Emerging Market Retailing in 2030: Future Scenarios and the $5.5 Trillion Swing

For the past 15 years, retail in emerging markets has experienced tremendous growth and profound change. Yet, geopolitics, economics, technology, and social change raise important questions about the future.
Introduction

Over the past 15 years, retail in emerging markets has experienced tremendous growth and profound change. Between 2000 and 2015, as the population in emerging markets grew 21 percent, retail sales per capita nearly tripled from $525 to $1,490. Emerging markets’ share of global retail sales jumped from 32 percent in 2000 to 51 percent in 2015. And retail growth in emerging markets outpaced that of developed markets (see figure 1). From 2000 to 2008, emerging market retail sales grew at an 11.4 percent CAGR, compared with 5.7 percent for developed markets. Growth persisted in emerging markets post-crisis, albeit at a slower pace (7 percent CAGR from 2009 to 2015), while corresponding levels in developed markets dropped to 1 percent per year.

Figure 1
Emerging vs. developed market retail sales over the past 15 years

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<tr>
<td>Emerging markets</td>
<td>11.4%</td>
<td>11.7%</td>
<td>0.0%</td>
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<tr>
<td>Developed markets</td>
<td>5.7%</td>
<td>4.0%</td>
<td>-2.7%</td>
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<td>Total</td>
<td>7.8%</td>
<td>7.4%</td>
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Notes: Values shown are in terms of historical current prices and current exchange rates. Countries are classified into developed and emerging based on International Monetary Fund classification. Sources: IMF, Planet Retail, A.T. Kearney analysis

Amid this unparalleled growth, international retailers have focused on expanding into emerging markets as a key source of growth. The past 15 years have brought waves of retail expansion: starting with Eastern European countries after they joined the European Union (EU), followed by Southeast Asia, the BRIC nations (Brazil, Russia, India, and China), the Middle East, Latin America, and, most recently, Africa.

1 All monetary figures in this paper are in US dollars unless otherwise noted.
However, international expansion has not always been smooth for multinational retailers. In many markets, local restrictions on foreign ownership have forced retailers to either partner with local firms or operate franchises that limit their flexibility and autonomy to build businesses in the same way they would in their core markets. Retailers have also often struggled with poorly developed real estate or logistics infrastructure, limited availability of local talent, complex local consumer behavior and culture, and in some places government censorship of advertising content.

To date, emerging countries’ appeal has outweighed the challenges. Most international retailers have overcome the obstacles to build global portfolios consisting of both mature and emerging markets. However, growth is no longer a given. In the past three years, retail in emerging markets has seen zero growth, and sales in developed markets has declined 3 percent annually.

So in the next 15 years, where is retail in emerging markets headed? Will it return to a path of growth, or has its heyday come and gone?

These are the questions we explore in this paper. Looking over the horizon has never been easy, especially in an environment marked by unprecedented levels of volatility, uncertainty, complexity, and disruption. To that end, we use a scenario-based approach because, as the expression goes, it is better to be imprecisely right than precisely wrong.

To date, emerging countries’ appeal to retailers has outweighed the challenges. But growth is no longer a given.

In this paper, we outline four possible futures, each determined by two key variables: the pace of technology adoption in emerging markets, and the stance governments take toward trade. How these variables play out will have significant impact: The difference between the worst-case (limited technology adoption and protectionist governments) and best-case (broad technology adoption and open markets) scenarios is a swing of $5.5 trillion in emerging market retail sales.

Three Global Forces of Change

Retail now stands at an inflection point: A number of simultaneous step changes—in geopolitics, security, economics, resources and the environment, technology, and political and social governance—could reset the global operating environment. These elements will define the parameters of the world in 2030.

As we look ahead, three forces in particular are reshaping the landscape in emerging markets.

Rising geopolitical instability

Geopolitical tensions are on the rise, with conflict spilling over across regions. In the Middle East, the Syrian conflict has dragged into its fifth year, and the refugee crisis has overwhelmed neighboring countries and caused turmoil among EU nations. The lifting of sanctions in Iran has opened up new market opportunities for early movers such as
Roberto Cavalli and Sephora, but Iran's rivalry with Saudi Arabia has complicated power dynamics in the Middle East. The impact of terrorist groups such as the so-called Islamic State has spread well beyond the Middle East, making many markets appear unsafe for tourists and retail operations.

