THE RETAILER

SUMMER 2018

THE GOVERNMENT NEEDS TO SUPPORT RETAIL THROUGH ITS TRANSFORMATION

// BRC – KPMG RETAIL SALES MONITOR JUNE 2018 BEERS, BARBEQUES AND BIG SCREEN TVS LIFT JUNE SALES

// BRC – NIELSEN SHOP PRICE INDEX – JUNE 2018

// CREATIVE DESTRUCTION: RETAIL - WAREHOUSING EMPLOYMENT TRADE-OFF

> THE RETAILER INDUSTRY IS ENGAGED IN A PERIOD OF TRANSFORMATION REACTING AND ADAPTING TO CHANGING CUSTOMER BEHAVIOURS.

NEWS FROM THE BRC

THE GOVERNMENT NEEDS TO SUPPORT RETAIL THROUGH ITS TRANSFORMATION

HELEN DICKINSON
CHIEF EXECUTIVE
BRITISH RETAIL CONSORTIUM

Retail is a dynamic and diverse industry. As the UK's largest private sector employer, it is a driving force in our economy. Retailers alone are responsible for £7 billion in business rates annually, a quarter of the overall total.

Against the backdrop of insolvencies and CVA's, the retail industry is engaged in a period of transformation reacting and adapting to changing customer behaviours. People want to interact with their favourite brands seamlessly, whether they're in store, on their computer or on their phone. Even on their phone while they're in store.

So, what does this mean for the future of retail? There will be fewer shops and their role will be different, more engaging, more based on experience. Online will continue to grow driven by consumer demand but treating online and stores as two separate channels will become increasingly irrelevant. Customers don't think of it like that, so, why should we?

There will be fewer retail jobs but there will be the opportunity for more high tech jobs in the industry as shopping is changed by the internet of things and the power of data. We're already seeing the global digital giants move into physical space with concepts like Alibaba's Hema stores in China or Amazon Go in the US, proving that the physical store still has a future.

There has been much debate about the future of the high street. The high street is not dead. There are those destination locations that will thrive and some that will find it much more difficult but their future will be less reliant on retailing as a mass local employer, and more reliant on services, leisure, experiences and care in the community as the population continues to age.

Policy makers can play their part in this transformation. We are calling for a two-year freeze on business rates increases to provide some relief for the retail industry at a time when it is under significant cost pressure and is going through a period of transformation driven by technology and changing consumer behaviour. This would take some of the cost pressure off retailers, while allowing time for a dialogue between government and industry to develop a proposal for a modern business taxation system, fit for commerce in the 21st century, which supports business growth and improves productivity. In the long-term, we need a fundamental reform of business rates, which in their current format serve to prevent the reinvention of places by discouraging new entrants to the market. We need a greater vision for what we want our high streets to look like with authorities better able to consent to the change of commercial use of buildings and former retail spaces.

We are operating in one of the most challenging environments I have seen in my career but this is about transformation retail not Armageddon retail. Those that thrive through this period will have done so because they have grasped the opportunities available to them.

THIS ISSUE

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NEWS FROM THE BRC

BRC – KPMG RETAIL SALES MONITOR JUNE 2018 BEERS, BARBEQUES AND BIG SCREEN TVS LIFT JUNE SALES

Covering the five weeks 27 May – 30 June 2018

- In June, UK retail sales increased by 1.1% on a like-for-like basis from June 2017, when they had increased 1.2% from the preceding year.
- On a total basis, sales increased 2.3% in June, against an increase of 2.0% in June 2017. This is above the 3-month and 12-month averages of 1.2% and 1.5% respectively.
- Over the three months to June, In-store sales of Non-Food items declined 1.4% on a Total basis and 2.7% on a Like-for-like basis. This is an improvement over the 12-month Total average decline of 2.4%.
- Over the three months to June, Food sales increased 0.3% on a like-for-like basis and 1.7% on a total basis. This is below the 12-month Total average growth of 3.7% but includes April, which was negatively distorted by the timing of Easter.
- Over the three-months to June, Non-Food retail sales in the UK decreased 0.2% on a like-for-like basis and increased 0.8% on a Total basis. This is higher than the 12-month Total average decrease of 0.1% and the best 3-month average since September. It was the second consecutive month of growth in Non-Food.
- Online sales of Non-Food products grew 8.5% in June, against a growth of 10.1% in June 2017. This is below the 3-month average of 9.0% but above the 12-month average of 7.9%. Online penetration rate increased from 22.3% in June 2017 to 23.3% in June 2018.

Helen Dickinson OBE, Chief Executive
British Retail Consortium
"Beer, barbeques and big TVs lifted June's sales as warm weather and world cup fever gripped the nation. However, with consumers engrossed in the agony and ecstasy of each match, spending on many other items fell. In the end, June scored solid, but not sensational, sales.

"The reality is that sales don't grow on the feel-good factor alone. With household incomes still barely growing faster than inflation, conditions for consumers and retailers remain extremely tough. Things could get tougher: once the euphoria of sporting success subsides, without a deal on Brexit, shoppers face the prospect of significant price increases and shortages of everyday goods."

BRC – NIELSEN SHOP PRICE INDEX – JUNE 2018

FOOD INFLATION COOL IN THE SOARING SUMMER

Period Covered: 04 - 08 June 2018

- Shop prices fell by 0.5% in June, a significant easing in deflation from May's decline of 1.1%. This is the 62nd month of Shop Prices deflation.
- Non-Food deflation eased by almost a percentage point in June to 1.6% from 2.5% in May. This is the lowest rate of deflation since December 2017.
- Food inflation was steady at 1.2% in June, the same level as in May, and above April's rate of 1.0%.
- Fresh Food inflation slowed marginally to 0.8% in June from 0.9% in May.
- Ambient Food inflation inched down to 1.6% in June from 1.7% in May.

Helen Dickinson OBE, Chief Executive,
British Retail Consortium:
"Food shoppers can breathe a sigh of relief with the rate of food inflation remaining steady and retailers continuing to fight back against a tough trading environment with competitive pricing and deals. Changes in global food prices of dairy and cereal as well as higher oil prices will mean this battle looks set to continue in the coming months.

"For non-food, there's been an easing in deflation largely driven by some retailers bringing forward the introduction of new ranges this year. This effect on the index will be temporary and, given the strength of the competitive pressures in the industry, we're are likely to see non-food prices slide further into deflation in coming months.
https://brc.org.uk/retail-insight-analytics

NEWS FROM THE BRC

CREATIVE DESTRUCTION: RETAIL - WAREHOUSING EMPLOYMENT TRADE-OFF

DR LILIANA DANILA
ECONOMIST
BRITISH RETAIL CONSORTIUM

News of high street store closures and associated job losses, completed or imminent, have been abundant in 2018, with the fate of retail workers worrying many. However, this is just one side of the story of transformation in retail. The other side is more positive. The creative destruction cycle of the economy means that as some retail jobs are disappearing, jobs in other economic sectors are being created, particularly in the warehousing and distribution sectors.

The current turmoil in retail is the consequence of the latest phase of technological change. The rapid growth of e-commerce has transformed shopping behaviour and has wreaked havoc on the traditional retail business model. A consequence of this has been a reduction in employment in retail. However, at the same time, the growth of online shopping has meant that more people are needed in fulfilment centres and in warehouses in the supply chain.

But what impact has the transformation of the industry had on employment overall?

The answer lies in the data. Figure 1 shows the ONS employment growth figures for UK, retail and warehousing.[1] Over the last 10 years to March 2018, jobs in retail have declined by 2%, below the UK average which recorded an increase of 9%. At the same time, employment in warehousing took off, rising by 58%[2] over the period.

Figure 1: Employment growth in the UK, retail and warehousing

Source: ONS Series JOBS03 and JOBS04, 4-quarter rolling averages, March 2008 = 100.

While the combined share of employment for retail and warehousing out of the total UK employment has declined, from 11.2% to 10.7% over the last ten years (Table 1); over the last decade, the two industries have created 161,000 jobs net; with the retail industry losing 56,000 jobs and warehousing gaining 217,000 jobs - almost four times the number of jobs lost in retail. So, overall, the impact appears to be positive.

We can't be sure precisely how many of the jobs created in warehousing are down to increasing demand from e-commerce, however, it is clear that retail has been a significant driver of demand for warehousing.[3] Moreover, research on the US retail industry[4] also shows a shift in employment created by the retail industry, that has resulted in an increase in overall employment: in the US, between December 2007 and June 2017, bricks and mortar retail lost 140,000 jobs, while e-commerce created 400,000.

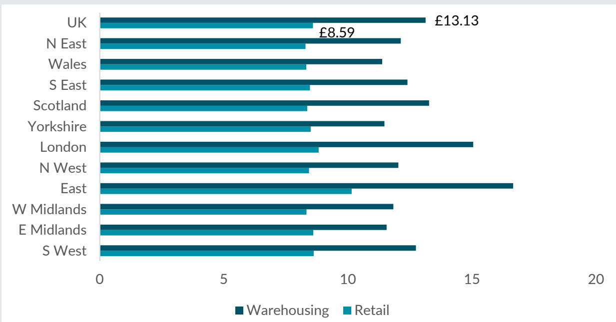
Table 1: Employment in the UK, retail and warehousing, 4-quarter averages

	Number of jobs (in thousands)			Employment as a percentage of total UK employment		
	UK	Retail	Warehousing	Warehousing	Retail	Total: Retail & Warehousing
Mar-08	31,938	3,214	376	10.0%	1.2%	11.2%
Mar-18	34,926	3,158	593	9.0%	1.7%	10.7%

Source: ONS JOBS03 and JOBS04 series.

The good news for the UK economy is that, in addition to seeing rapidly growing employment, productivity in warehousing is higher than in retail, and so is pay (Figure 2).

Figure 2: Retail and warehousing median wage, by region, 2017



Source: ONS Annual Survey of Hours and Earnings.

However, this may come as little consolation to those workers losing their shop floor roles. Workers in retail value the flexibility, location and human interaction of their jobs above all. And while warehousing requires a similar education level as for shop floor retail jobs, the physical demands of working in a warehouse and the fact that new jobs may be located in a different part of the country, means that for many retail workers this type of employment will not be an option.

The reality is that while the creation of more productive jobs is great news for the UK economy, there is real risk that the impact of the enormous changes underway in retail are not spread evenly. Moreover, we could be faced with unmet demand for workers in some areas, while in other areas, and among particular demographic groups, employment opportunities fall. These sort of asymmetries harm workers and businesses alike. Therefore, policymakers and other industry stakeholders need to manage this transformation carefully in order to mitigate these risks and maximise the benefits that will come from a new era of retailing.

1. We have used figures by two-digit SIC industry codes, specifically: 47 for retail, defined as: "Retail trade, except of motor vehicles and motorcycles," and 52 for warehousing, defined as: "Warehousing and support activities for transportation."
2. These data are likely to understate the shift in employment towards warehousing, given that jobs are classified by the main activity of a firm, so where a major retailer owns and operates its own warehouses, those jobs will be classified as retail.
3. https://www.velta.co.uk/news/198/76/UK-warehouse-demand-set-to-exceed-supply-by-2020/
4. "How ecommerce creates jobs and reduces income inequality," Progressive Policy Institute, September 2017, http://www.progressivepolicy.org/wp-content/uploads/2017/09/PPI_ECommerceInequality-final.pdf

MANAGING THE GROWING RISKS TO THE SUPPLY CHAIN

DAN FOX
UK RETAIL PRACTICE LEADER
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FROM TERRORISM ATTACKS, TO SHIPPING DELAYS AND CYBER THREATS, THE RISKS TO RETAILERS' SUPPLY CHAINS CONTINUE TO GROW.

In an age of growing consumer expectations, unprecedented technological change, geopolitical uncertainty and the shifting nature of terrorism, the retail supply chain has become fraught with potential risk. There are three key elements affecting the retail supply chain: meeting the demands and expectations of the consumer; ensuring the business's supply model is as efficient as possible; and respecting corporate social responsibilities in an age when brand reputation can be easily damaged or even lost. Within these three elements, there are a wide range of different supply chain risks that can cause a hit on profits, revenue and reputation.

SHIPPING DELAYS

Given many retailers source the majority of their goods from overseas on a 'just in time' basis, the recent collapse of the Hanjin Shipping company was a stark reminder as to what can happen when supply is interrupted through financial failure. Ports very quickly realised they were dealing with vessel owners who could no longer pay their bills, so they prevented ships from coming in to unload their cargo, tranship or even take on bunkers. Having ships at anchor for several days outside port starts to hit the commercial interests of any retail business with cargo on board. Often of course the goods might be perishable goods so any delay is critical and unfortunately delay in itself is not an insurable risk.

> THE IMPACT OF BREXIT ON THE SUPPLY CHAIN IS HUGE.

While marine insurance policies cover physical loss or damage of cargo, in many cases the goods were not affected but the delay was still financially damaging. For retailers it could mean that – through no fault of their own – they run out of stock or miss critical seasonal demand, but have no way of recouping their costs.

CHANGING TERROR THREAT

Another potential threat to a retailer's ability to get their product to the customer comes from terrorism. In the West we're seeing more use of low tech weapons such as bladed weapons, firearms or cars where anyone can undertake an attack, with a focus on attempts to create mass casualties. Often there is no property damage at all which can create problems as insurers usually see it as the trigger for insurance to pay out. The London Bridge attack in June 2017 was a challenge for insurers in that for many insured companies there was no discernible property damage from the attack, even though there was significant business interruption resulting from the area being cordoned and evacuated. A lot of work has now been done to broaden insurance coverage into non-property damage business interruption; using bodily injury or physical harm as the trigger to access business interruption and then tying it to other areas such as loss of attraction – where turnover may be impacted.

BROADER PERIL OF POLITICAL VIOLENCE

Further down the supply chain, terrorism attacks can also impact supply and some countries that are part of the global supply chain experience much higher frequencies of terrorist attacks. There is also the broader peril of political violence which could be acts of insurrection, coups, mutinies, rebellions, or civil war.

It's not just political violence either; political risk can be as problematic. The impact of Brexit on the supply chain is huge. Take the availability of delivery drivers which is already showing signs of reducing, while in the grocery sector, where the focus is on local sourcing, uncertainty over EU migrant workers could threaten local production.

AN INSOLVENT SUPPLIER

Moving away from security and political risks as supply chain threats, what happens when a critical supplier fails? There is a basic insurance answer where businesses have a critical supplier extension in their property damage/business interruption insurance policy meaning, if something goes wrong and the supplier burns down or floods, it can protect a retailer's margin. In practice, supplier insolvencies are more common and most businesses should have a risk management process in places that looks for red flags such as a supplier missing shipping dates or where quality control issues arise.

THE DIGITAL DANGER

Beyond the physical risks to the supply chain, what risks does the increasing reliance on technology hold to retailers? The importance of the data centre in the supply chain cannot be overestimated. If a retailer loses its data centre there is an immediate business interruption impact to the point of sale functionality and financial accounting. And while the threat to a data centre could be physical – fire or flood – it could, of course, be the subject of a hacking attack. Retailers are realising that beyond data breaches, the cyber risk can have a significant business interruption impact on their day-to-day operations.

PROTECTING THE BRAND

Given the many variables a retailer has to deal with, effectively dealing with supply chain risks so that the brand remains intact – reputation was listed as the number one risk for businesses by Aon's 2017 Global Risk Management Survey – is a major challenge. Not only have they got pressure on their supply chain to meet consumer expectations and experience they also have to be very mindful of their corporate social responsibilities. Should they have a product coming out of a factory which is unethically sourced, used slave labour or anything that is deemed to be irresponsible, then that will have a big brand impact. Retailers cannot allow anything to slip.

