**Deloitte.**
Digital

**Future of Retail-Tech
Emerging Landscape in Israel 2020**

January 2021

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# Introduction

The past decade has seen great shifts in consumer behavior enabled by digital tools. Consumer preferences for personalization, convenience, and service have grown as channels such as e-commerce, mobile shopping, streaming content, and social media have addressed these new necessities. These new consumer behaviors and new technologies have caused the entire market to shift. Internet giants like Amazon continue to grow, while brick-and-mortar incumbents and niche retailers must re-evaluate once successful models.

Over the past year, the economic effects of the COVID-19 pandemic have accelerated many of these changes. Consumers' immediate reactions to the global pandemic have caused a dramatic shift to online purchasing and high volatility in demand. As consumers have adjusted to new ways of living, working, and consuming, some aspects of the Retail and Consumer Products (RCP) market have stabilized while new long-term trends are beginning to emerge.

While the business environment continues to rapidly change, enterprises must leverage different assets to maintain and increase competitive relevancy. Many of the most successful players are using technology as a key lever, now more than ever.

As Deloitte Digital & Deloitte Catalyst, we have a unique position. Our work places us at the intersection between established RCP multinationals (MNCs) and emerging players in the industry. Leveraging this unique perspective, we strive to identify specific collaboration opportunities benefiting both parties.

We are delighted to publish our third annual retail-tech landscape focusing on how specific startups and solutions address retailers' and consumer brands' business needs in 2020 and beyond.
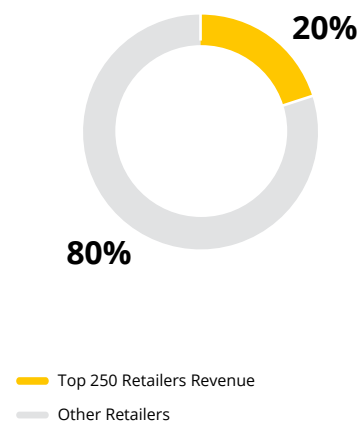
# The Global Market

Each year Deloitte publishes Global Powers of Retailing, a research report focused on the performance of the 250 largest retailers around the world. Leveraging publicly available data from FY2018, the report analyzed the top 250 retailers' performance across various geographies and product sectors. This report is used to help understand where the global retail market is today, and where it might be headed.

When this report was originally published, before the global spread of COVID-19, the outlook for the global retail industry in 2020 was uncertain. Overall economic growth was predicted to be subdued but positive, due to some predicted growth in consumer spending coupled with relatively low inflation in most countries. The shift toward online purchasing was growing and the biggest players continued to plan and execute international expansion.

As a group, the 250 largest retailers brought in $4.74 trillion in aggregate revenue FY2018, making up about 20% of the overall global retail market. Each of the top 250 retailers had retail revenue of at least US$3.9 billion, with an average of $19.0 billion. The year-on-year growth rate of the Top 250 retailers stood between 4-5%[1].

In previous years, retail growth in emerging markets in the Middle East and Africa outpaced other more established regions, and these regions were seen as a potential area of opportunity for global brands. However, recently that trend slowed and these markets have experienced below-average growth rates.

### Retail growth Regionally[4]

Year on Year growth



Source: Deloitte Global Powers of Retailing 2017-2020

Looking at the market from the perspective of product mix, Deloitte has split retailers based on their primary category into Fast Moving Consumer Goods (FMCG)[a], Apparel & Accessories, Electronics & Leisure Goods and Diversified[b].
Nearly two thirds of total global retail revenues were generated by the FMCG category and Electronics and Leisure was the fastest growing category.

a. FY2018 includes data from July 1, 2018 – June 30, 2019
b. Diversified players are those retailers who sell across categories that do not have one product category that constitute 50% of sales[5] a relatively high-turnover rate 5

### Top 250 Retailers share of Global Retail Revenue (2018)[2]



- Top 250 Retailers Revenue
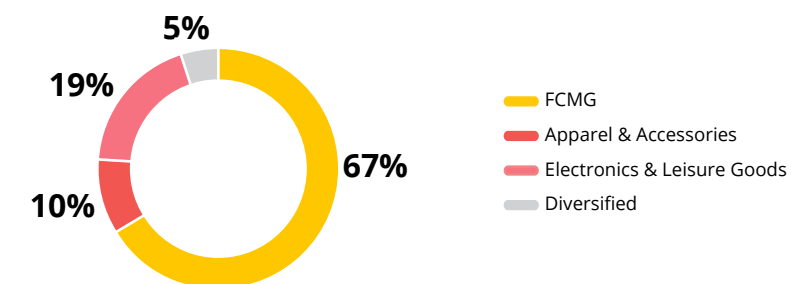- Other Retailers

### Growth of Revenue for the Top 250[3]

(in trillion USD)
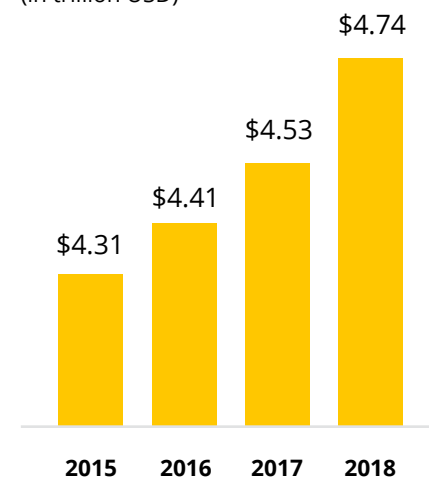


Sources: Deloitte Global Powers of Retailing 2017-2020; eMarketer Worldwide Retail Forecast

### Share of Revenue by Category[6]

By category, of top 250



- FCMG
- Apparel & Accessories
- Electronics & Leisure Goods
- Diversified

Source: Deloitte Global Powers of Retailing 2019-2020

## CAGR by Category[7]

| | YoY growth in average retail revenue | Net profit margin Change YoY Percentage Points | Growth in Share of total retail revenue YoY Percentage Points |
|---|---|---|---|
| **Fast Moving Consumer Goods** | 4.7% | +0.4 | +0.3 |
| **Electronics & Leisure Goods** | 7.3% | -0.1 | +0.9 |
| **Apparel & Accessories** | 4.7% | -2.3 | -0.1 |
| **Diversified sector** | 6.2% | -1.7 | -1.1 |

Source: Deloitte Global Powers of Retailing 2019-2020

Of the five retailers with the highest global revenue, all sell at least some FMCG, most operate internationally, and some focused heavily on online sales. Later in this report, we will discuss major impacts of the COVID-19 crisis on each of these three areas.

## Top 5 Players are Online and International[8,9,10,11,12]

| Company | Category | Revenue CAGR (2013-2018) | # countries with operations | % of sales through e-commerce (estimation) |
|---|---|---|---|---|
| Walmart Stores, Inc. | Hypermarket | 1.6% | 28 | 8% |
| Costco Wholesale Corporation | Wholesale | 7.8% | 11 | 5% |
| Amazon.com, Inc. | Online Store | 18.1% | 16 | 50%* |
| Schwarz Group | Discount Store | 7.1% | 30 | 1% |
| The Kroger Co. | Supermarket | 3.6% | 1 | 4.1% |

**\***Retail percent of Amazon's total business

Sources: Deloitte Global Powers of Retailing 2020;
plus eCommerce estimations from Forbes,
Born Digital, PR Newswire, and Digital Commerce 360

The fastest growing companies among the top 250 retailers differed from others by their approach to growth. First, acquisition was a sure way to grow quickly. This approach is popular among large FMCG retailers with access to capital and contributes to the global trend of consolidation of retailers. Second, low cost positioning has been a successful approach to growth. Expanding large networks of low-cost retail stores leverages consumer demand for basic, discount items and for close, convenient shopping locations. Third, the best-in-class online approach allows retailers to grow quickly without as much investment in physical locations and relies heavily on great consumer experience and fulfillment capabilities. Lastly, the omni-channel approach has proven successful for brands focused on building relationships with consumers through brand experiences across multiple digital and physical channels.

