

global trends

Brands track the shoppers' retinas, funeral services go to malls, offline players compete with Internet retailers and the demand for luxury products goes up in the U.S.

text:

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Brainstorm

Revealing the emotional and subconscious feedback of the customer for a specific goods or service is growing more and more popular method of promoting retailers' goods and services in the U.S. and Europe.

According to market players, most international brands extensively use neuro-marketing to attract buyers. The idea is to scan the activity of the brain and to track the gaze of a man using the medical equipment.

In the previous three years such companies as Estee Lauder, Hyundai, and PayPal have spoken out their use of neuro-marketing tools. In 2009 FritoLay won the Grand Ogilvy Awards for the most effective advertisement of Cheetos that was produced using neurobiological tests.

As a rule, market players do not have their own equipment and use the services of commercial labs. In Europe only there are about 50 laboratories of this kind. Thus, retina tracking is performed using a special camera or device that records the movements of eye-muscles and outer retina (so called (electro)oculography). Electroencephalography (EEG) or functional magnetic resonance tomography (MRT) are used to reveal emotions of a person.

There's no precise statistical data about the use of neurobiology in marketing. In most cases companies prefer to hide their secrets from competitors and still less from buyers, since most of them are concerned with the disguised manipulation. "Have you ever noticed that Apple products have a special scent? Have you ever heard about Apple using neuromarketing? Retailers often use EEG and oculography to find out the best position of goods and shelves in stores,

however they prefer to draw the curtain on it" — said Pavel Korotin, CEO of Partizan Marketing Agency.

In Russia there are two companies that offer such services — Mindware Lab and Monitorika, however Russian players use such methods very scarcely.

Memento mori

Funeral homes make advance to the customers that wish to turn the funerals into a real ceremony. Coffins and mortuary urns outlets can now be found in U.S. malls.

In 2010 Til We Meet Again company launched its first outlet in a super-regional mall in Kansas, and then also in the malls of other states, including Arizona, Louisiana, Indiana, and Texas. Forest Lawn, a direct competitor of Til We Meet

Again, followed their example to become one of the most notorious companies in the U.S. that launched its pop-up stores wandering from one mall of California to another.

As a rule, manufacturers of coffins and urns offer the full range of funeral services, incl. manufacture of designer goods, jewelry, funeral arrangements, interment or incineration.

The estimated annual capacity of the funeral services market is approx. USD 20.7 billion (about 2 mln funeral ceremonies each year). Development of this trend is supported, on the one hand, by the increasing customization of such services (according to the survey, 62% of Americans would prefer personalized funeral ceremonies), and on the other hand by the excess of supply in the market. In California only there are more than 760 funeral bureaus, so market players have to invent some new ways of reaching their customers. Experts say that given the trend of population ageing in Europe, this business model may become popular in European malls too.

Delivery quick as lightning

The largest REIT — owners of malls in the U.S. issued a challenge to the leading Internet retailers such as Amazon and Ebay.

In 2014 the leading offline retailers have launched the online ordering and prompt delivery system so that buyers could receive their goods in two-three hours.

According to Green Street Advisors, such a step guarantees the growth of sales

chart 1 Share of personal consumption expenditures

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in malls. The climbing shares of REIT confirm the success of this strategy. So, a number of leading REIT — Simon Property Group, General Growth Properties, Taubman Centers, and Macerich started developing a unified delivery system in their malls in late 2013. In the end of the last year these trusts signed an agreement with Deliv Inc that uses the system of crowdsourcing, i.e. a vast framework of freelance couriers.

According to Mikael Thygesen, the Chief Marketing Officer of Simon Property, the aim of this strategy is to boost sales in the malls using the multichannel distribution bringing the best convenience to the buyers. The revenues from the delivery as such are not so important.

In January at a press-conference of General Growth, Sandeep Matarani, CEO, said that the results of the first months of cooperation with Deliv Inc. were rather promising. In its turn, Macerich declared that Microsoft Corp., Sony Corp., Samsung Group, Tesla Motors concluded a number of lease contracts in Macerich. The companies are planning to arrange a network of showrooms to join the unified delivery system of the malls.

By the way, the largest networks also develop the instant delivery function. Thus, Home Depot Inc. declared its plans to invest at least 300 million in the next

two years to develop the same day delivery system. Macy's Inc., Wal-Mart Stores Inc. and Office Depot Inc. can already offer the same day delivery service.

Luxury goods: from China to the U.S.

The results of 2013 proved that the demand for luxury goods goes down in China and climbs up in the U.S. Analysts explain this by gradual dilution of the middle class in the United States and by growing consumption of the richest part of population.

As of October 2013, the spendings on luxury goods in the U.S. grew by 4% YoY. Analysts say that the demand for the premium goods here will go up, while the demand for mid-range goods and services will shrink. Such trend is due to the growing inequalities in wealth, when rich people become even richer, and poor people even poorer. The statistics of the US New Economics Institute demonstrates the gradual dilution of the middle class in the country. Thus, in 2012 38% of all the consumer spendings in the U.S. were made by 5% of the richest Americans. From 1995 to 2012 their expenses grew by 28%.

E.g. mid-range fashion retailer J.C. Penny declared the closure of 33 outlets throughout the country in January this year, and thus 2000 people will lose their jobs. Loehman discounter also plans the liquidation of 40 outlets throughout the country, and announced the final sale. It's notable that one of the former outlets of Loehman in Chelsea district of Manhattan will now be used by Barneys.

chart 2 Dynamic stock charting for Simon Property Group, from December, 2013 to February, 2014

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