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Empower Results®

> "RETAILERS ARE REALISING THAT CYBER RISK CAN HAVE A SIGNIFICANT BUSINESS INTERRUPTION IMPACT ON THEIR DAY-TO-DAY OPERATIONS."

CUSTOMER EXPERIENCE AND CYBER SECURITY: GAINING BOARD ALIGNMENT

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CGI UK

IN TODAY'S DIGITAL WORLD, HERE'S WHY THE BOARD NEEDS TO PUT CYBER SECURITY ON ITS AGENDA. RETAILERS AROUND THE WORLD ARE TRANSFORMING RELATIONSHIPS WITH THEIR CUSTOMERS BY OFFERING AN OMNI-CHANNEL SHOPPING EXPERIENCE, WHERE CUSTOMERS CAN MOVE BETWEEN CHANNELS WITH EASE. THIS GIVES CUSTOMERS MORE WAYS TO SHOP AND INTERACT, MORE INFORMATION ABOUT PRODUCTS/ SERVICES, AND GREATER PRODUCT AVAILABILITY.

Omni-channel gives rise to increased information about customers, bringing with it the opportunity to target product recommendations and promotional campaigns directly to individuals. Big Data profiling gives retailers the ability to target the illusive 'market of one'.

> BIG DATA PROFILING GIVES RETAILERS THE ABILITY TO TARGET THE ILLUSIVE 'MARKET OF ONE'

Information harvested from payments, loyalty schemes, mobile apps, connected cars, smart TVs and other platforms will enable sellers to design compelling offers that the targeted individual will be unable to resist. In the future, it may be that customers are far more receptive to what's now perceived as spam. This will be as a result of retail communications being designed to be of such strong interest that they could even eclipse standard messages received from family and friends.

As a result, retailers are rewarded with stronger relationships with their customers and a deeper understanding of their behaviour and preferences. However, with this personalisation across omni-channels comes rising concerns over privacy. As customers realise the extent that their behaviours can be profiled, many people may want to resist the retail 'Big Brother' watching them.

Many digital platforms, including social networks, are already providing ever more fine-grained control over the personal information individuals share. However, it is not clear whether consumers pay attention to these controls. So while legislation such as the General Data Protection Regulation (GDPR) is designed to put the power back in the consumer's hands over their personal information, it's not yet clear to what extent consumers will exercise this new control.

It's still early days for the regulation, which only came into force in May 2018. The question therefore remains: will consumers start to understand the value of the data they are giving away in return for special offers? And, furthermore, will this drive a new wave of change in the omni-channel targeted approach?

Another point to consider when it comes to increased personalisation within retail service is logistics. Where omni-channel, Big Data and personalisation are pervasive, the future of retail will centre on the customer experience. With customers making choices in stores, the next step is surely to ensure rapid fulfilment so their goods are delivered to their homes before they return from shopping.

The amount of information that this technology chain requires is formidable. It necessarily includes data detailing customers' historical shopping behaviour, influences, trends, location, logistical preferences and so on. Safeguarding information of such a personal nature is important, if not vital, in order to maintain trust in a brand.

Good cyber security is a fundamental part of this process and must be justified through an understanding of the cost of getting it wrong. CGI and Oxford Economics' recent Cyber-Value Connection study identified that the average impact on company valuation was a drop of 1.8 per cent in share price following a severe cyber incident becoming publicly known. For the average FTSE 100 company, this represents a drop in value of some £120 million.

Good cyber security comes from the top — every company needs to communicate to its employees and suppliers that, in the digital world we live in, everyone has a responsibility to keep their company and their customers safe. Many organisations direct their focus on cyber security solely to the technical parts of the organisation without understanding the need for leadership, governance, planning and culture change as part of their cyber-security strategy. CGI recommends the following steps to ensure board alignment for cyber security:

- Accountability. Ensure a senior executive is responsible, at board level, for cyber security — and that they have the authority and know-how to address the risks
- Board agenda. Put cyber security on every board agenda. As a minimum, this should include reporting on: risk to the business, the nature of sensitive data and the mitigation progress
- Risk management. Treat cyber security as a company-wide business risk, assessed as you would other key business risks, encouraging a discussion about risk appetite, risk avoidance, risk mitigation and cyber-security insurance
- Legislation. Understand the legal landscape that applies to cyber risk, including European legislation in the form of the GDPR and the Network and Information Security Directive (NISD)
- Advice. Ask if the company has access to specialist expertise to advise and inform the board, whether from internal teams or external advisors
- Plans. Ensure the company has an effective programme of work to manage cyber risk, allowing a realistic timeframe and budget for this
- Response. Make sure the company routinely demands improved security from IT suppliers, including products, systems and services.

Retailers, through omni-channel, are becoming ever more digital in nature. From capturing customer sales to taking orders, managing supply chains, analysing Big Data, overseeing delivery logistics, reviewing/improving back office systems, analysing markets and many other aspects of retail operations — it's all becoming increasingly digitally enabled.

While many organisations are well aware of the benefits of this, few are equally aware of the damage which can be caused by a cyber breach. Cyber security underpins every aspect of this new digital world. If your organisation doesn't pay attention to this at every level, your company will not only be vulnerable to being out-marketed by a more secure customer centric retailer — it will also be vulnerable to a potentially devastating cyber attack.

CGI has partnered with the BRC to deliver the recent 'Gaining board alignment on cyber security' webinar. Recording available now: https://brc.org.uk/events/past-events/gaining-board-alignment-on-cyber-security.

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CGI

> "GOOD CYBER SECURITY COMES FROM THE TOP – COMMUNICATING TO EMPLOYEES AND SUPPLIERS THEIR RESPONSIBILITY TO KEEP CUSTOMERS SAFE."

REDISCOVERING PRODUCTIVITY THROUGH ATTENTION MANAGEMENT

MAURA THOMAS
CROSSKNOWLEDGE FACULTY MEMBER
CROSSKNOWLEDGE

THE DIGITAL REVOLUTION CHANGED WORK AS WE KNOW IT. COMPUTERS FIT IN OUR POCKETS, AND THE OFFICE WALLS HAVE BEEN TORN DOWN, LITERALLY, TO CREATE MORE COLLABORATIVE OPEN SPACES. WITH OUR CURRENT TECHNOLOGY, "AT WORK" IS WHEREVER WE HAPPEN TO BE. YOU'D THINK THIS WOULD HELP THE RETAIL ENVIRONMENT IN PARTICULAR, BUT IT'S ONLY MADE THINGS MORE COMPLICATED, AND PEOPLE ARE STRUGGLING EVEN MORE WITH GETTING IMPORTANT WORK DONE.

For as long as we can remember, productivity has been framed around "time management." We're not far off from the era when a day planner with a page of to-dos was our primary tool. But in this age of distraction, time management is dead. No matter how much you block out your calendar, your smartphone and email are always alerting you to something new that demands your attention. Distraction is the norm. And yes, we're distracted from work, but that isn't even the most challenging part of the problem: we're getting distracted from really important work by more work!

THE COLLATERAL DAMAGE OF DISTRACTION GOES FAR BEYOND PRODUCTIVITY. A CONSTANT STATE OF DISTRACTION AND TASK SWITCHING IS KNOWN TO CAUSE STRESS.

FROM TIME MANAGEMENT TO ATTENTION MANAGEMENT

Time management is the wrong approach; it's time to move away from it, and to start thinking about "attention management." How you manage your time is only relevant to the extent that you also devote your attention. Being able to regain and control your attention is the only way to break the cycle of constant distractions, so you can cut down on the busy work and start getting important things done. You can begin small. Single tasks. Take moments of mindfulness. Shut off some notifications. Then you can work towards grand gestures.

We imagine ourselves as victims of our devices and the world around us. We think we have to be in touch, we have to be available to people who need us, and constant distraction is just something we have to deal with. In fact, nearly all the time, none of this is true. Distraction costs businesses each year, but the day-to-day effects are much more personal.

Living in a world of handheld technology means the difference between "work time" and "personal time" is fuzzy. Work is ever present, even if we're only checking emails to see if something urgent has arrived (sometimes every few minutes, all night long). We don't get real and meaningful breaks, and it turns out high quality downtime is essential to deeper thinking, making connections, breaking down ideas, and solving problems.

Our inability to concentrate can cost a lot: it's expensive for organisations but also for individuals who get lost in a sea of distractions and become unable to focus on what really matters. Attention management can be an effective, impactful way to get our control back and to break the cycle of constant distraction. Here are three concrete ways to can help you achieve attention management.

1. CONTROL YOUR ENVIRONMENT

When it comes to fighting distraction, what once may have seemed extreme is now necessary. If you work in an open office, take some time every day to get your own work done in a focused, undistracted way. It's true you can't hide out for eight hours every day, but how about 15 or 20 minutes every hour? How about 60 to 90 minutes in the morning, and again in the afternoon?

When and for how long is up to you, but the point is that you need to do it. During these times, make it absolutely clear to colleagues that you don't want to be disturbed. Be polite, but firm.

Close the door if you have one, wear headphones, put a sign on your desk (or your back!), or even just post red/yellow/green construction paper on your desk. Whatever you choose, you have to honour the boundaries you create. If you don't, others won't either.

2. CONTROL YOUR TECHNOLOGY

Occasionally shut off your phone, or learn to use Do Not Disturb on your iPhone. When you silence your phone, make it really silent, not on vibrate. Besides when you decide to work on your emails, close your email client, work in offline mode, or change the settings to download email only when you click—and shut off all notifications. Do everything you can to be in control of the technology instead of letting the technology control you.

3. CONTROL YOUR OWN BEHAVIOUR

Here's where it gets hard. Cutting out distractions may make us feel antsy, anxious, or downright uncomfortable. Start by setting a timer for short stretches of time, even 10 minutes, because you can do just about anything for 10 minutes. During this time, eliminate all distractions by controlling your environment and your technology: pick one thing, one single task, and close out everything else. Try meditation (even just two minute guided meditations) which can help with feeling frantic and distracted (there are many apps and podcasts to help with this).

Take some time every day or week to go without technology completely. You've likely conditioned yourself into a state of constant distraction, but all of these behaviours will help you to rebuild your attention span and regain control over your focus.

IN SHORT...

The collateral damage of distraction goes far beyond productivity. A constant state of distraction and task switching is known to causes stress. Your attention and how you choose to direct it has a dramatic impact on your wellbeing. Constant distraction makes it hard to be present in those moments that matter most in life. So the bottom line is that if you don't control your attention, you don't control your life.

Want to find out more on personal productivity? Discover more from this collection with CrossKnowledge expert and Faculty Member, Maura Thomas, online at the Crossknowledge Learning Wire. To find out about CrossKnowledge digital learning solutions, visit CrossKnowledge.com.

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"OUR INABILITY TO CONCENTRATE CAN COST A LOT: IT'S EXPENSIVE FOR ORGANISATIONS BUT ALSO FOR INDIVIDUALS WHO GET LOST IN A SEA OF DISTRACTIONS AND BECOME UNABLE TO FOCUS ON WHAT REALLY MATTERS."

TREND WATCH: LONDON'S EMERGING RETAIL AND LEISURE OPPORTUNITIES

JUSTIN TAYLOR
HEAD OF EMEA RETAIL
CUSHMAN & WAKEFIELD

OUR UNIQUE EMERGING LONDON REPORT, LAUNCHED THIS SUMMER, HIGHLIGHTS A WEALTH OF NASCENT RETAIL AND LEISURE OPPORTUNITIES IN THE CAPITAL.

As the home of the world's most famous shopping streets, London is on most retailers' shopping lists. But what about the parts of the capital outside the well-known central areas? What about many of the 600 square miles which make up Greater London, whose population is increasing daily? Where, in those parts of the capital, are retail and leisure opportunities most likely to emerge?

To answer those questions, we analysed over 100 locations across the city (excluding central London). And, taking into account key variables including current population, house prices and retail rents, we placed them into five broad categories, based on how developed the existing locality is. Although our work was influenced by a similarly ground-breaking study by Cushman & Wakefield in the USA (Cool Streets), we devised our own methodology that takes into account London's unique position as a top global city.

While Greater London may be teeming with property development opportunities, particularly for retail and leisure uses, these are not always in plain view. Dictionary definitions of the word 'emerge' include 'to come into view' and 'to become apparent'. So our goal was to highlight which parts of the capital currently offer the most interesting (and possibly financially rewarding) prospects and do so in a way which has real practical value for those involved in retail.

The results may surprise those who believe that future development is likely to be weighted towards a single compass point of the capital (typically east). Our findings show that rather than being concentrated in just a few areas, retail and leisure development opportunities are spread right across the capital.

That's good news for occupiers, landlords and developers alike, who are in a position to capitalise on rising demand for all types of retail and leisure outlets, driven by a population that is expanding by 70,000 people (i.e. potential customers) every year.

At one end of the scale, areas rated by us as Truly Established, which orthodox urban regeneration models might write-off as having little redevelopment potential, may, in fact, offer multiple opportunities. Take Ealing, for example, where no less than 20 schemes are in the pipeline, in an area likely to benefit hugely as a result of infrastructure improvements (in this case Crossrail).

At the other end of the scale, Untapped areas like Sydenham in the south to Edmonton in the north have the scope to be reimagined by those with vision, flair and an adventurous approach to risk. A prime example is Brent Cross South, where developer Argent Related is working in partnership with the local authority to create a major new neighbourhood, almost from scratch.

And in between are a wealth of possibilities in areas at other stages of their own cycles: Up & Coming (where large-scale schemes are underway at Canada Water and Wembley Park, Flourishing (including the long-awaited redevelopment of Battersea Power Station) and Maturing (including the ambitious retail-led regeneration plans for central Croydon).

Urban regeneration (and the retail and leisure possibilities which come with it) isn't just about facts and figures. It's about experienced individuals who are passionate about delivering the best possible outcomes. From in-depth conversations with some of the stakeholders behind London's largest redevelopment projects, including Argent Related, Battersea Power Station Development Company, British Land and Quintain, three key themes emerge:

- Top of the list is a belief that future retail and leisure footfall will be more heavily dependent on local workers. As a result, look out for developments that include greater amounts of workspace in their overall schemes.
- Secondly, the areas most likely to see successful development will be either already well connected or have substantial transport infrastructure investment in the pipeline.
- Thirdly, end projects, whether large or small, which attempt to integrate into London's existing urban fabric and recognise a sense of place are more likely to succeed and achieve their optimum potential than those which stand in complete isolation.

Accomplished regeneration practitioners like British Land's Roger Madelin and Argent's Nick Searl say the knowledge gained during successful redevelopment projects like King's Cross will benefit future schemes. At Canada Water, for example, Madelin notes: "We have learned lessons from retail environments that function well, that allow for control of traffic and create pavements and street environments that are safe and inviting."

And, at Brent Cross South, Searl comments: "The biggest lesson is to focus relentlessly on the ground floor experience. If you get that right then you put yourself in a much better position to succeed with all the other elements of the scheme. We have also learnt lessons about the importance of great public spaces."

While local demographics, infrastructure improvements and advances in technology, as well as trends within the retail and leisure sectors themselves, will all influence to what extent, and at what rate, individual locations will thrive, there is a broad consensus that, even against the backdrop of Brexit, there are opportunities across the capital for the taking.

