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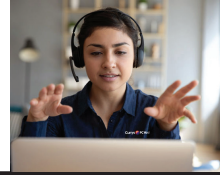
ONE-STOP WINNERS

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EDITOR'S COMMENT

Luke Tugby



Tesco and AO can kick-start retail jobs evolution

Sixteen thousand people. That's enough to fill Hampshire Cricket's Ageas Bowl, where England have been taking on Pakistan in a test match. It's also the number of people Tesco will take on permanently in the wake of the coronavirus crisis as it seeks to capitalise on the shift to online shopping.

That is a significant recruitment drive – and it isn't alone in hunting for new staff. Tesco's plans were revealed just days after AO kicked off a search for 650 employees to take roles across the business, from tech experts to gas engineers and even a TikTok specialist, as it targets ambitious growth.

Brits had barely heard of TikTok three years ago. Now retailers want full-time employees to create content for their TikTok channels.

Tesco, AO and the nature of the roles they are recruiting for offer timely proof that retail jobs aren't dying; they are evolving.

I don't say that through rose-tinted spectacles. Retail is in the midst of the most challenging period in living memory and companies are having to cut their cloth accordingly. As a result, the level of jobs being lost across the industry is likely to get worse before it gets better.

Marks & Spencer, John Lewis, Boots, Dixons Carphone, Selfridges, Debenhams – the list of retailers cutting jobs this year already reads like a who's who of the Great British high street. And Retail Economics predicts that 300,000 retail roles will be lost over three to five years as the impacts of Covid, the accelerated digital shift and Brexit all take their toll.

Yet out of such adversity can come opportunity. It may not make for as sensational a headline, but plenty of jobs will be created against that backdrop, both now and in the future. Tesco and AO's hiring sprees are testament to that, and they aren't the only retailers on the lookout for new talent.

According to analysis from LinkedIn published last week, 10 major retailers including Asda, Morrisons, Co-op, Superdrug and Specsavers are

advertising at present for more than 3,500 roles between them on their UK websites. And that didn't account for others such as Aldi and Lidl, both of whom have launched big recruitment drives as part of their bullish store expansion plans.

Many retailers might be battenning down the hatches right now, but others will see similar opportunities for growth in the future.

The highly anticipated partnership between Ocado and M&S kicks off next week. If that attracts new customers in the manner both parties hope, expansion and further jobs are likely to result.

Debenhams might be axing 2,500 roles, but Next has already agreed to take space in six of its former department store locations for its new beauty hall concept, which will require expertise in cosmetics.

Online recipe box providers, such as HelloFresh and Gousto, have seen sales soar during lockdown

and will require additional staff to service their growing top lines – the latter has already said it will need 1,000 new workers.

And as businesses such as John Lewis take baby steps into rental, recycling and similar ventures, more meaningful strides in the years to come could create further employment.

It is all too easy, then, to be apocalyptic. Retail is being hit hard and jobs are being lost in their thousands. But as Tesco and AO have proven this week, the best retailers are already adapting and creating jobs, which will plug some of the gaps left by rivals that were slower to enact digital change.

As AO's founder and boss John Roberts put it to me this week, coronavirus has served "as a wake-up call for high street retailers to think about where and how the customer really wants to shop" and to structure their businesses to suit.

As others wake up to the new demands being imposed upon them by their customers, and open their eyes to new avenues of growth, employment will follow. **RW**

The nature of the jobs they are recruiting for offer proof that retail jobs aren't dying; they are evolving

THE BIG STORY

The retail sectors capturing footfall since UK stores reopened

Footfall is slowly returning to retail destinations following the peak of the coronavirus pandemic, but which sectors are capitalising on that traffic and enticing customers into their stores? Springboard data shared exclusively with Retail Week reveals all. By **Eleanor Smith** and **Lisa Byfield-Green**

Food and beverage operators, and stores that offer services – such as banks, nail bars, hair salons and estate agents – are capturing an increasing proportion of shopper footfall since the easing of lockdown measures, new figures have revealed.

The two sectors have attracted a growing proportion of the customers returning to retail locations, according to Springboard data on capture rates – a metric that measures the percentage of available footfall that actually enters a given bricks-and-mortar store.

By contrast, all sectors of traditional retail suffered declining capture rates in the seven weeks to July 26 compared with the pre-pandemic period, but department stores and health and beauty outlets have emerged as the most resilient.

Footfall 'market share'

The coronavirus pandemic and the resulting lockdown have fundamentally changed the retail landscape and affected consumer attitudes towards shopping in physical spaces.

Spend has been gradually shifting online for a number of years, but the pandemic has accelerated this trend. Online share of retail spend in the UK has risen from a fifth to now account for one third of total sales, while footfall to locations such as high streets and shopping centres has dropped.

Consumers are slowly finding their way back to physical locations and retailers are grappling to win footfall market share. Springboard's capture-rate data reveals the categories that are doing exactly that across the UK.

Over the seven weeks since non-essential retail reopened, services have enjoyed the most dramatic increase in capture rates as consumers flocked back to locations such as post offices, hair and beauty salons, estate agents, travel agents and banks. But pent-up demand for such services appears to have been short-lived, slipping during weeks six and seven to return to near pre-pandemic levels.

Food and beverage outlets have been a key driver of footfall and increased spend since shopping destinations reopened. The Eat Out to Help Out scheme, which offers customers 50% off their food bill up to a maximum of £10 per person from Monday to Wednesday during August, is expected to have a further positive impact on the sector's capture rate over the course of this month.

