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# THE FUTURE

JORG SNOECK & PAULINE NEERMAN

# OF SHOPPING

RE - SET | RE - MADE | RE - TAIL

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## // PREFACE //

What happens when a digital revolution, empowered consumers, the collapse of the international supply chain, a European war and a global pandemic converge? With every passing day, it becomes more and more clear that we are in the eye of a perfect storm. The 2020s have ushered in a new era that arrived with the fanfare of an intractable virus, but so very much more is afoot.

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We published the first edition of *The Future of Shopping* five years ago. The book was voted Management Book of the Year 2018 in the Benelux, so the bar is set high for this second edition. At that time, we were on the brink of a retail revolution. Now we are in the midst of chaos, surrounded by a whirlwind of new technology, new entrepreneurship and new power relationships. New fundamental threats are encircling us, but new hyper-creative solutions and opportunities are coming into view. High time, then, for a sequel. Not an update, but a new story with totally new content.

In **Chapter 1**, we outline the world stage on which everything is taking place. Today, society is facing urgent and compelling challenges on a planetary and systemic level. These challenges are already battering the doors of retailers and FMCG producers who face logistical problems, labour shortages, inflation and scarcity. When even Santa and his reindeer are late delivering toys to good girls and boys because there are too few sleighs, the elves have staged a walkout for better working conditions and the snow has melted, you can be sure that something is seriously wrong.

In **Chapter 2**, we describe the consumers of the future. Not only will there be many more of them, but they will also come equipped with a digital shadow. The boundaries between the physical and virtual worlds will continue to crumble until eventually, we will no longer distinguish between digital experiences and those of our artificially enhanced bodies. If you thought that Captain Kirk has already been to all the places no man has gone before, brace yourself with a virtual reality drink from the metaverse bar.

Ubiquitous technology is the focus of **Chapter 3**. What plans do Jeff Bezos and Jack Ma have up their sleeves? Or rather: Xi Jinping, the President of China, as Jack Ma has gone very quiet lately. Are robots about to dominate the world? Some of the technologies described in the first edition remain viable, while others have disappeared. Are the skies filled with delivery drones? Not yet, but when that day arrives no one will be surprised. We will introduce you to a wide range of technologies that are proving relevant today.

Shopping involves shops, but will it stay this way? What will be the role of a shop in an ever more digitised world? You will find out in **Chapter 4**, but be warned: it could be a religious experience. You will find nutrition for body and mind in **Chapter 5**, where we take a look at the future of our food and how it will reach us.

Then, in **Chapter 6**, we describe why it is time to press the reset button if we want to avoid a retail crash. No need for a crystal ball to see into the future, just look to the East. Chinese retailers are already passing through the retail door into a future that is very different from anything the West has ever experienced. What can we learn from the Chinese retail model? From the future of production to deliveries and marketing, there are lessons to be learned in every area.

Take the lessons home and dare to share them. Open your doors and your mind-set. Take your enemies under your wing and start working together. Send speed-boats to explore the scope of the 'Brave New World'; send submarines too, so you can learn about the new world from the bottom up. When you discover uncharted land, start digging. New ways of consuming offer golden opportunities. How, for example, will the 'rundle' become the new holy grail of retail? You will discover this in **Chapter 7**.

Are you ready for it? Let's re-make re-tail!



## // ACKNOWLEDGEMENTS //

Four years after the publication of our award-winning book, *The Future of Shopping: Where everyone is a retailer*, we are honoured to present you with its sequel. The support and acclaim for the first edition were simply overwhelming. Our goal at RetailDetail and Retailhub, is to increase common knowledge within the sector and what a scintillating sector it is. *The Future of Shopping* opened doors to formidable encounters and opportunities to give lectures and presentations from New York to South Africa. We are extremely grateful for the discussions we hold with entrepreneurs and experts everywhere, to learn from each other and to inspire each other.

