

Retail in Peru and beyond



Plaza Vea, Arequipa

By Beatrice Ciabatti



President García inaugurates a Makro store (Photo:Andina)

The retail world is one of the most dynamic sectors of the economy in many countries, and its importance was underscored to me last week, when I participated in the Success Factors of Retail seminar, run by Seminarium.

In Peru, retail represents about 23.5% of the national GDP; however, the sector is important not only because of its sales volume, but also because it generates employment, influences urban development (land increases in value), helps certain business formats to progress, and modernizes the buying habits of consumers.

It would be very ambitious to attempt to summarize in 600 words everything that was said in the seminar, but let's focus on buyer behavior and retail trends.

Trends in Retailing

The term retail is generally used to refer to the heading of supermarkets and department stores, but a retailer is anyone who sells to final consumers for personal or family use, and is the last part of the supply chain linking suppliers and consumers.

Retailers do not compete for market share, but for a share of the proverbial wallet, and this is starting to lead to certain trends among retailers. Among these are globalization, multi-format retailing (wellness, green-tailing, micro-tailing, branded retailer, etc), multi-channel structure, diversification of formats, intensive use of technology, and the development of unique brands and distinctive shopping experiences.

A major change has come due to the integration of women into the corporate world. Since women started working, they have less time for shopping, and therefore time has become very valuable. This favors a return to smaller store formats where you can find a good mix of products. In the U.S., for example, malls are in decline, since women no longer have time to spend strolling around a shopping center. Lifestyle centers, fashion streets and strip malls are the beneficiaries of this trend.

The time factor affects various sectors. For example, beauty consultants also have to adapt to their new "always in a hurry" target (women), and so they have begun to create their own websites to sell their products online and save time. Supermarkets have set-up grocery vending machines, available 24 hours per day.

Due to the lack of free time, the development of airport retailing has been significant. Today, airports are attractive, relaxing environments, with a good mix of brands to entertain the passengers and offer an excellent shopping experience.

Consumer Behavior

One of the most important factors in defining the success of retail is the study of consumer behavior. Success in retail depends on how well it identifies its target, and to which of its facets they want to appeal. To conquer the consumer, one must first know what he or she needs and values. It has also become important for retailers to work on trade marketing to try influence impulse buying due to lack of time.

So, what are these new shoppers like? They look for products that deliver value, because for them, time is worth more than money. They are also well-informed, because they use the internet and seek the advice of other shoppers through social media.

Online shopping will become imperative. Movies, music and airline tickets comprise much of what is sold online, but an interesting example also comes from the lingerie-retailer Victoria Secret. Its stores are located only in the U.S., and yet the brand sells through the web to 137 countries. In the future, smartphones are expected to play an essential role in facilitating purchases.

The Peruvian retail sector has good prospects for development. This is driven by the greater spending power in emerging classes and the ever more-sophisticated consumption patterns of the middle and upper-middle classes. Also, the development of the provinces is important, as one third of the country's retail projects are being implemented outside of Lima right now.

Growth in the retail sector has not been limited to just Peru. Since 2002, global annual retail sales per capita have increased from \$2000 to \$3850, and the space devoted to the business increased from 400 million square feet to 1300 million square feet.

As we can see, the growth of retailing is generating a new culture of doing business. This is why it is becoming more and more important for retailers and their suppliers to adapt to changes in order to survive and grow.



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