## Growth leaders' differentiated approaches[13]

| | Example Company | | Revenue (Billion USD, '18) | CAGR ('13-'18) |
|---|---|---|---|---|
| **Acquisition** Growth by acquiring a competitor or adjacent business | **Albertsons** | US Grocer who acquired competitor Safeway | $60.5 | 24.7% |
| **Low cost** Growth by expanding network of price-focused stores | **Dollar Tree** | US multi-category retailer (all for $1-5) | $22.8 | 23.8% |
| | **B&M** | UK discount multi-category retailer | $4.6 | 20.9% |
| **Best-in-class Online** Differentiate through user search and purchase experience | **Wayfair** | US furniture and home goods e-commerce with a site that **offers inspiration and service** | $6.8 | 49.2% |
| | **JD.COM** | China's leading one-stop e-commerce platform with a **wide product range** | $62.9 | 44.1% |
| **Omni-channel** Differentiate through personrelationshipalization and brand | **Nike** | US Footware & apparel manufacturer and retailer with **connected instore and online experiences** | $11.8 | 17.2% |
| | **Ulta Beauty** | US Cosmetics Brick & Mortar and Online Retailer offing **in-store salon services and online beauty advice** | $6.4 | 20.5% |

Considering where the market was expected to be at the beginning of the year, we will now look into the fast and dramatic changes in the RCP sector prompted by effects of the COVID-19 pandemic.
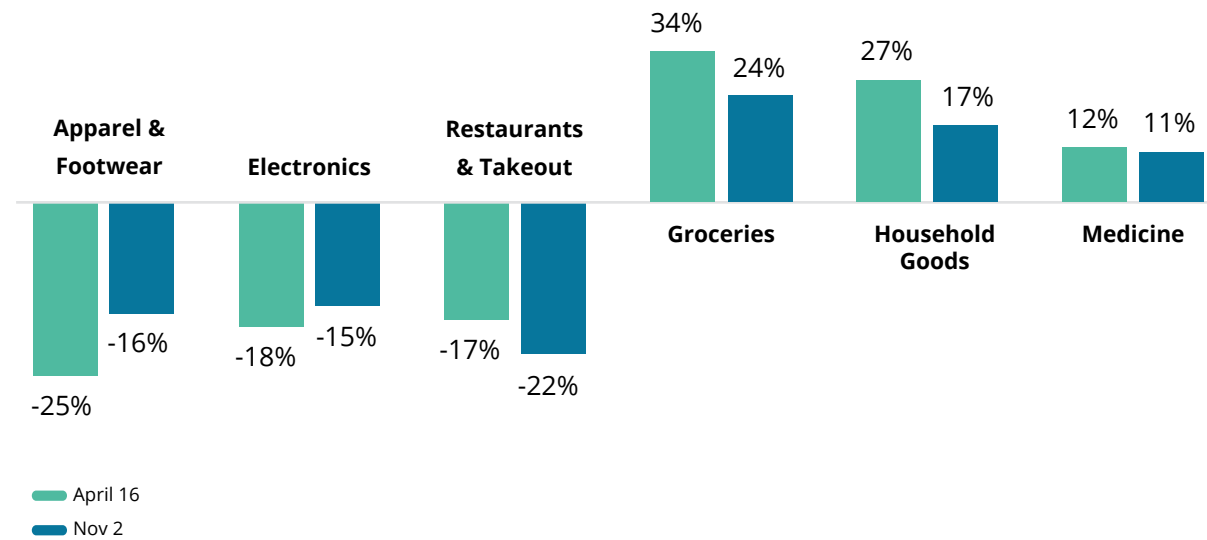
Source: Deloitte Global Powers of Retailing 2020

# COVID-19 Impacts on the Retail Industry

By the end of the first quarter of 2020, when the virus first spread globally, the RCP industry saw big shifts in consumer spending across categories and a jump in online sales. As consumers focused on core needs, sales grew in FMCG categories, particularly groceries, household goods, and medicine. According to Deloitte's State of the Consumer Tracker, an ongoing global consumer survey, consumer spending across product categories is slowly returning to normal as time passes since the outbreak of COVID-19.

## Intent to spend over the next four weeks[14]

*How much do you plan to spend on each of the following items over the next four weeks compared to the last four weeks?*

Net Spending Intent = (% A lot more/Somewhat More) minus (% A lot less/Somewhat less)



Apparel & Footwear -25% / -16%
Electronics -18% / -15%
Restaurants & Takeout -17% / -22%
Groceries 34% / 24%
Household Goods 27% / 17%
Medicine 12% / 11%

■ April 16
■ Nov 2

Source: Deloitte State of the Consumer Tracker

Across all of these product categories, purchase channel preference has changed. In the United States for example, the portion of e-commerce sales out of overall retail jumped from 11.8% to 16.1% between Q1 and Q2 2020[15]. As we near the end of 2020, and brick and mortar stores are able to open, consumers are slowly shifting back to purchasing in-store. However, not all product categories are bouncing back to in-store as quickly as others, and it is unlikely that all categories and all consumers will return to the previous channel mix. While some consumers use e-commerce as a main channel for the first time ever out of necessity, not all will continue using that channel. Their decision depends on the quality of service and ease of use experienced shopping online.

## Big Jump in Ecommerce[16]

*Q1 2019 – Q3 2020, United States*

(e-commerce sales as % of total retail sales)



