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EDITOR'S COMMENT

Luke Tugby



Don't believe the hype – there's still life in stores

Amid a slew of strategic shifts focused on online growth and store closures, it was refreshing to have some timely reminders of the power of bricks and mortar recently.

The pandemic might have introduced a fresh wave of consumers to online shopping (see page 10), driving up online penetration and forcing retailers to accelerate their digital journeys, but a physical presence remains crucial.

Just in case any retail leaders needed reminding of that fact as they ponder how the role and size of their store estates may need to change, Next and Majestic Wine stepped forward to provide it.

The fashion bellwether posted a “better than expected” second-quarter performance, when store sales were “more robust than anticipated”.

Like-for-like sales through Next's estate were down 32% year on year between reopening and the end of the quarter on July 25.

In the final week of that period, like for likes in stores were down 24%. Considering the nosedive in footfall and consumer confidence, that's a pretty solid return.

Majestic registered a surge in online sales during lockdown, serving more than 150,000 new customers through its home-delivery service and expanding its tie-up with Deliveroo. But Majestic boss John Colley observed: “We're seeing customers who have discovered us online over the past couple of months now visiting stores. If anything, this has given us more confidence in the role of our bricks-and-mortar arm and its ability to offer a truly multichannel experience for our customers.”

Majestic offers a blueprint of what retailers' physical stores will need to become if they are to remain relevant. Its personalised tasting sessions had to be paused during coronavirus, but Majestic has already been inundated with new requests from customers seeking to tap into its expertise. Its staff are among the most knowledgeable in the business, but as part of a five-year growth plan also unveiled

this week, Majestic said it would invest even more in training. These are characteristics that simply cannot be replicated online and represent strong enough draws to coax customers off their tablets and into shops. As Colley put it: “Our stores are at the centre of who we are and what we do.”

Very few retailers can say the same with such conviction. It is those who genuinely can that will flourish in the post-pandemic world because, ultimately, people still want to visit shops.

Online revenues may have soared during the crisis, but even during lockdown physical shops accounted for 70% of total UK retail sales. Much of that was driven by the necessity to shop for food, but it was clear that consumers also valued retaining a semblance of normality in their lives.

Now, as lockdown measures ease, visiting the high street, retail parks or, to a lesser extent, shopping centres, with friends or family offers a social experience that many have been missing. Unibail-Rodamco-Westfield (URW) – owner of the Westfield London and Stratford malls – has underscored that trend, revealing that footfall and sales at its destinations were recovering “faster than we would have anticipated”. In

France and Spain, where most of its centres are located, footfall has bounced back to 80% to 90% of last year's levels.

URW finance boss Jaap Tonckens said he had “absolutely no doubt” that malls could continue to thrive following the crisis, pointing to the fact that retailers are still opening stores as evidence.

It's a belief that is far from misplaced. Don't believe all of the online hype – shops still have a huge role to play in post-pandemic retail.

Take a leaf from the books of Next and Majestic – believe in your stores, invest in your stores and create enough compelling selling points to differentiate them from online propositions. But whatever you do, don't write off stores just yet. **RW**

Majestic offers a blueprint of what retailers' physical stores will need to become if they are to remain relevant

THE BIG STORY

Will 'eat out to help out' bring shoppers back?

Rishi Sunak's meal deal is proving popular with diners, but will it be enough to get people shopping on struggling high streets again? **Rosie Shepard** reports

The government's 'eat out to help out' scheme launched last week and there are hopes that retailers could feel a halo effect after diners flocked to shopping locations for a cheap bite.

The initiative entitles diners to 50% off their food bills at participating restaurants from Monday to Wednesday, up to the value of £10 per person, and will be operating throughout August to help boost the economy and persuade customers to eat at struggling dining destinations.

As well as many specialist restaurants, bars and cafes, retailer cafes, such as those at Morrisons and Marks & Spencer, are participating, perhaps delivering a footfall uplift in stores, as well as eateries everywhere from high streets to shopping centres and retail parks.

Footfall driver?

On the first day, August 3, there was a significant improvement in week-on-week traffic across all UK destinations. Footfall jumped 19.5%, according to data from Springboard. That change may, however, reflect the fact that there was heavy rain across the country the previous Monday, giving a weak comparable.

The rise in footfall on August 4 and 5 was more modest, up 1.2% and 2.7% respectively week on week.

For the three days together, year-on-year footfall was still around a third lower – a similar level to the previous week.

These figures indicate that a dramatic impact on footfall in the

early part of the week has yet to be seen.

Some restaurant owners have also expressed concerns that the scheme may have a detrimental impact on customer numbers on Thursday to Sunday when it is not on offer, which could affect shopper footfall.

Every little helps

Shopping centre owner Hammerson has found that, while the scheme has not so far brought malls back up to pre-coronavirus shopper numbers, the reopening of food and beverage operators has been a step in the right direction.

UK and Ireland managing director Mark Bourgeois said there had been queues at eateries such as Wagamama and Franco Manca as the offer kicked in.

"It certainly all helps," says Bourgeois. "[In recent weeks] we've seen footfall in UK flagship shopping centres edge up. We were at around 50% of pre-Covid levels. Last week, we edged up more towards 60%. It certainly helps that there's been really good take-up and that's the feedback we're getting from our food and beverage occupiers."

Westfield, which owns the White City and Stratford shopping centres in London, also said there had been a positive response to the scheme.

"The scheme has proved popular so far. We see a steady increase in footfall, with retail and food and beverage outlets opening back up," a spokesperson said.

The weekend conundrum

While the dine-out initiative was good news for diners and restaurants alike early in the week, there is some concern that custom will simply be shifted from the ordinarily busier weekend period to earlier in the week, which does little to help overall footfall.

To counter this, some restaurants are choosing to extend the scheme all week.

Morrisons' cafes are offering the 50% discount all week to shoppers and passing on the separate 15% VAT cut on food and drink for hospitality companies directly to customers, reducing prices further.

"We want as many customers as possible to be able to take advantage of 'eat out to help out'. Many customers visit our stores later in the week, so we're extending this offer throughout the week," says Morrisons head of cafes Ali Lyons.

The retailer has not commented on whether there had been a halo effect in store.

To allow more families to eat in store, Morrisons is also letting children eat free of charge all day.

Other restaurants are also adapting the scheme, which may help footfall in their areas.

Chains such as Dishoom, Carluccio's and Giraffe have removed the £10 cap on the 50%-off offer, while Hard Rock Cafe has followed Morrisons' lead by extending the deal to Thursday and Friday.



Restaurants have maintained social distancing by moving outdoors



Morrisons' cafes are offering the 50% discount all week to shoppers



It certainly helps that there's been really good take-up and that's the feedback we're getting from our food and beverage occupiers

Mark Bourgeois, Hammerson

If a clear shift in customer numbers is felt over the coming weekend, other restaurants may also follow.

Eating local

Many local high streets have fared best as lockdown restrictions relaxed, as shoppers have often chosen to stay nearer to home, rather than travel to big destinations.

Retailers such as Mountain Warehouse, which is often found in smaller market towns, reported an uplift in shopper numbers in holiday destinations such as Devon, Cornwall and the Lake District. Some of its stores have even registered record daily sales figures, according to chief executive Mark Neale.

Neale said it was too early to assess the impact of 'eat out to help out' on footfall. However, he expects the high demand Mountain Warehouse has experienced to continue throughout August and September as consumers stick to staycations – that could bode well for other retailers in such locations, who may benefit further if the meal deal proves a sustained footfall driver.

M&S also said it was too soon to see the exact impact of the scheme until there is data over a longer period, but customer numbers were growing each day.

Like Morrisons and pub chain Wetherspoon, M&S is also passing on the 15% VAT cut, meaning there will still be a discount available throughout the week.

An M&S spokesperson said: "‘Eat out to help out’ was popular with our customers over the first couple of days.

"With word spreading about the great value on offer, we saw more customers visit each day, so Wednesday saw the biggest uplift.

"With the VAT hospitality cut fully passed on to our customers, they'll still be able to get great value every day of the week."

The true impact of the initiative is yet to play out, but if the momentum continues in the coming weeks as shoppers become more aware of the benefits, it could make a difference. Retailers will be happy to take any help they can get. **RW**

THE BIG QUESTION



Sharon White is making an early mark on JLP

Is White's strategy the right one for John Lewis?

JLP chair Dame Sharon White has launched a sweeping strategic shift to revive the group's flagging fortunes. Here, experts deliberate over whether her plan is the right one

Andrew Jennings,
global retail adviser and
former Saks Fifth Avenue
chief operating officer

'Bravo, Sharon' was my first thought when I read the recent announcements. It is going to take a radical change to set up the partnership as a relevant retailer suitable to serve the wants, needs and expectations of their current and future customer base.

The partnership is, in my opinion, a burning platform and I applaud her for her creative and far-reaching proposals, and not just tinkering around the edges.

Turning store space into residential, for example, is a brilliant idea and launching home services through electricians, painters and carpenters is very John Lewis.

In terms of new appointments, a new HR boss from Virgin will challenge the necessary culture change, while Pippa Wicks from the Co-op for department stores and James Bailey from Sainsbury's for

Waitrose make up three executives who have all had successful careers on other retail planets.

In terms of store closures, the dramatic rise in online business in department stores indicates there clearly is no need for the amount of footage currently held, and going forward even less will be required. I just hope that Sharon White makes a deep enough cut in this round.

Online, there is a lot of opportunity for Waitrose, but I think it will take longer than she has indicated to meet the target penetration.

Green shoots will take a lot longer than nine to 12 months to appear. There needs to be a total review of the online business in department stores to establish how they can run this at a greater profit

Never knowingly undersold, which was implemented by Spedan Lewis, is not commercial in today's tough market environment.

Millennials and other customers will enjoy the opportunity to shop previously loved items if they are

presented and marketed in the right way.

The same applies to renting clothes. Many retailers around the globe are finding this hugely successful and, again, millennials need to thrive on this service.

Maureen Hinton,
global retail research
director, GlobalData

The strategy is conducive to developing a modern retail business with the focus on: digital delivery; realigning the store estate; simplifying operations; partnering with outside businesses; being modern, relevant, and inspiring; and expanding into growth products and services. Success will be in the execution.

JLP's strength is in its range and service – acknowledged in the strategy. Despite the ramping up of online capabilities, it cannot match Amazon for speed and convenience, or Tesco for the number of online slots, so range and service are even more crucial to its success.

Giving frontline partners more autonomy will enhance the service element and using outside partnerships can speed up and improve technology and delivery – but there are risks. Will these outside partners deliver the service John Lewis customers expect? How can its service culture be disseminated successfully?

