



How to get ahead of the changing consumer and disruption

Written by



Olivier Gergele

Asia-Pacific EY-Parthenon Consumer Leader;
EY Asean Consumer Products & Retail Leader



In brief

- ▶ Fast-changing consumer attitudes and technological progress will continue to disrupt the consumer products and retail (CPR) industry at an accelerated pace.
- ▶ To get ahead of disruption, CPR players must redefine how to best serve the consumer along the broader consumer life journey.
- ▶ Other key actions include looking at the business from a non-traditional lens and embracing the concept of “meta-retail”.

By getting ahead of disruption, CPR players can seize opportunities from the rapid shift in consumer needs and behaviors.

The consumer products and retail (CPR) space has seen major disruptions over the past few years. With fast-changing consumer attitudes and technological advancements, such disruptions are expected to continue at an accelerated pace. The *EY Future Consumer Index* – which has been tracking consumer sentiment and behaviors over the last few years – has shown that consumers are increasingly focused on convenience, health, experiences and environmental sustainability. The survey in February 2022 indicated that 47% of Asia-Pacific shoppers today prefer online channels for products previously bought in stores due to the convenience of online shopping.

Importantly, the survey also revealed that 67% of Asia-Pacific consumers today are willing to share personal data in exchange for a more tailored experience, and 41% intend to spend more on experiences.

EY Future Consumer Index

47%

of Asia-Pacific shoppers today prefer online channels for products previously bought in stores due to the convenience of online shopping.

67%

of Asia-Pacific consumers today are willing to share personal data in exchange for a more tailored experience.

41%

intend to spend more on experiences.

Apart from being asset-light, disruptive business models are also typically guided by the broader consumer life journey and capture opportunities through the orchestration of digital ecosystems.

Navigating the future of CPR

The CPR industry is poised for significant change primarily driven by those evolving shopping behaviors of consumers. Yesterday's business models were largely centered on providing a product or service to meet specific consumer needs. They typically faced competition from within the industry, were typically capital-intensive and leveraged traditional partnerships. By comparison, disruptive business models are typically guided by the broader consumer life journey, tend to be asset-light and capture opportunities through the orchestration of digital ecosystems. Additionally, they often rely on artificial-intelligence-powered decision-making.