The fact that we hit the nail on the head for so many people, from creative young entrepreneurs to titans in the industry, is the best confirmation that we could have hoped for. We are therefore particularly grateful to publishers Lannoo Campus and Van Duuren for immediately putting their shoulders to the wheel again so enthusiastically for our current book *The Future of Shopping: Re-set Re-made Re-tail*. Particular thanks are due to the entire team at RetailDetail whose support made this sequel possible. Stefan Van Rompaey deserves a special mention for his contribution to the chapter *The Future of the Supermarket* and so does Maarten Leyts of Trendwolves for his contribution about Generation Alpha. And not to forget, a big thank you to our towers of strength and anchors behind the scenes: to Monique as a steadfast rock in the surf and to Christophe for his inexhaustible energy during the final editing.

We feel enriched by all the feedback we have received and it has made us even more enthusiastic to continue. Indeed, we are going further, not only with this follow-up book, but also with our completely renewed knowledge centre and community, Retailhub, and with our Foster Labs, that are truly living retail laboratories for retailers, brands and consumers. Our Retailhunt inspiration trips have already taken us to China, Bologna and Dubai and many more will follow. The world is changing so fast that we must observe and learn from developments globally to

keep our finger on the pulse. We travel the world to bring knowledge and inspiration back home to share with you.

These are challenging times, to put it mildly, but we are sincerely convinced that we can all make something very beautiful out of the experience. Thank you for reading. We hope to give you an inspiring journey through *The Future of Shopping: Re-Set Re-made Re-tail*.





# **THE FUTURE OF SOCIETY:**

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## **The risk society**

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Risk will be a constant in the society of the future. In fact, uncertainty and change will become the only certainty. The third decade of the 21st century has already been dubbed the transition twenties: the old system appears to be broken and we are forced to evolve towards a new system. This evolution, like all transitions, will not happen without a fight.

A perfect storm is brewing, consisting of a demographic shift, a digital revolution, a climate crisis, geopolitical conflicts and more. We wait with bated breath to see how and when the dust will finally settle. Unfortunately, humans have little intuition when it comes to risk. For example, we are not good at sensing the risk of imminent bankruptcy, nor are we intuitive about more gradual transitions such as climate change. We either deny reality or panic. There seems to be only black and white when the future could be rosy.

As a result, systemic or all-encompassing transitions create a lot of tension. This heightens the need for strategies to cope with periods of elevated uncertainty. We must deal with the new reality, keep an eye on potentially rebellious robots, nuclear annihilation, a suffocating planet and emerging global economies, to name only a few areas of transition and risk. The evolution of humankind is creating a completely new risk landscape, rife with uncertainty.

The perfect storm was suddenly made perfectly visible by a virus from the East. Covid-19 has exposed the vulnerabilities of capitalism. The success of companies is dependent upon a healthy environment as well as robust social and economic systems. We are only as resilient as the systems we depend on, so companies need to take the planet and its inhabitants into account (Bakker & Elkington, 2020). If climate change and loss of biodiversity are not addressed, profound economic disruption will result.

A side effect of modernisation is the creation of risks that endanger our existence. Once we all understand that we are interdependent, we can use this interdependence as a unique opportunity to mediate risk. This requires global collaboration, creative solutions and collective action. As individuals, we can learn to recognise non-intuitive risks and to become resilient in the face of risk. Our goals for this book are to help readers to recognise change, to raise awareness and to provide strategies to ensure a bright future.

### When retail is outdated

Five years ago, when the first edition of this book was published, we wrote about the dawn of the Fourth Industrial Revolution and Retail 4.0. We all learned about the first industrial revolution in history class. It spanned the mid 18<sup>th</sup> to mid 19<sup>th</sup> centuries when water and steam power were first used to drive industrial machinery and locomotives, leading the way to the first factories. This led to rapid and widespread urbanisation and the emergence of shopping centres and large department stores. The consumer society was born.

