



By: *Emre Alkin*

How to Improve Retail Industry in 2024



The events of today remind us of the events of the past:

- Before World War II
- 1970s

Before the WWII, European economy had suffered from severe banking crises and recessions originating from the United States. Just like it happened in 2008. Borrowing rates had reached their highest level. Fascism was rising to power while liberalism was declining. Southeast Asia was progressing and growing through reforms. Amidst these changes, the world trade could not recover until the 1970s.

The 1970s marked important shifts in political and economic paradigms, including the introduction of negative real interest rates, energy crisis, turmoil in the Middle East, global terrorist attacks, especially in Europe, and the proxy wars between the US and the USSR during the Cold War.

Now the world is facing all the adversities of both eras. There is a banking crisis originating from the US again, which was preceded by a recession. Borrowing rates have risen to World War II levels, democracy is going downhill, and fascism is once again on the rise in Europe. Southeast Asian countries are blossoming under China's leadership while the energy crisis is on our doorstep. Chaos reigns in the Middle East and, once again, the US and Russia are fighting each other through proxy wars.

Although 2020 was described as a "lost year" by many, humanity has accomplished almost 10 years of work in terms of innovation and digital transformation in one year despite the pandemic. Today, we are in touch with digital technology more than we have ever been.

2024 is likely to become the worst year of all, killing all positive expectations

We rely on smart devices to keep ourselves connected and updated. The following years, 2021 and 2022, have been the years of recovery and restoration of balance. But 2024, is likely

to become the worst year of all, killing all positive expectations and stealing the title of "another lost year" from 2023.

I do not think that there will be much problem as long as world trade remains vigorous. In the past, a global trade to global GDP ratio above 50% would be considered a success.

However, since the last 2 decades, global trade to global GDP ratio has not fallen below 50% anyway, no matter what has happened to the economy. It is necessary to make a different evaluation of this rate, which did not drop below 50% even in 2020.

For example, it might be more appropriate to change this definition of economic success as "there will be no problem as long as global trade to global GDP ratio does not fall below 55%".

I think it would be more correct to evaluate the next year's trade performance based on this rate. If the turmoil in the Middle East and Ukraine-Russia tensions escalate further, world trade may suffer massively.



Emre Alkin: If the turmoil in the Middle East and Ukraine-Russia tensions escalate further, world trade may suffer massively

The global PMI data, which dropped sharply in 2020 and then improved sharply again, seems to have stabilised in 2022, but in 2023, it sank further into gutter. Leading manufacturers such as Germany are one by one closing up their factories.

With its lowest energy use since the 1990s, Germany has confirmed that it is going through a technical recession, which also causes a huge decline in the number of orders to exporting countries. European economies are shrinking as people face the danger of unemployment on top of high inflation.

Speaking of inflation, consumer prices, which have been increasing in both advanced and developing markets since 2020, have returned to 2020 levels due to tight monetary policies and rising interest rates.

Yet, they are still considered high, causing international financial institutions to often revise their growth forecasts and expectations. Recently, the World Bank revised its 2024 expectations downward to 0.8 percent for the US, which was originally estimated as 1.1 percent for 2023.

Similarly, the World Bank estimates that Chinese economic growth for 2024 will be worse than expected for 2023, which is forecasted to fall from 5.6 percent to 4.6 percent next year. Given that the two largest global exporters and importers are anticipated to struggle with GDP growth in 2024, we cannot expect the world economy to flourish and grow.

The fact that energy prices are expected to show a strong upward trend continues to affect pricing

If the conflict in the Middle East does not come to an end and spreads further into the MENA region, I am afraid that a food crisis will be inevitable as I have mentioned in my previous articles.

The agricultural commodity prices, which look like they will not calm down any time soon, also prevent core inflation from going down. China's growth slowdown seems to have subdued price movements in other commodities except agriculture and energy.

However, the fact that energy prices are

expected to show a strong upward trend continues to affect pricing. The inflation expectations in the US and the EU have started to rise again.

According to a September forecast, inflation rate in the United States will not fall below 3 per cent even after 3 years. Also according to a report by the IMF, which was published in October, it is improbable for inflation in the EU and the US to see 2 per cent even in 2028.

The United States accounts for one-third of global consumption. With that in mind, let's now explore what the US citizens do to protect themselves from inflation. 1009 US citizens between the ages of 18 and 65 gave the following answers to a recent survey investigating how people fight inflation.

- I spend money only on high-priority needs.
- I monitor sales, offers, discounts, and deals.
- I don't drive anywhere except to work or when it's necessary.
- I don't go to restaurants and cafes as much as I used to.
- I consume less energy at home.
- I gave up some of my hobbies.

The fact that even Americans, who grow their economy by consuming and pursue happiness through consumption, have become tight with their money shows that great adversities await the world economy.

Retailers all over the world are using influencers to enhance their marketing efforts and attract consumers

For this reason, retailers all over the world are using influencers to enhance their marketing efforts and attract consumers who turn to cash in times of crisis. These influencers, the biggest rivals of advertising agencies today, have great impact on sales figures. A survey by Statista conducted from 2019 to 2023 with 2,000 to 10,000 people between the ages of 18 and 64 in selected countries revealed some striking results.

According to the survey, in 2023, 44% of the respondents in Brazil bought products because celebrities or influencers advertised them. This rate was 36% in 2019. In India, the number of consumers who made their purchasing decisions under the influence of influencers is observed to have grown drastically, with an increase from 27-to 41 per cent. In China, on the other hand, there has been a rather modest increase (from 36 to 39 per cent) compared to the latter two.

In Italy, influencers played a major role in increasing the percentage of Italian customers from 18- 24 per cent who have been influenced by social media within the same years mentioned above.

This upward trend was observed in other European countries as well: from 15-22 per cent in Spain, from 12-20 per cent in Germany, from 13-20 per cent in the United Kingdom and from 6-11 per cent even in Denmark, which has always been known to be generally disapproving of the influence of social media.

In the same period, the number of US citizens who purchased a product or a service because an influencer advertised it climbed from 14-21 per cent. The fact that the technology increasingly facilitates online shopping, hence the growth of e-commerce, will lead to radical changes in the advertising industry.

It might be futile for companies to try to explain to consumers that their products or services are expensive because they incorporate these features in their designs

Today's consumers think twice, even thrice before spending money on anything and they want to hear other consumers' experiences with products or services, not what the brand tells them.

Accordingly, brands should consider the changing behaviours of consumers, the features that consumers want to see in goods and services, easier payment methods and

return policies, end-to-end logistics, and their practices in general as sellers.

There's this saying, 'Never change a winning game'. However, a single recipe, a single tactic is not always applicable to every situation. Therefore, it is best to be flexible and adapt to constantly changing behaviours and tendencies, instead of resisting them.

Today, banks act like telecom companies while telecom companies sell financing options. By doing so, they can provide customers with value-added services. Likewise, the retail industry needs to have the courage to go beyond its comfort zone and create companies that offer value-added products and services.

In times of high inflation, middle and lower-middle income groups tend to give up one or two, or sometimes all, of the following three important features:

- Hygiene
- Security
- Quality

So, it might be futile for companies to try to explain to consumers that their products or services are expensive because they incorporate these features in their designs. What they should do is to offer competitive prices and plan their activities accordingly.

Years ago, while delivering a presentation to the senior management of a global food company, I said, "the storm is approaching. Reduce your package size but save the quality and taste of your products". Although they did not want to take my recommendation at first, they started doing exactly that after the pandemic.