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REPORTS

In association with

Manhattan
Associates.

Retail 2018

Exclusive insights about the year ahead from retail's top leaders

RETAIL WEEK FOREWORD



JAMES KNOWLES
ACTING HEAD OF COMMERCIAL CONTENT OPERATIONS

If uncertainty reigned when Retail Week published this report in January last year, then the way the rest of 2017 played out has left the 25 retail leaders we interviewed with yet more unanswered questions for the year ahead.

When Theresa May lost her parliamentary majority at the 2017 general election in June, it not only significantly reduced her authority within her own party and within the Commons, but weakened her negotiating power within Brexit discussions.

The resulting uncertainty among consumers has led the retailers we interviewed to adopt a cautious outlook for 2018.

However, it's not all doom and gloom. Those retailers are adapting to the trading climate and through investment and innovation will be able to weather the storm.

Specifically, customer experience has come to the fore in retailers' strategic objectives. Retail businesses may already be centred

around the customer, but this exclusive research shows considerable work is under way to achieve omnichannel status – a single view of both customer and stock – as well as refining data management strategies, which will impact how retailers communicate with, and serve, customers.

And that is not forgetting the final mile, which we address in chapter five. The supply chain sector is often a test bed for innovation, and this report finds out how retailers are approaching fulfilment as they strive to deliver on customer experience expectations while also protecting margins.

With so much up in the air as we enter the year, yet so much opportunity for retailers to put forward compelling propositions geared towards the customer, *Retail 2018* will provide an invaluable guide and benchmarking tool for retailers of all sizes, with strategic insights from the individuals shaping the future of the industry.



This exclusive research shows considerable work is under way to achieve omnichannel status



RETAIL WEEK CONNECT: RETAIL 2018

Acting Head of Commercial Content Operations

James Knowles

020 7715 6167 james.knowles@retail-week.com

Commercial Production Editor Abigail O'Sullivan

020 3033 2940 abigail.osullivan@retail-week.com

Contributors Dan Harder, Emily Kearns

Production Manager Paul Moran

020 3953 2676 paul.moran@emap.com

Account Director Imogen Jones

020 3033 2969 imogen.jones@retail-week.com

MANHATTAN ASSOCIATES VIEWPOINT



CRAIG SUMMERS
UK MANAGING DIRECTOR, MANHATTAN ASSOCIATES

Okay, we get it, it's pretty turbulent out there. Uncertainty reigns but there is light amid the doom and gloom. Customers still need to buy things, they still shop and if we want a greater share of their spend we need to give them a really good shopping experience. It's the only way to survive, and to thrive you need to do it better than everyone else.

If we focus on the basic premise – connecting the customer to the product they desire, when, where and how they want it – then they will come back for more.

A consumer doesn't view shopping by channel, they have no concept of omnichannel or the challenges we face online or in store. They don't care, they just want to buy something, most likely then and there.

They see a brand, a product they want and a digital world in which to purchase it. This means

mobile, online, in store and on social media – any which way they can.

Our job is to create an environment across those channels that enables them to enjoy the shopping experience they desire.

The fabric of that environment is a close-knit web of people, processes and technology. A carefully constructed environment that enhances availability of your products across channels and enables you to fulfil from your network in an efficient and cost-effective fashion.

This report offers a plethora of insight into multiple elements that underpin that environment, from the opportunity held captive in your data to the criticality of your supply chain, to navigating the choppy economic climate we find ourselves in.

Let's work together to ensure that we get the basic premise right in retail and put the customer at the heart of our future endeavours.



The basic premise is connecting the consumer to the product, when, where and how they want it



MANHATTAN ASSOCIATES

Managing Director Craig Summers
0118 922 8076 uk@manh.com

International Marketing Director
Georgia Leybourne
0118 922 8070 gleybourne@manh.com

RETAIL 2018

EXECUTIVE SUMMARY

The unknown impact of the UK's decision to leave the EU hovers ominously over retail as the industry turns its attention to 2018. Major investment plans have been put in place by many of the industry's leading companies, and there is confidence in achieving individual goals, but there is a nervousness caused by Brexit and its potential effect on the economy and consumer sentiment.

According to research from Retail Week, conducted in partnership with Manhattan Associates and involving interviews with chief executives and directors from 25 leading UK retailers, 48% of retailers think Brexit will have a major impact on consumer behaviour this year.

However, although the uncertainty caused by Brexit is taking up much of the brain space of the retail executives from companies based across the UK, the sector appears to be making significant progress in achieving some of the ambitions it laid down last year.

While just 18% of respondents claimed they had reached omnichannel status 12 months ago, this year the figure leaps to 47% – while 20% of retail leaders think they are close to reaching that point.

Defined as having a single view of stock and customers across multiple trading platforms, being omnichannel is expected to help retailers get to know their customers better and serve them more appropriately.

Investing for success

Creating more personalised customer experiences and interactions is at the forefront of much of what retailers are trying to achieve.

There is a common understanding that ecommerce will continue to grow as a percentage of overall retail sales in 2018, and that too is shaping many of the investment decisions executives are making for this year and beyond.

Ecommerce was cited by 60% of the business leaders as a key area for investment in 2018, followed by mobile and customer service/experience (both 52%), and employees (48%).

Conversely, international expansion has dropped down the priority list, with only 28% of retailers focused on this area. Last year, this figure was 56%.

A drop in retailers' willingness to expand their global horizons is perhaps a result of Brexit, or simply a case of companies gauging how recently opened territories perform with the view to more international expansion further down the line.

What's in store for retail?

Although during the second half of 2017 a number of big retailers announced store closure programmes or continued previously planned real estate reductions, including Marks & Spencer, Lloydspharmacy and Shoe Zone, the 2018 outlook for store portfolios is mixed.

Some 32% of the retailers we surveyed say they plan to invest in new stores over the coming year, while 52% say there would either be no investment in new shops or a reduction in their property portfolio.

The same question was asked to the online retailers who took part in the research, but none of them have plans to open physical space despite the high-profile entries into bricks-and-mortar retailing by many pureplays over the past 18 months.

Although not the case for every retailer and every region, overall footfall to stores and high streets is reducing.

For some that has triggered a change in role for the staff serving in shops, with one consumer electronics retail chief executive saying customers are now using the physical space for fewer "get missions" but more "discovery missions".

This has resulted in staff at this particular business spending much more time talking to customers, as opposed to simply processing their purchases – and that is not an uncommon switch in function for many of the retailers involved in our research.

Plenty of references were made to the rise in coffee shop culture, growth in digital media such as Netflix and the growing interest in the wider digital economy, which are all eating a share of the time consumers used to spend shopping.

For one fashion retailer with stores primarily in London, the lunchtime shopper has effectively become a thing of the past because of people's lack of time and new behaviours.

In such an environment, retailers will clearly need to be astute, stay close to their customers and tread cautiously if they are to grow and retain shopper numbers.

"I think complacency and resting on your laurels is very dangerous, especially in a world where the customer is totally in charge," says the chief executive of another fashion retail chain.

"And I think if you're complacent, then someone will come and take your business away from you. The balance of power has swung from the retailers to the consumers and we've got to be very, very mindful of that."

SURVEY SNAPSHOT

The year ahead

59%

expect **Brexit** to have the **biggest impact** on consumer behaviour in 2018

60%

of retailers are prioritising **ecommerce investment** in 2018

44%

of retailers expect a **year-on-year sales increase** in 2018

60%

of retailers are **struggling** to find the right skills to **analyse data**

47%

of retailers say they have a **single view** of the customer and stock

53%

of retailers plan a **50/50** split between driving **growth** and reducing **costs**

44%

say investment in **mobile** is their key **omnichannel** priority in 2018

52%

of retailers will put particular focus on **customer service and CX** next year

48%

of retail leaders say the **mood** among customers is **worse** than last year



RETAIL 2018 AT A GLANCE

44%

of retailers expect sales growth in 2018

CHAPTER 1

SHIFTING BUSINESS MODELS

“I THINK THAT THE RETAIL SECTOR AT THE MOMENT HAS NEVER BEEN TOUGHER”

- Retailers less confident about 2018 sales growth than last year
- Positive sentiment around food and premium sectors
- Consumers more unpredictable than they've ever been

27%

of retailers are using data insight to forecast the future

CHAPTER 2

INVESTING IN THE RIGHT AREAS

“THE TECHNOLOGY SHOULD ENABLE US TO BECOME MORE EFFICIENT”

- 47% of retailers claim omnichannel status
- Tech investments now tailored to individual business needs
- Single view of stock still an obsession for most

52%

of retailers are making mobile a priority investment in 2018

CHAPTER 3

WINNING THE CUSTOMER EXPERIENCE BATTLE

“GETTING ON TOP OF COMPLAINTS OR QUESTIONS FASTER THAN COMPANIES DID BEFORE HAS BECOME CRUCIAL”

- From digital directors to ‘digital guides’: a new era of retail jobs
- To deal with the new type of shopper, retailers require ‘social mobility’
- Retail and the rise of the chatbot

CHAPTER 4

DRILLING DOWN INTO DATA

“GETTING COMMUNICATION MORE AND MORE PERSONALISED IS ONE OF OUR PRIORITIES”

- Single-view-of-customer investments making in-store personalisation a reality
- Retailers understand importance of data
- Mail-order retailers have natural personalisation advantage

33%

of retailers are focused on personalising individual customer experiences

CHAPTER 5

BALANCING SUPPLY CHAIN PROFIT AND EXPERIENCE

“WE CAN'T ALLOW ANY PART OF THE SUPPLY CHAIN TO BE VULNERABLE”

- Same-day delivery dilemma: is it sustainable?
- Last-mile logistics
- Focus on international relations

28%

are set to invest in supply chain and infrastructure in year ahead

CHAPTER 6

NAVIGATING BREXIT

“IT'S A DISASTER”

- Confusion still reigns, causing retailer caution
- Workforce changes already being shaped by Brexit
- Is Brexit ‘just another challenge’ for retailers?

48%

of retailers think Brexit will have a major impact on consumer behaviour

CHRISTMAS TRADING RESULTS

- A round up of 2017's festive trading results

CHAPTER ONE

SHIFTING BUSINESS MODELS FOR THE FUTURE

- » Retailers less confident about 2018 sales growth
- » Positive sentiment around food and premium sectors
- » Consumers more unpredictable than they've ever been



There have been some mixed messages emanating from the retail industry in recent months.

According to the British Retail Consortium (BRC), the UK retail sector experienced a record year-on-year reduction in employee numbers during the summer months of 2017, which was primarily attributed to technological evolution and government policies such as the Apprenticeship Levy, national living wage rises and the increases in business rates.

However, at the same time, the BRC says UK retail continues to make faster progress in raising pay than the country's economy as a whole, based on its own interpretation of the Office for National Statistics' Annual Survey of Hours and Earnings data.

Average hourly pay in retail was up 4.6% in 2017, compared with 2.9% growth for the UK economy as a whole, and the BRC argues that this is part of the industry's journey to fewer but better jobs, shaped by a new digital landscape and the rising cost to serve.

