

A network diagram with black nodes and blue lines connecting them, set against a light blue background with a dark blue vertical bar on the right side.

2024

RETAIL & PAYMENT INDUSTRY

SAMPLE REPORT

Get an in-depth analysis of the current state, trends, and future of the retail & payment industry, including insights into key drivers, changing lifecycles, and manufacturing challenges.

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1. Introduction

The Retail & Payment industry is evolving rapidly. Historically, retailers have adhered to a fundamental model of providing products at competitive prices in convenient locations. However, digital technology has ushered in unprecedented shifts, with the recent global pandemic catalyzing accelerated change.

Traditionally, retailers operated through distinct channels, such as brick-and-mortar stores and online platforms, often functioning independently within organizational silos. Yet, the emergence of the omnichannel age, fueled by data analytics and artificial intelligence, has blurred the lines between channels. This convergence has given rise to seamless commerce, a paradigm where inspiration, exploration, choice, transaction, and receipt span both online and offline realms, integrating digital interactions into physical retail spaces.



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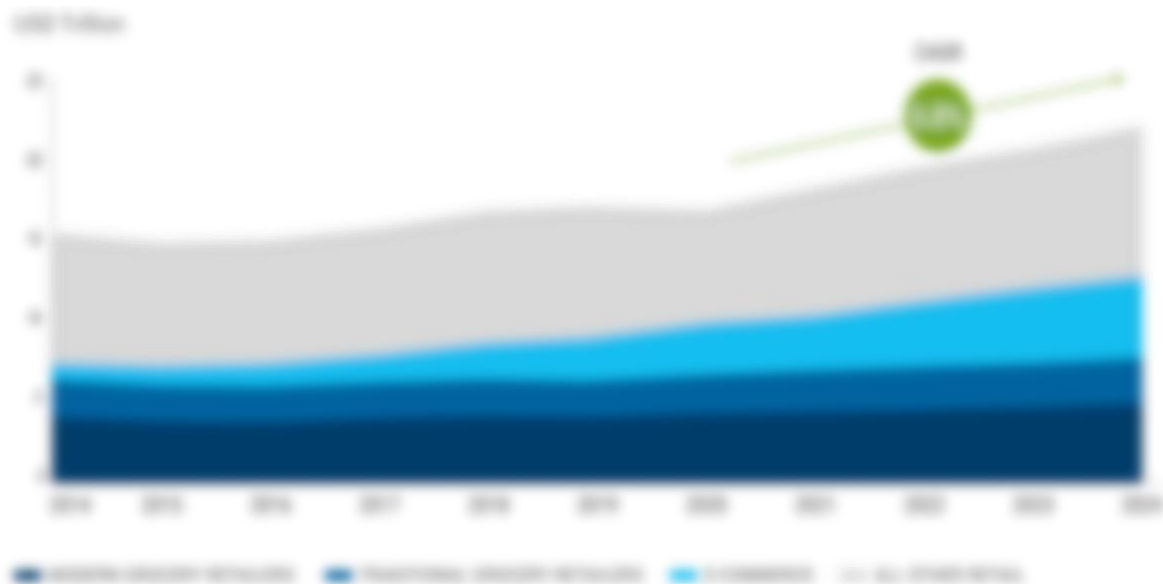
2. Industry Overview

2.1 Market Outlook

The retail and payments industry in 2024 represents a story of resilience and growth. After a challenging 2020, the global payments industry rebounded strongly in 2021, exceeding pre-pandemic revenue expectations. This momentum is projected to continue, with the market reaching a staggering \$3 trillion by 2026. Several vital trends fuel this growth:

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Europe's smart home market thrives on a solid commitment to sustainability and energy efficiency. Governmental incentives and a collective drive towards sustainable living practices significantly influence the region's focus. Smart meters and energy management systems are particularly popular, catering to the demand for devices that reduce energy consumption. Additionally, there's a growing trend towards enhanced home security systems. This increase is partly driven by regional conflicts and geopolitical tensions, which, along with shifting migration patterns, have led to a rise in domestic crime rates. Consequently, there's a heightened demand for advanced security products, including surveillance cameras and motion sensors, to ensure household safety. Moreover, the aging population in Europe represents another critical segment, with smart home solutions focusing on safety and accessibility to cater to their needs.