The second industrial revolution was driven by the novelty of electricity, which enabled mass production. This retail 2.0 era was the beginning of mass retail. The first modern supermarkets, big box stores and retail chains saw the light of day. Trading became a matter of copy, paste, repeat. Once the art of retailing was mastered, efficient product supply and good retail locations allowed retailers to increase sales volumes almost without limit. More was better as people everywhere yearned for the products that the new prosperity brought them.

Automation and the first digitisation drove the third industrial revolution. Electronics and especially computer science were revolutionary new stars in the retail firmament. Machines for mass production could now be controlled by smart devices. Man was at the controls, literally. Before long, the first e-commerce players and webshops emerged, resulting in Retail 3.0. It was an era marked by pure online players who did not even have physical stores. Among the pioneers were eBay and Amazon, followed later by companies such as Zalando, Asos and Made.com.

The current, fourth industrial and retail revolution (Retail 4.0) builds on the third but still deserves a special mention because of the unprecedented speed, scope and impact with which it is taking hold. The boundaries between the physical, digital and biological spheres are blurring, as described by Klaus Schwab (2016), president of the World Economic Forum and creator of the concept. The fourth industrial revolution is above all an information or data revolution. The unique amount of data that we have at our disposal because of digitisation creates new consumer expectations, new products, new innovations and new operating models.

Retail 4.0 was in its infancy five years ago; today it is mature. The retail sector has undergone turbulent change over the last two decades. One obvious stimulant for this change has been the breakthrough of e-commerce, but the fourth industrial revolution has been fuelled by something more. Namely, consumers have changed. In the golden age of mass retail and mass consumption, brands pushed their products to consumers through retail channels (stores) supported by mass media that created massive demand. In the meantime, power dynamics have shifted. Today there are more channels, consumers are increasingly diverse and most importantly there is more information, much more information.

#### **Retail 4.0: It is no longer (just) about retail**

The way we inform ourselves has evolved from paper leaflets and television advertisements to search engines and reviews from experts, fellow shoppers and price comparison providers. When we are ready to decide we can buy wherever, whenever and however we want. Consumers are better informed: they read reviews and compare prices online before entering a store and they continue to compare from within the store using their mobiles. Shoppers expect more from retailers, both online and during their in-store experience. Brands are losing their grip and consumers are seizing power.

As *phonosapiens*, thanks to the minicomputers in their pockets, consumers are always digitally connected. As a result, they have more choice and less patience than ever before. The one-size-fits-all approach once internationally used by retailers and brands no longer works, even at the local level. Ironically, globalisation has killed standardisation. The mobile (r)evolution is accelerating, and the consumer now expects a total experience, hyper-personalised especially for them at any

time of the day, wherever they are. Thanks to the internet, the whole world is at the feet of consumers, so why should they all buy the same products?

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Not only can people find any product they can think of, if they wish they can have it made to order directly in China. Is that homemade planter or granola bar popular on Instagram or TikTok? Then they will commercialise it. Social media has created a whole generation of micro-entrepreneurs who start their own businesses or become living billboards for brands. In this way, the consumer becomes not only a customer but also a producer and retailer.

Everything people do online and on their mobile phones is tracked. Even everything they do in the physical world increasingly leaves a trail of data. Smart speakers listen to what is happening in our living rooms, telecom operators track our every movement via our mobile phones and fitness trackers can calculate how long we will live.

Retail as we know it has become woefully outdated. Consumers expect companies to know them and help them, not so much with trivial purchases, but to provide solutions to improve their lives. Additional information and tips are wanted by 64% of US consumers while shopping and 75% also want additional in-store services (Lachut, 2019). About 60% would prefer to not have to go to the store at all and would like it if stores could do their grocery shopping for them, for example, while they go about their daily activities.

The concepts of retail and stores have remained largely unchanged for fifty years. That is, until now. A real paradigm shift has changed the fundamentals. New technologies are creating entirely new ways of meeting needs. New and innovative competitors are often the first, or the best, at responding to new opportunities and disrupting existing value chains. What will be the role of the store? What will tomorrow's supply chain look like? What does the customer expect from the retailer?