Q1 2019 10.2%
Q2 2019 10.8%
Q3 2019 11.2%
Q4 2019 11.3%
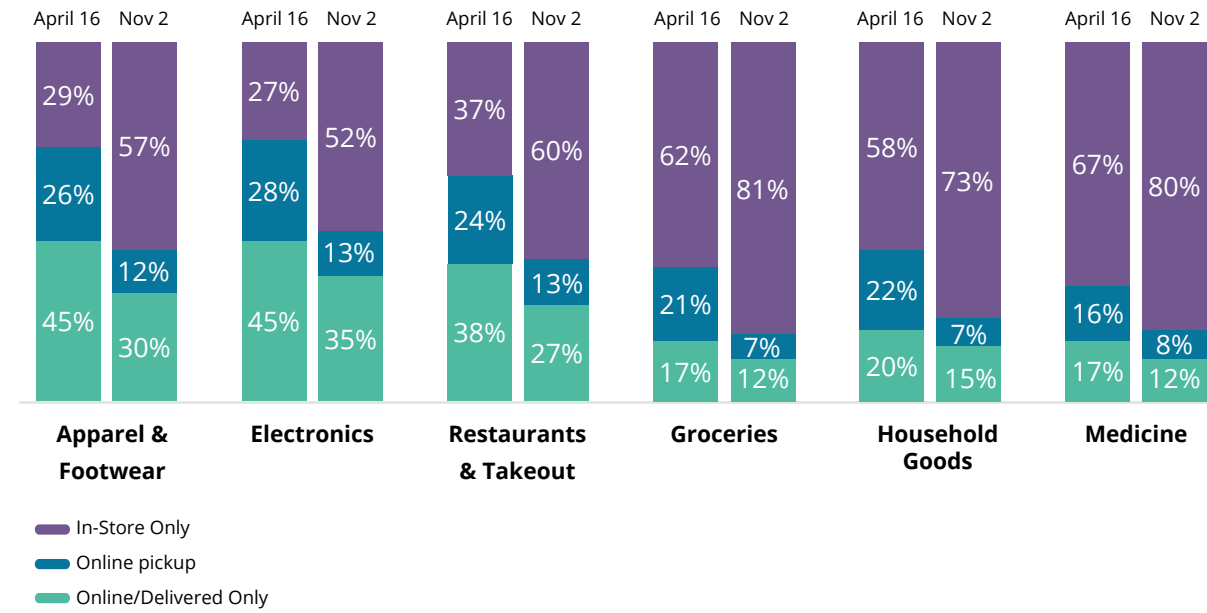Q1 2020 11.8%
Q2 2020 16.1%
Q3 2020 14.3%
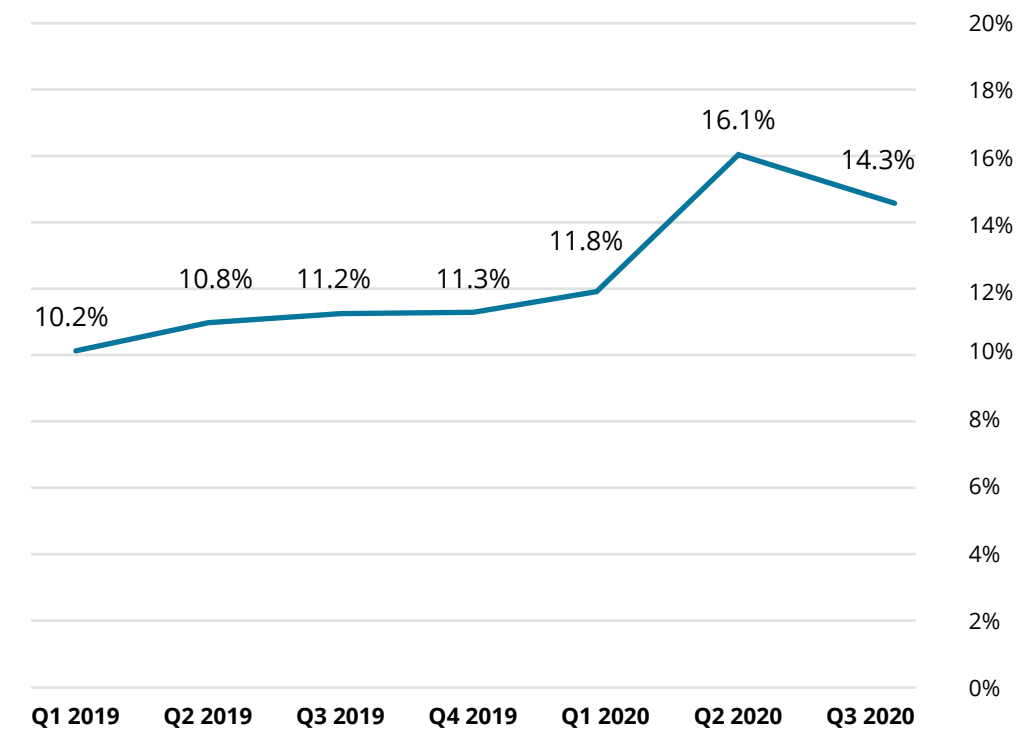
Note: E-commerce sales are sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system. Payment may or may not be made online.
Source: US Census Bureau

## Intended purchase channel[17]

*How do you plan to purchase each of the following items over the next four weeks?*

| | April 16 | Nov 2 | | April 16 | Nov 2 | | April 16 | Nov 2 | | April 16 | Nov 2 | | April 16 | Nov 2 | | April 16 | Nov 2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| In-Store Only | 29% | 57% | | 27% | 52% | | 37% | 60% | | 62% | 81% | | 58% | 73% | | 67% | 80% |
| Online pickup | 26% | 12% | | 28% | 13% | | 24% | 13% | | 21% | 7% | | 22% | 7% | | 16% | 8% |
| Online/Delivered Only | 45% | 30% | | 45% | 35% | | 38% | 27% | | 17% | 12% | | 20% | 15% | | 17% | 12% |
| | **Apparel & Footwear** | | | **Electronics** | | | **Restaurants & Takeout** | | | **Groceries** | | | **Household Goods** | | | **Medicine** | |

- ● In-Store Only
- ● Online pickup
- ● Online/Delivered Only

Note: Survey of of consumers in Australia, Belgium, Canada, Chile, China, France, Germany, India, Ireland, Italy, Japan, Mexico, Netherlands, Poland, south Korea, Spain, UK, US
Source: Deloitte State of the Consumer Tracker.

## People are choosing digital because it is convenient, not out of necessity[18]

*Top reasons for shopping online over physical stores*

(% predominatly online shoppers)



**Avoid crowds (65%)**   **Comfort of shopping from home (64%)**   **Free shipping / delivery options (60%)**   **24-hour availability (58%)**   **Easy to compare prices (53%)**

Source: Deloitte Holiday Retail Survey 2020 (US).

## COVID-19 Impacts on the Retail Industry

*Here to Stay: Market challenges changing the RCP landscape*

Beyond consumers' initial reactions that affect demand across product categories and purchase channels, there are secondary changes to consumer behavior that are likely here to stay.

### New Globalization

- Foreign workers may have difficulty crossing boarders
- Possibility of lockdowns in manufacturing regions
- **Business Impact**: Between consumer demand fluctuating dramatically and disruption in manufacturing and shipping, supply chains will need to become more flexible

### Technological Transformation

- Acceleration of the shift to e-commerce
- Increase use of VR to bridge physical distance
- Distance learning for children and adults
- **Business Impact**: There is an opportunity to connect with consumers through new digital channels that may have seemed too advanced before the crisis

### Economic Uncertainty

- Basic products over premium options
- Employment insecurity makes low-price key
- **Market impact**: Some of the initial product category shift towards CPG and essentials will remain as long as consumers are worried about their financial situations, some basic products may face further commoditization. On the other hand, people will be willing to spend more for flexible payment options

### Awareness of health and hygiene

- Brands identified with trust and quality
- Products origins and ingredients
- Increased awareness of hygiene in products, and in interactions with salespeople and service providers
- Increased awareness of pollution, demand for sustainability
- **Market impact**: This trend pushes back against the impact of economic uncertainty. Although more expensive, locally produced products and trusted brands may be preferred over generic products and imports

### Everything from home

- Shift to remote work likely to stick around at least partially
- Remote learning opening opportunities for children and adults
- New options for eating, entertainment, and shopping from home
- **Market impact**: With less foot traffic to malls and Main Street, consumers will be less likely discover brands and retailers accidentally. The battle for exposure and loyalty will intensify making pro-active data-based marketing tools a must-have