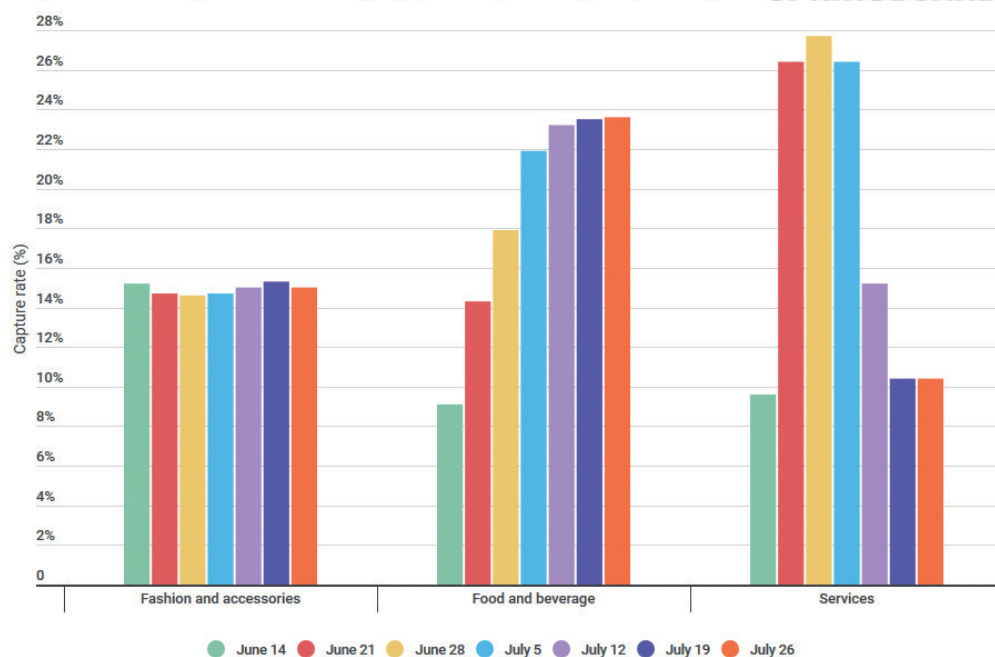
Springboard marketing and insights director Diane Wehrle said: "For food and beverage the uptick in demand has been ongoing, while for services the demand peaked by the beginning of July and then tailed back rapidly. The issue going forward will be the extent to which the capture-rate profile changes as shoppers become more accustomed to the new normal."

One-stop-shop retailers

Seven of the nine categories that Springboard tracks have suffered from lower capture rates since lockdown, compared with the period from January to March. In other words, the number of customers visiting stores such as

Capture rates by retailer category (weekly to July 26, 2020)

SPRINGBOARD.





Retailers are grappling to win a share of footfall as consumers slowly return to retail locations across the UK

fashion, electricals and bookshops declined at a quicker rate than overall footfall to retail destinations.

Some sectors, however, have held on to their share of footfall better than others. Department stores have maintained solid capture rates, dipping from 34.5% pre-pandemic to 33.7% since government measures were eased. Retailers such as John Lewis and House of Fraser have benefited from their multi-category proposition, creating the impression that customers can get everything they need from a 'one-stop shop'.

At a time when confidence in visiting multiple stores and spending too long in retail destinations is low owing to the lack of a vaccine, knowledge that a customer can get everything they need by visiting just one store has emerged as an important factor.

It should also be noted, however, that a number of recent store closures within the department store sector have rebalanced the market share within this category, to the benefit of remaining stores.

Fashion remains in lower demand online, but the capture

Knowledge that a customer can get everything they need from one store is an important factor

rate of physical clothing stores has been relatively steady, declining from 16.3% pre-lockdown to 14.9% since reopening. The biggest challenge is how those retailers can coax more shoppers back into their stores, at a time when customers are often unable to try on products and concerns mount over the handling of goods by customers and how that could spread the virus.

The biggest casualty of the pandemic in terms of physical capture rates has been entertainment and books – the category's capture rate has halved from 20.3% pre-lockdown to just 9.5% over the seven weeks to July 26.

Wehrle says this is reflective of "the ease of buying these products online" – a trend that has been highlighted by Amazon's impressive sales performance during the Covid crisis.

Significance of capture rates

Retail's overall capture rates have slumped 90 basis points since 2016. Although capture rates actually increased marginally between January and March this year compared with the same period in 2019, they have dropped since stores reopened on June 15.

Businesses need to develop innovative and engaging ways to incentivise shoppers to visit their stores and increase capture rates.

A clear multichannel strategy with a strong service proposition is now paramount as mission-based shopping remains the norm, while inspiration and browsing is taking place in the safety of a customer's own home, rather than through window shopping.

Retailers should consider placing emphasis on driving footfall to smaller stores on local high streets, which are benefiting from increased footfall at a time when more and more people

are working from home, rather than in bustling city centres.

There are also opportunities for stores that are situated in close proximity to current footfall drivers – like services and food and beverage outlets – to capture a higher proportion of passing footfall, either by launching special offers or stepping up their visual merchandising in shop windows to attract the attention of consumers who may be visiting the bank across the road or having lunch next door.

Such changes to woo customers into stores have the potential to drive huge rewards. As Wehrle explains: "A rise in a store's capture rate of less than 1% can drive an uplift in store sales of 5%.

"If the capture rate rises by just half a percent in a store with footfall of 75,000 per week, by maintaining its current conversion rate and average transaction value, the increase in customers would deliver one more transaction an hour and thereby increase store sales by 5.2% a week."

If capture rates are not a KPI retailers are focusing on in the post-pandemic world, they certainly should be. **RW**

NEED TO KNOW



Selfridges has launched its Project Earth campaign, aiming to change how its customers shop

Selfridges' sustainability push

The London department store has launched its environmental drive with new brands and labelling, as well as an overhaul of its famous window displays and new in-store features. By **Rosie Shepard**

Selfridges has launched its Project Earth campaign, which aims to change the way its customers shop by 2025.

The London department store is working with more than 250 brand partners with support from WWF and the Woodland Trust in order to achieve its goals.

The project has seen Selfridges overhaul its famous window displays to include its new sustainable initiatives such as clothing rental, its collaboration with Oxfam and the recycling credentials of its signature yellow bag.

It has also displayed its slogan "Let's change the way we shop" in large neon letters on the side of the store.

Its other slogan, "The future of fashion: discuss", is featured on posters in its windows and around the store.

Selfridges will offer a rental service for its clothing department, managed by the Hurr Collective, which launched a pop-up in the store in February. Rentals will be available for four, eight, 10 or 20 days.