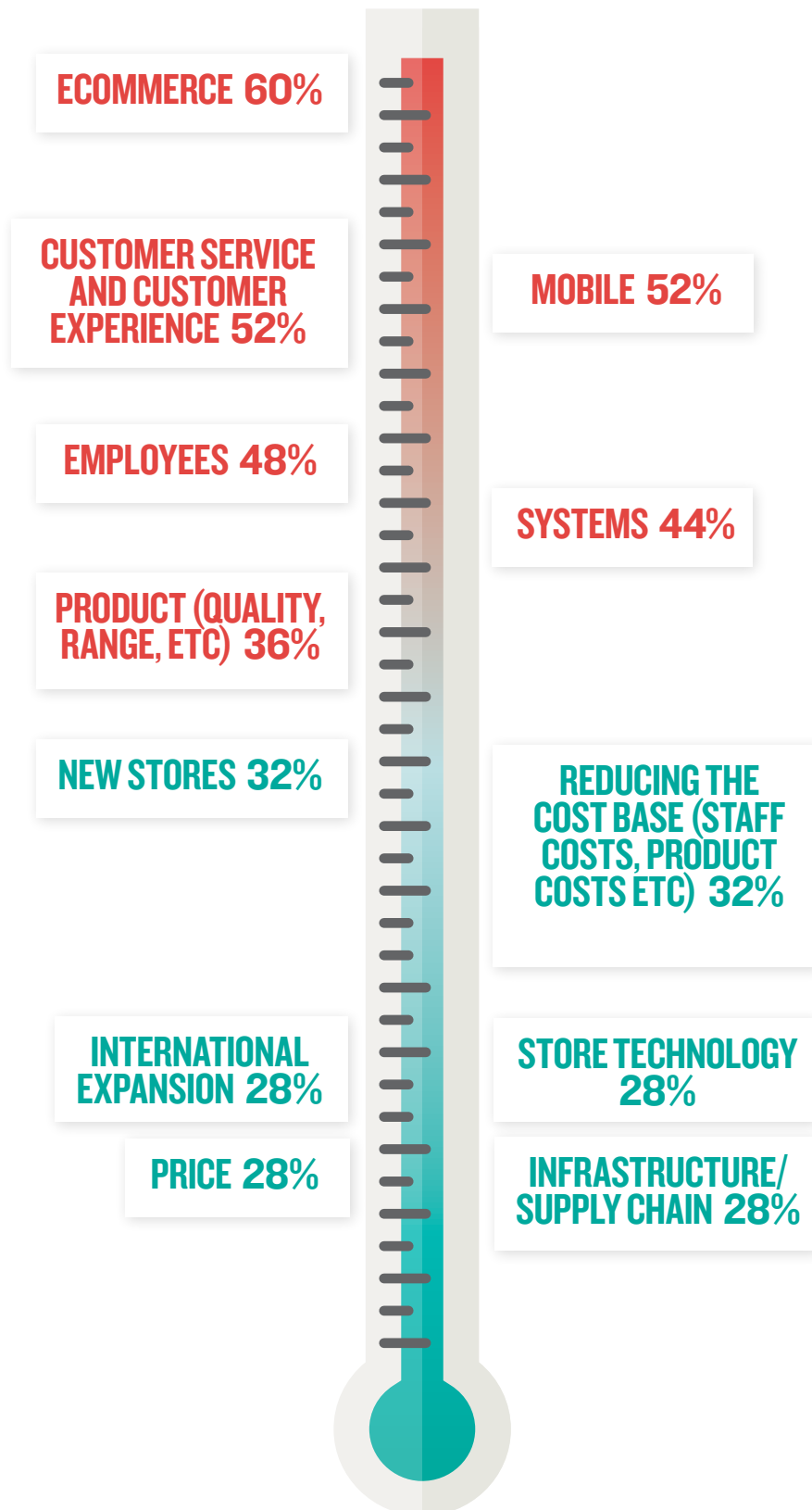
Against this backdrop, the mood of those leading the industry through these fast-changing times is also very mixed, according to Retail Week Connect's in-depth interviews with 25 retail leaders, produced in partnership with Manhattan Associates.

Ultimately, retail is about driving sales and profit, and in the 12 months ahead the expectations for top and bottom-line growth are limited. Some 44% of retail chiefs we surveyed predict that their sales will increase in the year ahead, while 28% are expecting a decline. Last year, the survey showed 61% were confident about sales in 2017, and our long-running research shows confidence in future sales has dropped incrementally over the past few years.



INVESTMENT

What's hot and what's not



Consumer mood

From the individual responses, the impact of the UK's decision to leave the EU tightened consumer purse strings and the continuous flood of new – often digitally led – entrants to the market are contributing to this cautious outlook. The redirection of consumer spend to leisure pursuits, eating out and at-home technology has also played a part in creating a more challenging environment.

This year's survey shows that retail leaders perceive the consumer mood to have slightly worsened. In 2016, 32% of retail bosses said the mood was more or less the same as in 2015, while 32% felt it had worsened. This year 32% still believe there is no change, but 48% say the mood is a little worse. Just 20% say the mood is better.

The fallout from Brexit is expected to have the greatest impact on consumer behaviour in 2018, with 59% of the retail leaders citing this, quickly followed by inflation and the cost of living at 45%.

However, it is not all bad news. There are plenty of retailers who are clear about what they need to do in the year ahead to win over cautious customers.

Accentuate the positives

Reflecting on their own companies as well as wider retailing circles, the 25 chief executives and directors we surveyed identified areas where they thought the industry would grow – although there is perhaps more uncertainty than there has been for many years.

Be it those companies that only operate online or the digital departments of multichannel retailers, online retail is expected to continue its rapid growth trajectory in the 12 months ahead.

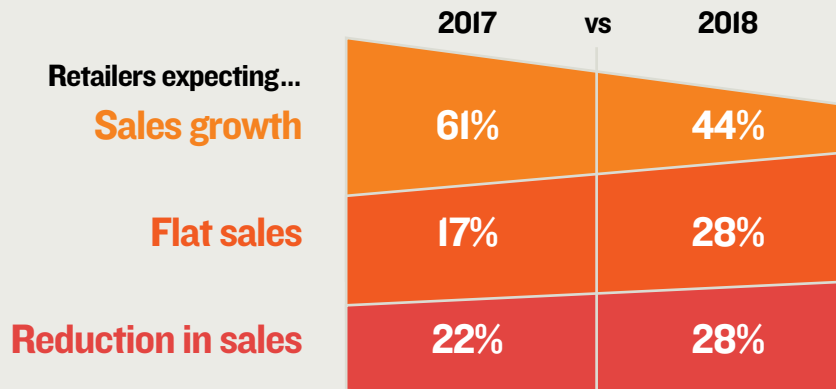
In terms of growth by category, there is confidence in childrenswear, premium products and smart home items – all of which are expected to perform well based on previous sales levels during tough economic times. The old mantra that everyone needs to eat in hard times was expressed by most chief executives, who are expecting inflation-led growth in the food sector to bring some kind of stability to the industry when measured as a whole.

The popularity of coffee shops continues apace, and this is expected to contribute to discretionary spend being taken away from some sectors such as fashion and footwear.

Among the big-ticket-item retailers surveyed, there was acknowledgment that the 12 months ahead will prove to be particularly tough for their sector because, in times of economic uncertainty, consumer budgets are naturally directed towards essentials such as food.

The general consensus is that offering value and quality product will prevail in uncertain times, and the chief executive of one fashion retailer is adamant that tough times will not result in the use of cheaper materials, because

Retail sales in 2018: a less rosy picture



consumers will not react well to such a move. As we've seen in the grocery sector over the past decade, there has been a polarisation in the market – with the likes of premium supermarket Waitrose enjoying significant market share growth alongside value chains such as Aldi, Lidl and Iceland. One senior retailer suggested the same thing is happening in the wider industry, creating a squeezed middle market.

The chief executive of a department store chain, which by its very nature understands the sales performance of more product areas than most other retailers, explains: "We are seeing a healthy growth across most of our categories, but I think that in times when there are economic challenges and a lot of people are feeling more nervous about the future, then premium food retail tends to do quite well."

"People turn to a product that gives them comfort and reassurance in that environment because they are nervous about wasting money or not spending money on things that deliver a real sense of pleasure and value."

Looking ahead, the chief executive of a specialist retailer says that it is just too difficult to measure consumer sentiment and predict how the coming year will be because spending patterns are so unpredictable. With the Bank of England raising interest rates for the first time in a decade in November – and predictions of more increases to come – consumer caution could spread further still.

Summing up today's shopper, the chief

executive of another fashion chain that has outperformed much of the wider market in recent years, notes: "I think that the retail sector at the moment has never been tougher, never been more volatile and never been more uncertain."

"I think we're seeing customers behave far more erratically. They're definitely changing their habits based on how they're feeling today. There are lots of references to weather and how weather affects customers' shopping habits. We're seeing that being more dramatic than ever before."

Trends in new retail

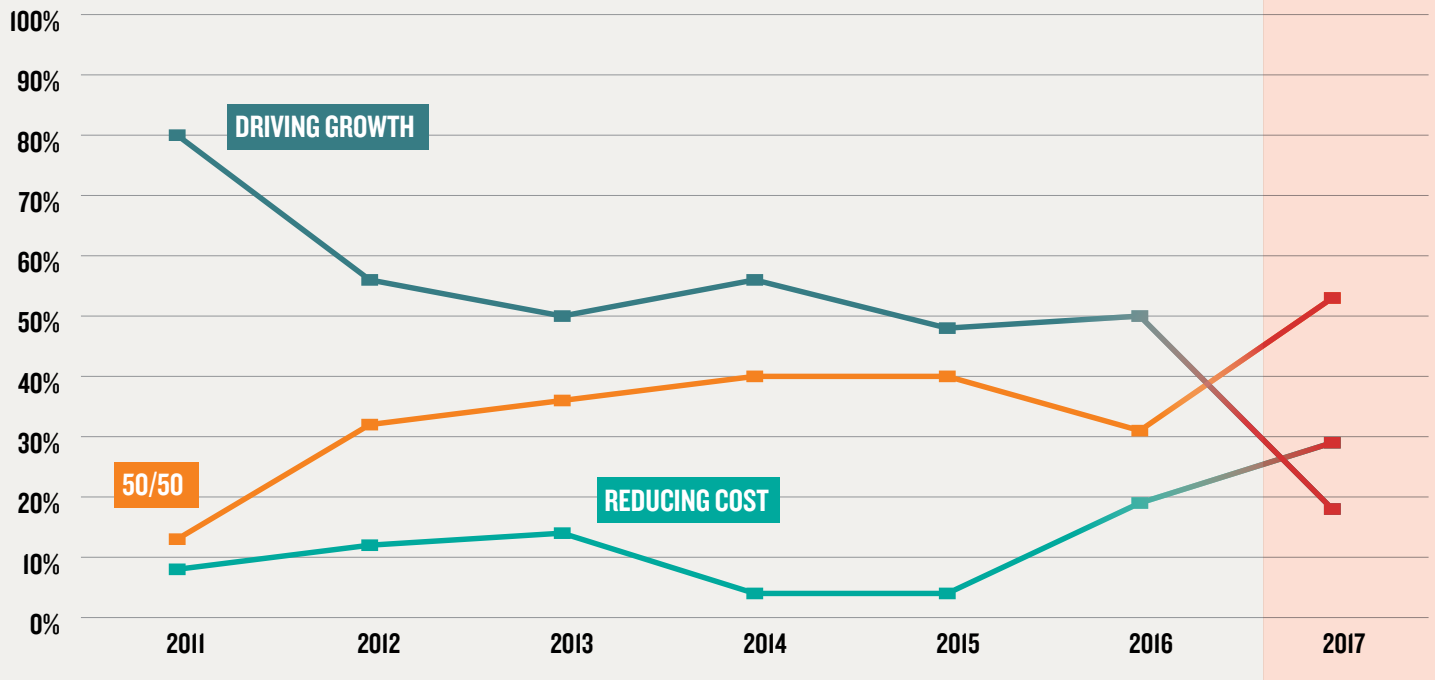
It is impossible to attend a retail event without hearing about the impact technology is having on the sector, how artificial intelligence (AI) will play a part in the industry of the future, and what the new role of the store is in modern retailing.