The Co-op shares similar values to John Lewis, but will its click-and-collect partnership with the Co-op take food shoppers away from Waitrose?

As for range, John Lewis 'being for life's big moments' is a good strap line (it sounds like its iconic TV ads), but its products have to be for more than the big moments – especially if it wants to attract new, as well as younger, customers.

Converting stores into affordable housing sounds tricky – would a hotel partnership be more suitable? Furnished with John Lewis products?

Finally, the never knowingly undersold price promise is a lead weight on profit, so it needs changing into a value message.

Richard Hyman,
strategic adviser
and founder of Richard
Talks Retail

In 2009, John Lewis traded from 27 stores. Its planners predicted that a still modest online business would account for 40% by 2020.

Pre-Covid, it was just ahead of that figure. Meanwhile, John Lewis embarked on the biggest physical expansion programme in its history, opening another 23 stores.

I don't know whether the two departments talked to one another or if and how the board reconciled these two fundamentals. Either way, it leaves today's leadership with its two biggest issues.

The interim strategic review is a curate's egg. Horticulture seems perverse. Housing in excess space is a worthy idea. The wonderful social purpose of the John Lewis Partnership is fine, but only exists if the enterprise works commercially. Its lower-margin online business is cannibalising stores, diluting the latter's trading economics.

The review tells us online will be 60% and John Lewis will be a "digital-first" retailer. It needs urgently to work out how to effectively translate service online and defend better what used to be market-leading service in store. Fully integrating its two operating models is fundamental to this. **RW**

White keeps the best and updates the rest

JLP's review puts purpose back at the heart of the brand, but executional excellence is also crucial to remain relevant in a rapidly changing world. By **George Macdonald**

Meet the new John Lewis, same as the old John Lewis – up to a point, anyway. And up to an important point, which should never be lost.

The early findings of John Lewis Partnership chair Dame Sharon White's strategic review show no signs of babies disappearing with the bath water, as can often happen when businesses seek to transform.

White is seeking to "update our purpose so that it resonates with today's customers and partners". More than ever, purpose is a prerequisite of profitability in the contemporary world.

That purpose may build upon traditional retail attributes and differentiators, such as Primark's relentless laser focus on value. Or it may be, as with John Lewis, a way of doing business that sets it apart.

Former Marks & Spencer chief executive Lord Rose used to urge his staff to "look out the window". It's a great piece of advice because it prompts questions about whether you are relevant to the world you see. It tells you about what needs to change and what should stay the same.

Renewed vision

White sought the views of her 80,000 colleagues at John Lewis department stores and Waitrose supermarkets as she conducted her review, which is ongoing and will conclude by autumn.

Last week she said: "Customers and partners have told us that our purpose should be modern, relevant and inspiring – while staying true to our core principles.

"The themes of tackling inequality, of wellbeing and sustainable living will be at its core. These have never felt so relevant, with the economic uncertainty and social inequality coming out of the pandemic.

"Our updated purpose will drive our commercial decisions and shape our employment practices.



John Lewis has to adapt to a post-Covid world

It will influence the services we offer to customers and how we work with new commercial partners. It could see us, for instance, taking firmer action on fair pay, working conditions, diversity and inclusion."

She, and they, are right. The vision on which the John Lewis Partnership was built is as applicable now as it was when the retailer originally set out on its trailblazing path.

White's predecessor, Sir Charlie Mayfield, perhaps lost sight of the primacy of purpose when he initiated radical change last year. Some of his initiatives, designed to wring efficiencies out of the two divisions, might have made intellectual sense but brought chaos.

Notably, they left the core department stores businesses headless – a decision since reversed by White through the appointment of former Co-op deputy chief executive Pippa Wicks.

But White's focus on purpose would not be enough on its own. For the purpose to be fulfilled, the company has to succeed – and it has been under pressure for some time.

It was good that she also elaborated an overarching commercial strategy for the partnership, which looks to the future as well as to the past. Executional excellence must accompany the sense of mission.

Decisive and determined

Her take on the world makes sense. She does seem to have looked out of the window and be determined to adapt to what she's observed.

White has pledged to "double down on making shopping easier and more convenient" by investing in areas such as in-store and online availability, new services and new distribution channels, such as the recent click-and-collect tie-up with the Co-op.

There is decisiveness about how the various cogs in the retail wheel fit together. "Shops will always be crucial to the brand, but they will be in support of online," White maintains.

As many retailers have reported, the Covid-19 pandemic has accelerated the pace of change. Now more than ever, there is the momentum and necessity to genuinely create that elusive "seamless" business model that adds up to more than the sum of its parts.

It could result in a business that carries on meeting the needs and expectations of existing customers while, complemented by a modernised purpose, appealing to the habits and attitudes of a new generation of consumers. As every retailer knows, failure to perennially replenish the customer base is fatal.

Vitality, there is a timeline by which progress towards renewed success at JLP can be measured. According to White: "The strategic review should see green shoots in our performance over the next nine to 12 months and our profits recovering over the next three to five years."

She said "the beauty of being a partnership is that we are able to take a long-term view" and to think "about the opportunities to remain a thriving partnership in 100 years' time".

That's a luxury not available to every business, especially in torrid times when day-to-day survival is the preoccupation of some.

But that's surely the point. If there had been deeper thought about what was happening on the other side of the window and what was needed for future success then some of the casualties could have been avoided.

The question 'what am I doing here?' is not an airy-fairy consideration for philosophers in ivory towers. For some retailers, it's an existential one. It's one that White seems determined to answer. **RW**

NEED TO KNOW

Inside Nike's Paris mega-flagship

Nike has unveiled its third House of Innovation store and the first in Europe, on Paris' Champs-Élysées. **Grace Bowden** spoke to Nike's Cathy Sparks about the opening

Last month, Nike unveiled its newest store in the form of its latest House of Innovation outlay in Paris.

There are only two other House of Innovation stores in the world – in New York and Shanghai – but this latest one was opened under the most unusual circumstances.

Cathy Sparks, global vice-president and general manager of Nike Direct stores, is based in Portland, US. She would normally be on the front line of any new store unveiling for the sports titan. But while she has been heavily involved in the development of the Paris store, being there for the opening was not possible in the current climate.

"I was in the store right before we stopped travelling, with my hard hat on, and have done many virtual tours since," says Sparks.

"It breaks my heart I can't be there for opening day, but I know the team will have done an excellent job."

Opening a new store in the middle of a pandemic is a bold move by any retailer's standards, never mind a 26,000 sq ft, four-storey megastore.

But Nike has always been a brand to do things differently, and this latest flagship is no exception.

Mindful but undeterred by the new world of shopping, Nike has incorporated a range of measures in its new flagship to ensure shoppers have a safe and immersive shopping experience. The new store is fitted out with light installations that provide a roadmap for travelling around the store while enforcing social distancing.

Nike has also launched its first socially distanced bra-fitting service, which combines two measurements taken by shoppers and is guided by a store associate and Nike's algorithmic technology to suggest products.

Sparks says Nike has taken lessons from store reopenings across its existing portfolio in recent months to "reinvent a safe shopping journey in this brand-new store".

As well as tweaking the layout and services on offer, the brand has used existing in-store digital technology that allows shoppers to use the Nike App both for rapid checkout and to scan and learn about products, in order to create a 'zero-contact' shopping journey for those who want it.

Social distancing measures aside, Nike's new store is packed with innovations and experiences to lure

local shoppers and tourists alike.

"The strategy for House of Innovation stores is to bring the very best of Nike, from our product innovation to our service innovation alongside digital and physical integration, to the world's biggest stages," says Sparks.

In this endeavour, Nike's new Paris store has extensive offers with a floor dedicated to menswear as well as a sneaker lab on the basement floor.

The brand has also focused keenly on kids' sports gear after research found that sports participation among kids in France is falling. As well as boasting what Sparks says is the largest kids' sportswear assortment in France, the store has a digitally powered store experience inspired by parkour that kids can compete on individually or in teams.

Nike has focused on localised offers across all of its House of Innovation stores, and its Paris branch is no exception.

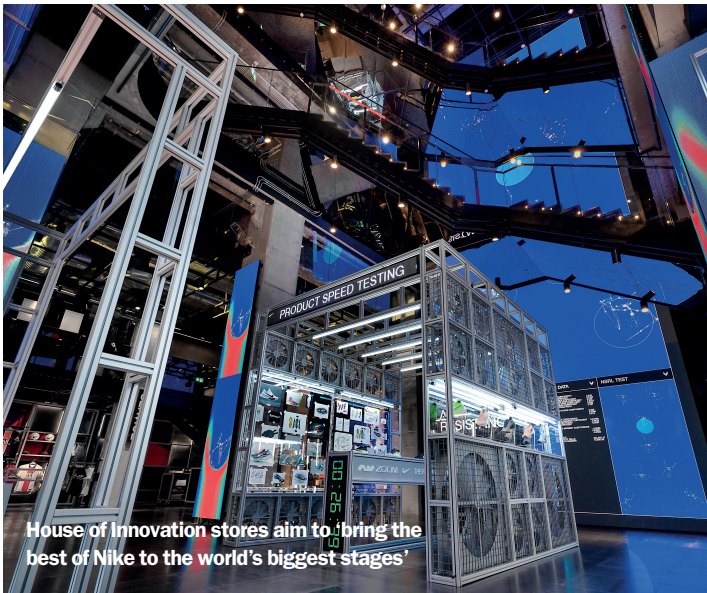
The sportswear brand has a range of 'hyper-localised' products that are exclusive to its Paris store, as well as product collaborations with local artists including Arthur Teboul and Marc Armand. **RW**



The basement floor is a sneaker lab and boasts one of the largest footwear assortments in Europe



The 26,000 sq ft store is located on the city's iconic Champs-Élysées



House of Innovation stores aim to bring the best of Nike to the world's biggest stages'



The store publicises Nike's 'Move to Zero' sustainability initiative



Nike has opened its first European House of Innovation store in Paris



The store spans four storeys and includes the largest kids' sportswear range in France

NEED TO KNOW

Post-Covid shopping habits revealed

Research suggests lockdown and the shift to online could have long-term effects on behaviour. By **Grace Bowden**

Research from O2 in partnership with Retail Economics found that 44% of shoppers believe Covid-19 is likely to lead to long-term changes in their shopping habits – with 13% strongly agreeing with this statement.

During the crisis, 34% moved both essential and non-essential spend online, and nearly half of shoppers say they would shop more online going forward. In addition, 45% said they had purchased an item online that they had previously only ever bought in store. This shift indicates the importance of having robust online operations.