It is also focusing on resale and repair of clothing as part of its environmental push.

Managed by designer resale specialists Vestiaire Collective, customers are able to sell second-hand designer items in return for store credits through the ReSelfridges initiative.

Customers can also make use of the repairs concierge desk to mend clothes, bags, shoes and jewellery, which could have been bought in store or elsewhere. Prices start from as little as £2 for a resewn button.

Around the store itself, customers are met with themed displays of sustainable fashion and beauty

brands. Selfridges has also collaborated with brands such as Prada Re-Nylon, Barbour, Hurr, Harper Collective, Craig Green, Levi's and Seletti to create exclusive collections to be sold in store.

It has also introduced Project Earth labelling on products that contain recycled materials, are vegan or organic.

New brands

In conjunction with the environmental project, Selfridges has brought in a number of new brands to its shopfloor including trainer retailer Cariuma.

Created in Brazil, Cariuma's trainers are made from a combination of sustainably sourced materials such as bamboo, suede and rubber.

Cariuma, which ordinarily trades online, will operate its Selfridges' pop-up, the first of its kind in the UK, for eight weeks.

The pop-up store includes a plant wall, from which every visitor to the space will be given a plant of their own in a biodegradable plantable pot and tables made from mycelium (mushrooms).

It also includes a bottle-cap wall and a skateboarding display with boards made from recycled bottle caps.

After the pop-up is complete, the boards will be donated to Free Movement Skateboarding – a non-profit organisation teaching refugee, migrant and local children, and promoting equality, inclusion and wellbeing.

Selfridges group chair Alannah Weston said: "Project Earth is not only our bold, new commitment to stretching environmental targets, it is about imagining new ways to do business, within the next five years." **RW**



Selfridges is focusing on the sustainable credentials of its whole business, including its famous yellow bag



Customers can resell their designer garments in return for store credit

NEED TO KNOW



Amazon is said to be interested in opening Go stores in the UK

Should Amazon really have grocers worried?

Amazon has created plenty of noise about its food offer in the UK, but has failed to win over shoppers. Does its foray into food amount to little more than a damp squib?

Amazon is ramping up its UK grocery offer. Last week it revealed it would sell the entire Morrisons food range on its main website for the first time, while millions of Prime members will get their groceries delivered for free after it scrapped charges last month.

The retailer has plans to roll out that service, currently available in London and parts of the South East, to other major cities including Manchester, Birmingham and Edinburgh.

The big four are clearly worried. In response, Tesco boss Dave Lewis said it could eventually give members of Clubcard Plus – its own subscription service – free home grocery delivery, too. Observers say the move is designed to defend its share against the onslaught from Amazon.

But are Tesco and its mainstream peers right to be worried about Amazon's grocery business? Despite all the noise about Amazon Fresh,

the grocery arm has gained relatively little traction since its UK launch more than four years ago.

Amazon currently holds just 3% of Britain's online grocery market, according to Mintel, compared with Ocado's 14% and Tesco's 30%.

Mintel analyst Nick Carroll says the "vast majority" of that 3% comes from sales on Amazon's core site, including speciality food and alcohol, rather than through Fresh.

A source at one major grocer says: "There will be people in our online business who will be taking Amazon very seriously and treating them like any other competitor.

"But the reality is they've been in the market for a while now, in particular in London, and we don't see the level of exponential growth that many were expecting and Amazon was probably targeting. I would be surprised if their market share was significant, even

just in London. Certainly across the UK, it is negligible."

Based on coverage alone, Amazon is a grocery minnow on these shores. Fresh still only delivers to selected postcodes in London and the home counties, while the Morrisons offer on the main Amazon website has only launched in Leeds.

By comparison, Tesco.com boasts 99.7% coverage of the UK, not to mention almost 4,000 UK stores that can be used to service online demand.

With the elimination of its extra fee for Fresh, Amazon has broken down this last barrier
Jack O'Leary,
Edge by Ascential

"Is [Amazon] where we would have expected it to be when it launched? No," Carroll admits, "but Amazon is slowly building this service and it's ramping up its influence in the grocery market."

Tiptoeing not leaping

Clive Black, head of research at Morrisons' house broker Shore Capital, acknowledges that so far Amazon has been "tiptoeing forward" in the UK, rather than moving in leaps and bounds, but insists: "Those tiptoes are moving."

Black points out that Amazon is still "on a learning curve" when it comes to the grocery market and is taking time to get the model right.

"It launched Amazon Fresh in the States and that model has ebbed and flowed with some considerable adjustments to it since launch," he explains.

"The acquisition of Whole Foods showed a real commitment to the sector, but also the evolution of Amazon's thinking because there are several ways to skin an online grocery cat. Ocado has got the pureplay central fulfilment model, the superstores have the store-pick model and Amazon has had something in between."

Despite its slow progress, Black says recent moves underscore the fact that Amazon means business in food retail.

"Amazon is committed to groceries in the UK and it is a very patient organisation with considerable financial resource. Putting the Morrisons proposition on its main website is a notable move," he says.

The turning point?

Edge by Ascential analyst Jack O'Leary says that move is not just notable, but a make-or-break moment for Amazon's grocery offer.

The timing of the launch, when online grocery orders are at an all-time-high amid the coronavirus pandemic, could not be better.

"Now is the time for Amazon Fresh to become a force in UK grocery if it is going to happen," O'Leary says.

He believes that the new Morrisons tie-up, combined with the free delivery, could be as pivotal for Amazon in the UK as its acquisition of Whole Foods was in its native US.

"Fresh grocery delivery has been a challenge for Amazon for a very long time. In the US, Fresh initially launched in 2007 and spent years struggling along, available to only a few exclusive

metro areas and within a siloed shopping experience,” he says.

“It wasn’t until the acquisition of Whole Foods and the launch of Prime Now that Fresh gained traction.

“This will be the turning point of growth for Fresh in the UK if there is to be one. With the elimination of its albeit small extra fee for Fresh in the UK a few weeks ago, Amazon has broken down this last barrier.