Within the research, the value of automation in the warehouse and within logistics departments was raised by fashion, footwear, electricals, food and book retailers alike. Their interest in it and their realisation of its capabilities points towards a lot more investment in this area in the months ahead.

The chief executive of one footwear retailer says: "When I joined the company we would employ two or three people full time making up boxes [in the warehouse] – what a boring job. So I think they are quite happy letting machines do that work, providing we can get them to do something else."

59%
of retailers expect the fallout from Brexit to have the greatest impact on consumer behaviour in 2018

Are retailers focusing on driving growth, reducing costs or a balance of the two?



“There are some boring, repetitive jobs that you know people are happy to lose, like stock checking. Technology comes along that is much more efficient and if we weren’t to deploy it and our competition did, they would make more profit and we would go bust.”

In the store, retailers’ tech investment plans do not focus on AI – they are more centred on developing digital capability to assist existing interactions. For example, 48% of those retailers surveyed that have their own store presence have either invested in or are about to invest in tablets, digital screens or mobile devices that are used to interact with consumers on the shopfloor.

“Any technology that helps make it easier for customers to shop is right up there for us to look at, but we are also very clear it has to be part of that human experience – and that is quite important for us,” explains the chief executive of one womenswear retailer.

“What you are looking at is how you can use technology to support a human experience, rather than replace it. I know that sounds obvious but it is an important thing for us.”

Balancing cost and investment

This year’s research shows retailers have become significantly more cautious when it comes to reducing costs versus driving growth.

In 2016, 50% of the businesses surveyed were focused on driving growth, 31%

balancing the two and 19% aiming for cost reduction. This year the pendulum swings the other way, with just 18% planning to drive growth, while 53% plan a 50/50 split and 29% are mostly focused on reducing cost. However, all pureplays revealed they will be focused on growth – once again highlighting the rosy outlook for ecommerce in the year ahead.

Investment priorities are widespread as retailers seek to deliver the best customer experience possible, with ecommerce (60%), mobile (52%), employees (48%), systems (44%) and product quality (36%) all receiving top billing among our 25 industry leaders.

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ACTION POINTS

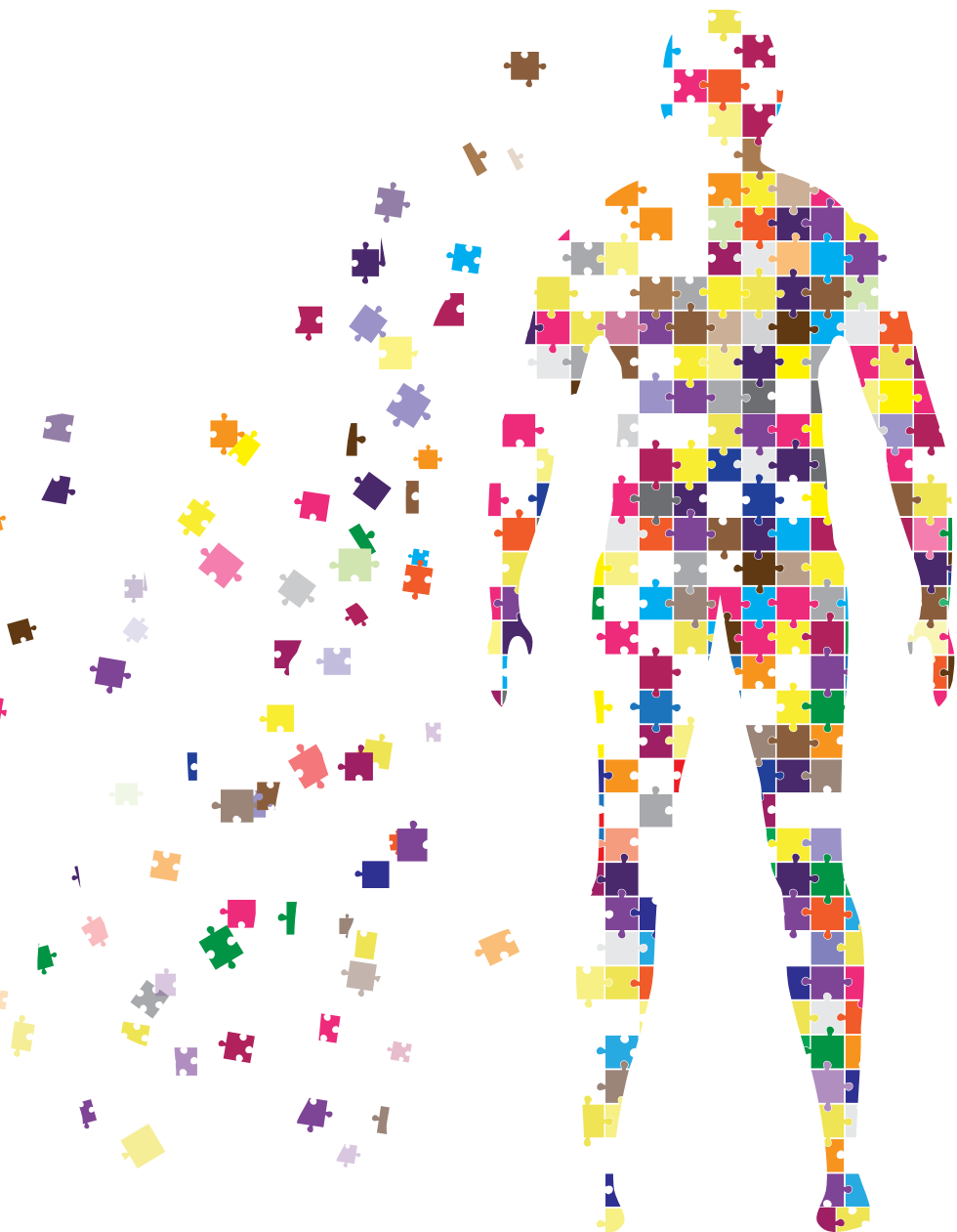
- Avoid tech for tech’s sake and fads with no substance.
- Focus on surfacing product in the right place at the right time.
- Use order management to optimise allocation of orders.

PUSH POSSIBLE™

CHAPTER TWO

INVESTING IN THE RIGHT AREAS

- » 47% of retailers claim omnichannel status
- » Tech investments now tailored to individual business needs
- » Single view of stock still an obsession for most



The term ‘omnichannel’ means different things to different businesses. For some it simply means selling through more than one channel, but for others it defines the philosophy of how to serve shoppers today.

For the purposes of this research, Retail Week defined omnichannel as retailers having a single view of stock and a single view of the customer across multiple channels. There has been progress in developing this model over the past year, although there are chief executives of larger businesses who suggest it is impossible to ever achieve a complete single view of all customers.

Nevertheless, 47% of retailers say they are now omnichannel (though 33% are yet to achieve this visibility in real time), compared with just 18% last year and 19% in 2015, which suggests things have gone to plan for many of the 30% of retailers who said they were close to this point when asked 12 months ago.

A further 20% of retailers surveyed this year indicate they are near to declaring themselves omnichannel – currently having a single view of stock or customer, but not both – with three chiefs saying their businesses will be in that situation at some stage in 2018 thanks to recent systems investment. However, 33% do not have a single view of their customer or stock.



Knowing a customer's shopping history opens up huge opportunities to tailor the selling process and increase conversion



Single-view obsession

True omnichannel retailing is reliant on companies achieving a single view of stock and customers from all of their touchpoints.

The chief executive of a consumer electronics retailer notes: "We have a single view of stock, in that we know where our stock is at any time in our business.

"We don't have a single view of customers. We're getting there, but if a customer walks into a store, we don't know what they've been looking at online."

The benefits of having a single view of stock

include understanding the most efficient distribution or delivery method for an order and converting sales even if a product is not in the store a customer has visited. All of which boost customer service.

But why do retailers want a single view of their customers? What advantages does this approach bring?

Firstly, as chapter four on personalisation will explain in greater depth, knowing a customer's shopping history opens up huge opportunities to tailor the selling process and increase the chances of conversion as a result.

For frequently visited retailers, such as supermarkets, this enables them to provide suitable offers that can help build loyalty and convince customers not to shop in rival stores. In fashion and other emotional-purchase sectors, a retailer's understanding of customer style and sizing gives staff more ammunition in the selling process.

According to the fashion chief executives surveyed in this research, from a commercial point of view there are upselling opportunities but from a relationship-building perspective the single customer view is deemed crucial.

On the other hand, for products that are not so frequently purchased such as gifts, footwear and furniture, there is a need to understand shoppers so retailers can make educated guesses around when to 'reactivate' them.

Achieving that elusive single view

Defined in this report as a single view of stock and customer, 2017 has been a breakthrough year for retailers declaring themselves omnichannel.



“You would have to be a very, very small business to really say you had a completely single view of the customer”

Chief executive of a fashion retailer

Using data to boost conversion

The research shows that the concept of a single-customer view ties into retailers' loyalty strategies and their digital marketing efforts, but the granularity of data it provides can also help in forecasting the general and specific demands for the future.

A footprint of real-time customer information, analysed and compared alongside wider trends and other data points, can be used in the development of an organisation's product range and overall proposition. That is pretty fundamental to any retail organisation.

Of the 25 business leaders we surveyed, 73% say the single view allows them to react to browsing and sales data and then target the customer with relevant products and promotions, although none of them are able to do this in real time. However, 27% are using data insight to forecast the future behaviour of customers and target them with relevant products and promotions.

One furniture retailer is close to launching a new system that will enable it to understand the online-to-store purchasing behaviour of most of its customers. That system is expected to be implemented this year.