Today, digital is responsible for 47% of shopper awareness of non-food products, despite online accounting for only 20% of overall sales. Nearly half of shoppers said they are now spending more time researching potential retail purchases online than before – a number that jumps to 63% and 61% for shoppers aged 16-24 and 25-34.

Overall, online channels accounted for 61.2% of the average shopper's research into a potential purchase, with a retailer's own website leading the way in terms of research at 16.7%, followed by online marketplaces at 14.8%.

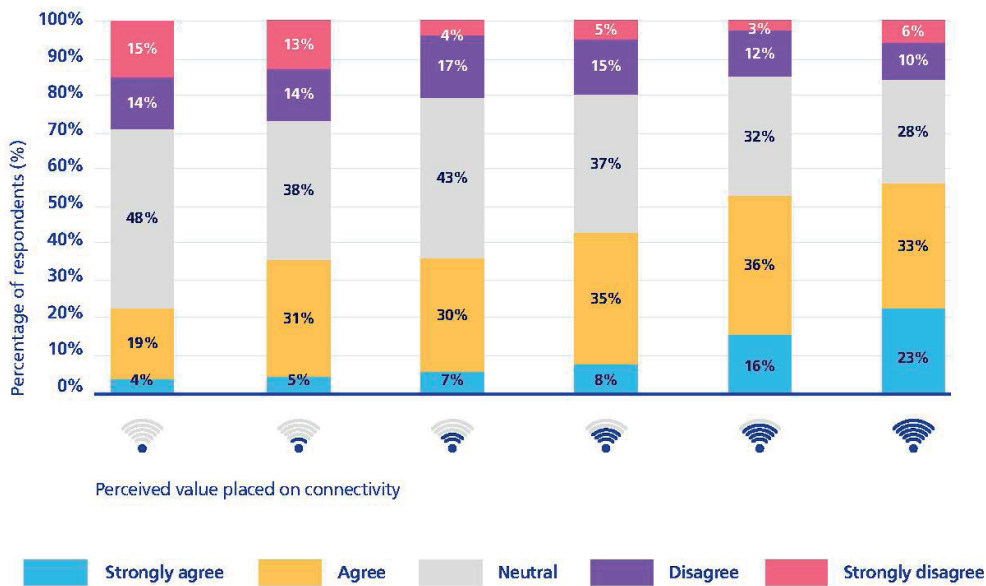
This reliance on online continues to the point of purchase, with 24% saying they have bought an item online while in a physical store and 36.5% saying they have used their mobile to read reviews or price-check while in a store.

As a result, digital now influences 57.1% of all non-food purchases with online marketplaces acting as the single most influential channel at 18.7%, followed by a retailer's own website at 15.6%.

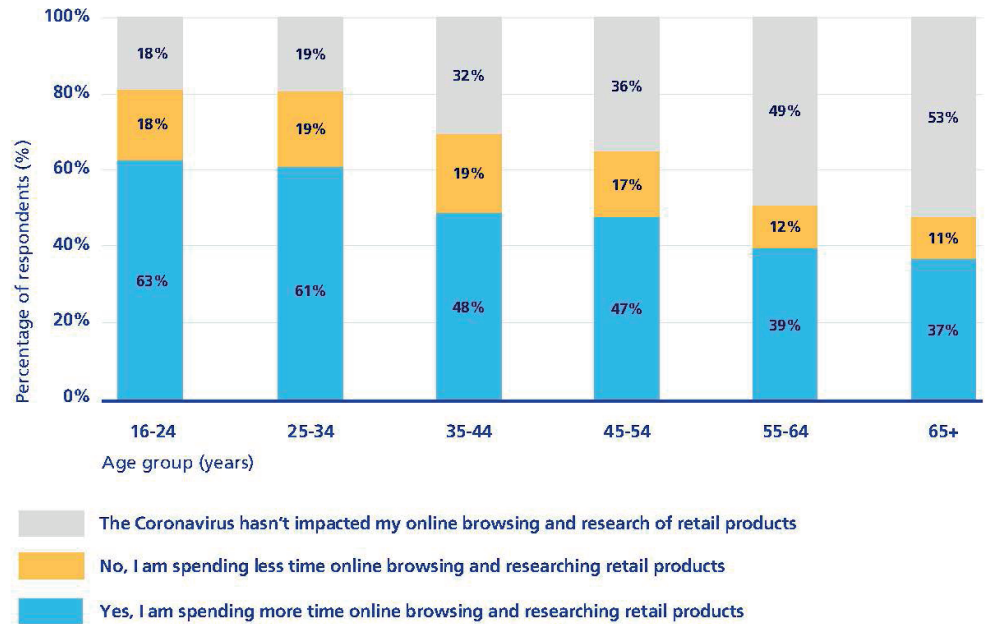
Customer desire to use online channels for information continues through to the final mile – 44% said they would be more likely to buy from a retailer if they could track delivery to their home or collection point.

O2 head of business sales Rob Sandford said: "We wanted to find out what the tectonic shifts in how people engage with each other over the last decade mean for us all as customers, retailers and business leaders. The lockdown and the associated changes to the way we buy are important, of course, but they've accentuated these shifts more than redirected them." **RW**

'As a result of the coronavirus outbreak, I am likely to spend a higher proportion of my spending on retail products online, rather than in physical shops, even after the virus subsides'



Following the coronavirus outbreak, are you spending more time online browsing and researching for retail products?



As Amazon plots Go stores, retailers must up their game

The online giant has had a good pandemic and effectively put into practice the maxim that crisis can spell opportunity, writes **George MacDonald**, but are bricks-and-mortar retailers ready to react?

Amazon's net sales soared 40% to \$88.9bn in the second quarter running to June 30. Net income doubled to \$5.2bn, even though the goliath from Seattle bore \$4bn of pandemic-related costs.

Amazon hired 175,000 people over the quarter and 125,000 of them are expected to stay on – testament to the scale of growth as the world reeled from Covid-19. The retail industry reeled too, as non-essential stores went into lockdown around the globe, cutting off the revenue channel that still accounts for the majority of business for most.

Amazon's model, including a vast assortment of products and ultra-reliable delivery, could not have been better suited to the emergency conditions the world found itself living in. But Amazon has not been content to sit back and let the money flow in. The retailer is stepping on the gas, determined to extend its offer.

In the UK, there have been three big developments. Amazon launched free grocery deliveries for its Prime members, signalling its continued determination to grab share in the food market. It finally won approval to take a stake in food delivery specialist Deliveroo. And it emerged that the retailer will open a chain of cashierless Amazon Go shops.

Food supply and contactless stores are both perfectly placed to tap into unsettled conditions, amid local lockdowns in Scotland and the north of England, and nervousness about a second wave of coronavirus.

All this is happening as Amazon faces increased scrutiny from legislators. In the same week as its quarterly results, founder Jeff Bezos appeared before a US Congress hearing where he was quizzed on everything from competition concerns to counterfeit goods.

However, his Capitol Hill interrogators failed to lay a glove on Bezos and there is no reason to think the voters who really matter to retailers – paying customers – will change their behaviour in the slightest. They love the value,

convenience and dependability of delivery that Amazon provides.

Other retailers might feel powerless in the face of Amazon's relentless march. The default approach adopted by many was not to attempt to replicate what Amazon does – essential as an online element might be – but instead focus on 'doing what Amazon can't'. Often that revolved around store enhancements such as more experiential elements, the provision of services and higher service standards. The appeal of those strategies, particularly in-store experience, has evaporated during the pandemic.

But Amazon's rivals need not hang their heads in despair. There are new ways their operations can be adapted to reflect changed conditions. Convenience, for instance, is not limited to online specialists, nor even to the c-stores that have also been the beneficiaries of big sales during coronavirus.

There are opportunities to widen what can be conveniently offered to shoppers, particularly by better integrating online and bricks and mortar so that shops play a much bigger role as collection, rather than sales, points. Next has done that well, while also benefiting by processing

Amazon thinks, regardless of what is happening now, that a bricks-and-mortar presence is still going to matter in future

returns in store. Putting stores at the service of the digital proposition is also at the heart of John Lewis' new strategy.

There may well be opportunities in formerly Cinderella locations too. As neighbourhood shopping takes on greater importance, stores that once lived in the shadow of their big-city counterparts can play a larger role.

While it may be the technological trailblazer, Amazon has no monopoly on contactless payment options. M&S has rolled out checkout-free shopping to over 300 food stores. Sainsbury's has also rolled out its SmartShop contactless scheme and introduced virtual queuing.

Such initiatives not only help address safety concerns, but should enable store staff to focus more on improving the store experience in its widest sense, whether through keeping the shelves stocked or advising customers.

Retailers must up their game now. One big message that should not be missed is that Amazon thinks a bricks-and-mortar presence is still going to matter in the future. It is understood to be planning around 30 Go openings.

This should be the time for other retailers to learn lessons from Amazon where they can but adapt their own chains at pace. That is where many longer-established retailers have decades of expertise. They should be reinventing stores before Amazon does. As store lease renewal costs come down for many retailers, there is an opportunity to put new shops to new purpose. **RW**



George MacDonald
Executive editor
Retail Week

CaRe20



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'**CaRe20** – Caring for Retail during COVID-19' is aiming to raise vital funds to provide financial, emotional, physical and vocational support to store workers, pharmaceutical staff, and those working in food distribution and the medical supply sectors who may be ineligible for government support during this health emergency.

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OPINION

We bounced back with talent, knowledge and loyalty in place

Former Hobbycraft boss **Catriona Marshall**, who now owns specialist retailer Running Bear, on how the coronavirus pandemic meant creating an online business overnight and the adoption of a new business model

In 2018, when I bought Running Bear, a specialist running shop, I soon discovered managing an independent business is far from a hobby. I was heavily conscious of carrying the responsibility of people's livelihoods, trading ethically and legally, and living up to the reputation of a 30-year-old brand. When Covid-19 struck, those responsibilities were magnified.

When lockdown started, we kept four members of the team working as normal and furloughed the others. Our immediate priority was to recreate the Running Bear experience of a specialist and personal service through our website instead of our shop. Until March 23, we had been all about the shop and our website was new and rudimentary, to say the least.

There were two things we needed to do to create a business online overnight: engage with our shop customers through social media and compete on price with online discounting.

Social media led to a very high volume of direct conversations on the phone, Twitter, Facebook, Instagram and WhatsApp. During lockdown, we found customers had very high expectations of an immediate response and were keen to chat. That was good for relationship building, but tough for the team who were on call 24/7.

In our favour was a groundswell of goodwill towards local and independent retailers and a big upturn in the running market. Compared to many small businesses, we were very fortunate.