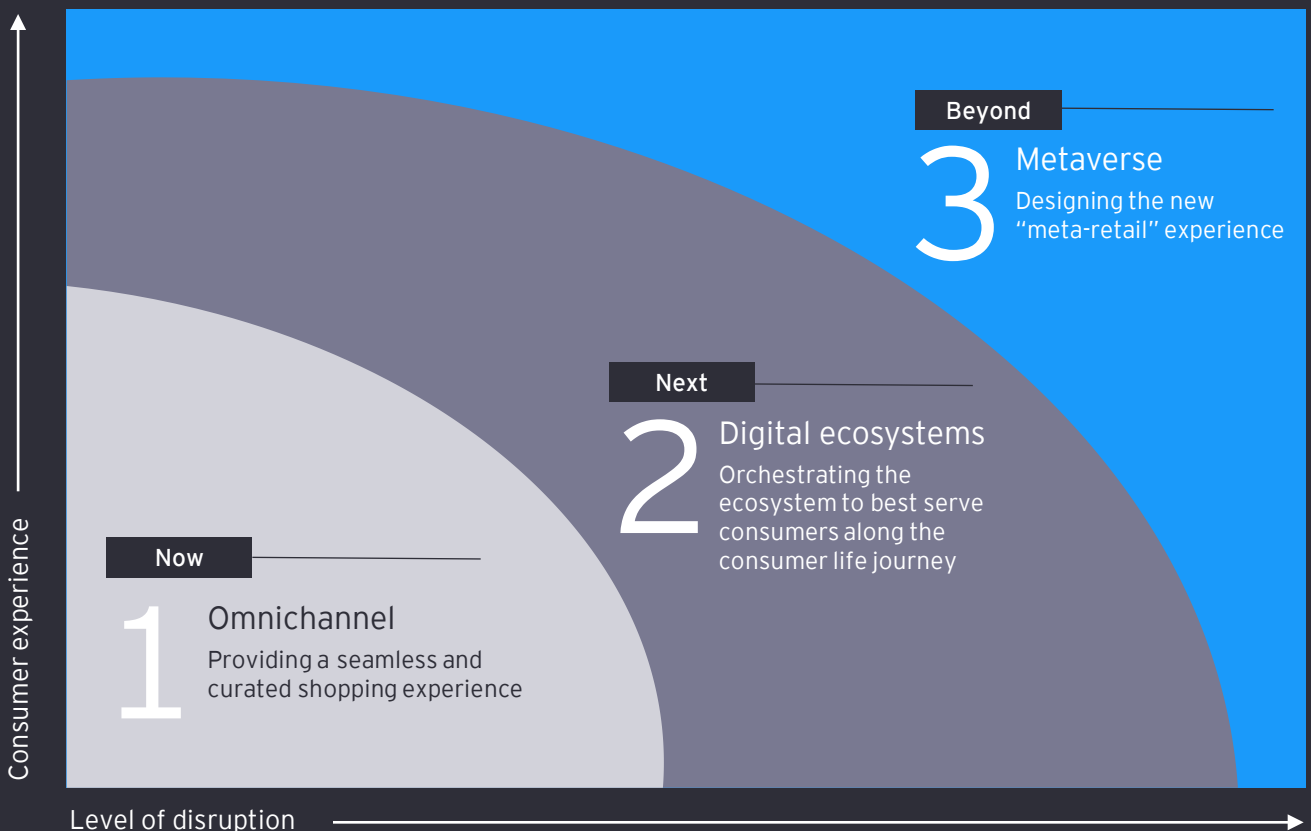
Traditional models	Disruptive models
Sector-specific competition	Potential competition from a different industry
Focus on the product or service	Focus on the consumer journey
Capital-intensive	Asset-light
Traditional partnerships	Digital ecosystem orchestrator
Decisions based on past experience	Artificial-intelligence-powered decision-making

Source: EY-Parthenon analysis

Such disruption is accelerating and offers exciting opportunities for CPR companies across the real and virtual world. From the diagram below, we see the evolution of the CPR industry unfold in three stages.

In the “now” stage, CPR players strive to provide a seamless omnichannel experience to consumers across traditional offline channels and emerging online ones. The Southeast Asian region is seeing an emergence of futuristic stores that rely on connecting the consumer’s experience across online and offline channels through technologies such as geolocation, product barcodes that can be scanned using an app, in-app checkout or hassle-free self-checkout using RFID.

This omnichannel experience also signposts the transition of businesses from being transactional to becoming engaged with the consumer beyond the sales process. Brands are working to create communities centered on consumer needs, such as how beauty companies are creating platforms for consumers to share beauty tips.