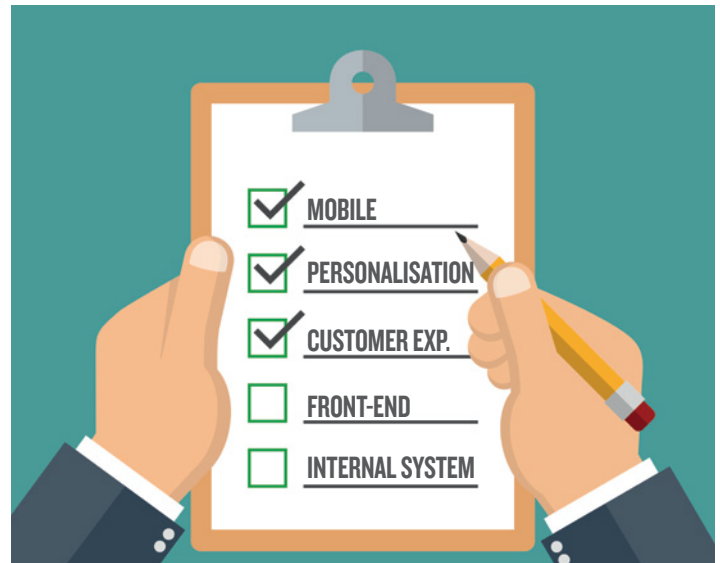
“It should allow us to understand non-shoppers. Currently, 75% of the people who visit our stores each week don't buy, one in four does buy, so trying to find out more and more about the non-buyers has clearly got enormous value for us,” says the chief executive.

“Although we're probably one of the best converters of sales in this space, globally 75% of customers not shopping is still a bloody high number. The technology should enable us to become more efficient.”

While gaining a single view of customers is clearly an ambition, our research provoked interesting opinions from at least three chief executives who believe that customer resistance to 'being known' will mean it is impossible for businesses to ever have access to fully comprehensive customer history and data.

And for companies that sell their products through other businesses, such as department store concessions, it is very difficult to link up own-store, website and wholesale data.

“You would have to be a very, very small business to really say you had a completely



Where is tech investment directed?

When asked which aspects of omnichannel they will be prioritising in 2018, the clear winners for retail leaders are mobile (44%), personalisation of individual customer experiences (33%), investment in front-end technologies (33%) and investment in internal systems (28%).

In fact, for some retailers the next iteration of in-store mobile devices is on the cards as they look to build on what has generally been a successful addition to the shopfloor for staff and customers alike.

One department store chain director says: “Every member of shop staff now has a handheld device, and that gives them so much technology to be able to help customers – we are

building on that the whole time.” Another high street chief exec echoes this, saying “the biggest thing” his company has done from a technology hardware perspective over the past two years is to put iPads in the hands of each of its store advisors.

“We're investing in the tech and software, and developing the suite of both product offer, learning tools and educational tools that are available at the hands of our advisors,” he says.

“What a customer can see online, our own advisor can see in their hands, although it's a modified version for the advisor. They can basically present to customers the product, the videos, the customer reviews – all on the sales floor.”

single view of the customer. However, we have complete visibility of customers' transactions if they opt in,” says one fashion chief executive.

The same executive warns it is “not the golden ticket” and says targeted marketing is low down the priority list for retailers in times of economic struggle. When customers are switching off from a product or shopping in general, which has been the case at various points over the past few years, there is very little value in knowing their behaviour, he says.

Talent shows

In some cases, retailers are lacking the expertise to capitalise on the data they have about their customers. The lack of resources and skills to help them deliver the digital services now required, and to mine data in a meaningful way, was a concern raised in last year's survey – and

Omnichannel hurdles » There are big challenges afoot for retailers restructuring



60% CAN'T FIND PEOPLE WITH THE RIGHT SKILLS



130%

CITE A LACK OF RESOURCE



STRUGGLE TO DECIDE WHO SHOULD LEAD THE CHANGE



CAN'T DECIDE WHAT DIRECTION THE STRATEGY SHOULD TAKE



33% SAY IT'S DIFFICULT TO CHANGE THE EXISTING MINDSET, CULTURE AND ATTITUDE

it hasn't gone away. "We do have a single view of our customers; we have got that view but we don't know what to do with the pictures," says the leader of a footwear retailer.

Last year, 71% of the chiefs surveyed said it was difficult to recruit the people they need to deliver a suitable digitally enabled retailing offer but, while it appears to be less of an issue this year (60%), there seem to be variations by geography.

For London-based companies it appears less of an issue to find suitable staff, but those based in other parts of the UK have had to open new offices away from their home city to bring in more talent. In some cases, retailers have solved their recruitment issues by looking outside the traditional talent pool for the likes of data scientists and programmers.

However, it is not just finding the right people that remains a challenge. Changing the existing mindset, culture and attitude are other big issues being cited by 33% of the leaders surveyed. As detailed in chapter three, new roles have been created to cater for a tech-driven industry, including customer directors, digital directors and other tech ambassador titles, all essential

73% say the single view allows them to react to browsing and sales data and then target the customer with relevant products and promotions

in driving data strategies from the top down.

Recruitment and training practices differ wildly by company, with some training from within, or making a conscious effort to recruit digital natives to run and develop areas such as social media, search and email marketing.

As Brexit nears and more is understood about its impact, there could be additional barriers to securing the best global talent for modern retailing.

Manhattan Associates

ACTION POINTS

- Ensure single view of stock and customer is in real time.
- Connect shopfloor tablets to stock and customer data.
- Modernise the checkout process in store with mobile POS.

PUSH POSSIBLE™

CHAPTER THREE

WINNING THE CUSTOMER EXPERIENCE BATTLE

- » From digital directors to digital guides: a new era of retail jobs
- » To deal with the new type of shopper, retailers require 'social mobility'
- » Retail and the rise of the chatbot

Hi, May I help you?



Three to four years ago there was a major drive by UK retailers to introduce new digital directors, customer directors or other senior roles to deal with rapidly changing shopper behaviour.

Of the retailers surveyed, none of those who created these jobs within their businesses say they have been disappointed with the results. Instead, digital teams have been bolstered and newer roles added.

Change management

Retailers are quickly rolling out new technology in stores, but it is not necessarily a straightforward process to ensure staff put it to use. One department store chain director says her company has placed a 'digital guide' in each shop, whose role it is to become an advocate for using new systems.

"They have been brilliant at spreading calm across each of the shops and being able to use the tech in the right way," she says.

Across the high street there are examples of those responsible for technology adoption being promoted to more senior tech-related head office roles. Dave Abbott at footwear retailer Dune Group is a case in point, starting off as a tech-minded staff member on the shopfloor before working his way up to retail omnichannel manager and now head of in-store technology.

Shoppers are often more adept at using technology or know more about a retailer's product range than store staff because of the transparency of online retailing.

This was echoed by the findings of a survey of 2,000 UK consumers undertaken by Manhattan Associates, which showed that 59% of consumers find they know more than the store assistant "some of the time", with a further 10% saying they know more "all of the time". The majority, 51% of consumers, say product knowledge, followed by checking stock availability, is the most important service provided by a store associate, highlighting the point further.

Many bosses now see store staff as acting "as a service for online" in terms of facilitating click-and-collect orders and dealing with product returns originally ordered via the web.

One fashion chief says, because the company fulfils web orders from its shops, the role of store staff has become a lot more processed.

Another fashion retail boss comments: "The impact of digital and multichannel on the

WHAT THE RETAILERS SAY ABOUT SOCIAL STRATEGIES

Facebook and Instagram – they’re the two big digital platforms that we focus on, and we constantly have dialogue with consumers through them

Managing director of a cosmetics retailer

We have an incredible pickup on Facebook and Instagram. Our customer base is a heavy user of these platforms, so we will definitely invest in social media

Chief executive of a gadgets retailer

The new generation of customers don’t write letters any more. We will communicate with them in any shape or form they want, whether that be Facebook or Pinterest

Managing director of a footwear retailer

We’ve had to really bring down the average age of our employees because we need staff who are in tune with a far more tech-savvy, far more social media-savvy customer

Chief executive of a fashion chain

customer shopping journey has really been the main change. Whereas retailers tend to think in silos around retail, online and marketing, customers don't think that way."

The majority of retailers surveyed agree business models have now become much more customer-centric. They argue that a shopping journey involving social media, online shopping, click and collect and the various other multichannel aspects is so much more complex than the pre-digital era, which typically involved browsing on the shopfloor, fitting rooms and cash desks.

Influencers and the social sphere

More and more, retailers are realising that social media is now an essential investment area.

There is no one social platform that dominates above all others in the eyes of the 25 retailers, but one frequent response was social media is where reputations can be made or lost.

"You can't leave complaints on social media sites for more than an hour and resolving customers' problems faster is fundamental to having a good reputation. Having the right technology becomes a key success factor," explains the boss of one homewares retailer.

The research highlighted the growing importance of influencers in marketing strategies. "Each of the influencers that we're partnering with have a unique style to them. The customer service side of it and recommendations become increasingly important."

In addition to this, 'mobile is online' is the mantra for more than one of the 25 business leaders we surveyed.

According to the BRC and Google's quarterly research monitor, UK retail-related search volumes rose 9% year on year across all devices in the third quarter of 2017 – and it was smartphone traffic driving this increase.

Overall smartphone searches for retail increased 23% compared with the same period in 2016, which far outstripped desktop-related searches. It goes some way to explaining why 52% of the retailers we surveyed say mobile is a priority investment in 2018.

More than 25% of the business leaders surveyed say that fast-changing consumer behaviour is having a direct impact on their branding, with one fashion retailer creating an "edgier" feel as result. Another is using the increased access to consumers via digital to help shape its brand of the future.

The director of a women's accessories retailer says: "I think consumers are behaving very differently to how they were a few years ago.

"In our business, influences on social media are affecting customer behaviour, and the digital disruption is having an impact and what we stand for as a brand is something that we are really looking at."

The year of the chatbot?

Retailers are at the beginning of their experimentations with artificial intelligence (AI), but one area of AI that has been trialled by multiple sectors operating in the industry

is online chatbots. Chatbots have the ability to automatically answer a designated set of consumer questions, learning about individual consumer behaviour at each interaction.

They are viewed by some retailers as a way to answer shopper questions quickly and precisely and a step on from call centres.

The director of an online fashion and homewares retailer describes it as a digital personal shopper service that can create finely tailored interactions with its customers.

"We think our chatbot has got huge potential," he explains. "We're testing it at this stage and seeing what its capability is, but there are lots of examples of businesses testing this kind of technology. I don't think anyone has cracked it right now in terms of its broad application."

The strategic targets for that particular retailer over the next 12 months look like being AI-centric, but it remains to be seen whether that is the case for the wider industry. Judging by the chief executives' generally cautious approach to automation, robotics and the rise of machine versus man, widespread use is some way off.

One department store chain chief executive says: "It is all about efficiency, efficiency, efficiency, but technology should be encouraged and supported where it removes unnecessary cost, time and interactions.

"But there is something called leisure and there is something called pleasure, and those two experiences will be vital in elements of retail and hospitality that no AI or robotic approach will ever replace."

However, retailers are still cautious when it comes to investment. The same department store chief executive says it is very difficult to know what technology, communication channel or customer behaviour is going to take off next, so it's dangerous to gamble on one particular area.

"Certainly, or as far as I can tell, there will be this continual growth towards more informal, faster, quicker communication with customers through social media channels."

But he adds: "I am sure technology is moving at such a pace, I can't even articulate today the ways we will be different within 12 months."



ACTION POINTS

- Embed customer engagement capability in all applications.
- Upsell and cross-sell with clienteling, and make it personal.
- Balance man and machine appropriately.

