimize internal processes to free up employees.

I want to ... drive strategic decision-making and get transformative, long-term impact.





# Gen AI is already being used across the industry

## New product design and development

### Adidas and P&G

*Product development*

Adidas used it for designing sole, for lightweight and durable shoes. P&G used for AI for improving its existing products and generative network for new product formulation.

## 3D simulations for virtual sampling

### Red Wing and Veesimal

*Customer engagement*

Red Wing deployed 3D foot scanning technology across its 500-plus retail stores. Veesimal enabled virtual try-on integration for customers to choose their model and pick clothes to try on.

## Analyzing product defects and quality

### P&G

*Product development*

P&G used machine telemetry, analytics, and AI to monitor production lines in baby care, improving the manufacturing process of Pampers with real-time visibility.

## AI chatbots for customer engagement

### Instacart and Klarna

*Customer engagement*

Klarna integrated a ChatGPT plug-in to provide personalized recommendations for shopping advice. Instacart's used ChatGPT to respond to users' food-related queries.

## Supply chain and inventory optimization

### Microsoft and C3.ai

*Partner process improvement*

Microsoft's Copilot uses supplier-related news to send targeted emails to suppliers. C3.ai offers an inventory optimization solution.

## Automated product description generation

### BrandX and GoDaddy

*Product development*

BrandX used generative AI to create product description and GoDaddy takes a product photo snapped by the business owner to generate a creative, customized product description.

## Detecting counterfeit products

### Entrupy and MarqVision

*Partner process improvement*

Entrupy sneaker and luxury authentication solution provides authenticity certificate that detects fake products using product and barcode images provided by the users.

## Fraud detection and profile creation

### BoA, PayPal, and Visa

*Worker augmentation*

Bank of America, PayPal, and Visa leveraged generative AI to prevent fraud. Bank of America analyzes billions of transactions to detect patterns.



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. | CREATE: CRT135364B