There is also a recognition that, rather than competing with each other, individual parts of the capital are inexorably interconnected with their neighbours. And that serves as a reminder that retail does not function in isolation. Understanding what will drive people to a particular place, and what will make them stay, is key to identifying where in London tomorrow's retail opportunities will emerge.

Read the full report from Cushman & Wakefield here and for the latest

Cool Streets USA report click here.

"OUR FINDINGS SHOW THAT RATHER THAN BEING CONCENTRATED IN JUST A FEW AREAS, RETAIL AND LEISURE DEVELOPMENT OPPORTUNITIES ARE SPREAD RIGHT ACROSS THE CAPITAL"

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CUSHMAN & WAKEFIELD

EFFECTIVELY MANAGING YOUR SUPPLY CHAIN NOW AND IN THE FUTURE

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MARKET FORCES, CONSUMER WANTS AND LEGISLATION IMPOSE HUGE SUPPLY CHAIN RISKS - IT IS CRITICAL TO ENSURE YOU MANAGE THEM EFFECTIVELY.

For retailers, understanding your supply chain is essential. Depending on the product, the supply chain can span multiple stages, geographies and parties, making this increasingly complex and time consuming. In this article, we explore the key issues and legal trends in this area.

ETHICAL SOURCING

Until recently, it was felt that whilst most consumers say ethical credentials are important, in many cases that would not inform purchasing decisions. Publicity around the reduction of plastic footprints has shown, however, that the power of social media and the socially conscious consumer is gaining momentum. Retailers are mindful of this consumer power, and we are seeing significant increases in 'voluntary pledges' reinforced through the supply chain, e.g. H&M publishes a supplier list which includes details of tier 1 factories for 98.5% of its products. Even though not every retailer prioritises ethical sourcing, the trend is clearly towards sustainability, and there are a number of ways you can manage this in your supply chain.

Knowing your entire supply chain is crucial. In your contracts, you should require your suppliers to identify and provide details of their own suppliers, until you can trace the product to source. Consider audit rights with your suppliers, and demand that these cascade down the supply chain, giving you the ability to visit and inspect production conditions and raw materials at all levels.

Key for retailers is to develop a code of ethics, focusing on the important ethical standards for your brand. This may include sourcing of materials, working conditions, safety and employee welfare, carbon offsetting and use of recyclable packaging. By publishing a code, embedding it into supply contracts and ensuring it cascades down the supply chain, you can ensure compliance with legislation such as the Modern Slavery Act and GDPR, as well as adherence to your own brand's ethical principles.

Finally, think about necessary remedies in the event you identify any issues; how can you manage the disruption in your supply chain when things go awry? Ensure that you have robust contractual provisions vis-a-vis corrective actions and, in the worst case, suspension or termination. Put in place your own contingency and communication plans, to ensure any impact on your brand is minimised.

FINANCIAL VIABILITY

Every retailer should monitor its supply chain robustly. With the UK high street suffering a perfect storm of stress in recent times, where insolvency processes like Administrations and CVAs have seemingly become a part of the press' vernacular, it is more important than ever for retailers to understand their rights.

When contracting with a new supplier, undertake thorough due diligence. Investigate the company's finances, reputation and customers, and look out for evidence of declining KPIs, re-financing, changes in management and discrepancies in filing history. For key suppliers (e.g. large manufacturers, FM providers, logistics companies) build financial distress event provisions into the contract that require notifications if, for example, their leverage (net debt / EBITDA) falls below certain levels, requiring them to propose a 'get well' plan and enhanced governance. If the problems are not resolved, consider step-in rights and termination triggers so that the relationship can be terminated on your terms.

Make sure you have clear provisions to allow an audit of your existing contractual terms and, where the supplier is providing you with goods, ensure your goods are clearly labelled and identifiable, stored separately, and that you can access and recover them.

Avoid being over dependent. Where possible, spread the risk across several suppliers and, if this is not feasible, use a credit agency to monitor key suppliers. Ensure adequate insurance cover for bad debts or business interruption.

BLOCKCHAIN IN SUPPLY CHAIN

Blockchain offers significant, scalable processing power, high accuracy rates and high security at a materially reduced cost compared to traditional systems. Blockchain can increase the efficiency and transparency of supply chains, and positively impact everything from warehousing to delivery and payment. For example, Provenance uses blockchain to help retailers create digital passports for every product and demonstrate their social and environmental impact at every level. This and other blockchain solutions make it easier and quicker for retailers to track when and how the product was made.

> BLOCKCHAIN IS A DECENTRALISED TECHNOLOGY OR DISTRIBUTED LEDGER ON WHICH TRANSACTIONS ARE RECORDED. TO FIND OUT MORE CLICK HERE.

Blockchain also makes possible the use of so-called "smart contracts" which are automatically executed upon satisfying certain specified coded criteria. Execution eliminates the need for intermediary parties to confirm a transaction, leading to self-executing contractual provisions. This achieves cost and efficiency gains, but also raises significant legal questions in relation to applicable regulation, leaving uncertainty as to enforceability.

Smart contracts are prewritten computer codes, so their use raises enforceability questions if attempting to analyse them within the legal tenets of the traditional "contract definition". This is particularly true when built on permissionless blockchains, which do not allow for central control. Since the point of such blockchains is to decentralise authority, they might not provide for an arbitrator to resolve disputes arising over a contract which is "executed" automatically. It remains unclear whether the elements of capacity, including the ability to rely on apparent or ostensible authority, would apply and the questions of offer / acceptance, certainty and consideration would require further analysis. However, there have been advances in many jurisdictions regarding the acceptability of electronic contracts, so it is realistic to hope such legal pragmatism will also apply to smart contracts. In the meantime, customers should ensure that smart contracts include a dispute resolution provision to reduce uncertainty in the event of dispute.

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"RETAILERS SHOULD ADOPT DIFFERENT STRATEGIES TO MANAGE RISK WITHIN THE SUPPLY CHAIN. ADOPTING A PROACTIVE APPROACH IS ALWAYS ADVISED."

AGILITY IS THE ANSWER TO CONSUMER DRIVEN DEMAND – BUT HOW CAN WE ACHIEVE IT?

CRAIG MOORE
HEAD OF SUPPLY CHAIN
DP WORLD

WHO WOULD HAVE THOUGHT IT? A PROLONGED PERIOD OF SUNNY WEATHER NORMALLY SYNONYMOUS WITH THE MEDITERRANEAN COAST ... EXCEPT THIS ISN'T THE SUN-SOAKED SHORES OF SPAIN. THIS IS THE UK!

This sort of weather should be predictable, it is summer after all. But that's the problem – it seems nowadays the only thing we can be sure of, is we can't be sure of anything! And there's no better reflection of that than the UK weather; which in turn serves only to proliferate the uncertain marketplace retailers are currently facing.

Today, retail is under pressure from disruptive online brands in an ongoing, often painful period of evolution. Meeting consumer demands quickly, whether driven by weather or even national footballing success (and who would've predicted that?), is central to success.

> BRANDS THAT FAIL TO RECOGNISE THIS NEW REALITY RUN THE RISK OF LOSING THEIR PLACE ON THE HIGH STREET.

We need only look to recent House of Fraser news to see that the ability to adapt in both the short and long term is absolutely vital.

And this is where a flexible, well-positioned supply chain can add value and increase sales. Supply chains are often monstrous – formed of a huge number of component parts, from ports to warehouses, trucks to trains, customs to customers.

But collaboration and innovation in supply chains can help bring about greater agility and adaptability, ensuring that shop-shelves are stocked in line with demand, whatever the weather!

MAXIMISING EVERY OPPORTUNITY IS KEY

Success now depends on maximising every opportunity to secure competitive advantage. This used to mean optimizing business models to capitalise on regular peaks like Christmas and the January sales. However, as online has become more important, traditional retail business calendars have become less reliable.

This trend has seen the emergence of new shopping peaks like Black Friday, while also driving unique and often unpredictable opportunities. In May, for example, the Office for National Statistics reported sales up 3.9 percent on May 2017 – a 13 month high that the latest British Retail Consortium survey attributed to both the Royal Wedding and unseasonably warm weather.

RESPOND TO CONSUMER DRIVEN DEMAND

These new peaks are consumer driven and, in most cases, legacy back office infrastructure retailers have in place is not setup to cope. Longstanding supply chain operations are often rigid and inefficient, making it difficult to adapt to change. Reacting to real-time events is particularly difficult.

Let's take the first bout of good weather we had this year, the hottest May Bank Holiday weekend since records began. Thousands of last-minute sun-seekers flocked to UK seaside resorts. Retailers that benefitted most were those that responded quickest to ensure they had sufficient stock of products that beach-goers typically demand – despite it being early in the summer season. It's easier for independent traders, of course. But facets of the supply chain, such as inventory management and fulfilment can help bigger retailers stock up at short notice too.

PLACE MORE IMPORTANCE ON EFFECTIVE INVENTORY MANAGEMENT

This ability to dial up and dial down fulfilment doesn't just help increase sales of items associated with summer fun, it can be applied to many different product lines. But doing so consistently and quickly enough to respond to consumer trends requires retailers to drive more effective management of inventory across the supply chain.

One approach to this is considering the use of shared-user warehousing facilities, allowing storage capacity to scale up and down, as and when it's needed. The logistics sector is beginning to recognise that modern warehousing solutions need to handle a range of products, from fresh perishable goods requiring refrigeration to clothing hanging on rails. This then requires the ability to cater different brands simultaneously, serving product demand often delivered via multiple business platforms.

This isn't to say direct competitors, like Asda and Sainsbury's, would end up sharing one building. But there is scope for retailers and their respective logistics providers to pool resources. For instance, just last year Tesco and Dixons Carphone agreed a concessions deal whereby Currys PC World outlets would feature in some of the supermarket's larger stores.

TAKE AN AIRBNB APPROACH?

This innovative new warehousing model can be thought of as an Airbnb equivalent for the sector. Brands requiring overflow for seasonal or unexpected inventory requirements can purchase space from warehouse operators on a pay-as-you-go short-term basis. And by using facilities near to the main ports where retail imports arrive, there's a great opportunity to reduce unnecessary miles that products travel between unloading, sorting and eventually, to customers.

With lorry driver numbers in decline, finding ways to reduce road mileage will be essential in coming years. More importantly, it will be central to minimising supply chain turnaround time – crucial if brands are to respond to unpredictable demand peaks driven by consumer demand. It can also reduce other overheads and a brand's carbon footprint.

COLLABORATE MORE CLOSELY

As omnichannel commerce becomes more common, it increasingly results in non-linear customer fulfilment challenges that traditional retailers have tended to struggle with. With store and staff numbers in decline, reinventing the backend to provide greater agility will be key. It requires closer collaboration between the retail and logistics sectors, with more flexible ways of working.

Sometimes it requires closer intra-departmental working too. Breaking down silos and planning longer term has potential to unlock significant savings while enhancing an organisation's ability to react to unforeseen events.

So that's a little food for thought as you settle into your sunbed this summer.

Working and innovating with supply chain partners can facilitate far greater agility and adaptability, to meet demand for products – whatever the weather.

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> " RETAIL IS UNDER PRESSURE FROM DISRUPTIVE ONLINE BRANDS IN AN ONGOING, OFTEN PAINFUL PERIOD OF EVOLUTION. "

ARE YOU SETTING YOURSELF UP FOR IFRS 16 SUCCESS?

JON W WALLIS
DIRECTOR – FINANCIAL REPORTING ADVISORY GROUP
GRANT THORNTON

WHY 'FUTURE-PROOFING' THE NEW LEASING STANDARD (IFRS 16) SHOULD BE AT THE TOP OF EVERY RETAILER'S TO DO LIST

With all leases coming on balance sheet from 1 January 2019, most retailers are focusing on the immediate implementation challenges of IFRS 16: wrestling with the definition of a lease, identifying incremental borrowing rates and validating lease data. However, the problem is that transitioning to the new leasing standard is not a one-off exercise. To meet internal and external reporting demands, retailers will need to translate IFRS 16 into 'business as usual'.

We foresee that by having a sole focus on getting the first year transition over the line, a large number of retailers may communicate inaccurate numbers resulting in misinformed decision making.

RETAILERS WILL NEED TO TRANSLATE IFRS 16 INTO 'BUSINESS AS USUAL', TO MEET INTERNAL AND EXTERNAL REPORTING DEMANDS.

Whether you are already navigating the challenges of your day one transition, or you haven't started, you need to be asking the following questions:

HOW DO I GET THE RIGHT DATA INTO THE SYSTEM?

When starting an IFRS 16 project, the key question is inevitably 'do I have complete information for my leases?' The initial exercise is to collate the information that is readily available (even if in filing cabinets) and then go out to the wider business units, asking if they know of any further information. Lease data is extracted either manually or by using artificial intelligence and OCR recognition software. The result is typically a spreadsheet, containing various subsets of data points that the finance team can point to as being the crucial step to IFRS 16 compliant data in the system.

However, a lease portfolio does not typically remain static throughout its life-cycle. Leases are added, terms are renegotiated or changed (a very common occurrence in the current retail climate) or commercially the nature of an arrangement may change to being now classified as a lease and brought on balance sheet (for example, supplier and distribution agreements). To future proof, you need to be thinking about how to bring this initial data into your 'business as usual' processes. The robustness of your own process will naturally be determined by the size and complexity of your portfolio. Moving beyond the specific challenges that you might face, there are some simple considerations that can start you off on the right track. Firstly, how often are you going to need to report IFRS 16 compliant information? Annually for statutory reporting purposes, or every month as part of your management information cycle? If annually, your focus may be on collating and storing any changes that can then be processed when finance teams aren't so busy.

If monthly, all changes will need to feed directly into your data input process to be reflected in the general ledger.

Secondly, you need to assess the process that you currently have to collate lease data from your wider business. If lease information is held in disparate locations in different languages with people having different authorisations, your process of collating this data will need to be far more structured than if all leases are held within a central lease management team. You will need to consider whether automation of a lease management system is right for you.

HOW DO YOU KNOW YOUR NUMBERS ARE RIGHT?

Determining if your numbers are right should have two stages, reconciling what's in the ledger, and establishing review controls throughout the process.

For most retailers, there will be significant activity going through the rent lines in the general ledger. When moving to 'business as usual', an initial stage we are seeing overlooked is the need to take the lease summary prepared as part of the transition and reconcile this to the payments that have gone through the general ledger. If you are comfortable that your posting has been accurate in the past and has sufficient level of detail that you can reconcile directly back to your leases this step should be relatively easy. If not then working through this reconciliation should be completed as soon as possible as the level of time commitment required can be onerous.

The second stage is having controls in place so that at each level of review, each reviewer has the right information available to them to verify what's there. At business unit level, this might be access to the original lease data. At group review level, controls may also need to consider how to monitor lease changes and review information that might be held in different languages or geographical locations.

HOW DO YOU TRUST THE RIGHT PEOPLE ARE DOING THE RIGHT THINGS?

IFRS 16 is not just a change for the finance team. The wider business will need to understand the 'new normal' to ensure that the burden of compliance does not fall on the finance team. Incorporating a cultural change and awareness programme should be factored into your transition plan.

For individuals directly involved in the lease, finance or general contract processes, the cultural change may simply be defining new roles and responsibilities. For successful broader change we are seeing the need for retailers to design and deliver tailored training programs across their business that incorporate geographical and language differences.