PUSH POSSIBLE™

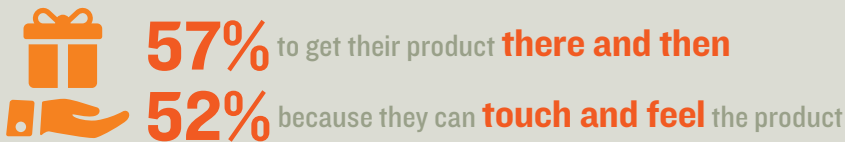


What do consumers want from their in-store experience?



51% consider **product knowledge** the **most important** aspect of service in stores

WHY DO CONSUMERS GO TO STORES?



The evolution of the physical store in a multichannel world

The bricks-and-mortar store continues to defy the naysayers claiming it has no place in the digital era and instead remains an essential component of any retailer's multichannel arsenal.

However, much like any retailer's overall strategy, its physical stores must also adapt to a world in which the consumer is digitally enabled.

This was reflected in the findings from a nationally representative survey of 1,000 UK consumers, conducted in November by Manhattan Associates, which took an in-depth look at what consumers expect from their in-store experience.

The research highlights an important gap in the multichannel customer experience. Whereas the past five years had been characterised by an influx of retailer-led



in-store technology such as kiosks, touchscreens and others, there has since been a greater focus on the consumer's own technology – mobile phones.

Retailers are on the back foot in this regard. The Manhattan research shows 69% of consumers know more about a retailer's

product than shopping assistants in store, but 51% consider product knowledge the most important aspect of service in stores, followed by being able to check stock availability at 27%. Retailers need to make sure they are delivering on this consumer expectation by digitally enabling their staff with technology such as tablet devices.

The biggest reason to head into a store is to get the product there and then (57%), followed by touching and feeling the product before buying in store (52%) or before buying the product online (36%), highlighting the store's place in the multichannel journey.

Most customers (51%) want to be able to pay at a traditional sales counter in store, but a sizeable 24% are willing to go with whatever is on offer, showing that customers are open to new retailing environments.



DOES THE CUSTOMER GET A CONSISTENT EXPERIENCE ACROSS STORE AND ONLINE?



51% of consumers say they want to **PAY AT A TRADITIONAL SALES COUNTER** in store

CHAPTER FOUR

DRILLING DOWN INTO DATA

- » Single-view-of-customer investments are making personalisation a reality
- » Retailers understand importance of data
- » Mail-order retailers have natural personalisation advantage

Encouragingly, 52% of the retail executives surveyed list “investment in customer service and experience” as one of their central focuses for the year ahead, with many of the respondents citing it as “an ongoing priority”.

A number of the chief executives acknowledge the important role of data management and analysis in aiding this process, with varying levels of success reported in this field to date.

For many, customer data management is part of a strategy of moving towards offering personalised retail experiences. A total of 28% of respondents use the terms “personalisation” or “personalised service” when explaining their key goals for 2018.

While there appears to have been general confidence in retailers’ ability to offer targeted marketing and communications online for a number of years now, progress is also being made in providing this type of customised service in the store environment.

Companies that started off in mail order but which have developed their businesses into multichannel organisations with websites and store estates are typically more confident about what they know about their customers, and what they can do with that information to personalise interactions.

The founder of a women’s fashion chain says: “We started in mail order in the 1990s before anyone was really online and when we opened our first shop we put the same system in the store. “The back end was the same, so we immediately tracked customers and put any

retail orders against their account. We have got a complete picture of our customers’ history with us, including what shops they have been to and what products they have bought, and it allows us to tailor things more to individual people.”

The chief executive admits other organisations have looked on enviously at the system, which was arguably created at a time before retailers realised how useful such platforms could be.

Growing numbers of retailers are looking to put these types of solutions in place, as highlighted in chapter two.

Of the 25 chief executives Retail Week surveyed, 17% say big data, database organisation or developing central systems that hold comprehensive customer information are high up the to-do list in the 12 months ahead. And it is from this platform that the roll-out of personalised services in stores can be launched.

The chief executive of a specialist retailer notes: “Getting communication more and more personalised is one of our priorities, and clearly the manipulation of the database we’ve got is one of our priorities alongside that.”

Interpreting personalisation

Although retailers such as online fashion house Asos and Very.co.uk owner Shop Direct have spoken very publicly about embarking on personalisation strategies, for some retail businesses personalisation simply means segmentation or targeted marketing.

The boss of an entertainment retailer says his company’s customer communication will evolve over the coming year to include “more segmentation ... based on their purchases”, while a supermarket chief executive explains

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his company can give customers offers related to what they typically buy. For them, that is what personalisation means.

The leader of a women's fashion chain is excited about the roll-out of a new single-view-of-customer system next year that will enable improved personalisation during Sales periods. "We'll definitely be able to talk to our customer much better and most probably the biggest win I would say is going to be around the personalisation piece, which we can do a bit but we can't do very well at the moment," she explains. "We are very reliant on markdown, discounting and promotions, and it is a bit of a one-size-fits-all approach – so we will start to move towards a prime position, maximise our Sale period, but actually then personalise it in the background to customers in the way they want to shop with us."

These detailed references to personalisation show that it isn't just a retail buzzword – executives see real benefits in shaping their businesses to offer more tailored customer service online and in store.

Supporting technology

The nature of advertising is changing considerably, with multiple chief executives referencing how this discipline is becoming more digital compared with the greater focus on outdoor or television ads in the past.

Going digital enables a more personalised or targeted approach to advertising, thanks to the use of tracking cookies and the digital footprint shoppers leave behind as they move from website to website.

The chief executive of a furniture retailer says his company is making significant strides in only contacting people when they are in the "shopping window", meaning when they are close to making their purchasing decision. That relies on communication based on real-time activity and getting close to customers.

The fact that retailers are focusing communication efforts in a store during the customer's browsing stage or online via live

video chat, shows there is a concerted effort not to bombard consumers with marketing messages all year round and only when they are nearing their purchase decision.

That is one of the fundamental benefits of retailers adopting a more personalised strategy: they know when they should interact with shoppers and when they shouldn't.

"The trend a few years ago was to dominate with a particular media channel, billboard or on television, or whatever," explains the boss of a major high street fashion chain.

"The change we see taking place is that instead of thinking about media channels, think about the target customer and the different media channels that they tend to visit or have exposure to. Then it is important to adjust the communication strategy so that we get to those customers across multiple media channels."

With retailers already looking to hone their advertising strategies using data rather than operate the scattergun approach of years gone by, there are arguably ways they can use their stores and store staff more effectively.

More than one chief executive says they are allowing their stores to operate on a more localised level, essentially devolving power to individual shops in their network, as opposed to head office, so they can serve their customers how they best see fit.

It appears to be a brave management decision, especially considering retailers have traditionally pushed hard to ensure brand consistency across their estates. However, allowing shops to serve their communities how they see fit is essentially part of a personalised retailing strategy.

The boss of one entertainment chain says: "We have been devolving responsibility and accountability down to the store level and we're trying to move towards a retail proposition that's very individual to the specific shop."

As the research shows, the vast majority of chiefs view their stores as very important, if not the most important channel, of their business. It is in shops where the personalisation piece can have a lasting impact.

Some 20% of bosses say their stores act as showrooms for their online proposition, while a further 30% say they provide shoppers with the traditional customer service they want.

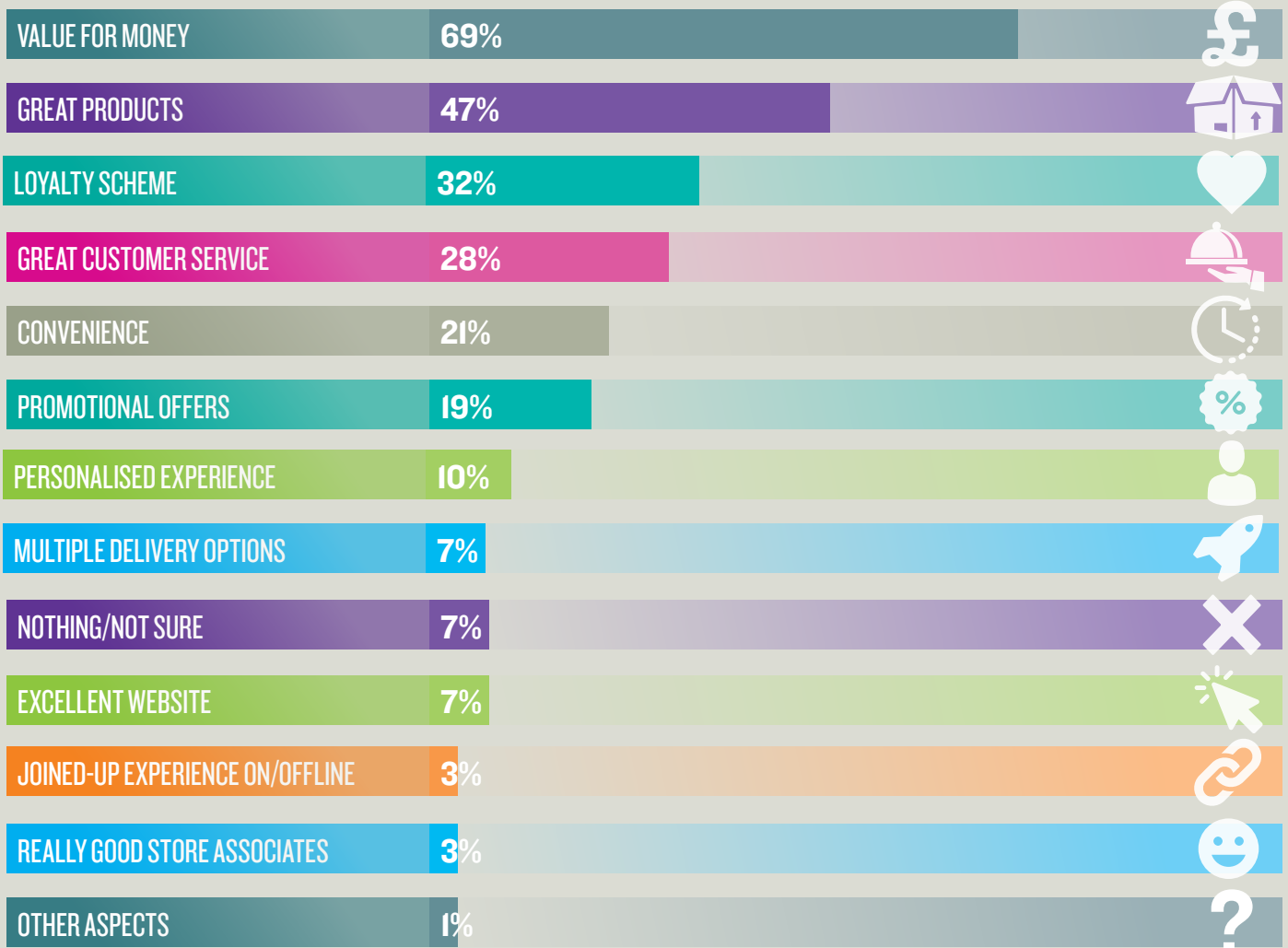
Against such a backdrop, it is clear how powerful more personalised retail services might be. Staff can offer consumers relevant advice and engage with them based on their true purchasing history once they have their single-view systems

17%

say big data, database organisation or developing central systems that hold comprehensive customer information are high up the to-do list



Which of the following service aspects make you most loyal to a retailer?



set up – and this has far-reaching consequences for customer loyalty. This is echoed by the survey of 2,000 consumers undertaken by Manhattan, which found that, despite low numbers saying a joined-up experience (3%) and a personalised experience (10%) would make them more loyal to a retailer, great customer service was chosen by a more sizeable 28%.