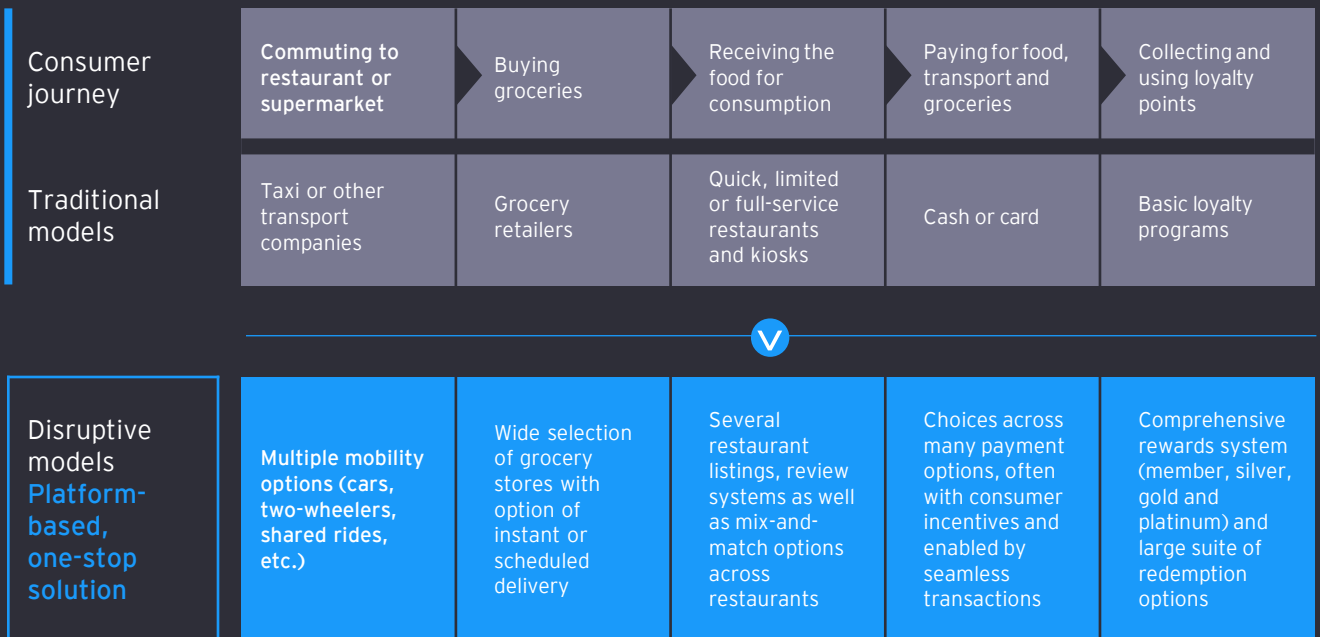


Source: EY-Parthenon analysis

The “next” stage of disruption is driven primarily by companies looking at their business from a non-traditional lens and focusing on the orchestration of a digital ecosystem. The advantages of this approach are well-proven by several technology companies that have prioritized strategic value instead of immediate profitability, and these organizations now command large market shares.

A good example is how super apps have disrupted the food and beverage sector when they expanded into grocery or food delivery. Such platform-based strategies create tremendous consumer value and establish strong barriers to entry for other competitors. The diagram below shows an example of how disruptive models provide a one-stop solution that covers services across the consumer journey.