If you are like me, as you become aware of new challenges it's very easy to add them to the bottom of an ever increasing to do list as a 'nice to have'. Before you do so, take a breath and ask yourself the three questions...Perhaps it's time to put these at the top of your IFRS 16 agenda.

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Grant Thornton
An instinct for growth™

"TO EASE THE POTENTIAL BURDEN OF COMPLIANCE ON THE FINANCE TEAM, THE WIDER BUSINESS SHOULD UNDERSTAND THE 'NEW NORMAL'."

RETAILERS AND SUPPLIERS ADOPT A COMMON LANGUAGE FOR PRODUCT DATA

JIM DICKSON
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VOLATILE CONDITIONS AND A MORE DEMANDING CONSUMER BASE ARE FORCING BUSINESSES TO IMPROVE THEIR PRODUCT INFORMATION TO BOOST RETAIL PERFORMANCE.

BRITISH RETAIL IS STRUGGLING LIKE NEVER BEFORE.

The online revolution and economic concerns have combined to leave the great and the good of the industry with stagnating sales and tightening margins across the board.

So far in 2018, long-term presences on the British high street have issued profit warnings, announced closures and exchanged hands for token sums.

As many as 28,000 jobs have been axed with a further 40,000 forecasted to disappear by the end of the year, according to the Centre for Retail Research.[1]

This would represent the worst year for British retail since the first pangs of the global credit crunch in 2008.

From House of Fraser to Poundworld, the parables for the sector at large are evident, and the drive towards business excellence is more imperative than at any other time in the post-war period.

INEFFICIENT FLOW OF INFORMATION

One of retail's most prized commodities is the data that it produces, which enables companies to accurately marshal everything from inventory to consumer trends and make informed decisions accordingly.

However, information about products resides in a number of disparate sources on both the supplier and retailer side of the relationship, making the task of bringing the right data to bear ineffective at best.

In addition, data is often stored in different formats across intractable legacy systems that often predate digitisation by decades.

The results of this ineffective management of product data is threefold for the retail industry: processes take longer than necessary, are less cost-effective and, as a result of inconsistencies in data poorer business decisions are made.

But ineffectual movement of product data through the supply chain is just one facet of the challenging environment faced by 21st century retail.

AT THE CONSUMER LEVEL, THE WAY THE MODERN SHOPPER IS CHANGING IS PLACING NEW DEMANDS ON THE COMMERCIAL ESTABLISHMENT.

RISE OF THE NEW CONSUMER

A combination of factors from generational shift to prevailing economic conditions and digital disruption, has contributed to the creation of a new type of shopper with a different set of imperatives and values to his/her predecessors.

Shoppers are increasingly scouting out information-rich, online resources to facilitate purchasing decisions, and this has been partly prompted by retailers themselves.

According to research carried out by KPMG, "Retail has taken the lead and innovated across all sectors, whether grocery or non-grocery, this has in turn increased consumer expectations across the board."[2]

Mobile has become a key tool for the simplification of the shopper journey, giving consumers visibility at every touchpoint. Shoppers are seeking more product variety and choice both online and in-store.[3]

According to PwC's Global Consumer Insights Survey 2018, mobile commerce shot up from 7 per cent to 17 per cent from 2017 to 2018, and 50 per cent of all respondents were using smartphones to complete payment at bricks-and-mortar stores.[4]

There is no doubt that retailers are making mobile a strategic priority for the enhancement of the shopping experience.

Real-time product visibility and availability, with accurate information across all digital and physical channels, is also an essential part of achieving that seamless customer experience.

According to KPMG, 29.5 per cent of purchases made directly with a brand were driven by stock availability and product range in 2018.

The new consumer is also more concerned about dietary and ethical issues. Market research and data analytics firm, YouGov, states that one third of UK households are now affected by allergies or intolerances[5] and KPMG found that just less than one in five shoppers were influenced by sustainability when selecting delivery options.[6]

UK GROCERY SECTOR TAKING THE LEAD

The British grocery market was worth an estimated £184.5bn in 2017, with a projected growth of 15 per cent through 2022.[7]

Co-developed by an industry focus group and product data standards experts GS1 UK, grocery giants like Tesco and Ocado, and world-leading food and consumer product manufacturers such as Unilever and Nestlé are adopting a system for sharing high quality verified product data efficiently across the entire end to end supply chain.

Called productDNA, this singular source of data could radically improve efficiency and operational smoothness for retailers. Suppliers keep their product information and brand consistent across all channels, and the consumer receives accurate product information with which to make more informed purchase and lifestyle decisions.

The system has been hailed in some parts as one of the most significant milestones in retail since the introduction of the barcode.

With the benefits to stakeholders including the potential to save hundreds of millions of pounds and tens of thousands of manhours a year in a volatile commercial milieu, perhaps it is something that retail at large cannot afford to ignore.

"RAPID CHANGE IN THE RETAIL WORLD HAS MADE INDUSTRY PLAYERS REALISE THAT MASTERY OF PRODUCT DATA IS CRUCIAL."

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CURATING 'INSTA-WORTHY' RETAIL DESTINATIONS

MARK BOURGEOIS
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HAMMERSON

IN THE MOBILE AGE, THERE'S NOTHING YOUR CUSTOMERS CRAVE MORE THAN VISUALLY STUNNING, CREATIVE, AND ENGAGING CONTENT. AND, A PICTURE IS WORTH A THOUSAND WORDS (OR LIKES).

With over 500 million active daily users, Instagram's success as a social platform is undeniable. The app's popularity and focus on appealing visuals has meant that users who can create engaging and aesthetically pleasing content can easily amass hundreds if not thousands of followers through carefully curated images and videos. Visual content continues to come out on top, with people remembering 80% of what they see, compared to 20% of what they read and 10% of what they hear.

What does this mean for the brands serving the consumer of today (and tomorrow)? Retailers such as NYX and Glossier originally built loyalty with customers via their social media channels, capitalising on the opportunity to digitally influence our lives on an hourly basis. Interacting with their audience allows growing brands to establish a customer base that is invested in their values, even prior to opening physical stores.

This means, a visit to a retail destination is no longer simply an opportunity 'to shop' or even socialise, eat and be entertained, but also to showcase an inspirational lifestyle and further connect with brands. Retailers, restaurants, and owners are rising to the challenge to meet this consumer appetite.

> RECOGNISING THE POWER OF SOCIAL, RETAILERS AND RETAIL DESTINATIONS HAVE BEGUN TO LEVERAGE SOCIAL MEDIA PLATFORMS TO THEIR ADVANTAGE, CURATING 'INSTA-WORTHY' DESTINATIONS THAT EXCITE AND RESONATE WITH VISITORS.

We have seen a growing collaboration with influencers to strengthen the relationship and bridge the gap between consumers and brands. Influencers can bring a brand to life – create a sell-out item and also enhance that ever important connection – which means you are front of mind ahead of others, which can translate into footfall and sales.

Insta-worthy destinations which gain notoriety on social media can quickly build up a strong following. This is seen throughout consumer spaces, and notably in the food and beverage market. Like it or loathe it, the trend for photographing your plate 'for the gram' before even taking a bite is commonplace in restaurants and bars across the world with brands capitalising through aesthetically pleasing food, visual displays and fashionable décor. According to research by Zizzi, 18-35-year-olds spend five days a year browsing food images on Instagram, and 30 per cent would avoid a restaurant if their Instagram presence was weak, demonstrating that it's not just what you do but where you do it.

Recent advances in technology and social platforms have changed the game; gone are the days when mainstream media set the agenda and dictated trends. Everyone with a smartphone now has the opportunity to break news, share views and inform their peers. No longer a captive audience, consumers have a voice and those brands who listen and respond have a lot to gain.

At Hammerson, our key focus has always been to create differentiated destinations - where more happens. In turn, our centres are regarded as more than just shopping venues, a one stop shop where consumers can have all their needs met and at the same time share an experience and immediately communicate to their own audiences – what's hot and what's not. The 'always on' shopper is a live recommendation service opening a dialogue between retailers, consumers and us as managers of retail space.

The undeniable strength of fantastic imagery on Instagram has seen us reach out directly to local instagram communities and offer 'after dark' photo shoots at our centres. The result has been astonishingly creative images of our destinations. Enthusiastic shoppers and amateur photographers have had access to some amazing spaces – which extends their connection to us and to retail brands.

The future of retail for both retailers and destinations will fall short if it disregards the appetite for social sharing and insta-worthy content within its business. Building insta-worthy spaces and in-store experiences needs to be part of the thought process from the outset for experiential opportunity that creates desirability yet also builds long lasting relationships where people can create memories and not just purchases.

The Bullring Estate in Birmingham for example, which celebrates its fifteenth year of trading this year, has done just that. The iconic Selfridges building has become not only synonymous with retail but also a symbol for the city and the 6.5 tonne Bull, a nod to the area's trading heritage, is a constant selfie opportunity and the third most photographed landmark in the UK. The team work hard to ensure there is always something new for consumers when visit the Bullring and you frequently see the Bull adorned in a new outfit, such as the top hat he donned for the Royal Wedding and a rainbow wig created especially to celebrate Birmingham's Pride weekend.

20 years ago social media did not exist, but now - for better or worse - it is entrenched in our daily lives, creating a continuous conversation between friends, strangers, organisations and businesses. Each person and institution can have their own "digital shop window", and in this way, we have all become brands in our own right, seeking to engage and excite anyone who should scroll past.

MARK BOURGEOIS
// hammerson.com

> "THE FUTURE OF RETAIL FOR BOTH RETAILERS AND DESTINATIONS WILL FALL SHORT IF IT DISREGARDS THE APPETITE FOR SOCIAL SHARING AND INSTA WORTHY CONTENT WITHIN ITS BUSINESS."

THE INTERNET IS TURNING STORES INTO STORIES

DR TIM DENISON
DIRECTOR OF RETAIL INTELLIGENCE
IPSOS RETAIL PERFORMANCE

WHY OBSERVATIONAL RESEARCH IS A VALUABLE TOOL IN THE RE-INVENTION OF THE STORE.

We are going through the most radical re-thinking of store design in more than 70 years, when the 'self-service' format began to appear on our high streets. Then, for the first time shoppers were invited to take a basket, wander around the store picking up whatever took their fancy and pay for the selected items at a cash-and-wrap / checkout desk. The new concept revolutionised store design and display, from signage to product hanging, pre-packaging to aisle layouts.

The ability we all now have to shop on-line is proving to be equally transformative to store design. The popularity of digital retailing continues to grow, albeit now at a slowing rate of expansion. Where, not so long ago, its advance was thought to threaten the future of bricks-and-mortar retailing, now we acknowledge that this is far from the truth; physical and digital channels are bedmates not neighbourhood nemeses. This, however, requires the role of the store to be re-thought.

Back in 2011, Ron Johnson, the then Senior Vice-President of Retail Apple (later CEO of J.C. Penney) asserted that "a store has got to be much more than a place to acquire merchandise. It's got to help people enrich their lives." This philosophy, that stores need to be far more than places simply to transact, has famously been reflected in Apple's pioneering store designs.

> SEVEN YEARS ON, STORE REINVENTION IS ONE OF THE HOT RETAIL DEBATES. WE ARE TOLD THAT STORES NEED TO BE EXPERIENTIAL, EXCITING AND MEMORABLE PLACES TO VISIT.

They need to provide a compelling reason for people to choose to spend time in them. Some have answered this call by investing in digital technologies designed to pump up the 'customer experience'. The likes of smart mirrors, digital screening, VR, wayfaring lights and messaging through iBeacons have all been trialled. Others have favoured experimenting with transmogrifying stores into retail hubs with community forums, learning centres or fun palaces – places with as much to do as to encounter.

Store design teams are faced with the daunting task of determining what their stores of the future should look like and what roles they should fulfil. Establishing what works and what doesn't isn't as easy nor as ephemeral as website designing. Changes neither come quickly nor cheaply. And this at a time when retail margins are haemorrhaging.

Observational research of customer in-store experiences is finding new favour among retailers, helping to decipher the winning elements that should be rolled out both from an experiential and operational perspective. Monitoring individual touch points in store only gathers intelligence about the transactional nature of a shopping trip. By building a library of the real journeys that customers are taking, it allows the dots to be joined up and complete experiences to be understood. Overlaid with demographic, behavioural and emotional data about those journeys, such research delivers a rich narrative of the functionality and appeal of new store concepts to shoppers.

The great advantage of observational research over other methodologies such as exit interviews, accompanied shops, focus groups and voice-of-the customer surveys is that there is no reliance on shoppers' memories, honesty or reliability. Observational research can include several technologies, from trained observers using digital pens to compile maps of the customer journey in real-time, to cameras which record video footage of entry-to-exit shopping experiences. They have different strengths. Video provides greater depth of behavioural and emotional insight, while digi-pen mapping gives fast feedback around movements and interactions.

Evaluating the success of store designs and customer experiences is just as much about discovering what shoppers don't do in the store as what they do. Observational research is a great vehicle to reveal why great conceptual ideas fail to work in practice. Some years ago, we were assessing a new store concept for WH Smith which included the introduction of honesty boxes for people to pay for their morning papers. We had already established that while they were prepared to spend time queuing to pay for most things, they got very frustrated very quickly if they had to queue for simply paying for a paper. Positioned by the newspaper section, the honesty box looked like a good solution on paper. In the trial it bombed. Very few regulars used it. Why? Our observational research showed that shoppers felt very uncomfortable leaving the shop with something without being seen to pay for it. Those prepared to use the box made a song-and-dance of getting their change out and being seen by others to put it in the box. The answer: re-locating the honesty box adjacent to the pay desk, so that customers felt at ease, knowing that they had been seen to pay.

RE-INVENTING THE ROLE OF THE STORE INVARIABLY REQUIRES BRAVE RE-DESIGN. OBSERVATIONAL RESEARCH IS PROVING TO BE AN INCREASINGLY VALUABLE TOOL TO STORE DESIGN TEAMS, PROVIDING THEM WITH PRECISE FEEDBACK ON THE SUCCESS OF THE RE-DESIGN THROUGH THE LENS OF THE CUSTOMER EXPERIENCE.

Steve Jobs, Apple's co-founder, famously said at the launch of the company's first i-product, the iMac, that it represented the marriage of the excitement of the Internet with the simplicity of Macintosh. It transpires that the Internet is now also responsible for putting an "i" into stores, turning them into places to experience exciting stories as well as acquire goods effortlessly.

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"STORES NEED TO PROVIDE A COMPELLING REASON FOR PEOPLE TO CHOOSE TO SPEND TIME IN THEM. SOME HAVE ANSWERED THIS CALL BY INVESTING IN DIGITAL TECHNOLOGIES DESIGNED TO PUMP UP THE 'CUSTOMER EXPERIENCE'…"

ARTIFICIAL INTELLIGENCE - HOW IS THIS IMPACTING THE RETAIL SECTOR?

FRANCESCA HUBBARD
ASSOCIATE
MICHELMORES

WHAT IS ARTIFICIAL INTELLIGENCE (AI)?

A recent survey by analytics company, SAS UK (SAS), found that only 44% of people felt that they would be able to explain AI to a friend or colleague. Yet AI is already being successfully implemented into the retail sector for a variety of purposes.

"The theory and development of computer systems able to perform tasks normally requiring human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages" Oxford Dictionary

AI CAN BE DESCRIBED AS THE USE OF MACHINES TO IMITATE HUMAN INTERACTIONS AND REACTIONS. THE TECHNOLOGY HAS WIDE RANGING APPLICATIONS FROM VOICE-ACTIVATED PERSONAL ASSISTANTS TO "DEEP LEARNING", THE ABILITY OF A MACHINE TO INTERPRET DATA IN A WAY THAT SIMULATES THE HUMAN BRAIN.