“While Amazon does not have the same asset base of stores to deliver from in the UK as it does in the US with Whole Foods Market, partnering up with Morrisons and building out Prime Now across more areas will work to overcome that.”

Selling Morrisons products through the main Amazon site will also help boost awareness that the online giant actually sells groceries.

Carroll says the fact that Amazon Fresh is only available in certain

postcodes means the retailer’s brand awareness in food is minimal.

“Amazon isn’t particularly associated with groceries, but having the Morrisons logo front and centre on your homepage will make that association,” he says.

“Partnering with Morrisons gives them instant credibility in that market rather than having to build brand awareness that Amazon does food and in an Amazon Fresh brand.”

Putting that proposition upfront in such a way could help its potential grocery audience rocket. “It’s going from a small potential customer base to a huge one. Nine out of 10 online shoppers use Amazon – that’s a big step up in terms of capacity,” says Carroll.

Big four beware?

Despite its advances, Carroll insists Amazon will not be taking on the big four any time soon.

“I don’t think Amazon will ever challenge Tesco or the big four,” he says. “Last year, 7% of grocery sales were online. That might go up to 10% or 15% this year, but the reality is the vast majority of food and drink sales come at a store level. If Amazon wants to compete with Tesco, it needs stores.”

Black believes that is something Amazon is already considering, but

says it would be easier to establish that bricks-and-mortar presence by buying a UK grocer, rather than building a store estate from scratch – just as it did in the US when it snapped up Whole Foods Market.

“For Amazon to set up a major bespoke grocery offer for the UK market would be very large in capital terms, very risky in cultural terms and very time-consuming. Whereas to buy into an existing brand that has an affiliation with the British public makes a lot more sense,” Black says.

“Amazon went down that route in the US with Whole Foods because it recognised that the optimum model for online grocery is a combination of stores and centralised distribution.

“Ultimately, Amazon either has to build out a centralised or regional network, or it has to acquire a store estate for it to flicker as a notable entity on the radar of industry market share.”

As Black points out, there are some potential acquisitions in the market right now: “Asda is for sale, although Walmart and Amazon are not exactly best buddies.

It’s got an agreement with Morrisons and it would appear that Amazon likes Morrisons’ vertical integration. We know they have looked at Waitrose and been rebuffed.

“Now that the Competition and Markets Authority has effectively blocked any consolidation of the big four after blocking the Sainsbury’s and Asda deal, I don’t see anyone else, other than Amazon, coming in and looking to buy one of those players.”

Black even suggests that Amazon could pull off the most audacious of acquisitions by buying the market leader. “It’s not beyond the realms that they could acquire Tesco now that Tesco has gotten rid of the Direct general merchandise business and has a low market share in non-food.”

That may be a long shot, but anything is possible with Amazon. For now, the grocers are right to be wary and pay more attention to the retailer, not because of its market share, but because of its ominous potential to grow it.

“I don’t think I would be complacent about Amazon if I were a leading British grocery executive, because they are committed to this market,” Black concludes.

“Over the next five years, I believe Amazon will be one of the key components in the development of UK grocery.”

It may be tiptoeing along at the moment, but it might not be long before Amazon seriously puts its foot on the gas in UK grocery. **RW**

One to watch: Amazon v Ocado

Analysts may be sceptical about Amazon’s ability to topple Tesco, but it may be able to take on online pioneer Ocado.

“Ocado has built a very loyal customer, but it doesn’t have the top-of-mind and frequency of visits that a website like Amazon does. Amazon’s brand awareness and usage is universal,” Carroll points out.

The price positioning of the pair is very different, and Amazon’s partnership with Morrisons – another retailer keen on price – could give it broader appeal than Ocado.

“Amazon could quickly, through the Morrisons partnership, build up quite a strong competitor against Ocado, particularly as Ocado is viewed as more price-premium,” Carroll suggests.

Ocado’s soon-to-launch joint venture with M&S, which is viewed as an expensive place to buy ‘treats’ for many food shoppers, may see its price perception rise higher.

This could position Amazon, which also sells higher-end Whole Foods and Booths products, as the online shop to go to for shoppers of all budgets.



Amazon has scrapped delivery charges on Fresh orders over £40

The topic of the time is retail sustainability

Amid rapid shifts in the industry, it is a trend that will only get bigger, writes *Juergen Manske*

For decades, emerging climate-related trends – air pollution, melting glaciers and even the epidemic spread of disease – have led to increased environmental awareness among the general population and organisations globally.

Retail companies have a prominent role to play, along with significant opportunities to act responsibly and sustainably, as they sit at the centre of a complex ecosystem that includes various suppliers, service providers, financial institutions and consumers.

Each link in the chain offers opportunities to drive sustainability and grow revenue.

As a result of the increasing desire for more sustainability, consumers are probably the most important influencing factor driving retailers to focus on sustainability and explore long-term sustainable strategies.

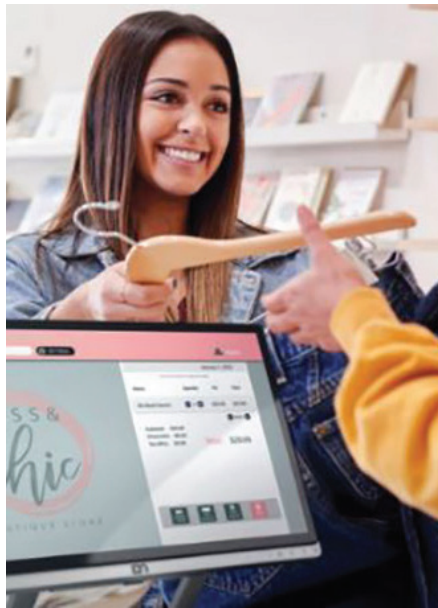
Sustainability-conscious consumers are a highly interesting target group for retailers since they are typically in the middle of life (both at work and in their private lives), live predominantly in urban areas and have a medium-to-high shopping budget. In addition, they like to use technical innovations and solutions to shop as effectively as possible.

In order to attract and retain these desirable consumers, retailers are enriching their product range with regional and sustainable articles from traceable supply chains.