Farther east, Russia and the Western world remain in a standoff. Sanctions imposed against Russia over its incursions in Ukraine and support for Ukrainian separatists have hurt Russia's economy but have failed to compel leaders to stop power plays in Eastern Europe and the Middle East. In Asia, tensions in the South China Sea have tested relationships between China, its neighbors, and the United States.

These geopolitical strains are likely to reduce the cross-border flow of trade and investment in the short to medium term. More importantly, combined with economic contraction and income inequality, they could fuel the rise of nationalism and protectionism, which would exacerbate the challenges for cross-border retail.

**Persistent economic uncertainty**

The global economy has not yet fully recovered from the Great Recession, and significant questions exist regarding the ability of both developed and emerging countries to jumpstart their economies.

Among emerging markets, the BRIC countries—the former poster children of international expansion opportunity—are in trouble. Brazil is paralyzed by political upheaval and is headed for its worst recession since the 1930s, with GDP down 9 percent since the second quarter of 2014. Russia will likely remain in recession until at least 2017, under a combination of sanctions and tumbling oil prices. China started 2016 with a stock market crash amid concerns about currency devaluation and a slowdown of its economy. The country's GDP grew only 6.9 percent in 2015—its weakest growth since 2009—compared with a historical average of almost 10 percent since 1989. India is the only exception, surpassing China as the world's fastest growing major economy in 2015 with 7.5 percent GDP growth.

Beyond the BRICs, commodity exporters in Africa, the Middle East, South America, and elsewhere are reeling from the double whammy of falling Chinese demand for natural resources and the general dip in commodity prices. Currencies in Nigeria and South Africa fell to record lows earlier this year when China announced that imports from Africa dropped by nearly 40 percent in 2015. Meanwhile, the dramatic drop in oil prices has affected the finances of oil-dependent countries such as Venezuela, Nigeria, Saudi Arabia, and Russia.

Saudi Arabia, now engaging in its plans for bold economic transformation, took out $10 billion in foreign loans for the first time since 1991 because of budget shortfalls. Producers' failure to limit supply (as reflected in the April 2016 Doha oil summit) will perpetuate the problem in the near term.

Uncertainty surrounding the economic prospects of emerging markets has prompted a reversal in the volume and direction of the flow of capital. In 2015, emerging markets saw an estimated $531 billion in net capital outflow, compared with $48 billion in net inflow in 2014. This flight to safety is likely to persist.²

Retailers are re-examining their international expansion strategies and in some cases pulling back in troubled markets. Walmart closed 115 stores in Latin America in January 2016, including

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² See the 2016 A.T. Kearney Foreign Direct Investment Confidence Index. 
about 60 stores in Brazil. Adidas closed 200 stores in Russia in 2015 while Desigual left the market altogether. Several retailers, particularly in the luxury sector, have closed stores in China (Louis Vuitton, Gucci, and Hugo Boss), while others have slowed the pace of expansion (Hermès).

**Accelerating technology adoption**

As these complex economic and political forces play out, an equally dramatic shift is taking place in emerging markets because of the pace of technology adoption. Internet penetration expanded from 1 percent in 2000 to 32 percent in 2015, while mobile penetration grew from four subscriptions for every 100 people to 80.

With this growth, e-commerce has expanded exponentially. Though still a small proportion of total retail sales, in many cases e-commerce growth is outpacing that of physical modern retail. China has even leapfrogged mature markets in e-commerce penetration to become the world’s largest e-commerce market in 2015 with e-commerce representing 15.9 percent of sales. The United States is only at 7.3 percent.

E-commerce growth has been rapid despite significant structural challenges and has acted as a force for general development as private companies such as Alibaba in Asia or Souq in the Middle East invest heavily in payment and logistics infrastructure.

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**Two high-impact, high-uncertainty factors will transform international retail: market openness and technology adoption.**

The accelerated adoption of e-commerce in emerging markets has transformed the retail landscape, for better and for worse. On one hand, many retailers have taken advantage of e-commerce as a low-capital, low-risk way to enter markets or expand into rural areas. On the other hand, traditional retailers, particularly big-box stores, are facing fierce competition from online rivals.