### **The system in transition**

Inherent in the fourth industrial revolution is the transition to a new system. Artificial intelligence, automation, climate change and growing polarisation within so-



cities worldwide are some of the key drivers that point to the end of an era. The Covid-19 virus was but the welcoming committee for the transition twenties.

In the next ten years we will experience enormous change. 'Even without the Covid pandemic, this would have been true, but now it has all become even more urgent', Herman Toch told RetailDetail (19/08/2020). For example, the existing food system is not sustainable. So, how we can continue to feed the entire world population? Meanwhile, the coronavirus crisis has demonstrated the vulnerability of the fashion industry and its global dependence on a few low-wage countries. These issues are not driving a trend, but rather are resulting in a deep-seated, systemic shift. It is time to rethink our entire retail system.

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Support for a new retail system is growing rapidly. The objective is not only to improve financial performance, but also to modify the social impact of the retail system. In 2019 Business Roundtable, a lobby group representing 181 of America's largest multinationals, revised the very aim of a business. They proposed that businesses should prioritise the environment and the well-being of their employees, that a focus on shareholder profitability is no longer enough. Another example is the commitment of supermarket group Ahold Delhaize's senior management to undertake a social role. 'I have a responsibility to do so', said Marit van Egmond, CEO of the group's Dutch supermarket chain, Albert Heijn. She has committed to consider the ills associated with affluence and the polarisation that can result from it. Quite a shift, as the chain's eponymous founder once proudly held as his motto: 'We are a grocer, not a church.'

A recent Deloitte survey revealed that more than 90% of business leaders were preparing or implementing sustainability initiatives (Renjen, 2016). Almost all of them feared the negative effects that climate change could have on their organisations and half cited climate change as a top priority for their generation. Yet only 20% of those interviewed believed their organisations were ready to meet these challenges and only 10% said they were making progress in identifying, attracting and retaining employees with the necessary skills.

Periods of transition inevitably have high and low moments. The path through a transition is rarely obvious and one can make wrong turns along the way. More-

over, consumers are only human and, as such, full of contradictions, especially if the pressure for change causes stress and unrest. Herman Toch (2020) suggested that forward momentum is helped by scenario-agility, a combination of scenario planning and agility: 'If you only plan scenarios, it will slow you down and you will get stuck. You must be agile as well. If you are only agile and have no vision for the future, you will become rudderless and constantly change direction.'

### When the Earth becomes too small

Earth Overshoot Day, the day when humanity has consumed more natural resources than the planet can regenerate, falls earlier every year. In 2021, the date was 29 July, in 2018 it was 1 August and in 1970, the year when Earth Overshoot Day was established, the Earth was not depleted until year-end on 29 December.

This means that our planet is now in the red every year by halfway through the year. The poignant thing is that we do not yet have a way to settle our debt. Carbon emissions remain a particular problem (up 6.6% in 2021), while biodiversity and biocapacity are becoming ever more diminished. Since 1970, the population of vertebrate species has diminished by more than 50%. Not coincidentally, in the same period the human population has more than doubled.

If the developing world lived like the West, the Earth's reserves would have been depleted much earlier each year. The lifestyle of French and Germans exceeds the capacity of the planet almost three times. If we all lived like Americans, we would need five Earths. Relatively new emerging markets such as China and Iran are already part of the problem. We are pushing the limits of our planet, especially as poorer countries become more prosperous, and the world's population continues to grow.

# Country Overshoot Days 2021

When would Earth Overshoot Day land if the world's population lived like...

