



OUR GLOBAL INDEX REVEALS REGIONAL DIVIDE IN GROWTH PROSPECTS FOR RETAILING

While global retail CEOs remained cautiously confident about the year ahead, Asian respondents foresee far brighter prospects in the East.

The fifth edition of the World Retail Congress Global Retail Sentiment Index has revealed a relatively stable outlook for the coming year, yet at the same time a clear shift has taken place in the markets best set for growth.

Produced with Australia's Monash Business School and ACRS, the report showed market optimism remains relatively stable across the globe, with a slight slip to 0.9 in 2016 from 1.3 in 2015 [-5 = pessimistic, 0 = neutral, 5 = optimistic]. However, respondents from Asia (excluding China) were far more optimistic about the global retail market in the year ahead (2.7 in 2016, up from 2.0 in 2015).

Western Europe slipped from levels in 2015, when the score was 1.1, to 0.7 in 2016. However, this remains in line with results from 2014 and slightly up from those in 2013.

Most retail leaders (97%) expect China's retail revenue

In all, 220 senior retail executives responded to the 2016 Global Retail Sentiment Index; of which 59% were chairman, CEO, president, or managing director. The majority of respondents were from North America (43%), Asia-Pacific (27%), Western Europe (11%), Central and Eastern Europe (9%), while a quarter of all respondents were retailers with revenues in excess of US\$1billion.

to increase in the next 12 months, which is a substantial change in sentiment from 2015, when only 46% expected growth in China. Expectations for India have also improved from 2015 (50% expected an increase) to 2016 (73% expecting an increase).

Around 75% of retail leaders also expected retail sales increases in Central and Eastern Europe, Central and South America and Western Europe, all improvements from 2015 expectations.

Expectations for retail sales growth in the Middle East (54%) and Africa (61%) were lowest. This represents a shift from 2015, when more retailers expected increases in the Middle East (81%) and Africa (79%).

Asia's population mass and consumer affinity for brands continues to drive global retail leader perceptions for the region. Despite slightly lower sentiment than 2015, Asian markets remain the key focus for

THE TOP 5 ISSUES That will impact retail as ranked by retail CEOs

CUSTOMER LOYALTY	5.6
ONLINE CHANNEL GROWTH	5.2
PRODUCT DEVELOPMENT	5.2
MOBILE CHANNEL GROWTH	5.1
EXPANSION (local/international)	5.0

89%

Predicted increase
in respondents'
online sales

60%

Do you feel more
in the spotlight because
of consumers using
social media?

39%

2016

2015



BREXIT: WHAT THE RETAIL CEOs THINK

With the UK set to go to the polls in an EU referendum next month, we asked the retail CEOs what they felt. When asked "Should the United Kingdom remain a member of the European Union", **56%** stated that the UK should remain in the EU, while 17% stated Britain should leave. Common responses from proponents of remaining in the EU stated that a move would be "too disruptive" and that the EU "facilitated a global economy".



international retail growth, with Asian markets perceived as relatively open and favouring the internationalisation of retailing. This result mirrors those of the Global Retail Index of the past four years.

Notable trends in 2016 include a higher positive sentiment for future growth in North America, India, and Iran. Conversely, Central and South America, Africa, and Central and Eastern Europe had low expectations of future growth.

Physical stores remain the most important sales channel for retailers. This has been a consistent trend seen since the inception of the Global Retail Sentiment Index. In-store kiosks remain the least important in assisting consumers in their shopping, despite a large number of retail brands investing in in-store kiosk technology.

Around 60% of retailers predict store numbers will increase at both local and international level in the next 12 months. However, around 20% predict local store numbers will decrease, and around 24% predict that physical store space will decrease, coinciding with the shift in focus toward digital sales channels.

Respondents expect mobile e-commerce and customer analytics capabilities to drive change in the next 12-24 months, yet their enthusiasm for online did not extend to social media which, as a communication and revenue channel, is losing traction compared with past years. The channel is generally seen as less effective in terms of assisting consumers to shop.

"Now more than ever, it is critical for retail leaders to understand, integrate and measure their business activities. Brands are under pressure to connect with customers in more efficient ways, and demonstrate ROI," said Monash associate professor, Sean Sands, managing director, ACRS.