### Social Change

- Stronger family-unit
- Value of human interaction at the point of sale has eroded
- Companies' social role through digital channels is increasing
- **Market impact**: There is an opportunity to offer more services remotely and through bots. It is now more important to focus on building consumer engagement and loyalty
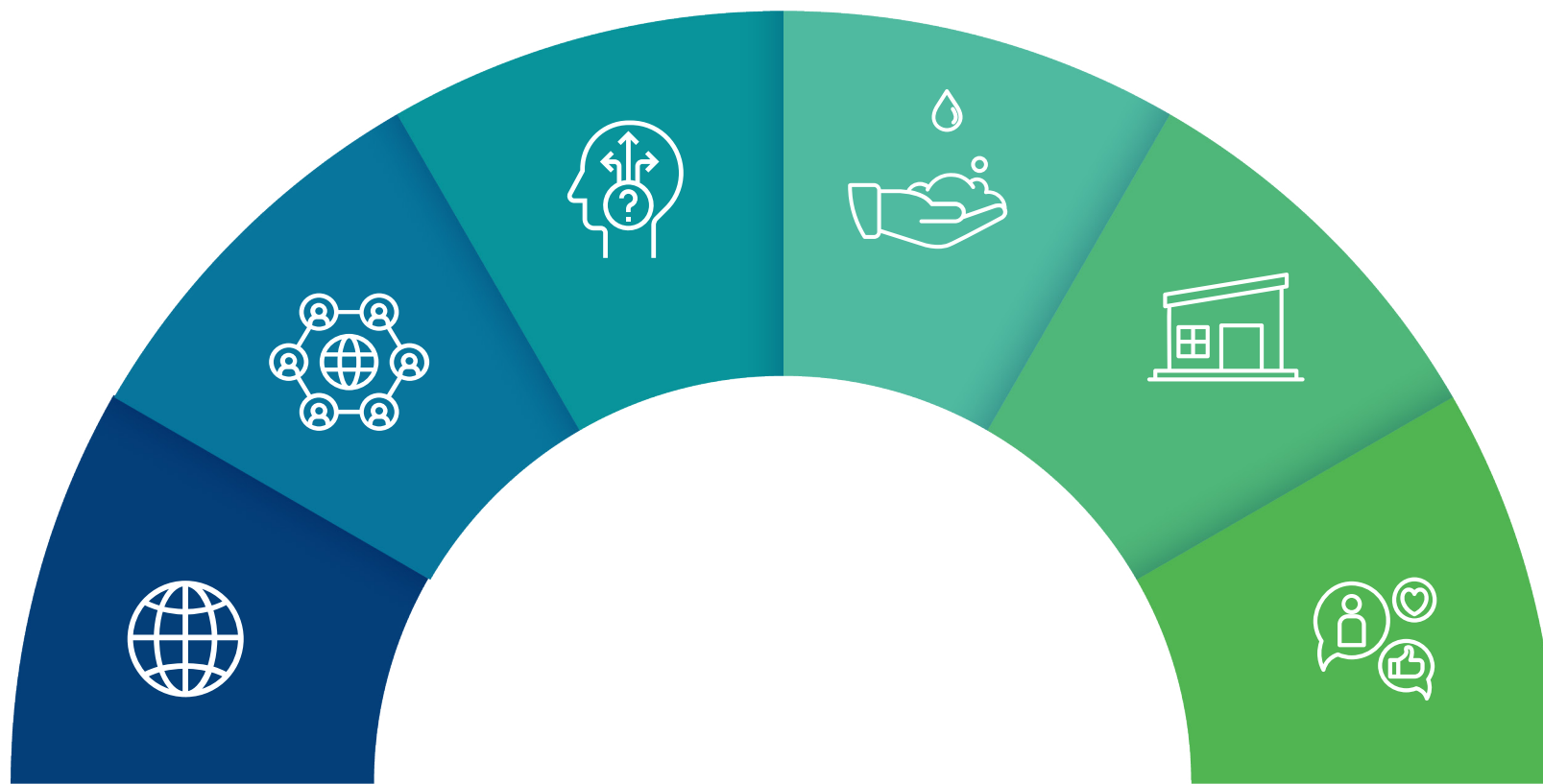
# The Israeli Retail-Tech Ecosystem

## Israel is a hub for new technologies

Israel presents three key differentiating elements that fuel a unique innovation ecosystem

### Society

Very casual and open environment, **encouraging everyone to be critical** and creative

### Government

Provides **subsidies for large R&D investments** and takes on a significant part of the risk by providing equity-free initial funding to early-stage startups

### Military

The military unit 8200 is **an elite cyber and intelligence unit**.

*"The best tech school on earth is Israeli army unit 8200"*
- Business Insider

## Applying Israeli technology to the retail sector

**7,000+** active startups included    **460** retail-tech startups

The established Israeli start-up and R&D landscape has developed leading capabilities in AI, ML, computer vision, robotics, IoT and big data. This technology expertise is being applied to identify the needs of retailers and to create ground-breaking technology solutions.
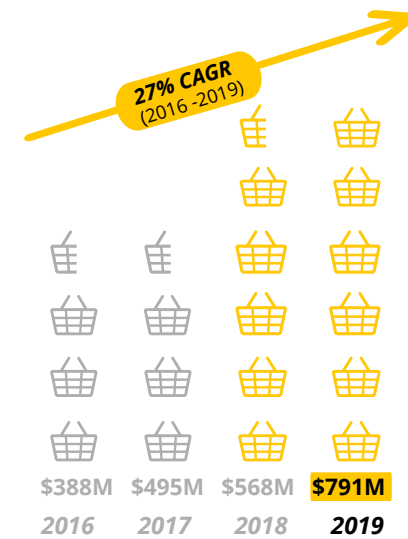
**Total Investments in Israeli Start-ups**[19]



**14% CAGR** (2016 -2019)

| $4.9B | $5.2B | $6.9B | $8.2B |
| 2016 | 2017 | 2018 | **2019** |

Source: Start-Up Nation Israel

**World's highest R&D as % of GDP**

**(4.6%)**[20]

**Total investments in Israeli retail-tech**[21]



**27% CAGR** (2016 -2019)

| $388M | $495M | $568M | $791M |
| 2016 | 2017 | 2018 | **2019** |

Source: Start-Up Nation Israel

**12%** of global investments in retail-tech went to Israeli companies in 2018

**10%** of all investments in Israeli startups went to retail-tech companies

## *International investments*[22]

The top 10 retail companies raised an average of $51M in 2019. for the second consecutive year, the US was the top investor after Israel.

| Target Company | Origin of Investment | Amount |
| --- | --- | --- |
| Riskified | US | $165M |
| Fabric | Israel, US, Singapore, Canada, Luxembourg | $110M |
| Vayyar | Israel, US, Singapore | $109M |
| Namogoo | Israel, US | $40M |
| Trigo | Israel | $22M |
| Syte | Israel, US, South Korea, Japan | $21.5M |
| Neura | Israel, US | $16M |
| PerimeterX | Israel, US | $14M |
| Quick | Israel | $10M |
| Scalez.io | Israel | $2M |

Source: Start-Up Nation Israel

The Israeli start-up ecosystem consists of a vibrant and diverse pool of retail-tech companies. The 460 retail tech start-ups in Israel have collectively raised more than $1.5B in equity investment. A large pool of active Venture Capital firms, Labs, Accelerators & Hubs nurture, support and invest in these companies.

## LABs, Accelerators & Hubs



## Active Venture Capitals



The following is a non-exaustive list of MNCs and their level of involvement in the Israeli ecosystem

## High Commitment



**Exploration**

Out of 20 retail-tech M&A activities in the past two years, 13 deals were conducted by an Israeli acquirer and in 11 deals the target company was Israeli. These stats expose the maturity and attractiveness of the Israeli retail-tech ecosystem.