Sales converted to online very quickly and we averaged 40% of last year's shop sales over the lockdown period. Profit was tougher, as we were discounting by 25%. We agreed with our landlord to pay 50% of our rent, we received a £10,000 grant from the council and we benefited from the break on business rates. Financially, we were able to keep our heads above water.

It rapidly became a positive

experience as we focused on personal service for shoes and our recently launched own-brand clothing range. Our customer base was growing quickly with so many new runners and people having more time to browse social media. We kept a tight-knit team, including furloughed members, using WhatsApp daily to share humour and news, maintaining a sense of belonging.

We also spent time on our future, investing in the website, investing in stock and planning a new direction, which will take the business national without shops. In order to do that we started a virtual running club, which we would not have had the time or capacity to do while managing a busy store.

Opening up again on June 15 was done with excitement and caution. The businesses in Alderley Edge and the council worked together to make the village an attractive place to return to.

In our first week after reopening, we took 300% of a typical week's sales and were back to normal margins. Five weeks after reopening, we were back to our pre-lockdown run rate of 20% year



Catriona Marshall
Owner
Running Bear

All impressions would have a greater impact and be remembered – so we went the extra mile to support customers

on year. However, in the year to date, we've lost 12% of our sales and 16% of our cash margin.

We were conscious throughout that because of the unique period we were living in, all impressions, good and bad, would have a greater impact on people and be remembered – so we went the extra mile to support our customers.

Some of our biggest suppliers were not so sensitive and we were suddenly required to start paying for stock in advance by one of them. As we exited lockdown, priority for stock was allocated to their DTC businesses online and they took drastic price reductions on their own websites. This made margin recovery for independents much more difficult.

Lockdown has made us more robust to handle future waves of the virus by moving online and has driven a new strategic direction: a virtual running club with a shop, rather than a shop with a social media community.

We have deeper customer relationships and will transition towards our most supportive suppliers. As furlough winds down and unemployment increases, value will become even more important and the market will become more competitive, so lower prices and lower margins are built into our plan.

Most importantly, by keeping the team intact, we've bounced back with talent, knowledge and loyalty in place.

Business may not be a hobby, but running is and it will be fun for everyone, whatever the challenges ahead. **RW**

Why speed, empowerment and agility beat perfection

B&Q owner Kingfisher's chief executive **Thierry Garnier** explains how the home and DIY retail giant responded to the Covid-19 pandemic and why 'done is better than perfect' in times of crisis

The last few months have been very difficult for our industry. But the pandemic has shown the importance of speed, agility and empowering your teams in navigating a way through times of crisis. It has also shown how retailers can accelerate change in their businesses to enable them to survive – and in some cases grow.

Kingfisher was classified as a retailer of essential goods in our major markets, but as lockdown approached we made the decision to shut stores for several weeks because we needed to make them safe. Facing lockdown, consumers turned to online and digital options and we needed to adapt, fast.

We changed operating models overnight – almost literally. Our teams in each country were empowered to develop solutions that worked best in their markets as they are closest to the customers.

We built a new system to pick online orders straight from B&Q shop shelves and offered drive-thru, installing hundreds of contactless click-and-collect sites.

We also started to offer more home delivery, direct from stores rather than using fulfilment centres.

In a matter of days, we reconfigured our model to meet online demand in a way that would simply not have been feasible a few weeks earlier.

It was not totally perfect, and we can continue to improve, but our ecommerce sales increased by up to 300% in April and have remained at +200% right through to mid-July.

In the last week of June alone, our customers placed 1.5 million online orders. It was inspiring and humbling to see our teams react so fast. This is something I learned working for Carrefour in Asia: in times of crisis, 'done is better than perfect'.

Importantly, physical and online retail models should not be seen as

Thierry Garnier
Chief executive
Kingfisher



separate. The most effective retailers achieve a seamless balance of both – strong ecommerce with stores at the centre.

In the USA and Asia, the aim is home delivery within 30 minutes to one hour. In China, that means customers can receive fresh fruit or meat at their home within half an hour.

One example is Hema, a rapidly growing chain of grocery stores in

China owned by Alibaba. One of Hema's 1,000 sq m stores can process 10,000 orders a day, using hundreds of delivery mopeds that can deliver within 30 minutes of an order being placed.

China still sets the benchmark for online and logistics, but with technological advances and efficiencies in fields such as last-mile delivery, the UK is catching up.

Amazon's recent announcement about grocery home delivery in the UK is another example, with delivery available within an hour for an extra charge.

Mobile-first

A mobile-first and service-oriented approach is also vital, rooted in customer insight.

At Carrefour in China, I remember that mobile payments in-store increased from virtually zero to more than 50% in three years.

At Kingfisher, mobile already accounts for nearly half of our digital traffic and, more than ever, is at the centre of customers' home improvement journeys, from the time when they are first developing their ideas, right through to the final purchase and delivery or installation.

There is already a gradual shift towards smaller, centrally located stores to meet the need for convenience and speed.

Store footprints will need to adapt and services will become more important than ever in the physical environment and a key reason why stores will remain essential.

We are testing compact store concepts and will look at adapting our stores – with 'dark store' space to enable last-mile delivery.

In the past few months, retailers have had to be more agile than ever before. They have shown that during times of crisis, speed, agility and empowerment beat perfection. **RW**

Physical and online models should not be seen as separate. The most effective retailers achieve a seamless balance of both – strong ecommerce with stores at the centre

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DTC: How to nail it for brands – and retailers

Direct-to-consumer was on the rise before the pandemic, but the past few months have only seen this trend accelerate. **Grace Bowden** looks at what that means for retail

Already a huge growth area in retail, direct-to-consumer (DTC) sales were sent into overdrive over the past few months when stores were forced to close around the world.

Shoppers were forced to rely on online retail like never before, and early indicators show that DTC operators were the big beneficiaries.

According to Rakuten Intelligence, DTC ecommerce sales in the US jumped over 200% at the start of lockdown (March 23 to 30), against a 14% uplift in ecommerce sales overall.

Accenture consumer goods strategy partner Oliver Grange says: “Before Covid-19, there was a group of people who would not shop online who have now shifted and are unlikely to go back. There are opportunities for brands from a market share and consumer understanding standpoint.” While not all these shoppers will continue to shop exclusively with DTC brands as lockdown eases, this still presents a substantial opportunity.

How to build and grow a DTC business

Building a DTC business is a very different experience depending on what type of organisation you are.

Consumer packaged goods

For a consumer packaged goods (CPG) company, going DTC is as much about bringing customer insight into its business as driving sales.

Eve Sleep chief executive Chery Calverley says customer data is an area where “FMCG has lagged massively” by virtue of historically trading primarily through retail partners.

In fact, Kraft Heinz UK head of ecommerce Jean Philippe Nier says its DTC business, Heinz To Home, is predominantly for

engagement and insight. It plans to trial new products with customers on the platform before scaling them up to a wider audience.

But what about growing sales? Calverley points out that CPGs have limited experience in using that data to drive sales, which is why some have opted to buy DTC brands to bring this capability in-house.

Unilever has snapped up DTC disruptor Dollar Shave Club for a cool \$1bn and snack box brand Graze for £150m in recent years. Calverley says: “Buying Dollar Shave Club was as much about cross-fertilising the knowledge in its own business as about the business itself.”

Dollar Shave Club’s tech-savvy operation will have offered a host of learnings for Unilever. Observers say the CPG giant’s DTC acquisitions could be a precursor to it creating a DTC empire for its brands.

If this is Unilever’s long-term play, it is certainly not alone. A survey by Salesforce conducted last June found that 99% of CPG leaders were investing in DTC strategies, with 42% saying the challenges of bricks-and-mortar retailers were negatively affecting their business.

Creating an offer different to retail

For CPGs to entice customers to shop via their direct channel, they need a differentiated offer from what shoppers can find in their local supermarket. Heinz has done this through offering personalised products on its platform.

Following a successful trial of personalised ketchup bottles on father’s day, it has made this a permanent feature on Heinz To Home and extended it across six of its most iconic products, such as baked beans and tomato soup.

“What we did on father’s day wouldn’t have made sense on a supermarket shelf,” says Nier.

73%
of companies now sell
direct to consumers
(Barclays Corporate
Banking)

HARRY'S SUBSCRIBE SHOP ▾ ABOUT ▾ SHOP BUNDLES



Building an alternative to Amazon

Shoppers are unlikely to buy single CPG products direct from brands, rather than just picking up a bottle of sauce or shampoo at their local supermarket, therefore most CPG DTC plays have involved bundling products.

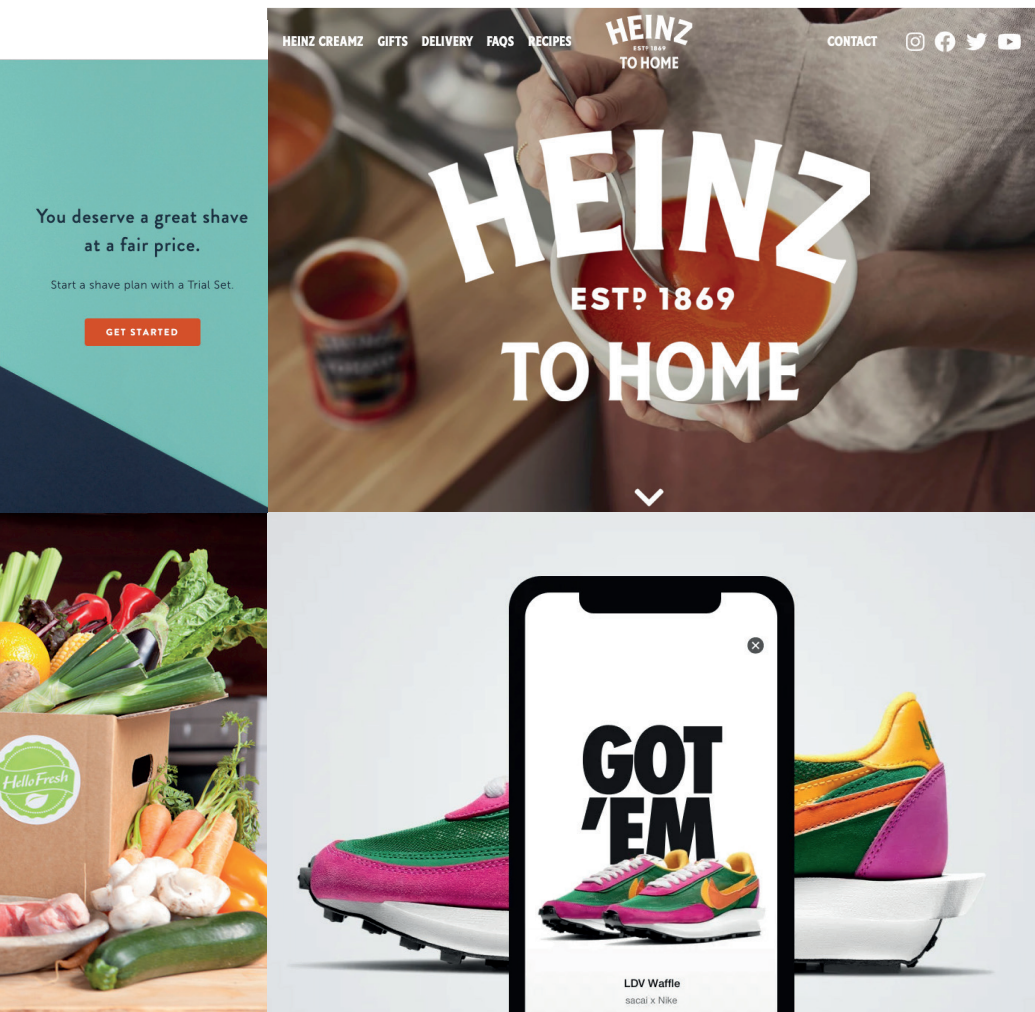
Heinz To Home offers six packages, ranging from baby food to bundles of sauces and beans, while PepsiCo has taken a similar approach with its Snacks.com platform, which allows shoppers to build their own product selections.