Looking ahead, the reach of mobile and e-commerce penetration still has a long way to go, particularly outside of Asia. The retail landscape has the potential to evolve even further and faster, especially considering other emerging technologies such as beacons, 3-D printing, virtual or enhanced reality, and artificial intelligence.

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**Four Alternative Futures for 2030**

How these forces play out will be central to how retailers optimize their international portfolios going forward. In our view, the forces point to two high-impact, high-uncertainty factors that have the potential to transform international retail and what benefits global retailers can reap from investment in emerging markets: the degree to which emerging markets will be open to business, and the degree of technology adoption in those markets.
Using a scenario-based approach around these two factors, we have generated four plausible and compelling scenarios for the future, with vastly different implications for international retailers (see figure 2). In the first of these futures, which we call Seamless Dreams, cross-border integration and rapid technology adoption create a highly favorable environment for international retail expansion. In the bleakest scenario, titled Back to the Past, insular politics, economic recession, and a lack of technology infrastructure force international retailers to return to their home markets. In Urban Rise, Rural Demise, governments embrace open trade, but consumer backlash against technology limits retailers to urban centers. Finally, the Technology Wedge is a fragmented society in which only countries with pre-existing physical and digital resources offer expansion opportunities.

In the following sections we examine the four scenarios from the point of view of 2030—looking back at what happened to get to that point, and examining the present state of affairs for international retailers in emerging markets.

Figure 2
Four scenarios for emerging markets retail in 2030
Seamless Dreams
Emerging and developed economies have converged as open trade and the continued acceleration of technology adoption join forces to break down barriers to the flow of international business. International retailers have benefited tremendously from improved access to emerging markets.
The pathway

The Seamless Dreams scenario was sparked by the successful implementation of the Trans-Pacific Partnership (TPP) in 2018, which boosted trade and manufacturing for member nations. By 2023, more countries joined the TPP, including China, India, and Indonesia, and the key provisions of the TPP and other regional agreements began to coalesce into a new global agreement. As barriers to trade weakened and fell, states around the world enjoyed higher levels of economic stability and income.

China transitioned to slower but more sustainable consumption-led growth and shifted to more transparent monetary policies and open financial markets. With rising global labor costs, governments in sub-Saharan Africa invested heavily in infrastructure to become the next “manufacturer of the world.” Africa’s demand for commodities helped stimulate recovery in resource-dependent countries, which capitalized on the opportunity to diversify their economies.

As more people were lifted out of poverty and realized the benefits of a more open business environment, geopolitical conflicts diminished as citizens pushed their governments for better cross-border relations. Economic growth and geopolitical cohesion reinforced one another in a virtuous cycle. The ever-increasing flow of ideas and people between countries gave rise to a new generation of global consumers with converging tastes.

With spending power rising across emerging markets, mobile penetration accelerated. Internet access became nearly ubiquitous and dramatically increased the reach of e-commerce. In many emerging countries, e-commerce penetration quickly exceeded that of more mature markets as major e-commerce companies invested heavily to develop logistics and payment solutions. First-time consumers adapted quickly to the convenience and value of online shopping, particularly in previously isolated rural areas.

Using technology to expand rapidly

Along with lower barriers to trade, e-commerce has greatly reduced the capital cost of market entry in this scenario. Foreign retailers can expand into emerging markets more rapidly than ever, making international presence a business imperative. Traditional hot spots such as China and India remain popular because of their large populations and growing middle class, now larger than Europe and North America combined. In addition, international retail presence has become commonplace in frontier regions, such as sub-Saharan Africa and parts of the Middle East, that were previously inaccessible because of a lack of infrastructure or political instability.

In apparel, more retailers have opted for an online-only model, using virtual reality and artificial intelligence to recreate the store experience. As consumer tastes converge globally, brands have streamlined their assortments, which now largely only reflect different climates across regions, developed and emerging alike. Apparel retailers are taking advantage of these enhanced economies of scale to consolidate manufacturing in Africa’s factories as they become more high-tech and employ increasingly skilled workers.