They are also focusing on waste avoidance and energy savings through the use of renewable energy, which can lead to significant cost-saving effects. Cost savings of 20%, for example, have the same effect as a 5% increase in revenue.

Store IT also contributes to retailer sustainability. The store is an important point of contact during consumer journeys—they can make their purchases directly on-site, pick up items ordered online and, if necessary, return them. In addition, they can return recyclable materials, like beverage bottles and cans, at retail outlets.

Facing – and embracing – the changing retail environment will require retailers to



Retailers have a role to play tackling the climate crisis

accurately map consumer expectations while preparing for changing consumer behaviour.

A holistic approach to driving change can ensure long-term success

Diebold Nixdorf designed Storevolution™ to support retailers in the rapidly shifting modern world. We see four essential milestones retailers must address moving forward in the quest to keep their stores relevant and competitive: consumer centricity; store digitisation; high connectivity; and store as a service. Our Storevolution approach provides retailers with the flexibility to respond to slight changes or even to global transformations through an IT environment that enables satisfying shopping experiences for consumers at the lowest possible total cost of ownership (TCO) for the retailer. Thus, the Storevolution approach can help drive sustainability in retail and help store owners improve their ecological footprint.

IT services will only become more essen-

tial in retail. Dedicated, proactive service processes such as remote monitoring and support, predictive analytics and proactive maintenance, can support sustainability by ensuring that possible IT failures are detected at an early stage, reducing field service engineer visits and interventions.

Omnichannel solutions connect the digital and physical worlds in real-time, enabling consumers to research the sustainability of products even before they go shopping, and to check availability at the store of their choice to avoid out-of-stock experiences.

Efficient, optimised checkout solutions can underpin sustainability initiatives, especially when they are designed with sustainability at the forefront throughout every phase of the product lifecycle—from product planning, development, production, logistics, operation, service and maintenance to the return and recycling of the point of sale (POS). Environmentally friendly components have to be used and energy efficiency as well as longevity have to be guaranteed.

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Learn more about how your retail organisation can drive sustainability – download our playbook from go.snapapp.com/retailsustainabilityplaybook.

Juergen Manske is senior solutions manager for retail at Diebold Nixdorf

Avocados at dawn: M&S and Waitrose prepare for battle

Ocado's switch from Waitrose to Marks & Spencer next week will be a major milestone for both M&S and the UK online grocery market, writes **George MacDonald**

Next week, a venture that Marks & Spencer hopes will be transformational goes live – its tie-up with online grocer Ocado, bringing its food range online for the first time.

When M&S used that label to describe the £750m investment, nobody knew that it would make its debut at a time when not just retail but everyday life had been transformed by the pandemic.

Shoppers have flocked online. Even though most retail sales still go through stores, M&S' lack of presence in grocery retail was an Achilles' heel at a food division that has been doing well overall.

As the launch date for the Ocado joint venture looms, the deal takes on even greater importance than was previously envisaged.

Last Tuesday, when M&S said it would cut 7,000 roles as it speeds up its own transformation, the retailer reported food sales up 2.5% in recent weeks. Food like-for-likes, excluding branches such as those in travel hubs that are still shut, rose 10.6%.

So M&S is in a pretty good place as its partnership with Ocado begins for shoppers. The link-up incidentally has also brought benefits “in the form of trading terms and the launch of over 500 new products in M&S stores from the expanded online range created for the switchover”.

Ocado too has shown its prowess during the period of the pandemic. Last week's Kantar grocery data revealed “another new record market share” for online in the latest four weeks, when 13.5% of all sales were ordered online. Kantar observed that “Ocado has been a major beneficiary” as the retailer clocked up market share of 1.8% and sales growth of 45.5%.

There's just one problem. The surge in online demand was too much to handle for Ocado in the early stages of lockdown and it had to close its site to new customers.

While turning away trade is a retailer's nightmare, there is something to be said for Ocado's prioritisation of existing customers back in March. Everyone is familiar with the annoying offers, often from financial services companies, that offer preferential terms for new customers, leaving long-time customers feeling their loyalty is taken for granted.

But Ocado's stance strengthened some of its key appeal to customers, such as reliability and high service standards. In Ocado's first half, running to the end of May so including a substantial part of lockdown, product substitutions were less than 4% and 97% of orders were delivered on time.

Such high standards are partly what M&S is paying for with Ocado and are in tune with its own heritage. Ocado customers' loyalty means M&S is teaming up with a strong, growing business.

It must be hugely frustrating that M&S customers may not be able to order through the JV – even if they can sign up to do so in future – when M&S' range goes on sale next week.



George MacDonald
Executive editor
Retail Week

It will be a few months, probably longer, before it will be clear whether the deal has truly been transformational

Meanwhile, Waitrose, Ocado's original partner, is now at daggers-drawn. The John Lewis Partnership-owned grocer has launched a marketing campaign designed to “bring home Ocado shoppers to Waitrose.com”, and said its own online division is “on track to treble its size to become a £1bn business in its own right by the end of the year”.

Waitrose's cheeky social media message is “Thank you Ocado, we'll take it from here”, emphasising that its food will only be available in its stores and on its website from the start of next month.

The text is accompanied by an image of freshly cut avocado – a reference perhaps to the origins of Ocado's name, which according to some was inspired by the fruit.

M&S' online push may be more of a slow burn than originally envisaged, certainly as far as catering for new customers is concerned, but that should not be seen as a disaster.

It will be a few months, probably longer, before it will be clear whether the deal has truly been transformational. In the meantime, get out the popcorn – or the guacamole – and prepare to watch the clash of the middle-class grocery titans. **RW**

CaRe20



Alongside healthcare professionals, retail workers are the lifeblood of the UK right now.

RWRC – the home of Retail Week and World Retail Congress – retailTRUST and the British Retail Consortium have joined forces to raise £10m for retail staff facing financial distress.

'**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.

HELP CHANGE THE LIFE OF SOMEONE WORKING IN RETAIL TODAY.