2.2 Regional Outlook

The last few years have witnessed a remarkable rebound for the payments industry, exceeding pre-pandemic expectations. The growth story was consistent across all regions, with APAC, Europe, and EMEA experiencing double-digit gains. Fee-based revenue continues to dominate, outpacing net interest income and comprising more than half of the total industry revenue. However, this trend might see a reverse soon due to rising interest rates implemented by central banks in response to above-target inflation.

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Global Payments Revenue by Geography will Double in 10 Years

Revenue in billions of dollars and units in trillions



2.2.1 North America & Europe

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2.2.2 Asia-Pacific (APAC)

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2.2.3 Latin America

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2.3 Segments Outlook

The retail and payments landscape is undergoing a significant transformation, driven by a confluence of technological advancements, regulatory changes, and evolving consumer preferences. This transformation presents both challenges and opportunities for industry businesses. Several key trends that are shaping the future of retail and payments, including:

2.3.1 Cloud Migration

Cloud migration revolutionizes how financial institutions and retailers operate. Cloud adoption offers several benefits, including Improved Interoperability, where cloud platforms allow institutions to access data and transfer information seamlessly between various IT systems, head offices, and third-party vendors.

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2.3.2 Payments as a Service (PaaS)

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2.4 Market Dynamics

2.4.1 Growth Enablers

Below are the growth enablers revolutionizing the future of payments.



2.4.1.1 The emergence of the E-commerce Boom

The retail and digital payments industry is experiencing an extraordinary phase of growth, driven by a combination of factors. This report delves into the primary drivers facilitating this transformation and explores the emerging trends shaping the industry's future. The thriving e-commerce sector represents a pivotal growth driver in the digital payments market. As online shopping experiences a surge in popularity, consumers are increasingly reliant on secure and convenient payment methods. This has prompted the development of innovative solutions tailored specifically to meet the needs of e-commerce transactions.

As an example, in September 2023, HDFC Bank unveiled the introduction of three novel digital payment products tailored for the Unified Payments Interface (UPI).

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2.4.1.2 Government Support Fosters Innovation in adoption of digital payments

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2.4.1.3 COVID-19 Catalyst for Cashless Transactions

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2.4.1.4 Advancement in Digital Payment Systems

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2.4.1.5 New Payment Standards & Payment Rails

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2.4.1.6 Open banking, coupled with regulations like PSD2 (Payment Services Directive 2)

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2.4.2 Inhibitors

While the digital payments industry is flourishing, several key inhibitors threaten to impede its growth. Here, we explore three major challenges that need to be addressed to ensure the continued success of this sector:

2.4.2.1 Security Woes like cyberattacks and data breaches.

The increasing number of cyberattacks and data breaches remains a significant concern for consumers. These incidents erode trust in digital payments and deter some individuals from embracing cashless transactions. Stronger security measures and responsible data handling are crucial to combat these threats and build trust among consumers. The rise in online fraud, such as identity theft and unauthorized transactions, creates a sense of vulnerability for users. Businesses in the industry must invest in robust fraud detection systems and implement stringent authentication protocols to mitigate these risks.

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2.4.2.2 Limited Infrastructure and Digital Divide

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2.4.2.3 Standardization and Regulatory Hurdles

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3. Supply Chain

Traditional stores are transforming into smart stores, where inventory is updated in real-time online, offering enhanced customer experience. Moreover, new dynamic supply chain models allow stakeholders to exchange goods with data and information.

A fully-fledged sustainable supply chain ecosystem should enable suppliers and buyers to interact seamlessly, provide a robust sustainability rating methodology, and offer preferable rates to organizations that meet sustainability thresholds. The key strategic distinction of this wave is the use of advanced analytics to assess and manage ESG risk across the entire base of suppliers and buyers. For example, banks can help corporations assess the amount and types of GHG emissions that each supplier adds to total supply chain emissions and set policies for minimum standards and bidder exclusion criteria. The rating capability (typically provided by a third party focused on sustainability assessment) is integrated within a technology platform that is usually supported by a trade fintech company.

Supply Chain Trends



3.1 Semiconductor Scarcity and current concerns

The semiconductor shortage, which began in 2020, continues to disrupt supply chains across numerous industries, including consumer goods, in 2024. This crisis stems from a surge in demand for electronics during COVID-19 lockdowns, coupled with limited chip production capacity.

The bottleneck lies in several areas. First, there's a lack of raw materials needed for chip production. Second, existing fabrication facilities are operating at maximum capacity and can't be easily expanded due to the complex and time-consuming process. This inability to meet rising demand has led to extended lead times, meaning it takes longer for new chip-based products to reach the market.