**Selected M&A Activity in Israel 2019-2020**[23]

## Acquisitions

| Target Company | Acquirer/investor | Description | Date | Amount |
|---|---|---|---|---|
| survey.com | trax | On-demand retail services | Mar 2020 | N/A |
| personali | NAMOGOO | AI for Analyzing Consumer Opinions | May 2020 | N/A |
| AXONITE | optimove | Marketing automation platform | Feb 2020 | N/A |
| aimbrain | BIOCATCH Less Friction. Less Fraud. | Anomaly detection based on behavior biometrics | Feb 2020 | $40M |
| smsbump | YOTPO. | SMS automated marketing platform | Jan 2020 | N/A |
| optile | Payoneer | An open payment orchestration platform | Dec 2020 | N/A |
| armatic A BlueSnap solution | BlueSnap | Account receivable automation solution for payments | Oct 2019 | N/A |
| SafeCharge | nuvei | Payment platform that provides omni-channel payment services | May 2019 | $889M |
| Periscope Data | sisense | BI and analytics platorm | May 2019 | $100M |

Source: Start-Up Nation Israel

# 7 Trends Shaping the Future of Retail

& What You Can Do About Them

Throughout the years, many trends have been forecast to change the future of retail. Trends like 3D printing, hyper-personalization, smart glasses and others have been predicted to gain popularity. For the majority of these technologies and trends, their impact has been incremental at most. Earlier this year, Deloitte reviewed these predictions and conducted research based on visible signs in market data, economic trends, consumer insights and technology advancement. The report based on this research, "The future is coming, but still one day at a time: 7 data-driven defining the future of retail and consumer products industry", explores seven trends that have been proven to drive real change the retail market

In this report we will dive deeper into these seven trends to identify the ways in which they can impact business as a retailer or manufacturer.  The impacts of these trends call for developing or acquiring new technology-enabled capabilities. Technology advancements are immense, but technology should not be seen as an obstacle, rather as a tool to solve specific business challenges.

# Commoditization & Premiumization
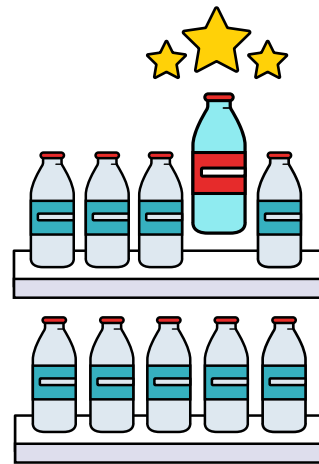
## Commoditization and Premiumization

### What is the trend?

Technology has removed many barriers to entry and made it easier for smaller players to reach consumers, leading to a proliferation of new brands and products. For example, focused niche brands can now build a brand from scratch by reaching out to consumers via social networks, selling via D2C e-commerce, or selling through marketplaces which requires a limited investment. As the number and variety of product options expands, consumer preferences shift from brand to shopping and purchase channel, making the variety and experience offered in physical and online retailers key[24].

## 5x

as many products are stocked in
Grocery stores compared to the 1990's[25]

As more brand options become available, brand loyalty is lessening in some areas leading to increased commoditization.

## 46%

of consumers are more likely to
try new brands than they were five
years ago[26]

Commoditization of products has a few different impacts. First, it causes downward pressure on prices, leading to growth in off-price and discount options. Second, this pressure on pricing and consumers' ambivalence toward brand has led many retailers to choose to offer private-label options. Third, to differentiate those private label products, and to make them even more profitable, many retailers have added premium private-label lines.

## 3x faster

growth for Private label products
vs. traditional products since 2015[27]

## 15.7% → 19%

rise in the share of premium private
labels over the past 3 years[28]

## What is the trend's impact on business?

As a brand facing commoditization, you can no longer rely on brand value or product qualities. Rapid product innovation is one way to adapt to commoditization.
**To retain loyal consumers in the long term, you must go beyond the product.**

**Focus on connecting with consumers** through brand, service, and shopping experience. Get to know their product, channel, and service preferences and deliver experience to support your products.

## What new capabilities are required?

- Differentiate by creating a **unique shopping experience**
- Connect to consumer through or **loyalty programs**
- Utilize data to **predict shoppers' product, price, and service demands**

### *Relevant Israeli Retail-Tech Companies*

### Loyalty and customer relationship management



### Data-based personalized marketing



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## *Real-life use case from highlighted startups*



**Case study**

**Client:** Tweezerman.

**Aim:** Tweezerman has sold beauty tools through retail channels for over 40 years. When the brand launched its D2C business, it needed a solution to connect its existing loyal following and streamline operations across multiple domains.

**Solution:** With Yotpo's Loyalty & Referrals solution, Tweezerman created customized loyalty programs for each geography and integrated their loyalty program with Yotpo Reviews to reward shoppers for leaving product reviews, questions, and comments.

**Results:** Increased customer acquisition life-time value, especially in new markets.

**87%**
increase in revenue

**86%**
increase in reviews

**160%**
increase in page views
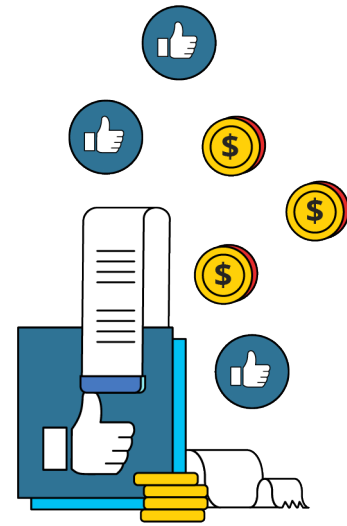
# *Digital Success & Costs*

### *What is the trend?*

In recent years, digital has been necessary in order to take part in market growth. Although growth in digital sales was previously expected to slow, with COVID-19 acting as a catalyst, digital sales have soared in the past months and will probably stay high. Within digital sales, mobile is making up an increasing portion of growth.

## 51%

of total US retail sales growth was contributed by digital sales in 2019[29]

## 19% → 45%

rise in the portion of mobile sales out of all e-commerce rose from 2014 to 2019[30]

Often, the shift to e-commerce and mobile comes at the expense of retailers' conversion rates and profit margins. Managing growing e-commerce channels requires scaled logistics and experience that many retailers and brands lack.

## 3.8% lower

revenue per visit on mobile than on desktop-based ecommerce[31]

Further affecting margins, spending on digital advertising is growing at a faster rate than overall retail and consumer products industry sales. With rising cost-per-click for online campaigns, the ability to retain decent ROIs becomes more difficult.

## $103 billion growth in Digital ad spending

from 2011-2019[32]

## What is the trend's impact on business?

Getting online is necessary for growth but can erode margins. To become more profitable, retailers and brands should focus on increasing conversions on digital assets, reducing costs when fulfilling online orders, and making digital ad spending more efficient. With players spending more and more on digital advertising, it is harder to stand out from the white noise and impact users intent to purchase.

## What new capabilities are required?

- Increase conversions by **improving shopping and buying experience** on online and mobile assets
- Invest in technologies that **make advertising more efficient**, alongside creativity as a major differentiator

### Relevant Israeli Retail-Tech Companies

## Virtual & Voice Assistant


mmuze · VOICEFRONT

**Emerging Companies** | nexc · | Voiceable

## Online Experience


eko · W

**Emerging Companies** | Dialogue · Polariz · overtok

## Data-driven Business & Consumer Insights


anodot · PANORAMA · wizer · Revuze (Backed by nielsen SAP.iO) · SIGNALS ANALYTICS

## Smart Pricing & Competitive Analysis


MARKET BEYOND · Feedvisor · QUICKLIZARD · silverback.ai

**Emerging Companies** | 

## Raise confidnece through virtual experience and accurate sizing


BYOND · MYSIZE measure everything · SIZER · Hexa3D

## Raise confidnece through virtual experience and accurate sizing


riskified · FUGU · NAMOGOO

## Campaign Automation & Targeting


AdScale · affective markets Emotions In Data · EXPOSEBOX · Clinch

*Real-life use case from highlighted startups*

**BYOND**

**Case study**

**Client:** Top Luxury brand.

**Aim:** To create an interactive brand experience engaging enough to replace physical popup activations as part of a world-wide launch of new product.