Disruption in the F&B sector



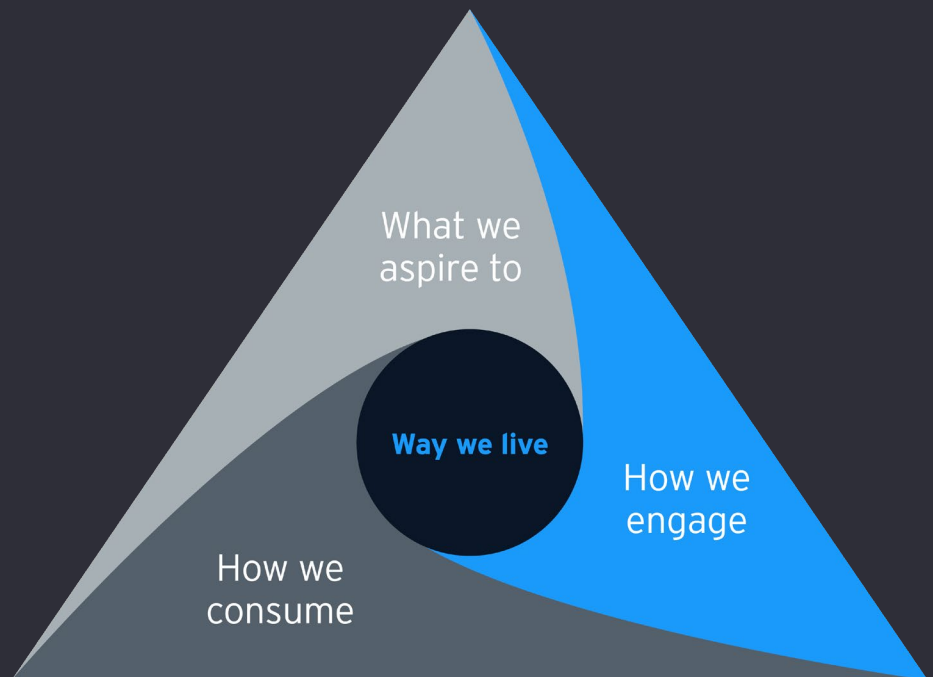
Source: EY-Parthenon analysis

The “beyond” stage is the most disruptive and far-reaching frontier for CPR that will be enabled by futuristic technologies. The metaverse is the most important of these and will fundamentally change how we live and the nature of the retail landscape just a few years from now. The possibilities for CPR companies are vast and in the last few years, major technology players have invested billions of dollars to expand the metaverse itself and experiment with how consumers engage with the digital universe.

Preparing for the metaverse

With the digital and physical worlds getting more and more intertwined, the metaverse has become central to conversations about the future of retail. The metaverse is often described as the confluence of digital identity, creativity and ownership. Similar to the internet in the late 90s, the metaverse is still unraveling and the limits of what we can achieve in this space are largely limited by our ability to imagine the future.

As CPR companies seek to create value through the metaverse, they need to consider how it will impact the way we live across three aspects: what we aspire to, how we engage and how we consume.



Source: EY-Parthenon analysis

In the past, consumers were limited to aspirations in the physical world. For a new generation of consumers, virtual goods and experiences may be as desirable and “real” as physical ones. The metaverse opens up opportunities for CPR companies to expand into it by developing products and experiences that transcend the virtual and physical worlds. This creates opportunities to address new needs and define additional usage occasions for a company’s products and services. Marketers will need to consider how to use the metaverse to continue building brand appeal, usage and loyalty.

In addition, the metaverse will undoubtedly change the way we engage with one another – privately and professionally. For companies, this offers the opportunity to leverage new technologies such as augmented reality (AR) as they innovate how consumers interact with their products in the physical world. This is also an opportunity for companies to build their presence in virtual reality (VR) into the primary channel for direct-to-consumer interaction. The areas for consumer interaction across AR and VR can range from product education and service provision to community building and product cocreation.

Finally, the way that we consume will fundamentally change with the maturing of the metaverse. We can already see the emergence of a digital economy. Games in the metaverse, which allow the creation and collection of assets that may be traded inside or outside the game, have started to pave the way. But we also increasingly see non-gaming companies experimenting with virtual products and experiences. Fashion brands are launching shoe and clothing items for avatars, artists are conducting concerts in the metaverse and art galleries are holding purely digital exhibitions.

Across all these areas, we expect the metaverse to play a central role in a “new omnichannel” experience, in which the delineation between the metaverse and the physical world becomes increasingly blurry: from products that coexist in physical and virtual forms and interactions that may seamlessly move across channels to points of purchase and consumption that move from virtual to physical and vice versa.

Leading CPR companies will have to start experimenting with the emerging possibilities of the metaverse. Building the new omnichannel experience will be a cross-functional effort from strategy to product development and marketing, incorporating new blockchain-enabled technologies and new means of payment.

What we are witnessing is just the beginning of the future of CPR. To get ahead of disruption, CPR players must redesign their business around how people will want to lead their lives and redefine how they serve consumers along changing and diverse consumer journeys. They also need to look at their business through a non-traditional lens and embrace the next big bet on “meta-retail” quickly to stay ahead of competitors.

Get in touch

Olivier Gergele

Asia-Pacific EY-Parthenon Consumer Leader;
EY Asean Consumer Products & Retail Leader
olivier.gergele@parthenon.ey.com

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