Find out more about the appeal and donate through JustGiving by visiting retail-week.com/donate20

Retailers can help fund the appeal by contacting **Claire Greenwood** at cgreenwood@retailtrust.org.uk

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OPINION

Fashion retail: lie down and accept decline or fight back

It wasn't long ago that UK fashion retail was flying high. What happened to topple it from its perch, asks **Suzy Ross**, and how can it reclaim its position?

Little more than 20 years ago, Marks & Spencer made headlines when profits hit £1bn. Eighty per cent of its £6.7bn turnover came from the clothing business. Only just over a decade ago, Topshop was poised to conquer America – the opening of a flagship store in Soho in New York had queues around the block and Philip Green was feted in every fashion publication.

Even just a few years back John Lewis was launching well-branded fashion lines AND/OR and Kin – to great industry acclaim – and high streets were filled with UK fashion brands with their finger on the pulse. The UK owned fashion.

Fast-forward to today and what do we see? M&S' value appears largely based on its food business. Topshop in NY is shuttered and Arcadia's profits have slumped from £119m in 2017 to a loss of £137m in 2018.

Sharon White barely made mention of clothing in her recent strategic review update as chair of John Lewis and many standalone high street fashion brands have failed or are failing.

Self-inflicted wounds

How have some of our best-known fashion retailers reached this grim place? External forces – global competitors, the growth of ecommerce, fickle consumers – are given most of the focus. But less attention is paid to the self-inflicted wounds that have weakened some of our most prominent brands.

So, where should we start searching for the root causes of UK fashion's difficulties? We need to go back 30 years to when the industry was flying high – when most high street clothing was manufactured in the UK.

Zara is celebrated for its pace today, but the UK was the pioneer of speed to market with lead times of four weeks typical – and often just two. Back then, intake margins of 40% required disciplined focus on full-price sell-through. There was minimal discounting, and the key to success was

getting the price right first time. And with supply so close to home, manufacturing and restocking were really fast.

What changed? Manufacturing started to shift overseas, margins got much fatter and merchandising discipline relaxed – but the industry also became sluggish. Making money was almost too easy with margins as wide as they were, but it was also easy to make mistakes.

Lead times of up to 40 weeks for manufacturing and shipping meant making big bets almost a year out. And the only way to remedy a wrong call was through discounting.

The discount spiral of doom

While offshore manufacturing unlocked enormous profits in the short term, the longer-term impact was that the discipline engendered by narrow intake margins – 'first price right price' and limited discounting – disappeared. The UK high street became much slower to react in season, core retail skills were forgotten and an irreversible behaviour change occurred as many customers became addicted to discounts.



Suzy Ross
Founder,
Bureau of
CustomerKeepers

The net impact? Fashion has become ever harder and many brands have disappeared.

UK fashion may be down, but it's not out. Focus is needed on three things:

Customer first, last, always

Preparation: get buying right from the outset by using data and deploying customer analytics to ensure you go into the season with the products most likely to sell at full price.

How? Knowing the customers who actually make you money (as opposed to the ones that only ever shop at deep discount) and buying what they want.

Focus on 'hero' products that are barely tweaked from season to season but engender trust for delivering exceptional quality at a great price.

Supply chain flexibility

High street fashion retailers need to enter each season with a substantial open to buy that enables them to react fast, doubling-down on successes and retreating quickly from mistakes. One solution? Bring sourcing closer to home, as Next is doing with its 200-person nearshore sourcing office in Porto.

Trading agility

Analytics and digital tools now have the potential to allow retailers to take customer- and SKU-level actions in real time to drive sell-through. These tools also enable promotional precision, offering discounts to the right customer at the right time, rather than through a blunt, one-size-fits-all approach.

UK fashion retail has a choice to make. Does it lie down and accept a graceful decline, or does it regain its heritage, amplified by best-in-class merchandising skills and technology, and come back fighting? I think it can, and should fight for dominance of the UK market. **RW**

Covid caution will mean years before city centres recover

Urban centres will eventually recover and trading will return to pre-pandemic levels, but due to consumer caution, recession and a move to online shopping, it won't be any time soon, writes **Peter Williams**

In my lifetime we have never experienced anything like the Covid-19 pandemic. In the past few months, we have seen seismic changes in the way that both consumers shop and we, as retailers, work.

It is easy to criticise the government for mistakes that have clearly been made, but that is all too simplistic and a benefit of hindsight for what has been, and still is, a unique and extremely difficult situation.

To take one aspect that has affected retail, in my view, there has been too much caution on certain aspects of safety.

Consumers have been spooked into avoiding the major urban centres, which are also suffering from the absence of office workers and tourists.

Concerns over travelling on public transport and social distancing have had a dramatic effect on footfall.

At this moment there is no need for people to worry about travelling on public transport because carriages on both the Overground and Underground in London are almost empty.

When you arrive, the major shopping streets are almost deserted. I've never known the West End of London to be so quiet. The energy has gone.

Most retailers have made a huge effort to organise the flow of customers inside and outside stores, and ensure both sanitiser and masks are freely available.

The general level of customer service and interaction is the best I have

We are animals. Except for the most introverted among us, we are designed to be with one another and in groups

Peter Williams
Chair, Superdry,
Mister Spex and
Sophia Webster



experienced in a very long time.

In the few weeks before retail catering outlets were allowed to reopen, it was intriguing to see how vital coffee shops, bars, restaurants, etc, have become to the overall retail shopping experience.

Without them, places are flat; nowhere to pause and gossip. Shopping isn't just about buying stuff. We also go to watch everyone else – what they are wearing, who they are with.

The large urban centres will eventually recover as the major retail chains continue to focus on fewer stores with the aim of improving the shopping experience.

However, it may take many years for trading to return to pre-Covid levels, due to the switch to online and general economic recession.

Staying local

Since reopening, local retail centres have generally been less affected by Covid than the big urban centres, as consumers are relatively more confident about their personal safety in these environments.

I've never known the West End to be so quiet. The energy is gone

Permanent reductions in rents and rates may well help a number of these locations to a degree, but will not protect the mortally wounded from their fate. Nor should it, as there are numerous centres and high streets in need of either major rejuvenation or complete reinvention.