PepsiCo’s other DTC website PantryShop.com sells packages priced up to \$49.95, which have been grouped based on particular customer needs, such as Family Favorites, Workout & Recovery and Rise & Shine. These bundles bring shoppers convenience and are ripe for attracting repeat custom. The next step could be subscriptions.

Fellow CPG giant Nestlé’s brand Nespresso has transformed the coffee market with its subscriptions. The brand has total control over its ecosystem, delivering coffee pods to shoppers via its website, alongside a handful of retail partnerships and its own boutiques.

However, despite Nespresso’s sales success, Heinz’s Nier says “DTC is not a massive sales driver” and is unlikely to be in the future as the cost of acquiring new customers is “too high”.

To read a longer version of this feature
go to Retail-Week.com/DTC



DTC players (clockwise from top left): Harry's, Heinz, Nike and HelloFresh

If our job is to serve consumers on their terms, how can we use stores to make that really, really easy?

Cathy Sparks, Nike

Big brands

This high acquisition cost means that established brands, which have already built customer recognition, are better placed to monopolise on DTC's sales potential.

Just look at Nike, which will achieve £16bn in DTC sales this year.

Nike launched its DTC strategy just three years ago and at the time said the move would help double its speed of product development, its rate of innovation and its level of direct connections with consumers.

The premise of this new strategy, called 'Consumer Direct Offense', was relatively simple. Nike wanted to drive shoppers to use its NikePlus membership scheme, which

would unlock a more personalised customer experience both in store and online, and in return increase the brand's knowledge of and connection with its shoppers.

To achieve this, Nike focused on two key areas to differentiate itself from rival brands and retailers – stores and apps.

Branded experiences in store

As part of its DTC push, Nike is growing its number of owned stores. It is creating a localised and immersive shopping experience, something the brand has not been able to control in the third-party retailers in which it is stocked.

Global vice-president of Nike direct stores and service Cathy Sparks tells Retail Week: "The shopping journey of the past was challenging – you don't know if they're going to have what you want in store, you may not be able to talk to a sales associate who has the right information, you may want to get your product same- or next-day from digital, and there wasn't a way to do that without exorbitant shipping costs.

"We started by saying: 'If our job is to serve consumers on their terms, how can we use stores to make that really, really easy?'"

The brand has targeted 12 key cities – including London, New York, Shanghai and Paris, where it opened its latest flagship

The sectors most disrupted by DTC

With so many sales now bypassing retail, which sectors will be most disrupted?

Food

Lockdown has stimulated a surge in DTC in the food sector, which has led to CPG giants Heinz and PepsiCo launching DTC websites.

Recipe box leader HelloFresh's sales grew more than 100% in the US and internationally in the second quarter, while rival Gousto secured £33m of funding to capitalise on new customer interest after first-half sales soared 115%.

Nespresso UK and Ireland boss Guillaume Chesneau says ecommerce sales have had "an enormous jump in absolute terms as people work from home and are consuming more inside the home".

Brands that allow you to create an experience in your own home are set to do well

KPMG head of UK consumer markets Linda Ellett says: "Brands that allow you to create an experience in your own home are set to do well out of this. There is more opportunity in those categories to convert shoppers long-term

with easily accessible, high quality products."

Personal care

Razor subscription schemes Dollar Shave Club and Harry's, founded in 2011 and 2012 respectively, had collectively won 12% market share in the US razorblades market by 2018, primarily from CPG titan Gillette.

The subscription model is particularly effective for DTC personal care brands, allowing shoppers a quick and convenient way to buy products on a recurring basis. There has been a proliferation of subscription-based brands, such as electrical toothbrush head seller Quip and Ohne, which sells biodegradable organic tampons.

Fitness

Brands such as Nike and Lululemon have also used DTC channels to get closer to customers trying to keep fit during lockdown.

Nike's online sales jumped 75% in its most recent quarter to May 31 and account for 30% of overall revenue.

Meanwhile, Lululemon's first-quarter sales actually rose despite lockdown, driven by a 68% jump in its DTC arm, accounting for more than half its total sales. DTC sales accounted for 54% of total sales, up from just 26.8% during the first quarter last year – a result that led to its share price climbing to an all-time high.

ANALYSIS

— which the brand forecasts would account for over 80% of its projected growth in 2020.

It has launched a range of formats in these cities, from multi-storey experiential House of Innovation stores to smaller-format Nike Live shops, which stock products based on data gathered from NikePlus members in the surrounding area. For example, its LA Nike Live branch focuses on running and training products in bright colours following local data trends.

Sparks says: “When consumers come and engage with a brand like Nike, which they know and love, in-store, they want to be known and to see themselves reflected in our brand. We have the power to do that because we are about sport and customer data at a local level.”

As well as creating amazing stores, Nike has slashed distribution to “undifferentiated multi-brand wholesale” and, in a controversial move, cut ties with Amazon.

The brand has instead focused on a select few retail partnerships including Dick’s Sporting Goods, Foot Locker and Nordstrom in the US and JD Sports in the UK.

Apps and membership

Despite creating unique store experiences, Sparks says digital will be the primary way customers engage with Nike — and its membership programme is critical to this.

At the beginning of this year, NikePlus had 185 million members worldwide and it aims to increase this to 300 million by 2023. NikePlus members spend four times more with the brand than regular customers on average.

Nike’s four apps are a core means of driving new members as NikePlus is offered as a free perk. The brand has a traditional retail app and an app specially designed for ‘sneakerheads’ — those obsessed with fashion-forward trainers — who get early access to new styles and

exclusive drops. Sneakerheads may be a small proportion of Nike’s customer base, but last year the SNKRS app generated an estimated \$750m in revenue, approximately 20% of Nike’s digital business. By offering a dedicated app for superfans, Nike has tapped into a high-spending cohort of dedicated customers, who it is able to cater to and collect data from directly.

Nike’s other two apps — Training Club and Run Club — are focused on exercise and personal training, rather than shopping. Both apps charge a membership fee and offer a variety of perks like video workouts and access to Nike-organised run clubs.

Although these apps are not a direct driver of sales per se, they forge a direct connection with customers, engendering loyalty, which will increase the propensity of shoppers to buy from Nike. This connection was plain to see during the pandemic as the Training Club and Run Club apps gained 25 million new members globally during Nike’s fourth quarter to May 31.

Prior to the coronavirus outbreak, app users comprised approximately a third of Nike’s overall digital revenue — the spike in usage during the pandemic means this number is likely to rise in years to come.

DTC start-ups

Nike’s DTC push has been a resounding success — but it was enabled by its pre-existing brand recognition and deep pockets. For DTC newcomers, building brand recognition can be an expensive — and sometimes fatal — process.

Trendy slipper retailer Mahabis, which was once applauded for what was seen as savvy use of social media advertising, collapsed into administration in 2018 and cited excessive marketing spend as a contributing factor.

DTC mattress brands Casper and Eve Sleep have both seen their share price plummet

as growth failed to match up to spiralling costs. Casper spent 32% of its total revenue on marketing last year, while Eve Sleep’s marketing costs spiked 119% in 2018, when losses widened 68%. Eve Sleep has since substantially stripped back its international presence and marketing spend.

Calverley, who first joined the brand 18 months ago as chief marketing officer, says: “When I joined, there was quite a big strategic shift because management realised that the growth was unsustainable from a profitability point of view. I think there’s a number of DTC businesses facing the same challenge.”

Customer churn

Management consultancy firm SSA & Company’s retail and consumer practice managing director Matthew Katz says customer churn is one of the core challenges with scaling DTC businesses.

“Most brands lose as many customers a year as they gain. DTC brands have to continually find new ways to attract that customer, be it SEO, direct or email marketing,” he says.

President of performance marketing agency Control v Exposed Paul Frampton says many DTC operators focus on forms of advertising that deliver fast returns and are easier to attribute from click-through to sale, such as pay-per-click, affiliate marketing and paid social advertising. The problem is that the type of shopper that is drawn by this type of advertising is unlikely to be one that will stick around.

“They’re lower-value customers who are offer-driven, but don’t necessarily engage with the brand in a deeper way. That creates the problem of a DTC having to go back out and spend the same money to acquire a similar customer,” says Frampton. To avoid what he calls this “very expensive way of operating”, he says DTC brands should focus on “the right customer” who has a good lifetime value.