In contrast, grocery retailers still maintain an online-offline model. Most companies have shifted to smaller-format stores with click-and-collect (ordering online and picking up in stores) to adapt to dense urban environments and convenience-seeking consumers. For grocery, click-and-collect is the key differentiator against increasing competition from consumer packaged goods companies, most of which now offer direct-to-consumer online sales with automatic replenishment orders generated by the Internet of Things interfaces.
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“Globalization 2.0, the Chinese Global Consumer, and the emergence of a flat-Earth e-commerce landscape have changed retail and consumption forever.”
—Forbes (December 1, 2014)

“As cross-border e-commerce lowers barriers everywhere, the explosion of choice will put consumers everywhere in charge.”
—Forbes (January 20, 2016)

“In the next 15 years, India will see more people come online than any other country. ... This has attracted a flood of investment in e-commerce firms, the impact of which may go far beyond just displacing offline retail.”
—The Economist (March 5, 2016)

Outlook in 2030. “Life is much more peaceful now. I no longer have to worry about bombings or kidnappings. Even though I didn’t finish university, I was able to land a comfortable job in the city that pays for my necessities and leaves some extra money for fun. When I was growing up, other countries seemed far away and their people so foreign. Now, I interact with folks from all over the world. My closest friend is someone I met online who lives in Ecuador. The owner of my favorite restaurant moved here from the United States, and my running buddy is Indonesian.”

Shopping habits. “I do everything on my phone; the signal is great, and the data is cheap. In-person shopping for me is very spontaneous. For example, when I’m about to head home from work, my phone pushes a notification to remind me that I’m low on milk. I’ll make the purchase online, then pick it up in the store next to my bus stop. Most of my other household purchases are automated so I don’t have to think about when to buy more toilet paper or laundry detergent. When it comes to clothes, everyone is wearing the same brands. The moment new styles come out in the United States, I can shop for them here in Kenya.”

Shopper profile

Baraka (Swahili for “blessing”)
“I am a 28-year-old salesman with some college-level education. I live in Nairobi, Kenya, and my annual income is $10,000.”

Signposts (early indicators of this future)
Back to the Past

With greater income inequality and protectionism around the world, international retailers have found it more challenging to operate globally. Most have closed up shop. In their place, local monopolies have emerged to cater to local consumers.
The pathway

Back to the Past marks a return to the inward-looking environment of the 1970s and 1980s before country specialization boosted global trade. It started with a sharp slowdown in China and India. In China, wary consumers decreased their spending, depriving the economy of a much-needed lift from consumption. Lack of spending on housing also exacerbated the glut in unoccupied residences, causing China's housing bubble to burst in 2018. In India, skepticism about the validity of high GDP growth figures turned out to be well-founded when GDP growth was revised due to underestimated inflation. With two of its biggest growth engines sputtering, the world economy took a turn for the worse.

As economies stagnated and income inequality worsened, rather than tackling economic reforms, political parties around the world fanned the flames of discontent by directing citizens' rancor toward globalization. Because of local opposition, trade agreements such as the TPP and the Transatlantic Trade and Investment Partnership failed to be ratified, and existing agreements such as NAFTA were undercut by local protectionist measures that circumvented their provisions. Consumers expressed their patriotism by favoring domestic goods that catered to their local identity.

In this insular environment, more countries consumed what they produced. The return to traditional industries that were once offshored resulted in lower productivity and perpetuated low growth. By 2020, trade and foreign direct investment had fallen to less than 0.5 percent of global GDP. Regions such as Africa were hit hardest as restricted access to foreign capital limited their ability to develop the infrastructure needed to support further development. Even previously well-off emerging markets suffered as household spending power decreased as a result of anemic economic growth and the rising cost of goods.

With less money, consumers shifted spending to necessities such as food and housing rather than discretionary categories such as electronics and fashion. Many e-commerce companies, unprofitable even in their heyday, went bust as deep discounts no longer enticed consumers. As a result, traditional retail remained dominant in emerging markets because of the lack of infrastructure required to support digital commerce or even modern physical retail.

Closing up shop

With swelling protectionism and declining consumer wealth, it has become harder than ever for international retailers to operate abroad. Most have returned to their home markets, shuttering stores, factories, and distribution centers overseas. But even at home, times are tough in saturated and shrinking markets.