HOW IS AI BEING USED?

One such application of AI technology in the retail sector is the emerging use of robots to provide customer service. An established example is 'Pepper Robot', created by Japanese telecom operator, SoftBank, of which there are over 10,000 models in use around the world. Described by the company as a "human-shaped robot", Pepper has been employed as a customer service greeter in 140 stores. According to pilots run in retail stores, Pepper's "kindly, endearing and surprising" nature has dramatically increased footfall (in some cases by up to 70%), in turn resulting in higher revenue. When Pepper was deployed in 'The Ave' apparel store on the University of Southern California campus, sales revenue increased by 300%. These effects may be short-term and exaggerated by the novelty factor for shoppers of interacting with a robot in store, but the statistics indicate an underlying consumer interest and openness for dealing with robots in a retail environment.

Another retail area in which AI thrives is in payment services. For example, PayPal, which uses a complex algorithm based on customer purchase history and its own database of patterns of likely fraud, is able to predict fraudulent transactions with an incredibly high success rate. PayPal has reduced fraud to just 0.32% of revenue, which is 1% less than the rate of fraud experienced by comparable eCommerce businesses. This application of the technology has the potential to benefit retailers greatly, affording customers greater protection and instilling in them trust in the payment process.

AI also impacts on the availability of customers' buying data and may have a huge impact on marketing in the sector. Home assistants such as Amazon Echo and Google Home are becoming increasingly popular. These devices collect copious amounts of data from communications with the user which tech companies are able to analyse through the use of AI. The information obtained from this analysis can be used to improve the relevancy and service of the home assistants and can help make recommendations for retailers allowing products to be offered to the consumer before they ask for them. According to Witlingo, Amazon's analytics partner, and somewhat surprisingly, sales of voice devices have been dominated by those individuals born between 1946 and 1981, with younger consumers appearing more cautious about adopting the assistants into their homes.

WHAT IS AI'S POTENTIAL?

One aspect of the retail sector poised for AI take off is physical delivery. Increasingly, retailers are finding that their consumers' top priority is convenience and that speed of delivery may affect how likely a customer is to buy a product. Amazon is looking to revolutionise product delivery with its automated delivery service, 'Prime Air', with backing from the UK Government. Amazon plans to use drones to deliver packages up to five pounds in weight in 30 minutes or less.

The customer demand for immediacy has particularly shaped the food market. Dominos, along with other pizza outlets, have announced plans to automate their deliveries, creating driverless vehicles which are even able to control the temperature of the pizza inside.

It is also worth noting that AI's potential transformation of the retail sector may have a positive environmental impact. Using customer patterns of behaviour and purchase information to accurately predict stock requirements can significantly reduce wastage, particularly in the fresh foods industry. Automated delivery could also reduce pollution, traffic and fuel consumption.

LIMITATIONS OF AI

Through surveys, SAS found that the main consumer concern about AI is data protection. Just 35% of shoppers surveyed felt confident that their personal data would be kept securely and only 47% felt comfortable with companies using AI in business interactions. This percentage is even lower when concerning financial information; only 36% of shoppers would be happy for their payment information to be accessed from their smartphones at 'cashier-free stores'.

Retailers may be able to overcome these challenges by investing in data protection and keeping up to date with the latest and most secure ways to store their customers' data. Further, customer concerns regarding AI may be alleviated over time by gradually increasing customers' exposure to the technology. In any case, it is likely that the youngest generation will interact with AI from a young age and will be the demanding AI consumers of the future.

For more updates on the current issues and hot topics affecting the retail sector please get in touch to be added to our distribution list.

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"USING CUSTOMER PATTERNS OF BEHAVIOUR AND PURCHASE INFORMATION TO ACCURATELY PREDICT STOCK REQUIREMENTS CAN SIGNIFICANTLY REDUCE WASTAGE, PARTICULARLY IN THE FRESH FOODS INDUSTRY."

THE INSIDIOUS DAMAGE DONE BY DISCOUNTING

RICHARD PERKS
DIRECTOR OF RETAIL RESEARCH
MINTEL

JUST WHAT DO CONSUMERS THINK ABOUT THE DISCOUNTING GOING ON IN RETAILING AT THE MOMENT? AND WHAT IMPACT IS IT HAVING ON THE WHOLE RETAIL SECTOR?

We think that it is seriously damaging and in this article we are going to draw on Mintel's own consumer research to demonstrate how and why. Mintel carries out consumer research for all its reports and the issue of pricing a discounting naturally figures in many of the retail ones.

If there is one underlying message that comes out of our retail research it is that consumers are not stupid. They are very well aware of what they are doing and they adjust their behaviour to current conditions. It's obvious how when a retailer's offer falls short of expectations that they walk away. And it is a truism of retailing that it is much easier to lose customers than to pick them up again.

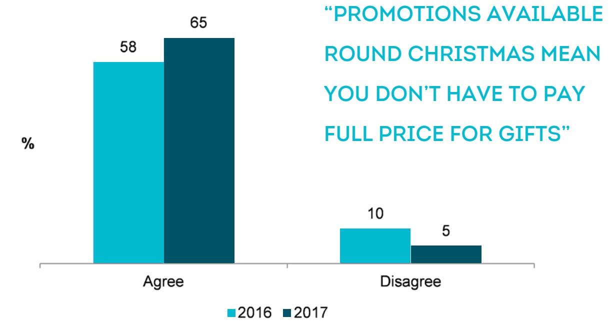
That has to be the background to our findings about pricing and discounting.

IN THE LONG TERM, CONSTANT DISCOUNTING IS COUNTERPRODUCTIVE

The most damning comment has come from the last two editions of Mintel's Christmas Shopping habits, published in February 2017 and 2018.

We have reached the stage where consumers do not trust retailers' "full prices". Naturally there are some honourable exceptions to that, but the general lack of trust is evident. Not only that, between 2016 and 2017 consumers have become even more cynical. The increase in the number of people who agree with the statement is considerable and far more than could be dismissed as a statistical sampling error.

FIGURE 1: ATTITUDES TO PRICING, CHRISTMAS 2016 AND 2017
Base: Internet users who bought gifts for Christmas, 1,865 in 2016 and 1,826 in 2017



SOURCE: LIGHTSPEED/MINTEL

BUYING ONLINE

On a similar theme the next data comes from Mintel's UK Online Retailing report, published in July 2017. This time we are talking about online non-food purchases and not just Christmas gifts. The research came mid-way between the research shown in the previous chart, but the results are very similar.

TRAINING TO EXPECT DISCOUNTS

There was a time when discounting was restricted to sale periods or to sort out a particular stock problem. But that's no longer the case. The advent of planned promotions such as Black Friday are now known fixtures in the calendar and people know they can afford to wait for them.

The next chart is taken from Mintel's report on Black Friday, published in January 2018. The total sample size was 2,000 and of those, just over 40% had actually bought something on Black Friday.

So – did the retailers need to discount to get the Black Friday purchases? Naturally, if prices had been higher sales would have been lower, and, leaving aside the fact that many Black Friday promotions are special purchases and planned well in advance, it is probably that even on the lower sales profits would have been higher.

- Almost three-quarters of the purchases were of things people had planned to buy anyway.
- Almost two-thirds were things that would have been bought earlier had there been no Black Friday
- A third were bought anyway at "full" price when they found products were not discounted.

It is hard to escape the conclusion that:
"Black Friday is an opportunity for retailers to collectively shoot themselves in the foot"
And they welcome the opportunity with open arms.

ELECTRICALS

There is one nagging doubt in this discussion – how can we be sure that a price really is discounted. We know how the law stands but we also know that there are retailers who seem able to get around it. In our consumer research we can only measure what customers perceive the price to be.

Take electricals, for example. Overall, 51% of those who had bought electrical goods thought they had paid the full price and 45% thought they had paid a discounted rate. There is clearly a belief that buying online is cheaper.

And for all that we think that too much discounting is a bad thing, there's no doubt that customers like to feel they have got a bargain.

EUROPEAN COMPARISONS

In the forthcoming report on Online Retailing in Europe we asked our online samples to say whether certain factors were important or not in deciding where to shop.

In continental Europe low prices was usually ranked fourth after free delivery, free returns and a wide range.

Even in the UK, low prices was not ranked first. It came second after a wide range.

WHERE NEXT?

Of course low prices are important, but it seems to us that one of the effects of increased online competition is that retailing will be increasingly transparent. Level prices will be a given and retailers will have to compete on everything else.

Cutting prices is lazy retailing and ultimately it is a short cut to disaster. Retailers must compete on everything else – everything that is not susceptible to easy comparisons – so that is range, fashionability, store or website design, layout, service and convenience. The old saying that "Retail is Detail" seems to have been forgotten in a rush to the bottom on pricing.

There are a few honourable exceptions to this diatribe. Next is the obvious one. Maintaining pricing integrity has been central to its retail proposition since its foundation and it has not suffered from it. In fact over the last decade it has been one of the best performers in fashion retailing, even in the dark days of 2009-10.

It is time that more retailers followed its example. Mintel also has a Trends Product and one of the trends is "Let's make a deal". It highlights the growing prevalence of people who think that they can negotiate a price. It is the direct corollary of what we have been talking about here. People feel able to make a deal if they don't trust the pricing level in the first place.

So this attitude to prices is a direct result of retailers' own actions in undermining trust in their own pricing. Too many retailers now have a reputation in customers' eyes that there is no point in buying something until the price is discounted.

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"IT'S OBVIOUS HOW WHEN A RETAILER'S OFFER FALLS SHORT OF EXPECTATIONS THAT THEY WALK AWAY. AND IT IS A TRUISM OF RETAILING THAT IT IS MUCH EASIER TO LOSE CUSTOMERS THAN TO PICK THEM UP AGAIN..."

HOW TO TACKLE THE RISE IN VIOLENT CRIME

FRANK WOODS
RETAIL SECTOR SPECIALIST
NFU MUTUAL

NFU MUTUAL SHARES RESEARCH ON HOW THE RISE IN VIOLENT CRIME IS AFFECTING THE RETAIL SECTOR AND CUSTOMERS

Violent crime against the retail sector is increasing, according to the latest Retail Crime Survey. The BRC report shows that the rate of reported violence with injury has doubled in a year, and the total direct cost of retail crime has now risen to just over £700 million.

> THE VAST MAJORITY OF CONSUMERS (86%) WOULD AGREE WITH LEGISLATION CHANGES THAT WOULD PROVIDE BETTER PROTECTION FOR RETAIL WORKERS.

At NFU Mutual, Employers' Liability and Public Liability claims remain to be the highest cost to us as a commercial insurer and unfortunately while most is accidental damage, the sad fact is that some is down to threatening behaviour or even assault. It's not only the physical abuse that employees receive but also the emotional cost of everyday discourtesy.

Conducting research to better understand how violent crime is affecting our clients in the retail space, shockingly, we found that over half of consumers (52%) have witnessed some form of abuse towards retail staff in the past three years, ranging from customers belittling or being patronising, cursing and shouting, to physical attacks upon employees.

Many retail staff are young people taking their first steps into the working world, often doing so for minimum wage, and these sorts of encounters can crush their enthusiasm to pursue a career in retail which is a particular threat while Brexit approaches and questions about recruiting talent remain unanswered. No-one deserves to be spoken to rudely or feel threatened at work, no matter their profession.

As Daniel Johnson MSP's Shopworker Protection Proposal continues in consult in Scotland, we also asked consumers across the whole of the UK whether they agree with potential legislation changes that would provide better protection for retail workers. The results were conclusive – the vast majority of consumers (86%) agree that higher protections should come into play.

Some consumers would even take matters of violence into their own hands. Our study found that 80% of consumers would either physically (32%) or verbally (48%) intervene if a member of staff was being attacked by another customer. Despite their good intentions, this presents a challenge for businesses as it means such situations could very easily get out of hand.

Most though have a clear, perhaps idealistic expectation that the retail staff themselves are trained to keep themselves and customers safe, which is important for business owners to consider. Our research found that nearly four out of five consumers (79%) expect retail staff to have the necessary training to effectively manage a verbally or physically abusive customer.

Despite this, nearly half (45%) of the customer-facing businesses which were also surveyed said that they are not actively taking any measures to protect their staff. If anything, the measures that they take include having a policy statement, CCTV or always doubling up on staff.

It's important to get training and planning for eventualities of violence or crime right, as it might just save an employee or customer from harm or distress. Reinforcing the importance of staff training, the research, which also covered all types of businesses, found that while consumers are relatively undeterred by a badly handled incident, a well-handled incident – perhaps with the use of a panic button or a security guard - could even help to improve reputation and enhance the likelihood that they will return. Talking about a premises they regularly visit, 40% of consumers would be just as likely or even more likely to visit if an incident was handled well.

It's the responsibility of the management to keep people safe and although insurance can provide cover against legal action, the best option is always preparation and prevention. Property damage and damage to security systems is also a common issue of violence in retail premises, which can be limited by following certain precautions.

NFU Mutual provides the following advice to help prevent retail crime:

1. BE SAFE AND SECURE WITH CASH

When moving cash, have a working process, and ensure staff are trained and following it at all times. Where possible, have more than one staff member on hand.

Try to vary the times that it takes place. Otherwise, it can easily become predictable to thieves.

2. KEEP THE PROPERTY SECURE

Physical security is often overlooked, but it can be very easy to significantly improve. If your shop has a side or rear entrance, make sure it's well-lit and secure when not in use, and that any fencing that protects the area is secure.

3. USE TECHNOLOGY TO IMPROVE SECURITY

There have been significant advances in the technology used in both CCTV cameras and to store images, making it a much better option for shop owners. New remotely-monitored systems could be an attractive option for smaller shops or remote outlets with few staff. This would give added security to businesses which, day-to-day are more isolated or that staff are not able to monitor at all times.

4. CREATE THE PERFECT SHOP LAYOUT

Simple adjustments to the layout of the shop can make it much easier for staff to stay on top of safety needs. Make sure that the whole shop is well lit, and the cashier has a clear line of sight down the aisles, particularly with any high-value goods or alcohol.

5. KEEP STAFF TRAINED AND INFORMED

Though it is important to protect premises and stock, the main concern should always be the protection of staff.

Proper training will make sure staff are fully aware of what their responsibilities are. Make sure that they understand that their physical safety and security is far more valuable than cash or items in the shop.

The research was conducted for NFU Mutual's Retail Violence campaign, which aims to understand how retailers are affected by violence and crime, and help to reduce it.
www.nfumutual.co.uk/retailviolence

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Research references

Consumer research conducted on behalf of NFU Mutual: Populus conducted an online omnibus survey of 2,089 UK respondents, between 30th April and 1st May 2018, respondents being demographically representative by gender, age, social grade and region.

Customer-facing business research conducted on behalf of NFU Mutual: Join the Dots conducted an online survey of 33 customer-facing businesses (majority retailers and hospitality businesses), between 9-11th May 2018.

Daniel Johnson MSP's shopworker protection proposal for Scotland.
files.smartsurvey.io/2/0/QUA2WEJ0/Consultation_Document_20180117_FINAL.pdf

> "ALMOST FOUR OUT OF FIVE CONSUMERS EXPECT RETAIL STAFF TO HAVE NECESSARY TRAINING TO HANDLE AN INCIDENT."