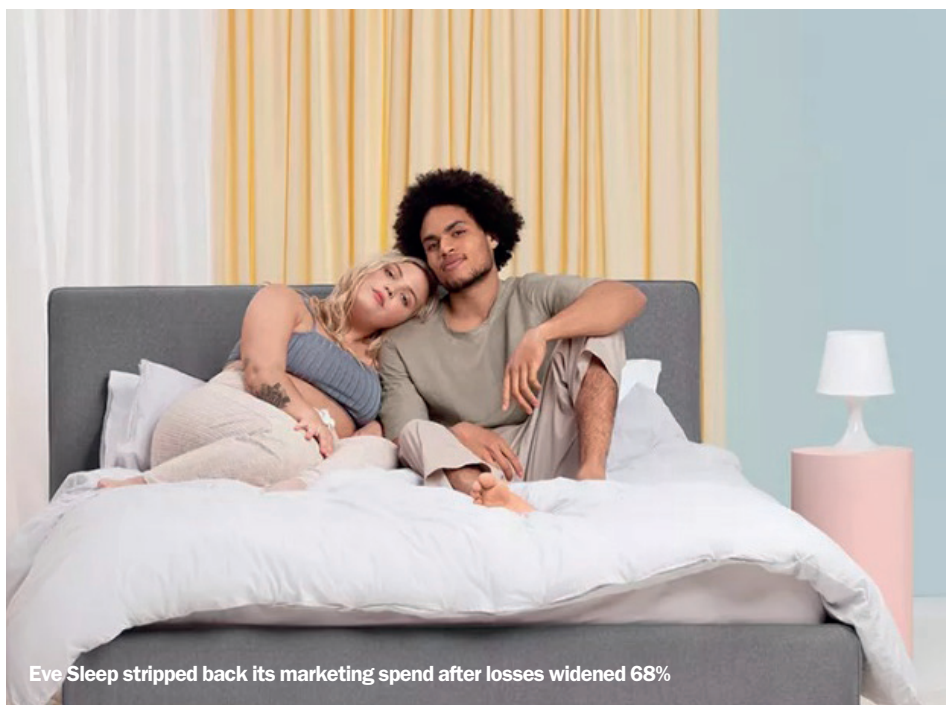
However, some brands are getting this wrong by either bombarding everyone with marketing to build a general level of awareness — a very expensive tactic — or relying overly on pay-per-click to appease investors who want to see immediate return on marketing investment.

Expanding range and territories

Eve’s Calverley says another critical error is picking a product that is too niche. “The reason Mahabis went bust is because there isn’t room in the market for an upmarket slipper brand. Name me another one? One place where direct-to-consumer brands make mistakes is when they play in very, very narrow market niches.”

“It’s easy to see big growth at the beginning and think you’re on to a winner, when what you’ve really done is picked off everyone who wanted to buy expensive slippers. To make that sustainable, you need to sell more than a slipper, or sell slippers in 150 markets, both of which take time and money to achieve.”

One brand that has successfully diversified and grown internationally is Gymshark. Like Mahabis, it started out by focusing on one



Eve Sleep stripped back its marketing spend after losses widened 68%

To read a longer version of this feature
go to Retail-Week.com/DTC



product – weightlifting leggings – but unlike the slipper brand, Gymshark has expanded its product range across other fitness disciplines such as running and yoga.

Gymshark chief commercial officer Niran Chana says: “We are diversifying, but we are going to continue to focus on our core audience. Our bullseye as a category is lifting and leggings are our permission to play.”

The brand has also pressed ahead with international expansion and has 15 overseas websites – but Chana says there could be more, were it not for its decision not to use retail partners. “The DTC model is low-risk because it gives us the freedom to try things, like store pop-ups, but we are investing huge sums into our online proposition – stock availability, fast delivery, easy returns, speaking to customer support in the language and tone of voice you want – all of that costs money.”

Opportunity, threat or both?

The strategic shift to DTC has already ruffled some retailers’ feathers.

Nike plans to terminate many supply agreements with UK retailers next year as they are “no longer aligned” with its distribution strategy. This led Sports Direct founder Mike Ashley to call for a competition probe into Nike and rival Adidas, whose market dominance, he claimed, gave them unfair advantage over retailers in terms of product supply and pricing.

A level of nervousness from retailers about what DTC means for them is understandable. Brands no longer need retailers to access customers like they did in the past – and this is likely to be exacerbated by the surge in lockdown online shopping.

Calverley admits: “It is not vital to have space in 150 stores now, whereas in February that would have been at the top of my to-do list.”

Could Covid-19 stem the tide of brands lining up to fill shop floors?

Retail partnerships will still be necessary to build scale, says Calverley. “Pretty much any successful, profitable, growing DTC brand will need to have broader relationships and partnerships at some point – even Apple sells products through other people,” she says.

However, brands big and small will be more selective about the retailers they sell through.

Pretty much any successful, growing DTC brand will need to have broader relationships at some point – even Apple sells via other people
Cheryl Calverley,
Eve Sleep



Gymshark now has 15 international websites

Take Nike. It ended its two-year partnership with Amazon in November last year. At the time, it said: “We will continue to invest in strong, distinctive partnerships for Nike with other retailers and platforms to seamlessly serve our consumers globally.”

Nike’s vice-president of marketplace development Stuart Hogue told NRF in January that it only works with marketplaces that “matter to consumers”; “extend the reach of Nike and enable us to reach consumers we might not be able to”; and “elevate the consumer experience”.

This shift to using select retail partners is being replicated by other DTC brands. Fenty Beauty, the brand set up by Rihanna, partnered with only Harvey Nichols and later Boots in the UK, while footwear brand Allbirds insists it will not sell on Amazon.

Retail’s response

How should retailers respond to being cut out of the loop?

Buying DTC brands

One dramatic option is to snap up DTC brands to piggyback on the innovation that has disrupted the market and gain insight into their operations and customer data.

In 2017, Walmart acquired fashion brands Bonobos, ModCloth and Moosejaw as it tried to grow its own online clothing business, while grocer Kroger bought meal-kit delivery brand Home Chef in 2018.

Although deals of this nature are on the up, Calverley says the incentive to buy DTC brands for retailers is less compelling than it might be for a CPG giant like Unilever as retailers already hold lots of data about shopper behaviour.

Giving brands more data

Retailers could also offer DTC brands greater insight into shopping behaviour to tempt them into selling via their channels.

A lack of data is one of the reasons why Gymshark is committed to going it alone without wholesaling. Chana says: “We want to really understand how consumers are interacting – have they come from emails, paid social, organic search, a retail store that then translates to an online sale? Having that 360-view of our data is really important to the business.”

Meanwhile, Kraft Heinz’s Nier says acquiring direct customer data is one of the chief motivations for Heinz To Home because “getting data from retailers is always a challenge”.

Exemplary retail experience

By creating an exceptional in-store and online experience, retailers can remain a valuable channel that DTC brands want to use.

Nespresso UK and Ireland boss Guillaume Chesneau says: “We work with a number of key partners and try to reproduce the type of experience that we offer in our own-brand stores. Our retail partner stores have extended training to deliver the type of experience that is to our standard.”

Whatever the tactic taken, retailers help new brands access a much wider pool of customers much faster than if they go it alone. “Only the very best brands get to keep growing through channels and geographies, and doing that without partnering with a retailer makes that journey even harder,” SSA’s Katz says.

Calverley agrees: “DTC brands can be good, but the fact is they do represent a fragmented journey for the customers. Shoppers aren’t going to visit 42,000 websites for their products any more than they would visit 42,000 shops.”

Working with the right retailers is an important step for many DTC brands, but doing so on their own terms is becoming increasingly paramount.

DTC is unlikely to be the death knell for traditional retail – but it could be the straw that breaks the camel’s back for retail mediocrity. **RW**

ANALYSIS

Retail's new lipstick effect

Recession drives consumers towards small luxuries, but with face masks challenging lipstick-wearing, which products will fly off the shelves post-Covid? **Victoria McDermott** reports

When times are tough, consumers don't simply stop shopping, but instead trade down from big-ticket items to small indulgences to cheer themselves up. We've all been there, feeling a bit gloomy and hoping some retail therapy will raise our spirits, whether that be a posh box of chocolates or a new outfit.

During tough economic climes, consumers traditionally snap up little luxuries – such as lipstick – to give them an instant pick-me-up, otherwise known as the 'lipstick effect'.

However, with mandatory face masks very much part of our new normal, shoppers will be turning to other categories to give them a boost during any post-Covid recession.

Instead of seeing the boost it did during the 2008 recession – where L'Oréal reported sales growth of 5.3% – lipstick could instead be left on the shelves for months to come. Mintel beauty analyst Roshida Khanom says: "The segment as a whole will struggle as it becomes tricky to use lip products with face masks."

So what are the products that shoppers will rush to buy during the Covid-driven downturn?

Lashings of lashes

Lipstick sales may suffer, but shoppers will still be investing in some beauty products. With half of our faces covered up with masks, it is no surprise that people are accentuating their eyes more to make up for it.

Clare Varga, head of beauty at trend forecaster WGSN, says that lashes will take the limelight this year. "Whether it's false lashes, mascara, growth serums or extensions, lashes are the new lipstick," she says.

Indeed, in the UK Primark has sold almost 800,000 sets of false lashes since reopening.

Varga adds: "Mask-wearing has focused attention upwards to the eyes, so people are

creating bolder, more expressive eye looks. More time working from home and communicating via screens is also driving lash products.

"People want to look fresh and awake, and strong lashes deliver that. And while many people aren't bothering with a full face of makeup, mascara is the one thing many people won't go without."

Asos and Tesco also expect to see shoppers adding eye products to their baskets.

Alex Scolding, Asos Face + Body head of buying, says: "Eyes are going to be a focus with the mandatory nature of face coverings for the global population, and we hope to see the upside in brows, mascaras and eye palettes and creative artistry around eyes continuing in its dominance."

Fancy skincare

However, it's not just the eyes that shoppers are splashing out on – skincare is also expected to take a front seat when it comes to consumer spending.

A new trend for slow beauty routines and pampering rituals has emerged this year, says Joanna Rogers, trading director and vice-president of beauty at Boots UK.

"Ingredient-led products continued to disrupt the world of skincare during lockdown, with searches for 'vitamin C skincare' increasing by 5,000% on Boots.com and sales of facial skincare almost quadrupling," she says.

"Great skin is often seen as a reflection of overall health, and in the last month alone searches for 'glow' products on Boots.com increased by over 1,000%.

"We predict this is a lifestyle change that will stay with us, as nurturing skincare continues to trend and becomes a new pick-me-up for consumers."



Face masks

Face masks are, of course, the latest must-wear item and shoppers are seeking coverings that make a statement.

Fashion retailers across the spectrum – from value to designer – have been quick to create their own face masks.

Coverings may be necessary from a health perspective, but expect shoppers to treat them as the latest fashion accessory in which to take a selfie.

Global flavours

With many holidays cancelled, consumers will be looking to bring that taste of the exotic home. Think Keralan curry pastes, pots of kimchi and teriyaki sauce – global ingredients are on the up.

Waitrose.com revealed that during the first six weeks of lockdown searches for Indian food soared 144%, with Chinese, Thai and Japanese food all following closely behind.

Jennifer Creevy, head of food and drink at WGSN, says: "Consumers, for the most part, have been unable to travel over the last few months and we're seeing a real desire for global flavours.