In the space vacated by international retailers, local monopolies emerge across sectors. In grocery, for example, retailers embark on a streak of mergers and acquisitions, seeking both horizontal and vertical integration to gain economies of scale and scope. Private label becomes a much more important part of their product offerings as retailers seek ways to improve margins.

Only luxury retailers still prosper internationally, by targeting the ultra-rich in countries such as South Africa, Brazil, and China, where income inequality has always been high and is now worse than ever. However, the luxury market has shrunk to the super-premium peak of the pyramid, as the declining middle class in emerging markets can no longer afford even accessible luxury.
“When I was growing up, my family was pretty optimistic about the future. We felt like we were part of the middle class, and my parents even talked about sending me to college. When I turned 18, I was so excited because my parents bought me a Coach bag for my debut party. Now that’s all changed. The economy got worse, and my dad lost his job. I got married young so my husband could help me take care of my parents. I work as a maid for a rich family that lives in Dasma Village. I have three kids now, and we can barely make ends meet.”

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Shopping habits. “After a long day at work, I usually stop by the local palengke to pick up groceries. I’m careful with my spending and try to save as much as possible. Once in a while, as a treat, I’ll splurge and buy some Oishi cookies or prawn crackers for the kids. International brands are no longer sold in local stores. Even if they were, I think I would still buy Filipino brands. These companies know what we like.”

“Unlike at just about any time in the past six decades, the political leadership of almost every major economy is weak, making it easier for protectionism to flourish. The era of free trade as the world has known it is dangerously close to coming to an end.”

—Bloomberg (December 12, 2013)

“The broader picture is more gloomy because currency stability is masking failures in monetary policy.... The search for faster global growth will take that much longer, raising the prospect of countries becoming more insular and protectionist.”

—Financial Times (May 18, 2016)

“The protectionist tone of the 2016 (US presidential) campaign is a watershed, and it could have profound political as well as economic consequences for the wider world.”

—BBC (May 30, 2016)
Urban Rise, Rural Demise

Over time, cities have become more important centers of activity, concentrating and connecting people, resources, and development in major hubs. Concurrently, large-scale cyberattacks have eroded consumer trust in online technology, creating a backlash against e-commerce and further isolating rural areas. Retailers have focused their expansion on physical stores in cities, leaving rural dwellers far behind.
The pathway

Urban Rise, Rural Demise began with the Chinese government enacting an overhaul of the household registration system (*hukou*) in 2021. As domestic discontent over income inequality and poor quality of life reached a boiling point, the government saw rapid and comprehensive reform as a way to placate people, while simultaneously achieving China’s goal of boosting urbanization and consumption. The reform engendered the meteoric rise of new megacities in addition to existing ones, which boosted China’s GDP growth back to 8 percent per year.

This return to growth reassured and reinvigorated the world economy and served as a model for other emerging markets in encouraging policies aimed at enabling urbanization. Other parts of the world saw similar urbanization trends, and by 2030, Asia and Africa have become home to 40 megacities with more than 10 million inhabitants each.

As the global economy improved, geopolitical tensions eased, paving the way for new multilateral trade agreements. While e-commerce initially saw greater adoption as a result of more open trade, persistent cyber-attacks by terrorist and criminal groups undermined consumer trust in digital offerings and prompted a backlash against consumer technology overall. In 2025, several large-scale, coordinated attacks in China, the United States, the United Kingdom, Russia, Brazil, and India exposed the private data of millions of people and resulted in billions stolen from personal savings and retirement accounts. People became wary of risking their personal information online and shifted purchasing to physical stores. In most emerging markets, cash-based transactions remained predominant.

Without recourse to e-commerce, rural areas became more isolated than ever from the development of modern retail. Traditional formats such as *souks* and *kiranas* persisted. Some creative companies attempted to serve rural segments through direct sales models and “bottom of the pyramid” products. However, the market opportunity is extremely limited.

Adapting to an ultra-urbanized world

Multinational retailers flourish in vibrant urban centers, capitalizing on their global appeal to dominate the retail scene in cities around the world. They view expansion opportunities through the lens of cities rather than countries, targeting areas with sufficient urban density to justify having a local presence. However, expansion is capital intensive and limited by the availability of quality real estate for brick-and-mortar stores.