GENDER PAY GAP REPORTING – ‘EXPLOSIVE’ BUT POSITIVE?

PAUL GILLEN
PARTNER
PINSENT MASONS

GENDER PAY GAP (GPG) REPORTING IN THE UK HAS HAD AN EXPLOSIVE EFFECT IN TERMS OF SHINING A SPOTLIGHT ON THE ISSUE OF FEMALE PARTICIPATION AND PROGRESSION IN THE WORKPLACE AND HOLDING COMPANIES TO ACCOUNT. PUT SIMPLY, THE RULES ARE A GAME CHANGER.

The first deadline under the GPG reporting regulations passed on 4 April. Of the 10,000 + employers who published their data - over 1000 of them in the final 24 hours before the deadline - more than three quarters pay men on average more than women. There are also stark differences in gender pay across sectors.

The GPG analysis in companies, including major retailers, also helped to highlight a number of broader issues, from the way retailers are structured to deep-rooted societal issues, including how to encourage more women to certain functions in the sector as well as pursuing careers at more senior levels within retail, which could be seen as being perceived (wrongly or rightly) as more male dominated. It has also raised practical concerns for retailers such as, how to facilitate better access to childcare and flexible working opportunities, and the need for greater shared parental responsibility but these tend to be areas where retail as a sector has led the way.

ANALYSIS OF THE 2017 GPG DATA

Based on the published data, nearly eight out of ten employers pay men more than women with an average median pay gap of 9.7%. 14% of employers reported a pay gap in favour of women and just 8% of reported no gender pay gap.

The UK has a national average median pay gap of 18.4%. Of the 10,014 companies and public sector organisations which published their pay gap, over 30% reported a median pay gap in excess of that national average.

The sector with the biggest GPG is construction, with an average median gap of 25% followed closely by the financial services sector with a median pay gap of 22%. Particularly large bonus gaps were also recorded in these sectors. Many retailers, however reported lower pay gaps than the average gap in the retail sector of just over 16%. Many high street brands, including KFC, Costa and Starbucks, reported no gender pay gaps.

EXAMPLES OF VOLUNTARY DISCLOSURES

Employers have been encouraged to publish a narrative alongside their data to provide additional context and explain what corrective action they are taking. For this reason many companies have disclosed extra information that goes beyond the requirements of the regulations.

Some employers have elected to provide statistics that are broken down by job level or additional statistics that do not include more senior roles.

Of course, that can be a positive move to take the sting out of an explosive top level number and allows some explanation of the gaps.

Others have chosen to provide global statistics for their entire group of companies or to produce statistics for companies with fewer than 250 employees to demonstrate that they are acting in the spirit of the regulations and being as transparent as possible.

Some employers have disclosed that they have joined workforce diversity campaigns such as the 30% Club and the Women in Finance Charter.

There have also been employers that have chosen to confirm that they have undertaken an equal pay review and that they are satisfied that the gap is not indicative of an equal pay issue. This helps to educate the workforce and discourage equal pay challenges.

BEYOND GENDER PAY

While there is a distinction to be drawn between gender pay and equal pay issues, the GPG reporting regime has served to shine a spotlight on the wider issue of equal pay.

Most employees want to know that they are receiving equal pay for equal work and this is resulting in discussions within organisations as to how they ensure this.

They want to understand what pay review processes look like, what checks and balances are in place to ensure that the process is fair, and what is being done to ensure there is no unconscious bias in the setting of pay and whether their organisation carried out an equal pay review.

Organisations are now much more likely to get asked questions of this nature and need to be able to respond. Slowly, we are moving towards a culture where discussions about pay are no longer a taboo subject – based on current trends, employees will feel increasingly confident in discussing pay matters with colleagues and managers alike and in questioning any disparities.

FUTURE GPG REPORTING, ENFORCEMENT AND SCRUTINY

Formal investigations into companies that have not complied with their gender pay gap reporting obligations began in June, the Equality and Human Rights Commission (EHRC) had announced on 26 April 2018.

The EHRC, which is responsible for enforcement of the regulations, began writing to firms that missed the 4 April reporting deadline on 9 April 2018, according to a letter from the EHRC to Treasury Committee chair Nicky Morgan. Over 400 employers which received the letter have since either reported their data or informed the EHRC that they are not caught by the regulations.

Employers which received that letter were given 28 days in which to comply with the regulations or face further action. The next stage of the EHRC’s enforcement process for private sector employers is an investigation under section 20 of the 2006 Equality Act, but unlimited fines and potential criminal convictions could ultimately follow.

In addition, details of all employers that reach investigation stage will be published on the EHRC website, along with a final report setting out the EHRC’s conclusions at the end of the investigation, according to the letter.

It is clear that the EHRC’s commitment is to act as a fair but firm regulator, and to hold to account employers which have not complied with their reporting obligations. Aside from facing the possibility of enforcement action, employers which make it onto the ‘non-compliant’ list are likely to be subject to intense media scrutiny. For retailers where brand image is vital, the potential for reputational damage cannot be overstated.

All private and voluntary sector employers with 250 or more employees were required to report on their gender pay gap information as at 5 April 2017 by 4 April 2018. There were obviously a large number of retailers which had to comply by that date. Over 1,000 of the employers who reported in time did so in the final 24 hours before the deadline.

Nicky Morgan wrote to the EHRC to request more information about gender pay gap compliance in the financial services sector. In particular, she sought a list of those financial services employers that had missed the 4 April 2018 deadline. However, it is not to say that other sectors including retail may not end up in the spotlight.

EHRC chief executive Rebecca Hilsenrath said that she was unable to provide a list at this stage, as EHRC was “working on updating the information provided to use by the [Government Equalities Office] to ensure that details of employers who are not caught by the regulations are removed”. However, her letter confirmed that the names of non-compliant employers would ultimately be published.

Retailers who have not reported their gender pay gap data as required by the regulations will be investigated and, where the EHRC establishes that an ‘unlawful act’ has been committed, an ‘unlawful act notice’ issued. Where an employer does not comply with an unlawful act notice, the EHRC will apply for a court order requiring them to do so.

Breach of this court order is a criminal offence, punishable on conviction with an unlimited fine.

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“EMPLOYEES WILL FEEL INCREASINGLY CONFIDENT IN DISCUSSING PAY MATTERS WITH COLLEAGUES AND MANAGERS ALIKE AND IN QUESTIONING ANY DISPARITIES.”

22'000 GLOBAL SHOPPERS TELL US WHAT, WHY, WHERE AND HOW THEY PLAN TO SPEND THEIR MONEY

JAC WINDSOR
PwC
RETAIL PARTNER

I WOULD LIKE TO INTRODUCE YOU TO PwC'S 2018 GLOBAL CONSUMER INSIGHTS SURVEY (GCIS). THIS IS AN EXPANDED VERSION OF OUR DECADE LONG TOTAL RETAIL SURVEY. IT'S OUR BIGGEST GLOBAL CONSUMER SURVEY AND NOW CAPTURES THE VOICES AND SHOPPING BEHAVIOURS OF OVER 22,000 CONSUMERS IN 27 COUNTRIES.

So, what has the research told us this year, both globally and closer to home in the UK?

First, some top-line findings on consumer sentiment. Globally, consumers are upbeat about the future of the economy, over one-third think it will improve in 2018 and a further 40% say it will stay the same.

Here in the UK they're not quite so optimistic - just 16% expect the economy to perform better and 37% expect it to perform worse. More positively, almost three-quarters predict they will spend more or the same than they did last year. Those holding back are most concerned about Brexit (70%), inflation (61%) and fuel prices (50%).

Diving into what we might term the "disruptor" topic, our GCIS provides further evidence – if it were needed – that the rise of digital continues in the UK, with 90% of respondents saying they shop with Amazon, and 39% saying they start their product search there. However, only 3% now say this has stopped them shopping on other retailers' websites, down from 17% last year. Could this be the start of a step-change?

That said, Amazon Prime continues to demonstrate that subscription models can be a successful consumer channel, with 38% of Amazon users also being Prime members, with 80% believing it gives them value for money. Interestingly, people within that 38% are more likely to be aged 25-34 and to own an AI device such as a voice recognition gadget. Unlimited free delivery (82%) and access to entertainment (57%) are seen as the most obvious benefits of Prime membership.

We were interested to delve further into how consumer habits are evolving across the shopping journey from inspiration to transaction and fulfilment.

Behavioural science has consistently found that habits are essential to human happiness. Regular and frequent routine allows us to navigate the myriad of available shopping options. Retail has long benefited from stable consumer shopping habits, allowing retailers to predict shopping patterns and generate deep loyalty. Over the last few years, digital evolution has disrupted this – with consumers abandoning old routines, reinventing existing habits and discovering entirely new ways of shopping.

FINDING INSPIRATION

In response to many UK consumers increasingly looking to their peers (25% of respondents tap into social networks) for shopping inspiration, retailers are reallocating their marketing budgets from traditional to digital media. However, retailers need to be mindful of unwanted communications with 36% of respondents comfortable with retailers monitoring shopping behaviour but 48% of respondents adamantly opposed to location-based offers.

BUYING STUFF

Mobile has more than doubled in importance in the UK consumer shopping channel repertoire (22% versus 8% in 2013). The physical store remains very much relevant with 41% of UK respondents using the store for daily or weekly shops – and indeed the store as a channel is on the rise (up from 32% in 2015). However consumers are changing the way they shop in store. For example, just under half of all UK respondents (43%) use smartphones to pay for store purchases (a combination of click & collect, in store apps and mobile payments). Half of UK respondents (54%) have also experienced augmented reality in store.

Retailers are responding by re-defining the role of the store – combining both technology and human interactions to meet customer demands for convenience and engagement.

GETTING PRODUCTS DELIVERED

Consumers increasingly want to close the window between transaction and fulfilment, best captured as IWWIWWIWI (I want what I want when I want it). The majority of UK respondents (96%) expect online purchases to be delivered within five business days (and 26% expect it the next day). Many UK respondents are also willing to pay a premium for a faster service (40% for same day and 24% for less than 3 hours).

Retailers are recognising that their delivery (and returns) proposition is a source of competitive differentiation in its own right – giving customers choice about delivery locations (e.g. lockers), time slots (e.g. nominated time slots) and communications (e.g. real time tracking).

THE NEXT WAVE OF DISRUPTION

Going forward, there are emerging technologies that will shape consumer shopping habits including AI and drones to name two. Almost 40% of UK respondents have said they already own or are planning to purchase AI shopping assistants (the likes of Amazon Echo, Google Home and Apple HomePod), which is similar to trends in the US but way behind the curve of China at over 70%. UK consumers are also open to drones as a delivery method, depending on the type of product being delivered (11% of respondents would accept drones for any product, 17% for low value products).

Consumer habits will continue to evolve – enabled by both retail technologies and retailer innovations. Retailers will have the choice about how best to serve consumers but will need to choose where to focus investment on the most meaningful moments in the end-to-end shopping journey for their target customers.

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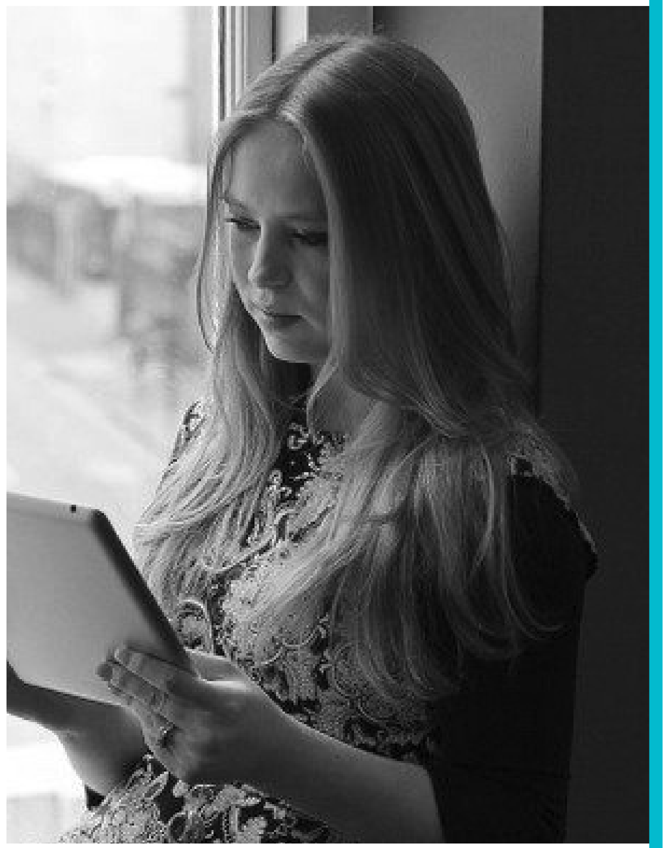

"OVER THE LAST FEW YEARS, DIGITAL EVOLUTION HAS DISRUPTED THIS – WITH CONSUMERS ABANDONING OLD ROUTINES, REINVENTING EXISTING HABITS AND DISCOVERING ENTIRELY NEW WAYS OF SHOPPING."

STRATEGIC AND RISK CONSIDERATIONS FOR RETAIL SUCCESS

SUKHJEEVEN NAT
HEAD OF RETAIL & WHOLESALE SECTOR
SANTANDER CORPORATE & COMMERCIAL

WHAT ARE THE CHARACTERISTICS OF THE BUSINESSES THAT ARE CAPABLE NOT JUST OF RESPONDING TO TODAY'S CHALLENGES, BUT ALSO OF IMPLEMENTING A STRATEGY THAT WILL SEE THEM PROSPER IN THE YEARS AHEAD?

The retail sector has never been so dynamic and fast-evolving: the boundaries between the high street and online have become particularly blurred, and an Omni channel approach in most sub sectors is now seen as a necessity.

AT THE SAME TIME, THE CURRENT ECONOMIC CLIMATE IS NOT MAKING LIFE EASIER FOR RETAILERS: CONSUMER CONFIDENCE IS DELICATE AND, FROM A MACRO PERSPECTIVE, INFLATION REMAINS ABOVE TARGET WHILE WAGE GROWTH HAS SLOWED.

But there is still a good deal of resilience among the public, and May's better-than-expected retail sales figures offered the sector a welcome boost.

CUSTOMER EXPERIENCE, CONVENIENCE, VALUE

Executive boards not only have to cope with these pressures but also need to keep on top of the trends that are specific to their own sub-sectors, while at the same time managing risks and meeting ever-more exacting customer expectations.

But while confronting these challenges can seem like spinning plates, the importance of establishing a clear strategic focus should not be underestimated. And any successful retail strategy should be based on the fact that today's consumers are looking for retailers to excel in these areas: value, convenience, and a unique customer experience.

The elevation of these three factors over recent years has been a fundamental reason we have seen so much disruption to markets and existing business models. But they are the key to developing a strategy that will be effective both today and in the years ahead.

OPERATIONAL ALIGNMENT

In our experience, the most successful UK retailers have already managed to focus their business models to deliver against two or all three of these consumer requirements. And a key driver of this success – and a crucial source of competitive advantage – is how well defined their strategy is against these requirements to meet the demands of their target customer.

In addition, it is crucial to build out the business's operational infrastructure to support this strategy. For example, if a business is going to deliver on convenience, its distribution channel needs to be as resilient and efficient as possible, perhaps taking advantage of technological developments such as smart distribution and delivery tracking. The business also needs to be able to manage the complexity thrown up by the returns process in a seamless way.