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3.2 China+1 & Nearshoring

The globalized landscape of manufacturing is shifting as companies in various sectors, including payments and retail, grapple with supply chain disruptions and changing economic realities. A key trend is the rise of "reshoring" and "nearshoring," where businesses bring production closer to home or to nearby regions. This strategy aims to shorten supply chains, reduce transportation costs, and increase resilience against disruptions like pandemics or geopolitical tensions.

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3.3 Sustainability

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3.3.1 Sustainability in Retail Payments

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4. Technology Evolution

The year 2024 paints a dynamic picture for the retail and payment industry, where cutting-edge technologies are redefining the landscape. This report explores four key trends shaping the future of how we shop and pay:

4.1 Self-Service Checkouts

Self-service checkouts (SSOs) have become a ubiquitous feature in the retail landscape, transforming the checkout experience for both customers and retailers.

SSOs can significantly reduce wait times, particularly during peak shopping hours. This translates to customer satisfaction and a smoother shopping experience. SSOs require fewer cashiers, leading to reduced labor costs. Additionally, faster checkout times free up space for displaying merchandise or customer service areas. Customers who prefer a quicker checkout or a more independent shopping experience appreciate the control SSOs offer. They can scan items and pay at their own pace. SSOs can be integrated with inventory management systems, allowing real-time stock updates, whilst streamlining the stocking process.

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4.2 AR, AI and ML

The retail industry is undergoing a radical transformation driven by advancements in Artificial Intelligence (AI), Machine Learning (ML), and Augmented Reality (AR)

4.2.1 Artificial Intelligence (AI) & Machine Learning (ML)

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4.2.2 Machine Learning

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4.2.3 Augmented Reality

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Europe's smart home market thrives on a solid commitment to sustainability and energy efficiency. Governmental incentives and a collective drive towards sustainable living practices significantly influence the region's focus. Smart meters and energy management systems are particularly popular, catering to the demand for devices that reduce energy consumption. Additionally, there's a growing trend towards enhanced home security systems. The market is partly driven by regional conflicts and geopolitical tensions, which, along with shifting regulatory patterns, has led to a rise in demand for smart locks. Consequently, there's a heightened demand for advanced security products, including surveillance cameras and motion sensors, to ensure household safety. Moreover, the regulatory landscape in Europe represents another critical aspect, with smart home solutions focusing on safety and accessibility to cater to their needs.

Key Areas for AI Adoption Growth



4.3 Autonomous Retail and Warehouse Robotics

The smart home market in North America is characterized by its industry focus on enhancing convenience, energy efficiency, and security. The region boasts significant strides in integrating AI and voice control, primarily through devices like Amazon's Echo and Google Home, which have become household staples. The advancement is propelled by consumers prioritizing compatibility between different devices and systems, aiming for a seamless smart home experience. Despite its advances, the market continues to face increased challenges related to privacy concerns and the complexity of device setup, which require a certain level of IT expertise.

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4.4 Electronic Shelf Labels (ESLs)

The smart home market in North America is characterized by its reliance on wireless technology, offering convenience, energy efficiency, and security. The region boasts significant growth in integrating AI and voice control, primarily through devices like Amazon's Echo and Google Home, which have become household staples. The advancement is propelled by consumers prioritizing compatibility between different devices and systems, driving for a seamless smart home experience. Despite its advances, the market continues to face increased challenges related to privacy concerns and the complexity of device setup, which requires a robust and user-friendly ecosystem.

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5. Jabil Insights & Strategic Considerations

5.1 Jabil Insights

The smart home market in North America is characterized by its industry focus on enhancing convenience, energy efficiency, and security. The region boasts significant strides in integrating AI and voice control, primarily through devices like Amazon's Echo and Google Home, which have become household staples. The advancement is propelled by consumers prioritizing compatibility between different devices and systems, striving for a seamless smart home experience. Despite its advances, the market continues to face increased challenges related to privacy concerns and the complexity of device setup, which requires a certain level of IT expertise.