The pandemic has also forced changes in the way we work. Working from home and using Zoom or Microsoft Teams is currently the new norm. In my view, this change should be temporary.

We are animals. Except for the most introverted among us, we are designed to be with one another and in groups.

The shift towards working alone at home is OK to a point, but you are in danger of missing out on the nuance of conversations that create culture, innovation and team spirit, for example.

A Zoom call can help get some stuff done, but the person who speaks loudest and first can dominate the meeting. The individual who is quietest often has apposite comments, but can find themselves being ignored on a screen. For new people joining an organisation or group, virtual meetings are a poor introduction.

Finally, I miss the social aspect of our industry. Retail is fiercely competitive, but the people in it are generally outgoing and personable.

The business/social functions within the industry are an important way of learning what other businesses are doing and helping us grow our network.

It makes the work bit fun – and that is something there has been too little of lately. **RW**

ANALYSIS

The economics of ecommerce

The retail landscape is rapidly shifting online, accelerated still further by the Covid-19 pandemic. As retailers struggle to adapt, **George MacDonald** looks at how the numbers stack up

As countries went into lockdown when the Covid-19 pandemic hit, ecommerce was the sole channel still open to retailers of products deemed non-essential. And as frightened consumers stayed at home, it became the preferred and only shopping option for many.

Online sales rocketed. From about 20% of retail sales in February, before the shutdown in March, they climbed to a record 33.3% in May, and in June – when stores were allowed to reopen – still accounted for almost 32%. From food to electricals to DIY, online sales surged across UK retail during lockdown and beyond.

The health emergency has driven the pace of change faster than ever before, Ocado founder and chief executive Tim Steiner said when its results were announced in July. “We have seen years of growth in the online grocery market condensed into a matter of months and we won’t be going back.”

Many in retail would agree. The expectation is that online growth may not replicate the heights experienced during lockdown, but an inflection point has been reached.

Digital market research house eMarketer calculates that online sales will account for 27.5% of total UK retail sales this year, and the



proportion will rise to almost a third by 2024. It had previously anticipated the proportion would “only pass a quarter in 2022”.

NBK Retail founder and analyst Natalie Berg observes: “Pre-Covid, Amazon was the catalyst for digital transformation. Now Covid is going to finish what Amazon started.”

Adding up the costs

But the costs of selling online, from the acquisition of customers to fulfilling those orders, are high – even for pureplays, which are set up for this operating model.

While grocers were able during lockdown to reallocate resources and people to serve online demand, such as by picking from stores, that model is often barely profitable. Marc-André Kamel, lead of Bain & Company’s global retail group, told the *Financial Times* that grocers typically suffer a negative operating margin of about 15% on online orders.

Duncan Painter, chief executive of Retail Week, WGSN and Edge parent Ascential, and a data entrepreneur who sold his ClarityBlue business to Experian, says there are four big capabilities that a retailer has to have to compete online. “Eyeballs” (or a large volume of traffic), control over and the ability to use first-party data, an advanced technology platform, and finally state-of-the-art logistics and supply chain.

All of those things are costly, but are part of the price in order to play. As are other expenses that come with ecommerce such as returns – a big consideration for fashion.

For multichannel retailers particularly, it

Reported online sales growth during lockdown

Retailer	Online sales growth	Period
Tesco UK	49%	12 weeks to May 30
Sainsbury’s groceries	87%	16 weeks to June 27
Amazon	40%	12 weeks to June 30
Asda owner Walmart	74%	12 weeks to May 1
John Lewis	84%	March 15 to April 18
Marks & Spencer	20%	Three weeks to May 20
Dixons Carphone	166%	Five weeks to April 25
Kingfisher	225%	June
Next	9%	12 weeks to July 25

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We have seen years of growth in online grocery condensed into months, and we won't be going back

Tim Steiner, Ocado

is a tough challenge because of the fixed costs that come with stores such as rent, higher taxes such as business rates and the number of people needed to operate them.

Next has perhaps provided the most detailed insights into the costs of doing business online. The retailer said two years ago: "As retail [ie, store] sales decline many fixed costs remain; as online sales grow its variable costs increase. If all the sales lost in retail were transferred to sales of Next stock through our UK online business, we would lose 7p for every pound transferred, a cost of around £8m."

Customer acquisition

The cost of winning shoppers in the first place can be colossal. Last year, for instance, Amazon spent \$11bn on advertising – it is thought to be the biggest advertiser in the world.

Marketing costs can differ enormously according to different models and categories. Digital expert Aron Cody-Boutcher, who runs specialist business Framework Forge, says

customer acquisition and marketing costs will often be higher for early-stage businesses. For example, Eve Sleep spent more than half its total revenue on marketing in 2019.

The need to acquire customers constantly means many retailers end up spending more than they would want. Last year, fashion retailer Quiz increased total marketing by 83% to £4.6m and the cost of acquiring a customer was put at about £7 by chief financial officer Gerry Sweeney.

He told Retail Week then: "Those sort of costs for a one-off acquisition start to become unsustainable. We have looked to take the customers we have and try to maximise the value with frequency of purchase and basket size."

With such high costs, customer acquisition has to pay back. In the case of non-food retailers, because of the discretionary nature of purchase, that depends on the ability to maintain and deepen relationships with customers once acquired, to make them as profitable as possible.

Ocado Solutions chief executive Luke Jensen, who is also a non-executive director at Asos, says: "So much of the economics is about, once you've got a customer, making them a regular customer and that's about how you incentivise them." Such incentives might include cheaper regular deliveries.

Fulfilment, warehousing and IT

Next has also revealed the cost of fulfilment, which it breaks down into picking, packing and delivery, of which delivery is "by far the largest" part and totals 68% of its fulfilment costs. To mitigate that, as many items as

possible are consolidated into single parcels.

At Asos, distribution is its highest cost and last year was £415.6m, or 15.2% of sales.

Kantar vice-president of ecommerce and digital insights Malcolm Pinkerton says that online profitability frequently "comes down to the final mile, that's where the biggest cost to serve comes in". "That's where we're seeing more collaboration come into play," he adds.