**Solution:** Multiple virtual popup stores with dynamic 3D visualized branded spaces and interactive commerce experiences, such as clicking on specific products in the showroom to see a 360 view.
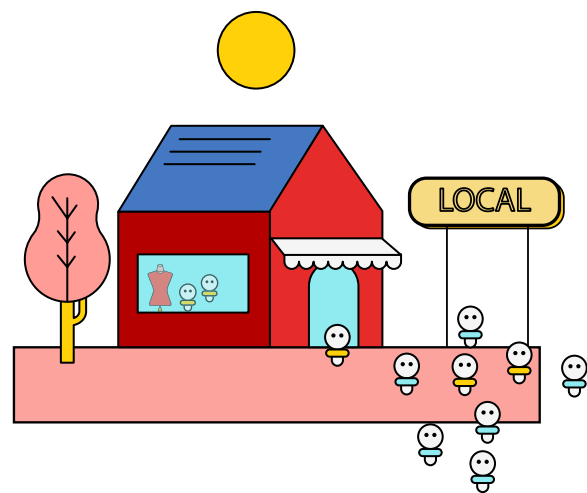
**Results:**

**+400%**

**better engagement in the ecommerce website**

**$1.5M**

**Saved on physical popups world-wide**

# Smaller & Closer

## What is the trend?

Over the past decade, companies that sell mainly FMCGs have been opening more stores than those who sell other product segments. Amongst the fastest growing retailers, we have seen that leading discount-focused companies invest in large networks of stores[33].

New store openings in the past 10 years[34]:

**46%**

Dollar Stores

**25%**

Convenience Stores

**16%**

Dollar Stores

The format and role of stores is changing. Stores are getting smaller, they are functioning as part of the ecommerce value chain, and they are offering new services or experiences.

**4.4% drop**

in square footage of US retail stores between 20010-2018[35]

**1/3**

of e-commerce growth was driven by In-store fulfillment between 2015-2019[36]

**69%**

of US consumers plan to shop closer to home this holiday season[37]

The impact of COVID-19 has further illustrated the importance and fragility of bricks and mortar stores. Although there has been a jump in the percent of overall retail happening through e-commerce, the vast majority of sales remain in brick and mortar. Today, there is a significant preference for in-store shopping in FMCG categories while e-commerce is more popular for non-essentials.

**11.5%-16%**

jump in US e-commerce portion of retail sales From Q1 to Q2 2020[38]

**81%**

of consumers plan to buy groceries in-store only while 48% of consumer plan to shop for electronics online, whether for home delivery of in-store pick-up (Surveyed Nov 2, 2020)[39]

## Smaller & Closer

## What is the trend's impact on business?

• The physical store can still add value, especially in FMCG and convenience categories. However, the store's role as a straightforward point of sale will need to change.

• The physical sore can play different roles. It can become part of the e-commerce supply chain by functioning partially as a fulfillment center, or part of an omni-channel shopping journey by showrooming products. New experiential activities can increase shopper engagement and connection to the brand. For example, virtual assistants can help shoppers find the right sizes, while interactive product education apps or activities (like a treadmill inside a sneaker store) can help them learn more about the technical or functional qualities of a product.

## What new capabilities are required?

• Improve in-store fulfillment capabilities to use the store as part of the supply chain
• Improve store and employee management
• Use the store as a marketing hub

### Relevant Israeli Retail-Tech Companies

#### Client Engagement



### Store and Employee Management



**Emerging Companies**



### Track Customer Traffic



### In-store Navigation



**Emerging Companies**

*Real-life use case from highlighted startups*

oriient

**Case study**

**Client:** UK-based grocery retail chain.

**Aim:** The client identified that 1 in 3 people are leaving the store without buying at least 1 item (which was on-shelf and which they intended to buy) just because they could not locate it. For that grocer, these lost revenue opportunities amount to a staggering £720MM each year.

**Solution:** Through the use of Oriient's in-store wayfinding feature integrated into the retailer's app, users reporting that they could not find an item dropped to below 3%. The retailer is now recovering these lost revenue opportunities, while improving the satisfaction and safety of their shoppers.

**Results:**

**£720MM**
in missed revenue
opportunity

**>98%**
satisfaction with in-store
wayfinding feature

**90%**
reduction in "item not found"
events reported by shoppers
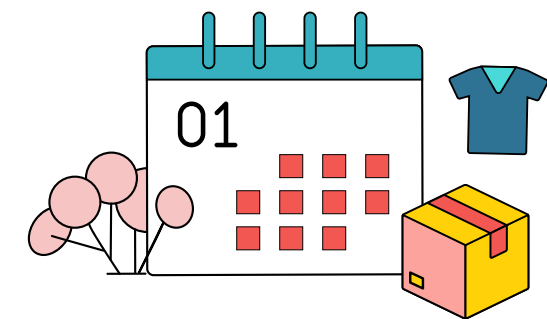
## *New Models*

### *What is the trend?*

New business models are gaining market dominance and helping retailers and consumer products brands across product categories to expand beyond their traditional revenue models. These new models provide consumers with flexibility and choice as their needs become more diverse. They also require businesses to adjust and diverge from the classic value chain. Across product categories, the direct to consumer (D2C) and subscription models are growing.

**2x**

**web traffic** for **DTC** brands 2018-2019[40]

**5x**

faster revenue growth for **subscription** businesses over the total retail market (US 2012-2019)[41]

In food services, non-traditional models, such as ghost kitchens (locations that do not take in-person customers) and virtual restaurants, support increased demand for delivery. With restaurants in many countries intermittently closed due to COVID-19, this trend is likely to strengthen.

**8.7%**

growth expected in **food delivery** in the US by 2026 (expectation pre-COVID-19)[42]

**40%–62%**

of restaurant purchases have been ordered online since April[43]

In the apparel sectors, subscriptions, second-hand resale, rental, and flash sales are growing. With apparel spend slowing in response to COVID-19, the future of these trends in uncertain.

**1.4%**

gain of incremental market by **Rental, Subscription, Flash Sale, and Resale** gained 2016-2018, projected to gain another 1% annually through 2023[44]

The lines between e-commerce and in-store shopping blur as omnichannel and flexible fulfillment options become more popular

**11% to 27%**

jump in US shoppers' preference for **curbside pick-up**, more than doubled yoy in 2020[45]

*New Models*

### What is the trend's impact on business?

The binary choice between traditional e-commerce and brick and mortal retail does not meet many consumer needs and preferences. Demand for convenience and flexibility required new options before COVID-19, and even more so today. Alternative shopping, purchase, and fulfillment models should be explored, such as social shopping, buy online pick-up-in store, delivery lockers, subscription models, rentals, and easy returns.

### What new capabilities are required?

- Integrate between different purchasing channels
- Enable flexible fulfillment and delivery options
- Enable new purchasing channels and models

### Relevant Israeli Retail-Tech Companies

#### Omni-channel



#### Return Management & Route Optimization



Emerging Companies



#### Delivery Orchestration



Emerging Companies



#### Social Commerce & UGC

*Real-life use cases from highlighted startups*

## BRINGG

**Case study**

**Client:** Top communication company

**Aim:** Gain competitive advantage via faster delivery and phone activations while reducing costs and improving customer experience.

**Solution:** Bringg implemented automated dispatch & delivery operations via local fleets to offer category-leading, rapid delivery times; real-time reporting and optimization, and end-to-end visibility and performance insights across delivery providers.