"Consumers want the experience that global dishes bring, to treat themselves and for that food or drink to transport them somewhere else."



In the last recession, lipstick endured as a 'luxury' purchase

Consumers want the experience that global dishes bring and for that food or drink to transport them somewhere else

Jennifer Creevy, WGSN

With a significant shift in consumers attempting to recreate international recipes, speciality oils have also enjoyed a boost.

According to Kantar, sales of oils such as sesame, peanut and grapeseed grew by 16% in the 12 weeks to April 19. And with the appetite for far-flung flavours not going anywhere fast, these items could soon become supermarket staples across the UK.

Potted plants

With consumers still restricted as to where and how they can socialise, entertaining at home will continue to be the norm. And

money saved from eating out may instead be used for giving homes a makeover.

Small purchases of potted plants, both real and fake, are helping to provide shoppers with an instant pick-me-up, giving tired rooms a lift for little money or effort.

WGSN director of lifestyle and interiors Lisa White says Pinterest searches for "garden rooms" are up 104% in 2020 and all generational cohorts are purchasing, not just millennials.

White says: "Plants bring nature into confined homes, clean the air, offer consumers a mindful activity – and hope. In retail, we see plants functioning very well as add-on purchases in grocery stores like Aldi and Whole Foods, and interior retailers such as Anthropologie and West Elm. Plant-care supplies like well-designed pots and clippers are also items to invest in."

B&Q and Screwfix owner Kingfisher has already experienced soaring demand for plants, with group like-for-like sales jumping 22% in the three months to July 18.

Canned cocktails

Generally regarded as being "recession-proof", alcohol has historically proven to be resilient during tough economic times. With consumers keen to shake up their own

Martinis and Margaritas, sales of spirits have soared throughout lockdown.

Tequila sales at Waitrose rocketed 175% as people aimed to create a party atmosphere, and liqueurs jumped 78% as people tried new cocktails and drinks at home. This trend looks set to continue as we move into life after lockdown.

Mintel's associate director of consumer lifestyles research Jack Duckett says: "While restaurants and bars have started to reopen, many are holding back as concerns over eager crowds make some nervous about eating and drinking out of home."

Shoppers are still turning to booze to lighten their spirits with 15% of consumers stating they will spend more on alcohol to drink at home over the coming month, according to Mintel, and sales of beer, wine and spirits sold through grocers up 41% in the past month.

Yet, with consumers socialising more in parks and gardens this year, ease and convenience will be top of the shopping list when it comes to alcohol and it is no surprise that canned cocktails are one of the hottest categories in the alcohol sector.

In a survey carried out by Bacardi, almost 30% of consumers say they plan to purchase ready-to-drink cocktails or canned spirit-and-mixers for their socially distanced summer get-togethers.

Cocktails in a can are a hot trend this year, with Nielsen Scantrack stating that ready-to-drink cocktails' growth had doubled in the four weeks to May 16.

Extra earrings

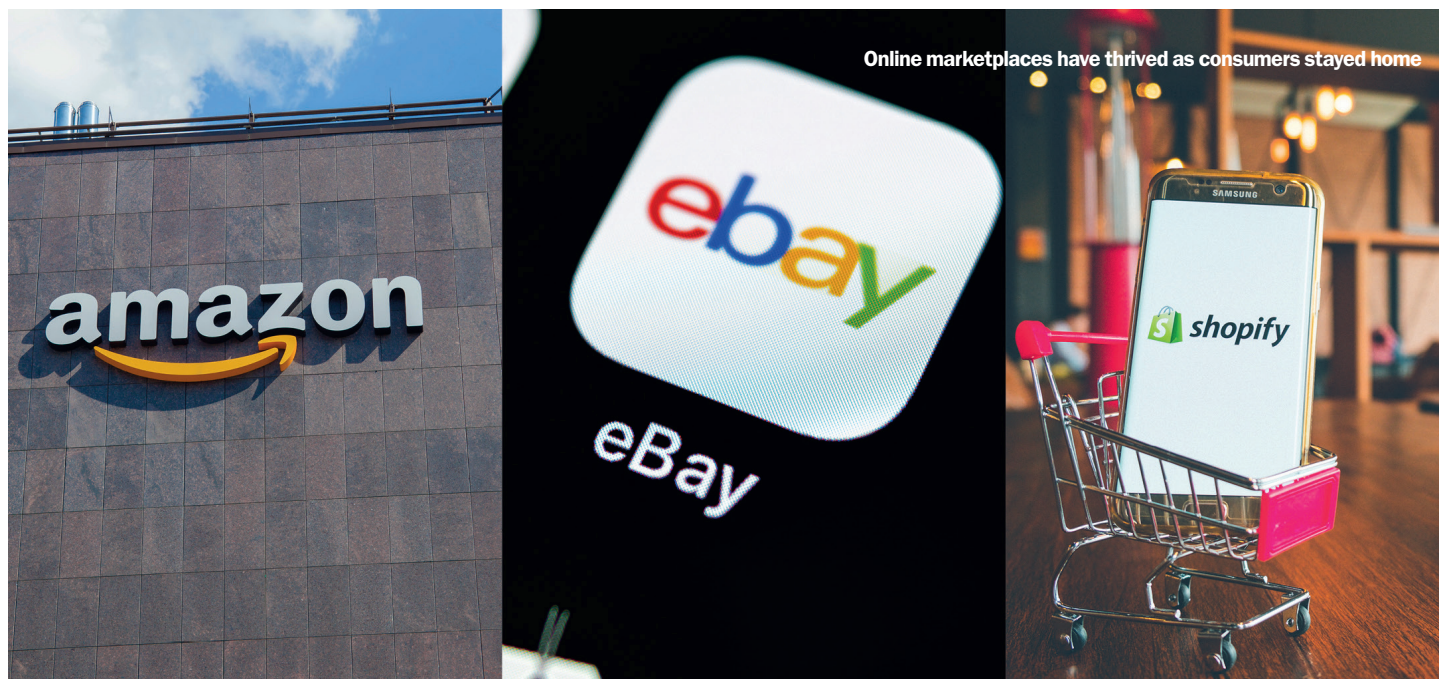
With video conferencing and Zoom calls still the norm for many daily interactions, being presentable from the waist up is all that's required. With the shift to above-the-waist dressing accelerated, earrings are once again in the spotlight, with fashion jewellery brands reporting a surge in earring sales.

Petah Marian, senior strategist at WGSN, explains: "It comes back to the recession idea of little luxuries – you can buy a pair of earrings or an accessory that makes that working-from-home outfit that bit more special; those are the types of things that might drive sales in the shorter term."

And this certainly seems to be the case. Since stores reopened, jewellers have reported a boost in sales, with the Company of Master Jewellers revealing that 54% of retailers said sales had been better than expected since they reopened.

Beaverbrooks has also seen a 23% increase in average transaction value on jewellery and watches, which it says reflects the pent-up demand of consumers for luxury items in lockdown. **RW**

ANALYSIS



Marketplace melee

Lisa Byfield-Green and **Eleanor Smith** examine Amazon, eBay and Shopify's second-quarter results to understand who traded best over the tumultuous lockdown period

Retail news has been dominated by headlines of declining footfall, store closures and job losses since lockdown came into force in March. And who better to take advantage of shifting demand towards online than the three titans of ecommerce Amazon, eBay and Shopify?

While all three reported substantial year-on-year revenue increases versus their previous results, it was Shopify that led the way as its revenues skyrocketed by almost 100% to \$714.3m (£550m) in the second quarter.

The Canadian ecommerce platform was bolstered by a 71% uplift in the creation of new online stores, and those stores created post-lockdown showed gross merchandise volumes above those created prior to it.

While the majority of this growth could be attributed to Shopify's 90-day free store trial, which ended during May, it is now in prime position to reap the benefits of new customers converting into long-term paid subscribers.

eBay's growth was similarly supported by a rush of new sellers on its marketplace, ultimately reaching 256% growth in new business sign-ups in the UK.

On top of that, "approximately 8 million new customers" joined the global marketplace to deliver an active customer base of 182 million.

Going into the third quarter, eBay expects growth to come in at a more muted 14%, which

makes sense as lockdowns begin to ease and footfall slowly returns to give physical retailers a much-needed rise in sales.

However, it will be critical for the marketplace to ensure it engages well with its new influx of sellers and buyers to ensure they stay loyal, with so many other buying platforms, such as Shpock, Rakuten, Bonanza and Depop, active in the same space.

The biggest name in online retail, Amazon, had no intentions of allowing a "highly unusual quarter" to dampen its long-term growth prospects. Despite sinking more than \$4bn (£3.1bn) into coronavirus-related costs during quarter two, revenue growth of 40% demonstrated how much customers have relied on Amazon over the last few months – this led to a doubling of net income to \$5.2bn (£3.9bn).

Amazon will now be seeking to reap the benefits of its large-scale investment in grocery delivery capacity, particularly in the UK, where it has made its Fresh service free to more than 15 million estimated Prime subscribers.

Measured by gross merchandise volume (GMV), it is clear to see that one platform has benefited more than others.

Although growing from a smaller base than eBay and Amazon, a 119% growth rate has led to Shopify outgrowing closest competitor eBay.

Even more impressively, that was against a prior year in which it grew 50% and when

GMV through Shopify point-of-sale systems plummeted 29%, further confirming that any growth to be had was from online operations.

eBay attributed its success to improvements in customer acquisition, conversion and traffic, but acknowledged that was "driven by consumer behaviour shift to ecommerce shopping resulting from the Covid-19 pandemic".