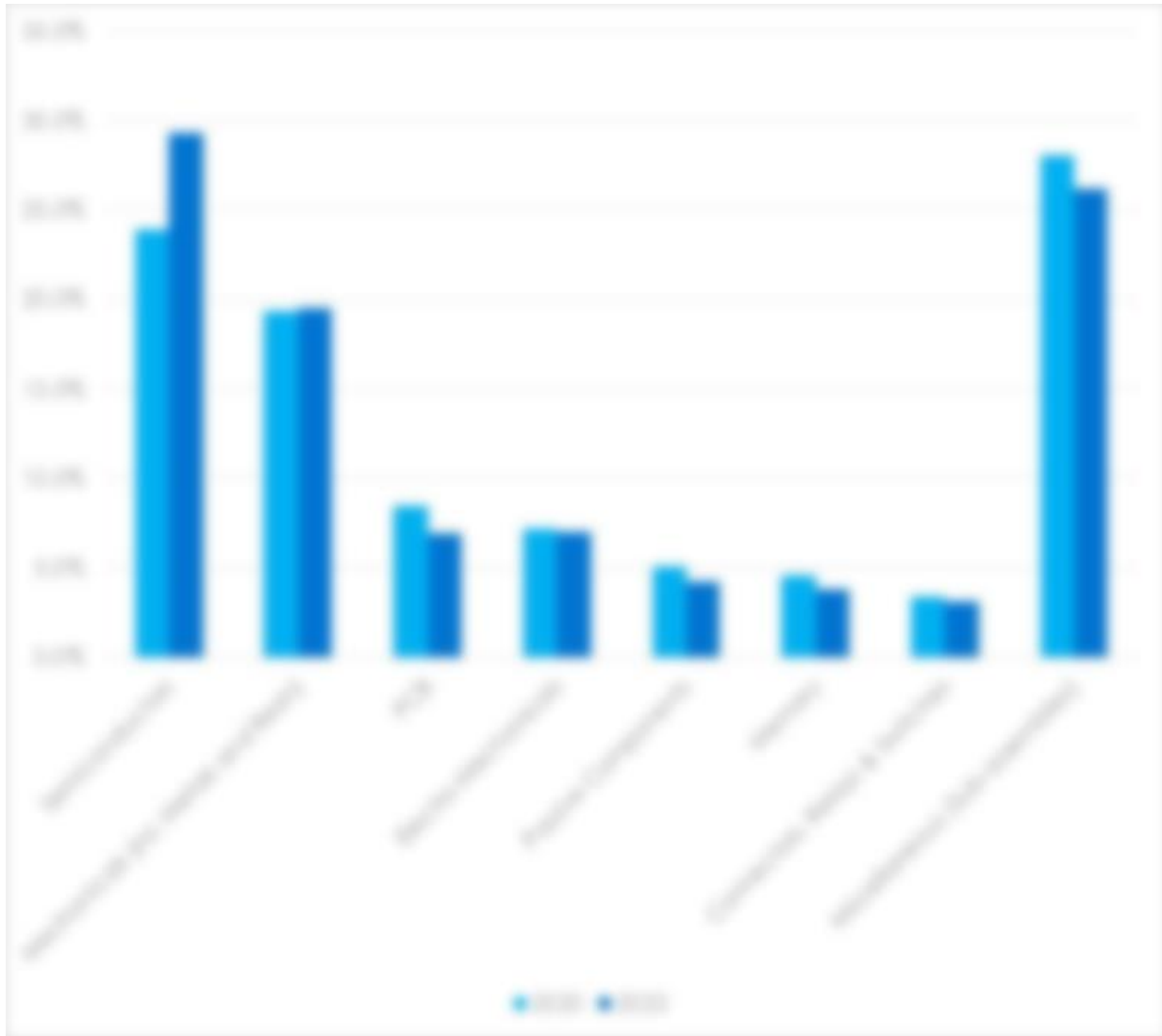
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5.2 Jabil Spend Analysis

JABIL SPEND IN THE RETAIL SECTOR, BY CATEGORY (2020 VS 2023)



Data based on Jabil's historical spend data for Retail Customer Segment

JABIL CATEGORY SPEND IN THE RETAIL SECTOR (2019-2023, YOY %)



Data based on Jabil's historical spend data for Retail Customer Segment

5.3 Strategic Considerations

The smart home market in North America is characterized by its maturity, focusing on enhancing convenience, energy efficiency, and security. The region boasts significant strides in integrating AI and voice control, primarily through devices like Amazon's Echo and Google Home, which have become household staples. This advancement is propelled by consumers prioritizing compatibility between different devices and systems, aiming for a seamless smart home experience. Despite its maturity, the market continues to face increased challenges related to privacy concerns and the complexity of device setup, which requires a certain level of IT expertise.

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