As illustrated in chapter one, the use of tablet devices by store staff to bring up product and customer information on the shopfloor when talking to shoppers has been a major feature of how the retail experience has changed in recent years. It is particularly prevalent in the fashion and technology sectors, and based on this research it will continue to be a growth area for retail in the 12 months ahead.

Such an approach can fuel personalised store experiences that, until recently, only online retailers were able to offer up. As ever, it is a case of using a combination of the human touch and sophisticated technology that will typically lead to retail success.

As the chief executive of a drinks retailer

says: “We are spending a lot of time making the relationships with customers more direct, using digital more and hopefully just spending a bit more time talking to them face to face. We’ll do that through digital and freeing people up through the use of technology and digital, so they can spend more time talking to people.”

Manhattan Associates

ACTION POINTS

- Deploy in the cloud to maximise availability of data everywhere.
- Personalise interactions without falling foul of ‘big brother’.
- Empower store associates with enterprise data at their fingertips.

PUSH POSSIBLE™

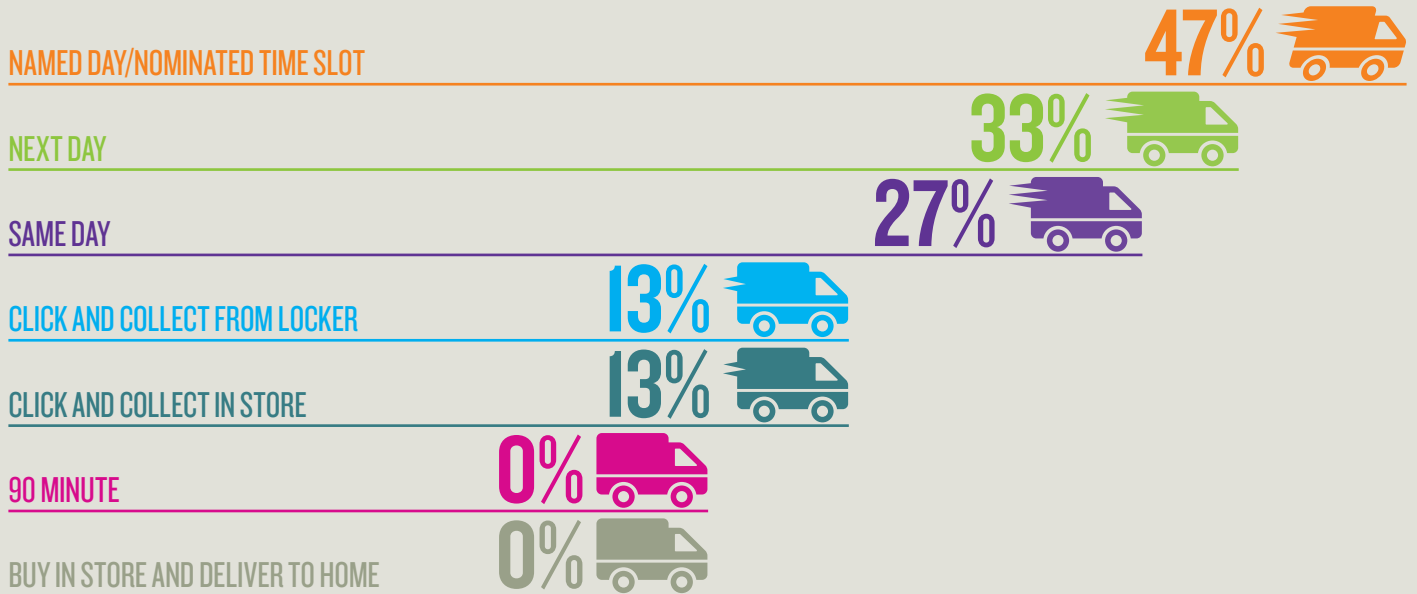
CHAPTER FIVE

DELIVERING A PROFITABLE SUPPLY CHAIN

- » Same-day delivery dilemma – is it sustainable?
- » Courier concerns
- » International supplier uncertainty



Which delivery methods do retailers expect to be in greater demand next year?



The retail supply chain was once an area of the industry that received little public attention, and was often referred to within the sector as “trucks and sheds” and little else.

Today it receives far more focus, and that is because an efficient, transparent supply chain is crucial in delivering a raft of new customer-facing services in store and online that retailers leverage in their marketing strategies.

Argos’ 2017 Christmas advertising campaign, for example, centred on its fast-track same-day delivery proposition.

Marketing teams can’t promise shoppers things they can’t deliver and it means the supply chain department has increasingly been elevated to board level.

Although supply chain and infrastructure are not top of the investment priority list among the retail chief executives surveyed, with 28% citing it as a key focus area in the year ahead, there are some common themes to emerge from this area of the study.

Same-day delivery dreams

Forward-thinking and experimental retailers with big budgets have contributed to a new consumer craze for rapid home-delivery options and, whether the executives surveyed plan to offer same-day fulfilment of online orders or not, they are still very keen to talk about it.

This was illustrated by our research, which found 27% of the surveyed retailers expect to see more demand for same-day delivery in 2018, nearly on a par with the currently more common next-day option, at 33%. Both of these, however, are dwarfed by the named-day or slot delivery option, which 47% of retailers expect to see more demand for next year.

Even the chief executive of a floorings and

homewares retailer who would never see a need for same-day delivery in his sector commented on the 21st-century consumer psyche, saying: “There seems to be an insatiable appetite for ‘I want it and not only do I want it the next day, I want it when I get home that night’.”

Such a scenario has left senior retailers scratching their heads about whether to follow the likes of Amazon and Argos and enable such rapid online fulfilment, or simply provide an array of convenient delivery options.

There was particular debate around how it is possible to provide such a quick service without taking too much of a hit to the bottom line.

“I think a lot of the big retailers will have no choice but to keep moving and upping their game to compete with Amazon – but for the smaller retailers it becomes really difficult because of the cost,” explains a women’s fashion retail director.

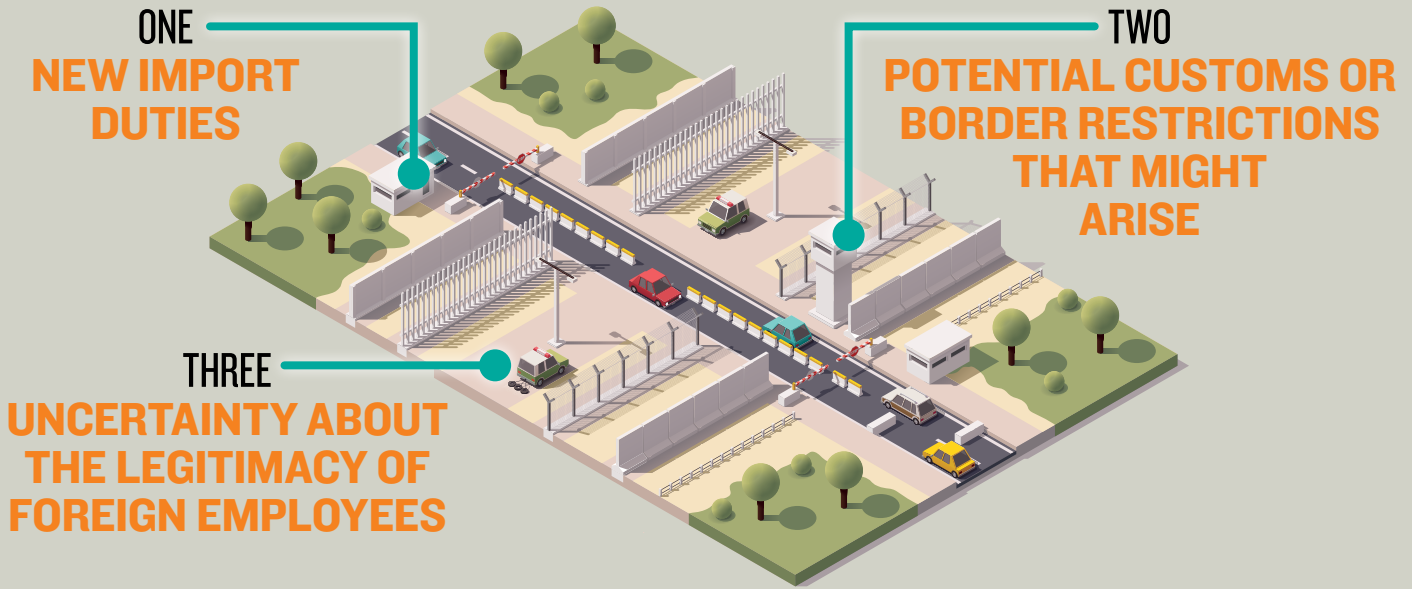
“What we are looking at is offering the best delivery solutions we can and that we can afford, but making sure that everything else that sits around those delivery options offers the best experience possible.”

The research indicated there is a significant concern around the cost to serve the omnichannel shopper, with worries about balancing margin erosion with the need to keep up with the market and speedy deliveries, which could become something consumers expect as a matter of course.

The boss of a consumer electronics retailer notes: “I think same day is going to become increasingly important in the market. We’ll be working on that over the next couple of years.”

The same retailer expects this need for speed will mean his company’s entire UK distribution network will have to change, effectively resulting in more stock being attached to

Supply chain challenges: the Brexit effect



stores as opposed to a reliance on one central warehouse. Different sectors will approach this challenge in different ways. For some grocers, the dark store is a preferred option to serve web shoppers more conveniently – with these sites effectively functioning as a hypermarket-like warehouse dedicated to online orders.

Final-mile focus

Multiple chief executives surveyed suggest there is work to do to improve courier services so that the final mile of delivery matches the brand experience and customer service offered by the retailer itself.

Since the dawn of the online era, retailers have held concerns over the quality of the interactions that couriers tasked with delivering their goods have with the end customer.

Businesses such as PC World, Currys and AO.com have taken greater ownership over their delivery teams, but many companies operating in the sector still rely on third parties to ensure goods get to people’s homes.

The chief executive of a furniture retailer says: “Making sure they understand the culture and the business and the service level that’s required is a cultural thing and that takes a while to achieve.”

While some retailers are investing in technology to bring innovation to the supply chain, for example apps that enable customers to get up-to-date information about their order or routing and monitoring systems to measure fleet performance, others are calling for wider changes in supply chain practice.

One furniture retail boss asked for small-packet deliveries to consolidate with the rising number of grocery drop-offs, to try to reduce the amount of traffic on the UK’s roads.