**Results:**

**50%**
reduction in delivery costs

**96%**
same Day

**97.4%**
customer satisfaction

## weezmo

**Case study**

**Client:** Top restaurant chain

**Aim:** Increase multi-channel marketing effectiveness and strategic decision making and discover trends and insights that increase sales and consumer retention quickly and efficiently.

**Solution:** Apply AI technology by connecting the offline and online sphere with personalized, actionable insights oriented at increasing re-engagement and revenues.

**Results:**

**80%**
decrease in digital spent

**35%**
higher conversion rate

**600x**
increase in customer surveys
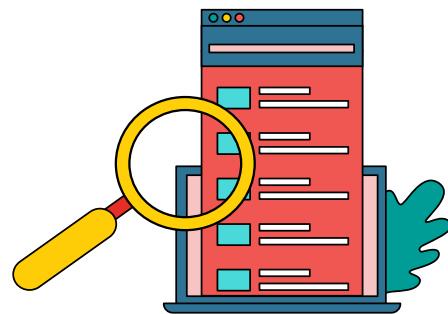
*Convenience*

**What is the trend?**
Immersive, interactive, experiential retail has been receiving a lot of attention. However, what may be more important to consumers in their shopping experience is convenience online and in physical stores.

**33%**
**of US retail growth** was driven by **convenience stores** (2016-2019)[46]

**63%**
of US consumers say convenience is important when selecting grocery options[47]

**43%**
of US consumers say convenience is the primary reason or making purchases online[48]

# *Convenience*

## What is the trend's impact on business?

Retailers can win by providing consumers access to what they want, when they want it, quickly and conveniently. In physical points of sale this can mean reconfiguring the store and keeping shelves stocked for speedier shopping and check-out. For digital channels, this can mean better search and filtering tools and more flexible delivery options.

## What new capabilities are required?

- Make online shopping quick and seamless
- Maximize in-store convenience

### *Relevant Israeli Retail-Tech Companies*

## Visual Discovery & Search Platform



## Online Frictionless Payment



Emerging
Companies



## Customer Recommendation Engines



Emerging
Companies



## Faster Fulfillment for Faster Deliveries



Emerging
Companies



## In-store Frictionless Payment

**Inventory Management to avoid out-of-stock**



**Self-check-out**

**Case study**

**Client:** Rinascimento

**Aim:** Italian brand Rinascimento sought to provide the same level of personalization and service online as they offer in their stores.

**Solution:** Syte's Visual Discovery Suite and augmented site search helped Rinascimento to achieve an individualized and intuitive online buying experience.

**Results:**

**168%**
Conversion rate uplift

**17%**
Higher average order value

**415%**
Uplift in average revenue per user

### Health & Sustainability

#### What is the trend?

The market for products labeled or promoted as healthy or sustainable has been growing over the past decade, and growth has specifically spiked during COVID-19. Although continued growth can be expected, it will likely be concentrated among higher-income consumers.

**50%**

**of consumer product sales growth** was driven by **sustainable and health-focused** products 2013-2018[49]

**4x**

**higher growth** for **sustainable and health-focused** product sales over conventional products, CAGR for sustainable and health-focus products in 2013-2019 was 5.2%[50]

**15.8%**

**YoY increase** in spend on **sustainable goods** in April 2020, although some of this may be driven by out-of-sock conditions[51]

# Health & Sustainability

### *What is the trend's impact on business?*

Beyond simply producing healthier products, brands can address consumer demands for heath and sustainability by finding solutions to make manufacturing and the value chain more sustainable, and then share this information with their customers.

### *What new capabilities are required?*

- Become a more sustainable business
- Communicate your efforts with consumers
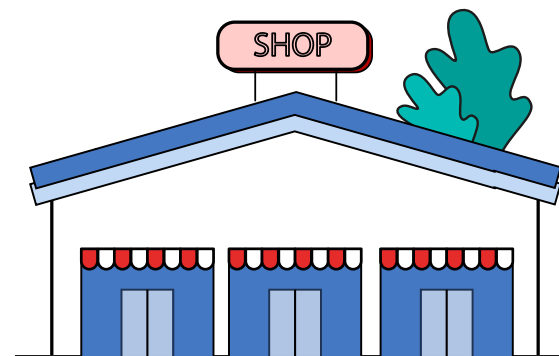
### *Relevant Israeli Retail-Tech Companies*

## Supply chain transparency & Waste Reduction



**Emerging Companies**

## *Consolidation & Fragmentation*

### *What is the trend?*

Over the last years, market share amongst retailers has been owned by several of the biggest players. The COVID-19 crisis intensified this trend and one-stop shop mega retailers such as Walmart and Amazon became popular sources for consumers to buy all basic goods in order to avoid shopping in multiple physical locations. On the other hand, the number of consumer products brands has grown significantly and new, smaller companies are able to eat away at the market share of bigger players.

### 320 basis point

**increase in market share for the top 10 US retailers (2017-2019)** products 2013-2018[52]

### 230 basis point

**loss** for **mid-size retailers** (2017-2019)[53]

### 25 basis point

**growth** for **smaller consumer products companies (those not in the 100 largest)** (2017-2019)[54]

Global digital platforms, whether they began with a retail focus like Amazon, or have become active in retail later, like Google or Facebook, has contributed to the trend of big players consolidating power in the retail market. Most of these platforms are focused on consumer engagement and loyalty and invest heavily in tech innovation. Their entry into product sales is sure to make an impact.

### 54%

of online product searches occur **on Amazon**[55]

### $10 billion

**in e-commerce** revenue expected for **Instagram** in 2021[56]

# *Consolidation & Fragmentation*

### *What is the trend's impact on business?*

As a manufacturer or brand, companies must find new ways to differentiate themselves in an increasingly crowded market. They can also leverage the consolidation of retailers by making sure they are present and prominent in the leading stores and online marketplaces.

### *What new capabilities are required?*

• Get your brand on winning e-commerce platforms
• Set up Direct to Consumer Channels

### *Relevant Israeli Retail-Tech Companies*

### E-commerce Support & Logistics Platforms



### *Real-life use case from highlighted startups*



**Case study**

**Client:** Camper

**Aim:** Camper wanted to scale their digital sales channels quickly to drive growth in the US market, and to increase visibility and assortments with leading retail partners. Doing so by themselves would take months to set up each retailer.

**Solution:** Cymbio's marketplace & dropship automation platform connected Camper with tens of retailers (such as Macy's, Urban Outfitter etc.), publishing Camper products on their sites in less than 3 weeks

**Results:**

**67%**
growth in wholesale sales via dropship and marketplaces

**8x**
retail and marketplace partners added in 12 months

**60**
work hours saved monthly on dropship and marketplace set & support

# *Bonus: Volatile Supply Chain*

## *Volatile Supply Chain*

### *What is the trend?*

During the first few months of COVID-19, the first major disruption to the market was manufacturing shut-downs in China. Many suggested that firms combat this challenge by spreading manufacturing capacity across more regions. However, it has become clear that this was a global crisis and both physical retail and manufacturing were shut down throughout the world. Even after the strictest lockdowns were lifted, regulations were put in place that limited store openings and restricted movement across boarders which lead to labor shortages and shipping disruptions globally. Adding to unpredictability in the availability of supply, consumer demand has also been fluctuating dramatically as the situation continues to evolve

**75%**
of US companies surveyed reported **supply chain disruptions** between February and March 2020[57]

**32%**
**drop in exports** from North America in merchandise trade Feb-august 2020[58]

**23%**
**drop in imports** to North America in merchandise trade Feb-august 2020[59]

### *What is the trend's impact on business?*

Demand planning and supply chain decisions can no longer be based on historical data, but rather must be identified in real-time as the market shifts. Manufacturing and supply chain processes must be flexible enough to respond to unpredicted changes quickly.