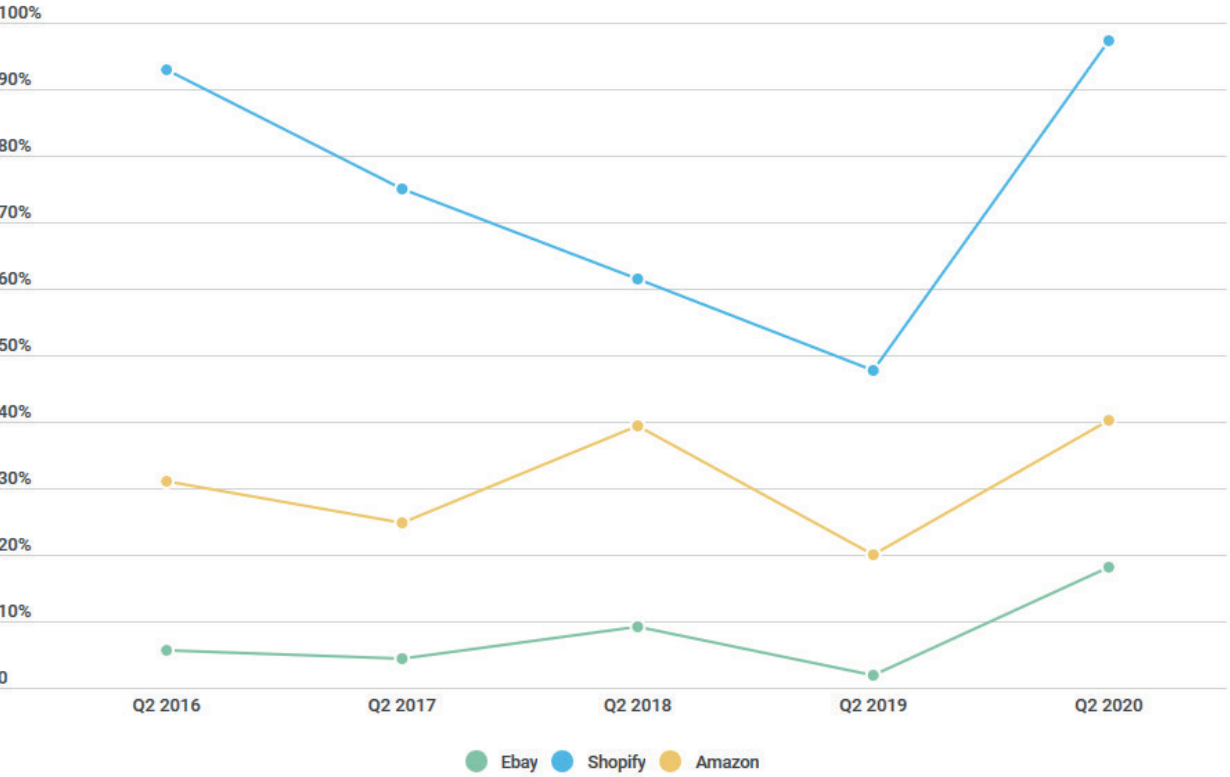
Looking at what supported the platforms' GMV growth, Shopify put it down to significant consumption of food, beverages and tobacco as sales doubled relative to the first quarter. It was a more standard affair from eBay, which experienced acceleration in electronics, home and garden and collectibles.

Amazon revealed that online grocery sales tripled in its second quarter. Although that was mainly in the US, this demonstrates the potential still to come as shoppers increasingly shift their spending online.

The tailer's results also showed that third-party sales increases outpaced those of first-party vendors – presenting opportunities to rival its marketplace competitors.

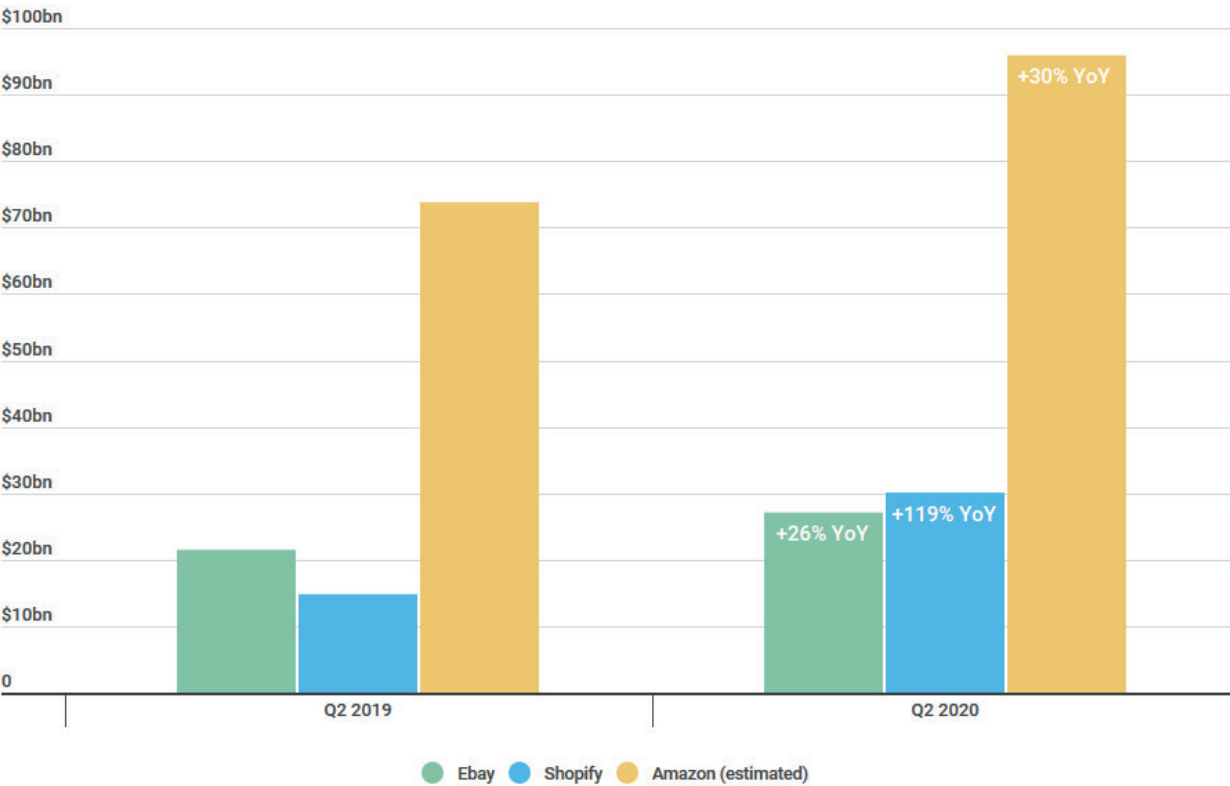
As retail's traditional peak period nears, one thing is clear. Retailers will need to become platform-agnostic and look at what benefits a presence on Amazon, eBay and other marketplaces could give them while consumer uncertainty remains rife. **RW**

Year-on-year revenue growth for Q2 2016 to 2020



Gross merchandise volume for Q2 2019 vs. 2020

(Amazon does not provide quarterly gross merchandise volume figures, included figures are estimates)





Coronavirus Consumer Pulse: Online rebounds after face mask rule

Amid the coronavirus crisis, it has arguably never been more important, nor more difficult, for retailers to understand their customers.

How are shoppers feeling about their own finances, the economy and life in general? Are they shopping more online since lockdown? Which retailers are they gravitating to? Does the switch to ecommerce mark the new normal? Or will old shopping patterns and habits start to return as lockdown measures ease?

As retailers grapple to understand evolving consumer trends and how they could shape the future of commerce, Retail Week has joined forces with analytics specialist The Smart Cube to answer some of those questions.

Our biweekly Coronavirus Consumer Pulse monitor will pull together data from a multitude of sources to better understand consumer behaviour and sentiment, track how that is changing alongside the government's actions and restrictions, and establish the businesses that are emerging as the online winners during the crisis.

Retail Week and The Smart Cube have combined their machine learning and sector expertise to analyse online search trends, website traffic, app downloads and use, social media posts, physical mobility data and government actions to paint a picture of the current retail environment – and analyse what it might mean for the future of the sector.

Online traffic has rebounded over the past two weeks as wearing face masks in shops across England became mandatory.

Average daily traffic to retailers' websites jumped from 295,165 during the week beginning July 5 to 304,655 in the week commencing July 19.

The government announced on July 14 that face masks would become compulsory for shoppers in England from July 24 – a move that appears to have driven more people back online.

All retail sectors analysed in the Coronavirus Consumer Pulse benefited from increases in online traffic over the past two weeks, with fashion the biggest winner.

The number of visitors to clothing websites jumped 4.9% over the two-week period to an average of 337,374 per day.



Grocery retailers enjoyed a similar 4.5% uplift in traffic to an average of 453,022 website visits per day.

Home and DIY and health and beauty retailers also registered improvements in online shopper numbers over the past fortnight, though their increases came at slower rates of 1% and 1.7% respectively.

Online back in fashion

Asos, H&M, New Look, Marks & Spencer and Topshop were among fashion's biggest ecommerce winners over the past two weeks as consumers returned online.

New Look registered a 14.9% spike in average daily website visits, jumping from 218,707 in the week beginning July 5 to 251,332 in the seven days from July 19. Over the same period, Topshop's average daily website traffic surged 13.8%, Asos registered a 7.8% increase and H&M recorded a 6.8% uptick.

Of the major fashion retailers analysed in the Coronavirus Consumer Pulse, Urban Outfitters was the only one to experience declining online traffic over the past two weeks, as average daily visitors to its website dropped 3.7% to 49,471.

Mask effect

All major grocers, with the exception of Sainsbury's, enjoyed increased traffic to their websites over the past two

weeks, suggesting the introduction of face masks has driven more people to go online for their food shop.

Ocado and Aldi, which only sells general merchandise and wine via its website, were the biggest beneficiaries of the increase in traffic. Ocado enjoyed a 17.2% jump in average daily visitors to its website between the weeks beginning July 5 and July 19, reaching 210,251 – its highest point for two months.

The average number of daily visitors to Aldi's website hit 271,324 during the seven days commencing July 19, a 15.7% increase compared to two weeks previous.

Morrisons grew traffic quicker than any of its big-four rivals over the two weeks, as daily traffic increased 8.4% to 361,878.

By contrast, Sainsbury's saw a 3.5% drop-off in average daily visits to 614,641.

DIY declines

Home and DIY retailers were among the big winners during lockdown as consumers sought to spruce up their homes, but the growth in shoppers visiting their websites is now beginning to tail off.

Over the past two weeks, Ikea, Dunelm, Wickes, DFS and ScS have all seen their online traffic decline.

Kingfisher-owned B&Q and Screwfix, on the other hand, both registered

increases in website visits over the same time frame, as did Homebase and garden centre operator Dobbies.

Homebase emerged as the biggest winner online, recording a 7% increase in average daily traffic between the weeks beginning July 5 and July 19.

B&Q and Screwfix enjoyed 5.3% and 3% gains respectively.

Mainstream makeup success

Increases in traffic to health and beauty websites were also muted over the past two weeks, but mainstream high street names were the biggest beneficiaries of people shopping online.

The average number of daily visitors to Boots' website increased from 528,372 during the week beginning July 5 to 531,109 in the seven days starting July 19.

Superdrug's ecommerce platform received 9% more hits during the week beginning July 19 than it did two weeks previously, while Holland & Barrett's visitor numbers grew 5% over the same period.

By contrast, the average number of people visiting Feelunique's website every day tumbled 30% to 52,011. **RW**

To find out more about

The Smart Cube or the Coronavirus Consumer Pulse monitor, email retail.solutions@thesmartcube.com