“What we’re heading towards is that every retailer has got a van on the road, delivering food, parcels, beds, whatever, and the roads are

just going to get worse and worse, unless we can consolidate, as retailers, to deliver in a different way,” he says.

In addition to growing volumes of home deliveries, there might be different kinds of delivery services on the horizon based on successful formats in operation in other parts of the world. “Try-before-you-buy will become more prevalent. Germany does it already, where they have open invoicing and people are starting to do it a little bit over here,” explains one women’s fashion retail chief executive.

Amazon and Asos already offer the service to a degree in certain parts of the world, but there are technology companies now supplying what is essentially the option to ‘buy now, pay later’ online to support impulse purchases.

Digital disruptors have stolen a march in this area, but with this capability now on the radar of other high street business leaders, this could be an area to watch over the coming 12 months.

The women’s fashion boss continues: “I think that’s going to become much more important and I think customers are going to start to expect it. So in some ways it’s the old mail-order model, but how do retailers manage that, manage it in a 21st-century way, and manage the risk of it?”

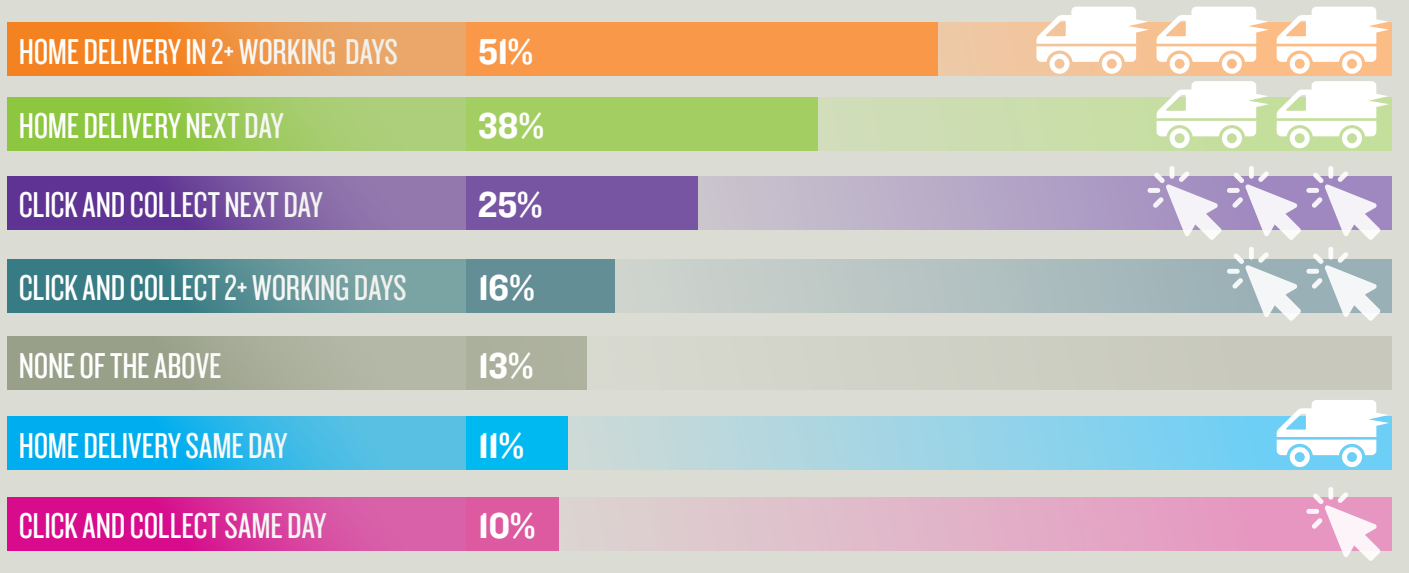
In a faraway land

Further upstream, there were some common challenges expressed in operating supply chains overseas – particularly in China and the Far East, where changes to working practices and pollution regulations must be adhered to.

One specialist retailer director says his company is at a disadvantage due to its broad mix of SKUs. He says duty rates differ depending on where a retailer manufactures its goods.

“If you were to manufacture in China for India it has a much bigger tax rate than if you were to manufacture in India for India. There’s

Which of the following delivery services do you consider most important when shopping online, through a catalogue, a mobile app or call centre?



protectionism built in by various countries to try to encourage you to manufacture locally, and that's one of the biggest issues when you have an international business."

However, Brexit and fluctuations in currency as a result of the UK's decision to leave the EU have not helped retailer-supplier relations in Europe either, with one fashion retail chief executive acknowledging it can no longer afford the prices of a long-term fabric supplier.

The chief operating officer of an online retailer based in the UK says: "We are making plans to move part of our distribution out of the UK into Europe so that we can be within the EU and service the customers from within the EU, but we don't really know at the moment whether we need to do that or not."

Key areas of Brexit concern for the executives revolve around potential new import duties, customs or border restrictions that might arise and the uncertainty about the legitimacy of foreign nationals working within the various elements of their supply chain.

Manhattan Associates

ACTION POINTS

- Make every node in your supply chain visible to all areas.
- Break down silos and fulfil from anywhere, including stores.
- Embrace order management to see what is 'available to promise'.

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The retail bosses surveyed don't believe click and collect is a big growth area for delivery in 2018



CHAPTER SIX

BREXIT: OPERATING IN THE SHADOW OF UNCERTAINTY

- » Confusion still reigns, causing retailer caution
- » Workforce changes and international strategies already being shaped by Brexit
- » Retailers have faced strong headwinds in past. Is Brexit just another challenge?

It is difficult to find a retailer who is happy or confident about the effect the UK's decision to leave the EU will have on their industry. The same feeling existed this time last year in the immediate aftermath of the referendum result but it has arguably intensified since.

Our survey evoked strong negative reactions, with one chief executive saying: "It is certain to have a negative impact on the economy and, obviously, on retail spending."

The phrases "it's a disaster", "hugely negative" and "the biggest disaster in post-war history, financially", which were included in the responses from UK retail's most senior figures, tell their own story.

The consensus view among bosses in last year's survey was that there would be challenging conditions for two to three years, and there is nothing to suggest anything has changed as we head towards 2018.

Like last year, retailers expect inflation will start to bite, as a result of the devaluation of the pound, and pressure is likely to be placed on disposable income. It is predicted that retailers are in for a bumpy ride for the foreseeable future, with some of the executives citing concerns over the increasingly indebted consumer.

At the end of 2016, the Bank of England forecast inflation would triple in 2017 to 2.7% and that has been the case. Indeed, in October 2017 inflation reached its highest rate since April 2012. Interest rates have risen as a result, putting pressures on consumer spend and this could be a familiar tale in the coming months.

It is the continued uncertainty around what it means to be leaving the EU that has caused a largely negative reaction to Brexit. And by uncertainty, retailers mean the terms of any departure deal and the micro and

macroeconomic influences in the meantime. Prime Minister Theresa May famously said "Brexit means Brexit". Retailers, just like the rest of the country, are trying to work out exactly what that means.

Brexit means...

The chief executive of a specialist retailer says: "Are our customers going to continue to behave in the normal way? It's just way too early to understand that and as a result it's a pretty uncertain backdrop to plan against."

It is this quote that arguably sums up the general industry mood. Faced with an unprecedented political landscape and uncertainty over trade deals, immigration policy and the impact on jobs, it is impossible for the UK's finance experts, businesses and government leaders to predict the short-term and long-term economic effect of Brexit.

Of the 25 business leaders we spoke to, 48% say they feel Brexit will have a negative impact, while 28% say it is too early to tell its effect on future performance because it is so difficult to understand what the process will do to consumer confidence, and the cost of procuring supplies and tariffs for international trade, among other issues.

It is easy to forget that Brexit has not actually happened yet. The only decision that has been made is there will be 'a Brexit': the UK will leave the EU.

The steps that have been taken since the decision in the summer of 2016 involve a few rounds of negotiations between UK Brexit Secretary David Davis, his team and the EU. There are no guarantees about what the UK's relationship will look like once it leaves the union in 2019 because nothing has been agreed and this is creating a climate of nervousness.

For many of the retailers we surveyed, the



UK Prime Minister Theresa May
and president of the European
Commission Jean-Claude Juncker

decision to leave the EU itself has not had a measurable effect on spending to date, but, importantly, the majority of respondents admit they are planning cautiously because of the lack of certainty.

The boss of a high street fashion chain notes: "I think the biggest thing is uncertainty, and when people are uncertain they kind of hang on to their purse strings, so the uncertainty just creates a normal rhythm of spending on Christmas and birthdays."

Supply chain slowdown

The potential slowdown in the supply chain efficiency is worrying for some, especially as consumer demand for newness and rapid delivery continues to grow apace.

Getting new products out quickly and regularly is part of new retail and many businesses – particularly those in the fashion sector – have been reducing the time it takes for new lines to be introduced.

Some respondents say Brexit has already had an impact on their business operations. It has created concerns around the workforce and changed the way some organisations are recruiting staff, particularly in warehousing and logistics, where there tends to be a greater concentration of workers from the continent.

While the UK's decision to leave the EU reduced the value of sterling almost overnight, many retailers have tried hard not to pass these costs on to consumers, but it seems only a matter of time before

lots of them do. Margins have already been squeezed by rising business rates, and the higher cost to serve in a digitally enabled world and growing market competition mean Brexit-related expenses are just part of a long list of financial worries.

"The weak pound is increasing price pressure. We are trying not to roll that on to the customer but I think as we go forward it will become inevitable that we do. We have got to be very careful of that and it is definitely a concern from us," says the leader of a womenswear retailer.

Retail opportunities?

On the flip side, the decreasing value of the pound is positive for UK retailers that have large operations outside the home country.

The same retailer concerned about having to raise prices as a result of Brexit is also seeking to expand its presence internationally, so it can reduce the amount of importing and exporting activity required, and the accompanying currency costs.

And for one multinational UK-based specialist retailer that does most of its business in its foreign territories, there are positives linked to the weaker value of the pound because products become cheaper for the larger part of its organisation. Retailers that have a global presence have an opportunity to offset rising expenses in the UK as a result of Brexit.

The research shows there is a real

correlation between businesses that expect sales to increase in the year ahead and those that are more optimistic about the impact of Brexit. However, those companies remain few and far between.

Little has changed from this time last year in terms of what the UK and its business community know about the impact of Brexit, but the retail industry executives surveyed this year are typically more negative in their views than one year before.

Over-saturation of the subject in the media and at industry events over the past 12 months, a seeming lack of political progress in discussions, or actual bottom-line impact, could be the reasons for this change in attitude. Brexit is certainly weighing on executives' minds.

Retailers are typically optimistic organisations, but Brexit has taken the wind out of their sails. In uncertain waters such as these, it will be up to individual firms to plot the right route and navigate their way forward as best they can in the years ahead.

As one high street fashion retail chief executive puts it, the industry faces different challenges every day – and the best enterprises find a way to keep going whatever obstacles emerge to send them off course. Retail has had to reinvent itself so many times over the years, he argues, and the current period just represents one of many difficult times.

“The reason I don’t have any concerns [about Brexit] is fashion retailing is a tough business anyway, we’re used to having challenges all

the time, most of which are related to the fickle nature of fashion and we deal very much in wants rather than needs,” they explain.