### *What new capabilities are required?*

- Flexible manufacturing capacity
- Access over ownership in manufacturing and fulfillment
- Understand upcoming changes in the market

### *Relevant Israeli Retail-Tech Companies*

**Flexible Freight**



**Demand Prediction**



**Communication and data distribution along the supply chain**



### *Real-life use cases from highlighted startups*



**Case study**

**Client:** Multinational fashion retailer (operating in 50+ countries, 5000+ branches)

**Aim:** Improve consumer behavior and sales forecasting in order to reduce stock outs and overstocks which will ensure that supply meets consumer demand and avoid loss of sales, while reducing operational and capital expenses resulting from maintaining excess stock levels and a high volume of safety stocks.

**Solution:** Pecan helped the client improve sales forecast at a granular level (per SKU, per week, per store). Using the Pecan platform, the company built a demand forecasting model using past transactional data, operational data and external data enrichments. This level of visibility, enabled the retailer to meet consumer demand, prevent lost sales, significantly reduce inventory costs and optimize end-of-season promotions.

**Results:**

## 40%

**reduction in overstock expenses, relying on an ongoing precision rate of 90-95% in sales prediction**

*Real-life use cases from highlighted startups*

FREIGHTOS
Smooth shipping

**Case study**

**Client:** Top apparel company

**Aim:** Reduce air cargo spend and sourcing time while ensuring time-definite delivery to distribution centers.

**Solution:**
• Freightos provided interface with live access to air cargo shipping options (based on real-time pricing and capacity)
• ability to book shipping options directly through predefined logistics providers

**Results:**

**10%**

**reduction in air cargo spend**

**2**<sub>hours</sub> → **under** **10**<sub>min</sub>

**time spent on booking and coordinating each air cargo shipment**

**Improved**

**transit times control for flexible inventory management**

# The 2020
# Retail-Tech Landscape

## CONSOLIDATION & FRAGMENTATION

### E-commerce Support & Logistics
Cymbio · exelot · SRP



Volatile Supply Chain



Consolidation & Fragmentation



Digital Success & Costs



Health & Sustainability

## VOLATILE SUPPLY CHAIN

**Communication & Data Distribution**
CONTGUARD · wiliot

**Demand Prediction**
ENDOR · Pecan · CB4

**Flexible Freight**
FREIGHTOS · LADINGO

## SMALLER & CLOSER

**In-Store Navigation**
RELYODA · navin · oriient · RoboTiCan · IntraPosition

**Store & Employee Management**
STORE R · eyedo · TOPERATION · YOOBIC · engini.ai

**Track Customer Traffic**
placense · Placer.ai · vayyar

**Client Engagement**
On · OUTFORM · BRIGHTCODES · ycd · SODYO · howazit · shelfy.io



Smaller & Closer

## COMMODITIZATION & PREMIUMIZATION

**Personalized Marketing**
Personalics · TRENDEMON · ANAGOG · CiVALUE · idomoo · optimove

**Loyalty & CRM**
NEURA · YOTPO · SAGARMATHA



Commoditization & Premiumization



New Models



Convenience

## NEW MODELS

### Delivery Orchestration
FLYTREX · Pretty Damn Quick.io · BRINGG · Bringoz · PACKAGE.AI · pickpack

### Omni-Channel
weezmo · eyefeelit · nexite

### Return Management & Route Optimization
OPTIWAYS · moovex · MYCELIUM · bond · OTAILO · RETURNGO

### Social Commerce & UGC
tvpage · feelter

## DIGITAL SUCCESS

### Anti-Fraud & Security
riskified · FUGU · NAMOGOO

### Campaign Automation & Targeting
Clinch · affective markets · AdScale · EXPOSEBOX

### BI & Pricing
QUICKLIZARD · Feedvisor · MARKET BEYOND · silverback.ai · anodot · SIGNALS · Revuze · WIZER · PANORAMA · anodot

### Visualizing & Sizing
BYOND · Hexa3D · MYSIZE · SIZER

### Online Experience & Assistance
nexc · W · eko · Dialogue · overtok · Polariz · mmuze · VOICEFRONT · Voiceable

## HEALTH & SUSTAINABILITY

### Transparency & Waste Reduction
BRANDMARK. · MADEFLOW · ReceetMe

## CONVENIENCE

### Recommendation & Visual Discovery
memomi · ASKLILY · dynamic yield · Belle · Barilliance · donde · syte · qurate.tech · MYROGA

### Faster Fulfillment
Bionic HIVE · CAJA · Fabric · SELF POINT

### Payments
OnSoft · split it · Jifiti · ChargeAfter · sensepass · preciate · DOVE

### Inventory Management
onebeat · WISE SHELF · AD · RFKEEPER · SHEKEL brainweigh · trax

### Self Check-Out
NAYAX Retail · supersmart · CUST2MATE · eyezon · Shopic · tiriigo · WALKOUT · TRACXPOINT

# Journey to Collaboration

It is clear retailer and consumer products companies should consider taking action in response to long-term trends and crisis-driven changes. For large companies used to incremental change, the last year's need for fast reactions may have been shocking. Start-ups are agile and, by nature, are ready to pivot to the market's changing needs. By working together, large retail organizations and retail-tech startups can apply the newest technologies to the problems they were built to solve.

With vastly different organizational structures and ways of working, collaboration between startups and larger firms can sometimes be tricky. Deloitte has experience establishing and supporting these relationships end-to-end. First, we can identify the right match between your need and the technology available. Then, we help both parties align on the problem to be solved. We design and run a Proof-of-Concept or pilot a launch. Finally, we can support the relationship all the way through launching an innovative technology at a large scale with implementation, operations, and change management services.

## In Summary

Bridging RCP companies' mega challenges with the most exciting tech advancements has been a focus of our work for years now. Recent evolution of retail experiences and competition have accelerated due to COVID-19and the future landscape has become an even fiercer environment. Technology platforms (Google, Facebook, Amazon and others) and global powerhouses are heavily investing and even waiving margins in order to own consumers' top of mind and become part of their routine behavior. Creating value and loyalty is a must, and to do so, companies have to leverage technology throughout the value chain.

We have come to realize that in many cases, technology is not a barrier, but a tool with which RCPs must re-imagine their consumer touch points, operative models and positioning to effectively stay ahead of the game.

RCPs must be able to identify high-level business trends and then build offerings and capabilities to align with them. This will create more success in absorbing and leveraging cutting edge solutions generated by visionary vendors and entrepreneurs.

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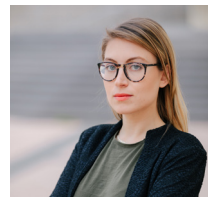Catalyst
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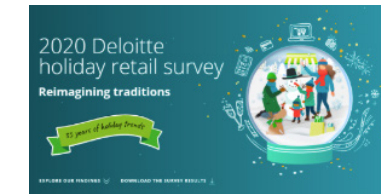Deloitte Digital IL

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## Deloitte Thought Leadership



***"The future is coming…
but still one day at a time:
Seven data-driven trends
defining the future of
the retail and consumer
products industry,"***
*Deloitte Center for Retail and
Consumer Products, 2020*



***"2020 Deloitte holiday
retail survey: Reimagining
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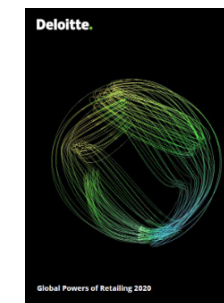


***Deloitte Global Powers of
Retailing Annual Report***



***Deloitte State of the
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