Luxury retailers thrive as the new retail paradigm’s focus on cities and physical stores plays to their strengths and existing store networks. Late adopters of digital, they maintain their efforts on outstanding service and store experience. Already present in major cities, they easily adapt their footprint to the expansion of megacities in emerging markets.

In contrast, grocery retailers are adapting in other ways. Many are closing unprofitable stores in rural areas and downsizing stores in urban areas, abandoning the big-box model. Early movers in online grocery are getting burned by those investments as consumers abandon online shopping for more secure in-person transactions. On the plus side, retailers across all sectors benefit from decreased complexity thanks to the convergence of consumer tastes and preferences in cities across the world.
There is a strong urban-rural divide, with mobile penetration in urban areas topping 160 percent, while in rural areas it does not reach 40 percent.”
—World Economic Forum (April 27, 2014)

“By 2030, nearly 9 percent of the world’s population will be living in just 41 megacities (those with more than 10 million inhabitants), according to the UN.”
—The Economist (February 4, 2015)

“Urbanization will produce a shift in populations and create more global centers of excellence for innovation. Whereas today we have a handful, 30 years from now there will be dozens of cities that serve as hubs of global trade in ideas.”
The Technology Wedge

Lack of economic recovery has given rise to nationalist politicians who erect barriers to the flow of goods, investment, and digital information. The crash in cross-border business activity has created a rift between countries that have the physical and digital resources to develop on their own and those that do not. International retail opportunities have been limited to these prosperous countries and restricted by onerous local regulations.
The pathway

Leading up to this scenario, the global economy continued on a sluggish trajectory, and income inequality worsened in many countries, with the bottom quartile of the population feeling cheated and forgotten. Simultaneously, geopolitical conflicts intensified, displacing more people and dragging more countries into struggles previously not their own. This dual misfortune left many citizens feeling pinched by harsh economic realities and physically threatened by instability. Nationalist politicians rose to power in the late 2010s and early 2020s by appealing to people’s insecurities.

Seeking to maintain control over citizens, major emerging markets erected firewalls to censor content sharing across their borders. The Internet fragmented into proprietary networks unique to each country. Just as Alibaba and Weibo developed to serve Chinese consumers in the 2000s, homegrown versions of Western tech firms (e-commerce companies, online marketplaces, and social media networks) emerged in many major emerging markets.

As the flow of information deteriorated, so did the flow of goods and investments. Governments clamped down on imports and exports, arguing that open economies are bad for local businesses and workers. Taxes and tariffs on imported components and goods became exorbitant, shifting the balance of power to local companies. Foreign firms were scrutinized and heavily regulated. Without enforcement mechanisms, trade agreements were easily ignored or circumvented through political maneuvers.

Emerging markets such as China and Russia, already endowed with vast resources, existing infrastructure, and technological expertise, continued to develop in this insular environment. Less fortunate states, such as those in Sub-Saharan Africa, were unable to march forward without the transfer of knowledge and capital from other countries. This exacerbated the inequality between nations, splitting the emerging world along the Technology Wedge.

Using technology to get a larger slice of a smaller pie

On one side, consumers in self-sufficient countries now enjoy relative wealth and comfort, along with advancements in modern and digital retail. On the other, countries without adequate existing infrastructure and resources are stuck in a time trap: there is little digital investment, and traditional brick-and-mortar retail continues to dominate.

In this environment, expansion opportunities for international retailers are limited to prosperous countries where consumers are still relatively well-off, though doing business is much more difficult. Retailers with strong brand cachet (luxury and consumer tech brands) squeak through but must operate under strict local ownership and manufacturing requirements. For these, licensing and franchising have become the dominant business models as companies attempt to hide behind a more local identity in each market. Those that are less differentiated are forced to return home, unable to cope in this closed environment.

Limited to smaller markets, more retailers turn to emerging technologies to maximize consumer reach and profitability. For example, beacons and artificial intelligence have become commonplace as retailers seek to attract consumers with a highly customized experience. Payment technology has advanced by leaps and bounds as cash and credit have been replaced by fingerprint scans. Meanwhile, more e-commerce companies integrate purchasing functionality into objects in consumers’ everyday lives to lock in repeat purchases and drive impulse buys. Instant delivery, enabled by fleets of drones, is routine in cities and rural areas alike.
I am a 27-year-old designer living in Shanghai. I attended graduate school and have an annual income of $25,000.”