For retailers that choose to concentrate on their value proposition, it makes sense to impose strict cost-management policies at every stage of the supply chain as well as a high-degree of standardisation and simplicity in terms of store layout and stocking policies.

If, on the other hand, customer experience is the priority, the use of data analytics to provide offers and improve the in-store and online experience can help set businesses apart.

Already, it is possible to draw a clear distinction between the retailers that are winning by making the necessary investments to meet these operational and infrastructural challenges, and those that are starting to stagnate.

SUPPLY CHAIN MANAGEMENT

Regardless of the strategy that retailers adopt in relation to the areas outlined above, it has never been more important to devote attention to supply chain efficiency and effective stock management.

Consumers are demanding both faster delivery and clearer information regarding provenance. The typical replacement cycle for goods is shortening and retailers are increasingly using automation to address supply chain and in-store productivity challenges, as well as to identify the real cost of transactions in a multi-channel environment.

Here, the most successful businesses are able to boast a broad spread of supply sources, economies of scale in terms of purchasing ability, exclusivity agreements with key suppliers, and stock turnover that compares favourably with industry benchmarks.

Getting supply chain management right can pay significant dividends not just with operational efficiencies and economies, but also in terms of how the retailer exceeds customer expectations. Additionally, a robust stock-management system can generate cashflow benefits by ensuring that cash is not tied up for any longer than is necessary.

DEALING EFFECTIVELY WITH RISK

Any effective business strategy needs to take account of changes in the operational environment, and in the highly dynamic retail sector this is even more the case. For management, this means both being aligned to trends as they develop in their sub-sectors, and also being prepared to take action to capture new opportunities as they arise. Decisiveness and agility on the part of executive boards are crucial qualities in the current environment.

There are also a number of options for retailers to reduce concentration risk. In addition to the traditional method of diversifying product lines and opening stores in new locations around the UK, the potential for an increase in international trade and the opportunities offered by a mix of sales channels – physical stores, or cross border e-commerce through own sites or marketplaces, for example – can help retailers cut their dependency on a limited number of revenue sources.

Another source of risk is the value proposition retailers are offering: is it sufficiently aligned to the business's core strategy and brand? Recently, we have seen an increasing tendency to opt for discounting to drive sales; while this is suitable for value retailers who have an aligned brand and operational infrastructure to meet this, it is easy for premium-lifestyle brands to also discount, which conflicts against the consumer's perceived brand value. We are seeing clothing retailers that take a middle-of-the-road approach to pricing to get caught out because they do not have the appeal of either true value or premium-lifestyle brands, where today's busy consumer seeks a clear distinction in brand positioning.

Finally, while the importance of a strong working capital structure, effective cashflow control and careful debt leverage management is nothing new, it is vital for management not to take their eye off the ball. Monitoring relevant key performance indicators and implementing robust scenario planning sensitivities to their forecasting is paramount – especially given the numerous other issues, as outlined above, that are likely to be competing for their attention.

It is clear that the challenges facing businesses in the sector have little precedent. But at the same time, the opportunities provided by the likes of omnichannel retail, advances in data analytics, leveraging brands through social media, and the possibility of tapping into new markets outside the UK to capture a 'global' consumer base mean that, for businesses that best balance their strategic and risk consideration approach are well placed to seize the opportunities ahead.

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"THE BOUNDARIES BETWEEN THE HIGH STREET AND ONLINE HAVE BECOME PARTICULARLY BLURRED, AND AN OMNI CHANNEL APPROACH IN MOST SUB SECTORS IS NOW SEEN AS A NECESSITY."

FUTURE PROOFING RETAIL DESTINATIONS

DIANE WEHRLE
MARKETING AND INSIGHTS DIRECTOR
SPRINGBOARD

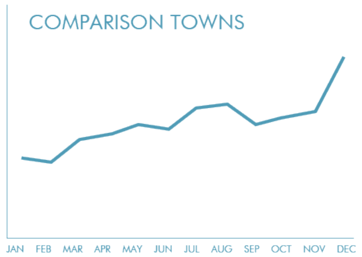
BUILDING ON EXISTING OFFERS TO CREATE RETAIL ENVIRONMENTS THAT MEET FUTURE CONSUMER NEEDS.

Footfall is in a long term downward trend but the average rate of decline is only around 1% per annum. What is stifling retailers are the legacy factors associated with big networks comprising stores that began trading up to 100 years ago that are large, old and not very efficient. Therefore, they cost a lot to run as a business and of course rents are huge, in places that perhaps would have been a bigger retail location in the past than they are now. Plus, especially for department stores, ranging and stock used to have breadth and depth – a lot of choice and lots of it, but in the past 2-3 years, those stores have focused upon smaller more capsule ranges especially in fashion so the choice is not there.

This is evidence by the number of large department stores having fallen by 25% in less than a decade, with numbers dropping from 240 to 180 stores since 2009. In the current market place House of Fraser is to close one in three unprofitable stores, Debenhams to shut 10 stores and downsize 30 and Marks and Spencer to close more than 100 stores by 2022.

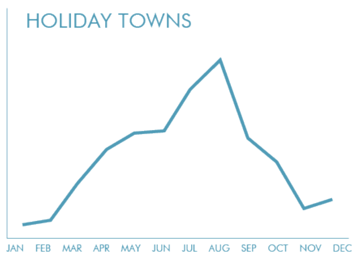
This begs the question of whether retail destinations should continue to be solely retail focused or if they should embrace their uniqueness and adopt an offer that is more cognisant of the type of destination they actually are. So how does a destination understand what it actually is?

With this in mind Springboard has led a groundbreaking two-year project funded by Innovate in order to once and for all understand how our high streets are used. The purpose of this is to maximise their trading potential and enable them to coexist profitably with online retailing and thrive in the age of the internet. According to our research only a quarter of high streets are used primarily as major shopping destinations and therefore most towns should not try to simply be bigger and offer more retailing but focus on strengthening other aspects of their offer.



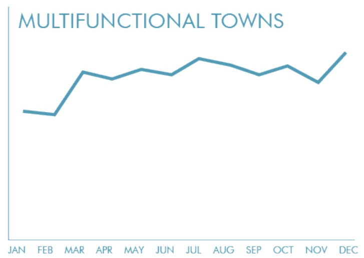
In order to achieve this Manchester Metropolitan University and Cardiff University interrogated Springboard's footfall data from 200 high streets in the UK to understand how they are actually used. They identified that towns have different "signatures" reflecting the fact that they are used differently. Once a town signature is identified this provides the fundamental evidence required for retailers and other operators to make decisions about their strategies and investment.

A key finding of the project is there are actually only four types of High Street destinations. Comparison Towns represent around 25% of all towns and focusses on retailing with a strong retail anchor. They have a large catchment area with a strong peak in activity in December. Around 50% of towns are either Speciality Towns or Multi-Functional Towns. Speciality Towns, whilst often having a strong retail offer, have a different pattern of activity from Comparison Towns, with footfall peaking during the summer months and have an anchor that isn't necessarily a retail one, for example heritage or character. Visitors typically spend longer in these towns and are a blend of tourists and the local catchment.



Of equal importance are Multi-Functional Towns, which can include centres with a large retail offer, but they are often visited for several reasons including work, shopping and leisure. These tend to be visited more frequently than other types of town and footfall is relatively stable across the year including at Christmas. The fourth type of town is the holiday town where the peak in footfall occurs very sharply in August during the school holidays, but actually may serve the local catchment area quite poorly in terms of its offer with a focus on delivering experiences to tourists and day trippers.

The key for retailers is that they understand these differences and deliver a proposition appropriate for the type of towns where their stores are located. This may include reconfiguration of a store network, but this forward thinking approach is critical in a period of such rapid evolution in consumer habits and shopping patterns.



In addition to understanding town signatures a trend much reported on by Springboard is the growing importance of the post 5pm economy. Whilst footfall during retail trading hours (9am to 5pm) accounts for around two thirds of all activity, it is the period post 5pm that had been strengthening, despite most stores not trading beyond 5pm in the vast majority of retail destinations. For retailers to be able to maximise their return on investment in a trading environment that has lost around 16% of spend to online shopping it is critical that retailers can harness the increasing value of the post 5pm economy and capitalise on the growing demand for leisure and experience amongst consumers. Retailing is now a 24 hour business and stores need to capitalise on consumers appetite for shopping beyond the artificial confine of traditional store trading hours. Consumers are changing and retailers need to be leading the way in delivering propositions that not only match consumer demands but inspire consumers moving forwards.

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"FOOTFALL IS IN A LONG TERM DOWNWARD TREND BUT THE AVERAGE RATE OF DECLINE IS ONLY AROUND 1% PER ANNUM."

NMW: WHAT IS THE TRUE COST OF YOUR UNIFORM POLICY?


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SHOOSMITHS


ALEX NEWBOROUGH
SOLICITOR
SHOOSMITHS

IN THE WAKE OF THE NAMING AND SHAMING OF NUMEROUS HOUSEHOLD NAMES FOR FAILING TO COMPLY WITH NATIONAL MINIMUM WAGE REQUIREMENTS, MANY RETAILERS HAVE BEEN LEFT CONSIDERING WHETHER THEIR UNIFORM POLICIES MAY HAVE UNANTICIPATED CONSEQUENCES.

In March, the government publically named almost 180 employers for underpaying workers a total of £1.1 million. Squarely in the spotlight were Wagamamas and TGI Fridays, who reportedly misunderstood the effect that their respective uniform policies had on rates of pay.

HMRC OFFICERS HAVE AUTHORITY TO CARRY OUT AUDITS AT ANY TIME AND THE RETAIL SECTOR IS CLEARLY ON THE RADAR. GIVEN THE POTENTIAL FOR LIABILITY FOR UNDERPAYMENTS, SUBSTANTIAL FINES AND REPUTATIONAL DAMAGE, IT IS IMPORTANT FOR EMPLOYERS TO CLEARLY UNDERSTAND WHEN A REQUIREMENT TO WEAR CERTAIN CLOTHING WILL REDUCE PAY.

When calculating earnings, deductions must be made to reflect 'payments on account of the worker's expenditure in connection with the employment' before assessing whether the earnings meet National Minimum Wage or National Living Wage thresholds (collectively referred to as "NMW" in this article). Costs incurred in compliance with mandatory uniform requirements must therefore be deducted from earnings in the relevant pay reference period (i.e. the employee's normal pay period) when assessing NMW compliance.

We consider below some common uniform requirements imposed by employers and the extent to which these are likely to affect bottom line rates of pay.

OWN-BRAND CLOTHING / ACCESSORIES

Requiring employees to wear the business' own labels is an effective marketing tool for clothing and accessory retailers.

However, if employees are required to buy these items (whether at full or discounted price), this expenditure will reduce their earnings for NMW purposes.

If wages are sufficiently close to the current NMW threshold so as to risk a breach once clothing costs are deducted, fashion retailers may prefer to reduce this risk by giving or loaning clothing / accessory items to employees or providing an allowance, to be spent in store.

SPECIFIED COLOUR

HMRC's guidance makes clears that a requirement to wear, for example, all black, or a white t-shirt and black trousers, is sufficiently specific to mean that the cost of these items will reduce employees' earnings when considering whether these meet the NMW. This is the case even if employees are likely to already have these items in their personal wardrobe and/or would also wear the 'uniform' items outside of work.

Employers who wish to set mandatory colour schemes could consider:

- Supplying the uniform items at their own cost.
- Allowing employees to wear their own clothing (perhaps with limited, appropriate prohibitions, such as no heavily branded or ripped clothing) and providing a standard outer layer, such as a gilet, jacket or apron to produce a consistent appearance across staff.
- Providing a clothing allowance.
- Increasing rates of pay to reflect uniform expenditure.

SMART / CASUAL

The more flexible an employer's staff clothing requirements are, the less likely it is that connected expenditure will reduce their earnings.

A requirement for 'smart / casual' clothing is likely to be low risk. However, employers should consider how such a policy will be implemented and regulated. Managers should be fully briefed on what standards are expected to prevent inconsistencies arising from varying personal interpretation of the rules. For example, if a manager interprets the 'smart / casual' as requiring a plain dark shirt and dark trousers, and enforces this interpretation, the dress code for employees under his/her control is likely to have become sufficiently prescriptive to mean that clothing expenditure will reduce their earnings for NMW purposes.

Most employers will want to maintain certain standards of professionalism, decency and consistency in the appearance of their staff. Where the intention is to prevent the dress code from reducing wages, a focus on what is not permitted (as opposed to any specific requirements about what should be worn) is likely to reduce risk. A ban on items such as shorts, flip-flops and ripped or see-though clothing (in isolation or in connection with very broad dress code guidance) is unlikely to cause employers a NMW issue.

SEASONAL AND OTHER THEMES

Some employers may want employees to wear specific clothing linked with particular events or seasons.

Again, rigid requirements (such as a mandatory all white clothing on Wimbledon finals day) will create risk. However, providing a seasonal style guide to show employees the preferred general image of the business is much less likely to affect NMW.

Employers who want to encourage dress in line with particular seasonal or other trend should take care to provide a broad range within their style guides, building in flexibility and personal choice, and to make clear that these are for inspiration purposes (rather than to set mandatory standards). Employers may consider investing in a communal stock of accessories, for use in the workplace, to help them achieve consistency in line with their chosen theme, without needing to be too prescriptive about employees' work clothes.

In summary, **the more prescriptive the dress code – the more likely it is to affect NMW calculations.**

If you are concerned that your current practices may take some employees' earnings below NMW, **consider whether to relax your dress code requirements or remove the associated costs from employees**. This could achieved by increasing pay, providing a reasonable and justifiable clothing allowance or providing uniforms.

Employers may consider making payments to address any historic liability resulting from inadvertent breaches of NMW requirements caused by dress code requirements.

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"THE MORE PRESCRIPTIVE THE DRESS CODE – THE MORE LIKELY IT IS TO AFFECT NMW CALCULATIONS."

PACKAGING INSIGHTS: MANAGING DATA TO DRIVE CHANGE

ELIZABETH MINSHALL
ENVIRONMENTAL COMPLIANCE CONSULTANT
VALPAK

MEETING LEGISLATION AND SETTING TARGETS FOR PACKAGING IS CHALLENGING FOR RETAILERS. UTILISING DATA EFFECTIVELY EASES THE TRANSFORMATION.

Product packaging is under scrutiny like never before, with retailers at the vanguard–spearheading change and fielding attention from the public. While legislation and debate around producer responsibility reform is making an impact, retailers are also driving improvement through voluntary targets and agreements.

Transforming supply chains and long-established packaging products and systems is a daunting task. What is clear, however, is that access to reliable data will not only ease the burden, it is crucial to the task.

Before changing direction, it is essential to know exactly where you are. Only once you have pinpointed your current position on the map can future direction planning begin. In packaging terms, this means that benchmarking existing systems and product make up is essential before taking steps to improve recyclability or remove problematic polymers or non-essential packaging elements from the waste stream. Retailers might aim to align packaging material choices more closely to the recycling infrastructure available in the UK or even increasing the use of recycled material. Once robust data is in place, however, the process becomes more straight forward. IT should at least provide a starting point for analysis, an awareness of the challenges ahead, and clarity on which stakeholders may be the best to collaborate and engage with to create positive changes.