“We went through the Winter of Discontent, the three-day week, quotas, protectionism, currency crises, the growth of competition and the failure of competition. We’ve gone through two fascia changes, the growth of online, the introduction of computers for the first time – these are all fundamental changes and challenges, and I wouldn’t say we batted them away with ease, we just dealt with them. Brexit is just another one.”

Facing up to Brexit challenges can only be admired, but as almost each and every one of the leaders we surveyed alluded to, the exact make-up of these challenges remains unknown.

Manhattan
Associates.

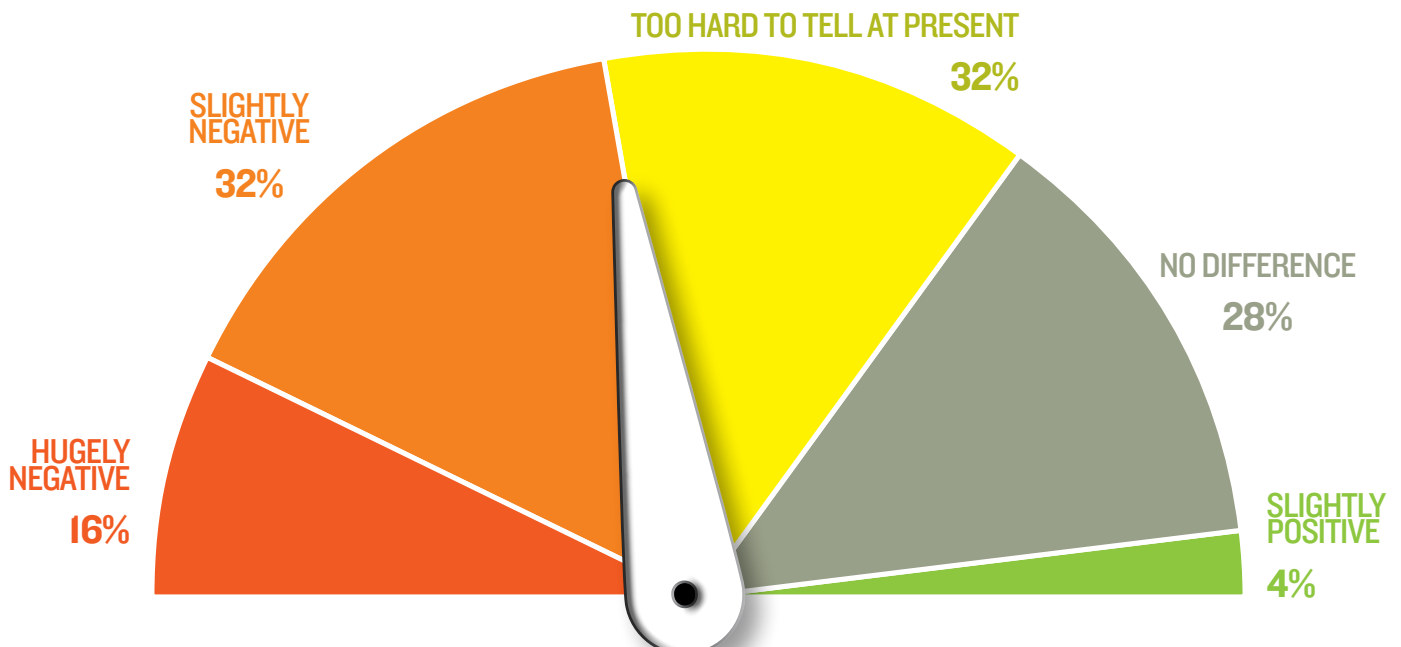
ACTION POINTS

- Control costs by reducing inventory through use of order management.
- Consider shift to subscription cloud to lower total cost of ownership.
- Invest in tech that offers you certainty for your customers.

PUSH POSSIBLE™

THE BREXIT SWINGOMETER

We asked retail leaders what kind of impact they thought Britain’s exit from the EU would have on their business. More leaders were negative in their views this year compared with 2016



WHAT THE RETAILERS SAY ABOUT BREXIT



I think coming out of Europe, at least on the retailers' side, is a massive loss in the future prosperity of the country
Chief executive of a homewares retailer



Well it is disastrous. It is a very simple debate between fantasists and realists; leaving the EU is a fantasy because we just can't leave it, as we are finding out
Chief executive of a fashion chain



"If the government continues to handle it as badly as they are then it will have a huge impact on the whole aspect of movement of labour. We worry a lot on Brexit and movement of labour within the EU"
Chief executive of a department store



"I think Brexit's something we can manage, and I think that the bigger impact for us is all the noise, all the noise around people's lifestyle becoming more expensive. And I think the obvious response is people will be slower to make big-ticket decisions. And that's what we'll face up to. I think it's going to be a long haul for us to get to the other side of this. It's still a big market, so we just have to be smarter and not talk ourselves into a recession. We're quite good at doing that in this country"
Chief executive of a homewares retailer



CHRISTMAS CASTS DOUBTS

- » Lacklustre retail like-for-like growth of 0.6% in December
- » Non-food like-for-likes fall 1.9% across the golden quarter despite rife discounting
- » Grocers have more to cheer about with food like-for-likes increasing 2.6% during the quarter

A muted festive trading period has revealed mixed fortunes for retailers and provoked uncertainty about trading for the year ahead.

The lucrative golden quarter proved to be less glittering than many had hoped as poor trading in non-food retail offset gains made across grocery.

Overall retail like-for-likes edged up 0.6% during the five weeks to December 30, compared with a 1% rise recorded the previous year, according to the BRC-KPMG Retail Sales Monitor. Total sales across the sector increased 1.4%.

Non-food sales held back the sector's overall performance, falling 1.9% on a like-for-like basis, while total sales slipped by 1.4% in the three months to December.

This is despite a strong online performance and heavy discounting across the high street during the period.

In contrast, like-for-like food sales advanced 2.6% during the three-month period, rising 4.2% on a total sales basis – the highest increase since June.

The mixed fortunes were reflected across the high street and raise concerns over trading for the next 12 months.

Debenhams sharply downgraded its full-year profit forecast after UK like-for-likes tumbled 2.6% in the 17 weeks to December 30.

Mothercare also issued a profit warning after like-for-likes slumped 7.2% in the 12 weeks to December 30.

However, fashion giant Next, one of the

sector's great bellwethers, drove a sales rise of 1.5% over Christmas, having forecast a 0.3% dip.

It attributed the gain to the cold weather and the strength of its ecommerce operation.

John Lewis enjoyed bumper sales in the pivotal seven days before Christmas, with the department store hailing its "biggest ever week" in fashion.

In the week to December 23, sales at John Lewis jumped 8.9% to £191.3m, as last-minute Christmas shoppers made a dash for stores and made use of the retailer's extended click-and-collect service.

Convenient Christmas

In line with the trend reflected in the BRC figures, the Co-op hailed its "best Christmas ever" after its core convenience business registered a like-for-like spike of 6.2% during the two weeks to January 1, driven by a 9% increase in sales of seasonal products to £61m.

The same story was echoed at Aldi, which recorded surging Christmas sales, pushing the discounter over the £10bn total sales mark in the UK and Ireland for the first time.

The value grocer recorded a 15% rise in sales in the month of December, bolstered by a 30% uplift in sales of its Specially Selected range.

However, with non-food struggling, the year ahead looks choppy for many, particularly in light of economic headwinds likely to gain momentum in the next 12 months.



+1.5%
Next's Christmas
2017 sales rise



£10bn
Record sales at
grocer Aldi

IN SUMMARY

TRANSFORMING OPERATIONS TO ATTRACT SHOPPERS

- » **Retailers remain cautious over Brexit uncertainty**
- » **Mobile, personalisation and customer experience are key investment areas**
- » **Stores remain important and will become brand showcases**

Meeting shopper demands or understanding their behaviour has never been a simple process. However, the situation in 2018 is somewhat different to how it has been at any other time in recent memory.

Challenges new and old

Alongside the perennial challenges of balancing business necessities with strategic investments, finding relevant products and managing global supply chains in the most cost-effective manner, there are other pressing concerns.

Even though it has not yet happened, Brexit casts a prominent shadow of uncertainty over everything the industry is planning to do at present. The BRC is lobbying the government to ensure all retail businesses and their staff receive a fair deal from the outcome of Brexit negotiations. However, the mood of wait-and-see is causing caution within both consumer and retailer camps.

The ongoing digital revolution also continues apace, and even though the research shows retailers are confident they are placing their focus on the right areas and achieving the types of business models they recognise as serving an omnichannel shopper, there

are considerable expenses involved in this infrastructure shift.

Amid it all, retailers are very confident some of the new tactics they are adopting for a digitally enabled world – particularly in terms of creating the most suitable online and mobile platforms to complement their evolving high street stores, and personalising their approach to serving the customer – will bear fruit in the 12 months ahead.

Admirable retail spirit

Despite their concerns about consumer sentiment as we begin a new year, the 25 retail chief executives and directors show an admirable self-assurance about their individual business models and the direction in which they are headed. It is indicative of the robustness of the retail industry, which continues to be the largest private-sector employer in the UK, containing a broad and quickly evolving range of job opportunities.

Judging by the results of the study, half of the retailers interviewed will be opening new stores in the year ahead while the other half will maintain or reduce their portfolios to move more in line with what consumers are looking for.

With yet more online sales growth expected in 2018, the priority investment for the majority of our respondents is rightly ecommerce and mobile development but, as most retailers point out, the store is as crucial as it ever was.

For one bookseller, more than 90% of its annual revenue is generated in stores – and this necessitates investment across channels.

It might be expected that the number of staff working in bricks-and-mortar retail will reduce over the coming 12 months, continuing a pattern of downsizing that has been a feature of 2017, but the ones who do remain should have more interesting roles designed to give shoppers a premium experience. Investment in staff is a

“As an industry we used to accept mediocrity. I don’t think we can any more”

Chief executive of a fashion retailer



A laser-focus on the customer experience underpins all the retailers' plans for next year

top priority for retailers in 2018, and it seems the industry's leaders are laser-focused on doing the best for them, not just getting the most out of them.

As there are fewer businesses expecting sales to rise than in previous years, perhaps 2018 marks a year of operational changes and digital development that can create a suitable platform for revenue growth and better customer experiences in the long term.

Amend and adapt

As one fashion retail chief executive puts it, the wider world is evolving quickly and people are shifting how they engage with it and what their priorities are. Therefore, retailers must adapt with those changes if they are to maintain relevancy and attract shoppers through their doors and on to their websites. The chief executive calls on retailers to be agile, to keep

reviewing their talent base and skillsets to make sure they are offering "what the customer would expect".

Another fashion boss explains a fundamental change in retail that has taken place over recent years, which is pertinent for all sectors. He says: "We've got to make sure that the experience the customer has had when they go into our store is really a pleasing one. So, therefore, making sure that our sales assistants are focused on service with a smile and satisfying the customer is really important, because if you get bad service, you're probably unlikely to come back.

"As an industry we used to accept mediocrity. I don't think we can any more. I think the experience that the customer has and the interaction they have with your colleagues in store becomes even more important in a world where they have more options to purchase."

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