**Outlook in 2030.** “I consider myself lucky to have grown up in China, one of the most advanced countries in the world. I have a great job and a comfortable life. Sometimes when I watch the news, I feel bad for poor people who live in third-world countries that did not invest in their domestic economies as wisely as China did.”

**Shopping habits.** “All of my grocery and household shopping is done online. With same-day delivery and quality guarantees, I no longer have to worry about whether the fruit will be bruised or the package delayed. There aren’t as many international brands in China as there used to be, but my favorite ones are still available. Chinese brands are just as good anyway, so I don’t feel like I’m missing out on anything.”

“After enjoying years of enviable economic performance, emerging markets are coming under strain, with a marked divergence in growth among them. As some of these economies slow down, the goal of eradicating extreme poverty will become harder as it burrows in and becomes more concentrated in regions most affected by conflict.”

—The World Bank (December 8, 2015)

“Governments introduced 539 protectionist measures in the first 10 months of 2015, up from 407 in the same period of 2014 and just 183 in the first 10 months of 2012.”

—Financial Times (February 18, 2016)
**The $5.5 Trillion Swing**

As our scenarios show, concerns about international retail growth may persist for several years. It is not inevitable that global retail will return to a path of growth: depending on which scenario plays out, the operating environment and business potential for retail in emerging markets could differ dramatically and emerging market retail sales could fluctuate by more than $5 trillion.

To evaluate the difference between the best- and worst-case scenarios, we estimated the impact of key events such as the implementation of the Trans-Pacific Partnership or a slowdown of GDP growth in China. We then analyzed the relationship between GDP and retail sales:

In 2000, retail as a percentage of GDP was 40 percent for emerging markets, but it dropped to 32 percent by 2015 as GDP increased over time and countries and consumers became wealthier (see figure 3). We then projected emerging market retail sales as a function of GDP by extrapolating this trend for each scenario.

**Figure 3**

*The relationship between retail sales and GDP in emerging markets*

![Graph showing the relationship between retail sales and GDP in emerging markets.](image)

As countries and consumers become wealthier, retail decreases as a percentage of GDP.

Notes: Retail sales include in-store and online channels, and modern and traditional formats. It excludes automobiles, gasoline, restaurants, travel services, and financial services.
Sources: IMF, Planet Retail, A.T. Kearney analysis

The raw economic difference between the two extremes is significant. In Seamless Dreams, emerging market retail sales could grow by 4.4 percent per year to reach about $18 trillion. In Back to the Past, sales would be little more than $12 trillion, $3 trillion lower than current baseline projections (see figure 4 on page 19).

Each of these scenarios is plausible because there are already early indicators of each scenario in the world today. China’s rapid technology adoption could become a model for other emerging markets such as India and Indonesia as the digital landscape evolves in those countries, potentially leading to Seamless Dreams. The popularity of populist and nationalist politicians around the world may signal the advent of the insular world of Back to the Past.
In India, urban disposable income per capita is nearly twice as high as that of the rural population; increasing polarization between urban and rural areas in emerging markets could easily lead to Urban Rise, Rural Demise. Finally, the disparity between wealthy regions such as Asia versus less developed ones such as Africa already speaks to the inequality between emerging markets in the Technology Wedge.

Whatever scenario emerges, the implications for multinational retailers are clear. They must carefully monitor leading indicators such as GDP growth, Internet penetration, and trade policies for clues as to how the key factors—government openness to foreign investment and technology adoption—will play out. They must plan for multiple futures, and be nimble enough to pursue divergent strategies as the business environment in emerging markets evolves. Through this combination of foresight and agility, retailers can seize opportunities no matter what the future holds.
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- Dubai
- Johannesburg
- Manama
- Riyadh

For more information, permission to reprint or translate this work, and all other correspondence, please email: [insight@atkearney.com](mailto:insight@atkearney.com).

The signature of our namesake and founder, Andrew Thomas Kearney, on the cover of this document represents our pledge to live the values he instilled in our firm and uphold his commitment to ensuring “essential rightness” in all that we do.