



Retail Outlook 2013

Senior retail executives face many strategic questions as they plan critical next steps for their companies. To help navigate the road ahead, L.E.K. Consulting has developed a high-level forecast for three central issues facing the retail industry in 2013 and beyond. In addition to our insights below, we have also developed similar outlooks for additional market sectors and initiatives across the economic spectrum – including food & beverage, restaurants and customer experience & loyalty.



What are the Biggest Challenges and Opportunities Facing the Retail Industry During the Next Year?

Rapid advances in digital commerce continue to push industry executives into uncharted territories as retailers work to create new consumer touch points and simultaneously evaluate potential threats from emerging technology-based models. Key digital retail themes include:

- The migration of business to the web, which will continue to accelerate as online shopping increases on mobile devices and tablets.
- The growing availability of sophisticated mobile devices and apps that provide price comparisons across channels and brands is requiring retailers to carefully consider how they position their brands effectively, by both adopting best practices in each distinct channel and maintaining overarching brand consistency.
- Combat the downward trend of lower store profitability due to online shopping by creating unique, in-store experiences that engage consumers and demonstrate ROI. As an example, value formats – including mass, dollar, clubs and outlets – continue to grow while other retail storefront market segments struggle.



What's the Current State of the Industry?

U.S. retailers need the unemployment rate to drop. The industry saw a solid but unspectacular 2012 holiday season as consumer confidence has started to firm. But for longer sustained growth in sales, retailers will need employment growth and rising disposable incomes. L.E.K. believes this growth will start to take root in 2013 but will take a number of years to develop. With careful control over costs, U.S. retailers should see a period of strong profitability as comp store increases provide positive operating leverage.



What Burning Issues are Senior Executives Facing?

Unlocking new revenue opportunities amid tepid spending requires the c-suite to look across the entire scope of a retailer's operations and strategic direction for added value. L.E.K. has outlined key issues across this continuum including:

- Realizing growth opportunities outside of the United States. As international markets continue to grow in importance, retailers with the ability to analyze and enter new markets quickly can have a significant advantage over those who hesitate.
- Achieving greater marketing effectiveness, including how companies can develop paper (catalogue) to digital strategies that enable companies to transform how they interact with consumers.
- Evolving your supply chain models as fast fashion takes more and more share from other apparel retailers.

Our Retail Practice

In an industry literally awash with data, we use sophisticated analytics to identify solutions to complex issues and give executives the insights they need to make more effective decisions. We provide a full array of services including growth strategies, consumer insight, segmentation analysis, strategic sourcing and cost management.

Capabilities Overview

L.E.K. has a deep understanding of the challenges facing many different types of retailers and brings unique expertise to the table across a range of relevant issues:

- **Improve Store Performance:** We help our clients to improve the sales and productivity of their existing store-base. This includes merchandise optimization, pricing/promotion strategy and store concept refinement.
- **Expand Retail Footprint:** We support our clients in expanding into new geographies and market segments. This includes international growth strategy, which leverages L.E.K.'s worldwide expertise in retail.
- **Channel Development:** We assist our clients in identifying and developing the optimal distribution strategy, including direct-to-consumer, e-commerce, catalog and new store concept development.
- **Optimize Operations:** We work closely with our clients to optimize processes, operations and organizational structures across the retail value chain. Our work for clients has increased productivity and contributed to top- and bottom-line growth.

Meet Our Experts



Andrew Rees
Vice President



Alex Evans
Vice President



Rob Haslehurst
Vice President



Paul Matthews
Vice President



Dan McKone
Vice President



Manny Picciola
Vice President



Jon Weber
Vice President

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