Packaging in the UK is currently facing an unprecedented shake up, with a number of policy decisions and voluntary agreements helping to drive change. These include:

PLASTIC PACT

Plastic Pact is a voluntary agreement coordinated by WRAP (Waste and Resources Action Programme) to address sustainability issues around plastic packaging. Many major retail and manufacturing brands have already signed up to pledges which aim to bring changes by 2025. These include:

- the recycling or composting of 70% of packaging;
- design changes that will result in 100% of packaging being reusable, recyclable or compostable;
- actions to eliminate problematic single use packaging items; and
- increasing the average recycled content in packaging to 30%.

CIRCULAR ECONOMY PACKAGE

The European Union's Circular Economy Package was published in June and will come into effect in July. The UK has agreed to uphold the principles of the package even after the UK leaves the European Union. As well as setting new targets for recycling, the measures refer to extended producer responsibility, calling for greater financial responsibility from producers, increased transparency of producers meeting the costs of collection, sorting and treatment as well as a need for shared responsibility. The overall aim is to 'ensure a level playing field and avoid obstacles to the smooth functioning of the internal market', while not restricting services in terms of geographical, product and material coverage to areas where management of waste are most profitable.

The UK is still to decide how it will implement extended producer responsibility, but however – and to what degree – the funding for collection and recycling is allocated, officials will need accurate data on the volume and types of packaging placed on the market. Whichever system is chosen, it will need to be both measurable and regulated firmly and fairly, as well as delivering the aims of the regulations in an effective way.

DEPOSIT RETURN SCHEMES

The government has committed to the introduction of some form of deposit return scheme (DRS), although the exact format has not been decided. Alongside its work on potential extended producer reform options, Valpak has researched DRS systems, and is using this information to try to ensure that the implementation and design of any new system ensures that more, higher-quality materials are collected in a way which provides the greatest benefit, with the least disruption.

Managed correctly, deposit returns can help to provide more infrastructure for collecting some material which is already collected. It can also capture new materials not presently well catered for (such as "on the go" recycling), and exert some influence on customer behaviour. However, it is important to design systems so that they will not confuse the consumer, and to ensure that any method can add value and co-exist with existing recycling activity.

WASTE COLLECTION SYSTEMS

Current systems vary from region to region. Some councils collect one range of materials, with their neighbours accepting others. This makes life tricky for packaging designers who attempt either to design packaging for recycling, or to label it to encourage consumers to recycle.

DATA DRIVES CHANGE

Knowledge is key to this and, in order to set targets, challenge established practices, and drive genuine change, a clear insight into which materials suit a recycling system, and which do not, is essential. Luckily, much of the data is already available. It may require reformatting and putting into a format which is intuitive in nature, comprehensive, accurate and easily accessible. Often, data can lie in numerous databases, speak different languages or not be joined up in the way which makes queries easy to carry out. Some have pre-empted the challenge and have created systems which could help. For example, Valpak holds 18,600,000 stock keeping units (SKUs) on its database, which it has gathered over the last 15 years using producer responsibility data.

Working together, and with the right software in place, retailers can explore supply chains with a view to benchmarking suppliers on metrics such as recycled content in packaging, or identifying characteristics such as material type or colour. Under the current optical sorting systems used in recycling facilities, for example, coloured – largely black – plastic is extremely difficult to sort reliably alongside other polymers. To address this issue, retailers need to identify the products which use coloured packaging. Armed with this knowledge, they can explore customer attitudes to alternatives, check whether the colouring is essential or cosmetic, and then begin to make changes.

Aside from making changes to meet internal goals, effective data manipulation also helps to ensure that partners are compliant with legislation. It can even be used to check whether suppliers meet stipulations such as the Modern Day Slavery Act, or support other CSR reporting needs.

Collecting and managing data to good effect is daunting. It is time consuming and costly, but combining forces so that the knowledge of retailers, packaging producers and compliance schemes targets the same goals will make the prospect more achievable and help to generate viable, effective results.

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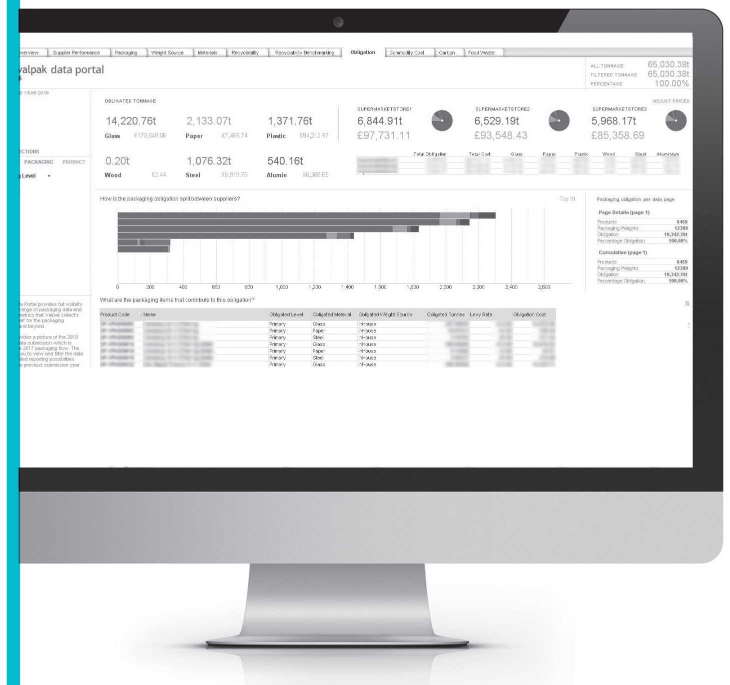
"PACKAGING IN THE UK IS CURRENTLY FACING AN UNPRECEDENTED SHAKE UP, WITH A NUMBER OF POLICY DECISIONS AND VOLUNTARY AGREEMENTS HELPING TO DRIVE CHANGE."



ADVANCED IN-STORE TECHNOLOGY VITAL TO RETAIL SUCCESS

JAMES PEPPER
TECHNICAL SERVICES DIRECTOR
VISTA RETAIL SUPPORT

THE MESSAGE FROM CUSTOMERS IS LOUD AND CLEAR – STORES NEED MORE TECHNOLOGY TO ENHANCE THE RETAIL EXPERIENCE

Despite the rapid expansion of online retail, physical stores have a significant part to play in the customer journey. Research conducted by Vista found that 81 per cent of UK consumers see the physical store as vital to the shopping experience and 70 per cent said they enjoy the full experience of going into stores at their leisure to browse, find out what is new and buy what they like.

> THIS MAY NOT CONTINUE UNLESS RETAILERS ADDRESS THE NEED FOR THE EVOLUTION OF IN-STORE TECHNOLOGY, AS THIS IS ESSENTIAL TO SUCCESS OF BRICKS-AND-MORTAR RETAILING.

There is now a depth of expectation among consumers that stores are connected with their online counterparts, that products are available when they want them at a place and time that is convenient for them.

Retailers are also embracing technologies such as artificial intelligence (AI), computer learning, automation, virtual reality (VR) and augmented reality (AR) to help achieve seamless customer engagement and increased sales. This array of technologies will enhance and inform customer experiences when they enter a store.

While 70 per cent of shoppers surveyed said they were familiar with AI applications, almost the same (66 per cent) said they have yet to encounter the technology in a store. Whilst technology such as AI is often invisible to consumers and store colleagues, this could be where UK retail is missing out. All the evidence is that such technologies boost sales.

This growing consumer awareness of the technological possibilities is pushing change on retailers whether they like it or not. Vista's research found that more than two-thirds of consumers believe that retailers should make these technologies a priority.

Voice commerce in retail is set to grow. It is already increasing consumer spending, not just at home, but as shoppers are on the move, using smartphones or in-built connectivity in cars. In the UK, 37 per cent of smartphone owners use voice-led technology of some kind every month, with nearly one-in-five buying a product through voice without looking online first.

As its use expands, it will rapidly become an interactive channel covering purchase, payment, loyalty, service-functions and order-tracking and if implemented correctly, will certainly boost revenues.

SHOPPERS ARE LEARNING TO LOVE AI APPLICATIONS

In a store, AI voice-activation offers major advantages. Staff can, for example, save customers time and trouble by immediately obtaining accurate information about products and services via a headset. Consumers can also help themselves through a dedicated kiosk built on AI's ability to understand customer requests. In the Vista research, six out of ten consumers were keen to use these devices for discovering products available from the retailer of which they were not previously aware.

AI-based virtual assistants and applications also alleviate the irritation of queuing to pay. Consumers can use these applications on their smartphones and complete transactions quickly from anywhere in the store.

The future of payments is a huge topic but we can say with confidence that AI-powered payment solutions will be very attractive to younger consumers who do not share their parents' stoicism about queuing.

AR AND VR WILL ENHANCE THE RETAIL EXPERIENCE

The picture of increasing enthusiasm for in-store tech among consumers is similar to VR and AR. VR headsets, which create an immediate but entirely artificial 3D environment, are increasingly part of the infrastructure of the gaming industry.

Yet for the moment, VR in retail tends to be restricted to providing spectacular promotional experiences, such as test-driving a car in dramatic landscapes. AR, on the other hand, which combines reality with the artificial images generated by the software, or voice recommendations for purchases based on the user's digital profile and social footprint, has more direct impact on helping shoppers make the right purchase.

An augmented reality (AR) app downloaded to a smartphone shows all the possibilities of a major purchase to a consumer. Shoppers can check how a new sofa would look in their own living room or see how they would look in a new suit as the technology superimposes images with great precision, enabling customers to move quickly between different styles, sizes or colour tones. Their preferences and choices can be retained to save time and increase customer-recognition and personalisation, whether the consumer is shopping online or in the store.

When retailers employ these AR applications, the majority of customers react very positively. In Vista research, three-quarters of the shoppers who had used AR in a store could see its value and said they felt encouraged to use the technology again. And expectations are growing. More than half of those who had yet to use the technology were enthusiastic about it and thought retailers should expand on its use.

RETAILERS NEED TO BE BOLD TO SURVIVE

The danger for the UK high street is that retailers will be too slow in implementing the new technologies about which consumers are so positive. Shoppers familiar with Siri and Amazon Alexa know that technology makes shopping so much easier, eradicating irritations and anticipating demand.

Investing in these technologies is costly and has hidden pitfalls. Each of these technologies will need careful assessment to ensure that it will ultimately achieve a return on investment, however retailers need to act fast to ensure that they retain existing customers and attract the next generation of shopper. Retailers need to be as excited about AI, VR and AR as their customers, consumers are ready for new customer experiences powered by these technologies.

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> "THERE IS NOW A DEPTH OF EXPECTATION AMONG CONSUMERS THAT STORES ARE CONNECTED WITH THEIR ONLINE COUNTERPARTS, THAT PRODUCTS ARE AVAILABLE WHEN THEY WANT THEM AT A PLACE AND TIME THAT IS CONVENIENT FOR THEM."

THE TRUE COST OF DEDICATED TOBACCO KIOSKS

ROBIN TOMBS
FOUNDER AND CEO
YOTI

SUPERMARKETS ARE EXEMPLARS OF REFINED RETAIL EFFICIENCY AND CUSTOMER FLUIDITY. JUST NOT WHEN IT COMES TO SELLING TOBACCO.

The high street supermarket is a lean money making machine. Whether the likes of Tesco, ASDA or Sainsbury's are willingly reducing waste or bowing to mounting pressures from government, the supermarket industry makes headlines most days for its latest efforts to trim the economical fat. So why has it taken so long for the supermarket to address one of the most costly aspects of its offering?

> THERE ARE 7.6 MILLION REGULAR SMOKERS IN THE UK, WHICH MEANS BIG BUSINESS FOR SUPERMARKETS, WITH TOBACCO SALES ACCOUNTING FOR 5-8% OF SUPERMARKET REVENUE.

Improving the retail experience for regular smokers isn't just good for cigarette sales. These customers regularly buy other everyday items when in store. As it stands, though, supermarkets sell tobacco products through dedicated tobacco kiosks. Meaning a customer with a basket or trolley of goods needs to purchase those items at a self service checkout or at the staffed tills before potentially having to queue again to buy cigarettes at the separate kiosk.

It's a tedious process for the customer and a costly setup for the supermarket – especially in smaller 'express' style stores where space is at a premium. Dedicated tobacco kiosks require staff and precious shop floor space which could be used more profitably. The Challenge 25 requirement also states that anyone who looks under the age 25 can be asked to prove their age by showing a form of photo ID if they want to buy age restricted items. Which only creates another barrier to sale if the customer doesn't have their ID with them in store. And for the staff member, it makes for a potentially embarrassing and even confrontational interaction if the customer takes offence when challenged about their age.

The cost to the customer is in time spent queuing and then queuing again. For the supermarket, it's the cost of additional staff and the need for purpose built kiosks or dedicated space behind cramped checkout tills in express stores.

But what about the other, more serious cost of these standalone kiosks? 'Hiding' cigarette displays at the entrance of a supermarket is a bit like draping a sheet over a statue. We still know what's underneath. Wouldn't it be better if cigarettes were kept out of sight of regular and potential new smokers, and not just covered over? Dedicated collect kiosks for age restricted items would go a long way to help with that.

Earlier this year, Yoti and StrongPoint exhibited an automated, staffless dispensing machine for age restricted products at the CTSI Symposium event at the East Midlands Conference Centre. StrongPoint's Vensafe dispensers use Select&Collect technology. It allows customers to prove their age with Yoti and pay for age restricted products at a regular till or self service checkout. The customer then goes to the Vensafe dispenser elsewhere in the store and uses Yoti to prove they're the person who just purchased the cigarettes. When approved, their cigarettes are dispensed. StrongPoint currently have 6,000 dispensers across Europe, mainly in Norway, Sweden, Belgium and Germany.

The new age verification technology is provided by Yoti. A person creates a Yoti account by downloading the free Yoti app, taking a photo of themselves, proving it's them by recording a short video and then adds an ID document, like a passport or driving licence, to encrypt their personal identity details safely within the app.

With a verified Yoti account a person can share their identity details securely with a business (at a self service checkout, for example) or another individual, by scanning a QR code using the Yoti app. To prove it's them and not a younger sibling or a person under the restricted age limit, the Yoti user has to hold their mobile camera up to their face. The Yoti app quickly scans their face to match the person's biometric information (their facial features and the distances between them) with the photo they added to their Yoti and the photo on their ID document. With a Yoti account and the free app on their phone, a shopper could purchase, prove their age and collect cigarettes quickly and without any staff interaction whatsoever.

The Yoti identity app lets shoppers verify their age but it also provides more general identity verification too. Supermarket customers can use Yoti in many areas, from signing up to a website, logging in to their online account quickly and securely without usernames or passwords, through to ordering and taking delivery of food at home.

> IN THE RETAIL SECTOR, EVEN SMALL STREAMLINING INVESTMENTS AND INCREMENTAL CUSTOMER SERVICE IMPROVEMENTS CAN PAY BIG DIVIDENDS.

Elsewhere, leading brands like Carrefour and Tesco are discussing mergers and partnership plays to claw back market share from the challenger supermarkets hot on their heels.

However the makeup of the market changes, what won't change is the focus on continually improving the consumer experience and driving out costs. Until now, age verification has been the hurdle that has stood in the way of supermarkets shifting ever closer to a self service environment. With automated customer age verification, the entire process of purchasing tobacco creates less friction, both for the customer and the supermarket, and is made dramatically less expensive for store owners.

ROBIN TOMBS
// yoti.com

YOTI

> "SUPERMARKETS ARE EXEMPLARS OF REFINED RETAIL EFFICIENCY AND CUSTOMER FLUIDITY. JUST NOT WHEN IT COMES TO SELLING TOBACCO."

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