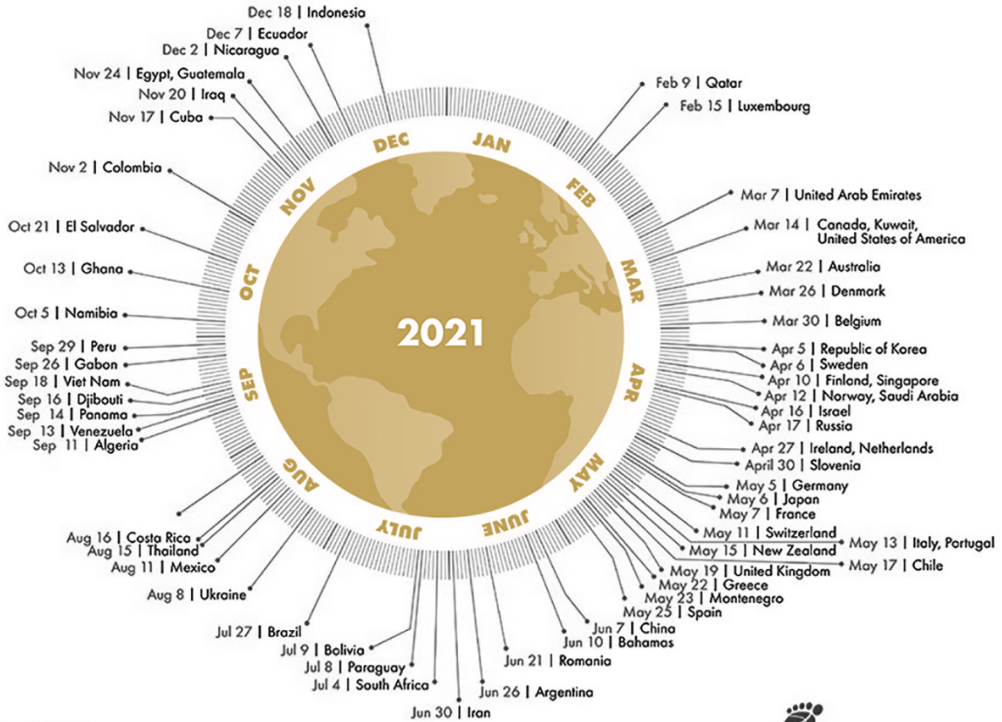


FIGURE 1 • Country Overshoot Days 2021

Source: Global Footprint Network (2021) Earth Overshoot Day press release. National Footprint and Biocapacity Accounts, 2021 Edition.



Source: National Footprint and Biocapacity Accounts, 2021 Edition  
[data.footprintnetwork.org](http://data.footprintnetwork.org)



### **More people demand more resources**

The world's population is growing by about 1.05% annually. However, for the first time in recorded history the rate of population growth is decreasing. On a country-by-country basis, we find important anomalies. For example, populations are increasing in some African countries far in excess of the average, where the predominantly young population are having many children and improved health care is increasing lifespans. In Congo, Tanzania and elsewhere, populations are expected to more than triple by 2100.

In general, the rising world population is not the result of more births, but of fewer deaths. Birth rates are approximately 2.4 per woman, or slightly more than the 2.1 needed to replace the parents. The situation in Western countries is quite different. Britain has a birth rate of 1.7 and Germany is barely 1.6. So fewer babies are born than necessary to replace the older generation.

By 2050, the global population is estimated to reach 9.7 billion. This correlates with an increase in food demand of over 50% (Deloitte, 2021). Food demand is increasing because of economic development in former third-world countries, not only because of population growth. The global middle class is expected to increase by 2 billion to 5.3 billion by 2030, representing more than half of the world's population. Most of this growth will be in Asia. China and India will account for 66% of the global middle class and almost 60% of all middle-class consumption.

### **Code red for humans**

How can our planet sustain such growth, considering that the Earth is now reaching its annual limit by the end of July? 'It is not only immoral, but also unsustainable to think that low-wage countries, especially in Africa, will maintain their low consumption levels. If you see how much they must rise just to reach an acceptable minimum standard, we in the high-wage countries will have to reduce our consumption', warns Sarah Harper, professor of gerontology at the Oxford Institute of Population Ageing (Packham, 2020).

We live in the Anthropocene era, when humankind is determining the future of the planet. Our role may seem implausible since we are confronted with pandemics, natural disasters and massive harvest failures, all of which make us feel the