Superdry chair Peter Williams, former chair of Asos and Boohoo, points out that logistics specialists have such scale and expertise that it is logical for most retailers to outsource fulfilment.

This can also help retailers serve customers that want later next-day delivery cut-offs. Clipper Logistics chief commercial officer Carl Moore says: "The market is still moving towards later and later cut-offs. With more and more orders being placed for next-day delivery, there is increasing pressure on DC operations."

Next said in February that it anticipates investing £300m of capital expenditure on warehouses over four years. The retailer calculates the spending will increase its online sales capacity by £1.7bn and therefore, "as a rule of thumb, 18p of capital investment allows £1 of future annual sales capacity".

In February this year, Next switched to a new, automated returns storage and retrieval system for online boxed items. The retailer reported that "although it is early days, we anticipate a reduction in picking costs of 30% compared to manual returns locations".

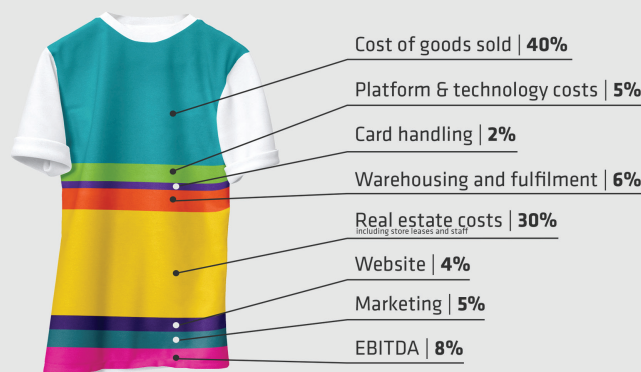
Automation is the way forward for efficient fulfilment centres. Ocado's robotic fulfilment centres have enabled it both to build its UK grocery retail division – now a joint venture with Marks & Spencer – and to sell its pioneering technology to other food retailers globally, such as Kroger in the US.

The efficiencies its platform can bring are core to its model. In Ocado's first half,

Retailer	Percentage of sales spent on marketing in last financial year
AO.com	3.1%
Asos	4.4%
Amazon	3.9%
Boohoo	7.3%
Casper	32%
Eve Sleep	51%
Marks & Spencer	1.5%
Ocado	1.1%
Quiz	3.5%

ANALYSIS

The costs of a multichannel model



*Estimates based on financial data from a representative mid-size fashion retailer

units picked per labour hour in its “mature” customer fulfilment centres rose to 170 versus 159 the previous year, “as they processed more volumes than ever before”.

However, high-tech warehouses that bring such efficiencies require capex that only the biggest retailers can command. For most, third-party warehousing will be a necessity.

Meanwhile, IT also requires investment on everything from technology to data analytics. This is an area where big marketplaces such as Amazon are spending big. According to Bain, over the next five years the top 10 retailers will be putting an estimated \$100bn less into IT than Amazon at current spending rates.

Attracting talent

The changing demands of customers have changed demand for talent among retailers, and that has come at a cost too.

Jensen says: “Tech talent is competed for, and those people want to go somewhere they’re solving problems. Retailers are not tech companies; most of them find it difficult to recruit tech talent. Why has Ocado become a solution provider? They [retailers] recognise our ability to attract top tech talent is greater than theirs.”

Retail search specialist Oresa founder Orlando Martins says that a top chief technology officer, chief digital officer or chief data officer could be paid up to £350,000.

However, Martins says it is not the high salary but retail’s ability to appeal to the best that is the big challenge. He observes: “What has shifted is demand for talent – it just keeps increasing, and people are more and more fussy about the companies they go to.”

Curtis Bailey, business development director at recruiter Cranberry Panda and co-founder of IT recruiter TechNET Group, agrees: “Investing in recruitment of a good team isn’t just down to offering a competitive salary anymore. Businesses need to offer challenges, new

technology and a comfortable way of working.”

“Bigger companies that people would once jump at the chance to work for have found that fast-growth start-ups, more tech-driven businesses, are starting to get the attention of top ecommerce talent.”

The extent of retailers’ buy-in to the requirements of ecommerce success is closely considered by candidates, says Martins: “It’s one thing being asked to take a company on a transformation but does the company have the attitude, capex and teams? Tech companies are viewed as fundamentally more attractive. There’s a greater sense of ownership, increasingly reflected in equity being offered.”

Finding the right model

The high costs of competing online mean some retailers, particularly those that struggled to maintain appeal before the pandemic sparked further ecommerce growth, are now unlikely to keep pace in a landscape in which businesses such as Alibaba and Amazon wield such power.

In its study *The Future of Retail: Winning Models for a New Era*, Bain considered the characteristics of those retailers most likely to succeed and those most challenged.

A group described by Bain as “legacy laggards” are among the most under pressure. They are “once-mighty businesses fallen on harder times as they struggle to adapt to market changes”. This could apply to retailers such as Debenhams or Arcadia.

“These retailers are finding it difficult to increase revenue or profit. They may still hit short-term profit targets, but often by closing stores, selling real estate and aggressively cutting costs.” Such companies “may not survive the next 10 years”.

However, another group, “scale fighters” – big grocers or multichannel successes such as Next – have the chance to adapt. Such retailers “move fast despite their mass and are deft at innovation,

aided by a larger-than-average investment in IT”.

While the costs of a best-in-class ecommerce offer are high, retailers need to be, in the words of Shopify Plus head of EMEA Shimona Mehta, “where the customer is”. And even if ecommerce growth moderates, the pandemic has meant the customer is increasingly online.

Working with partners

So what strategies are most likely to enable businesses to succeed against Amazon and a younger generation of digitally native retailers such as Asos and Boohoo?

Partnerships are already an established trend and likely to play a pivotal role. The most high-profile such partnership is probably M&S’s joint venture with Ocado, going live in September 2020. The link-up will allow M&S at last to sell its food online.

Partnerships are being struck in new ways around the world. In distribution, for instance, retailers are beginning to work together on delivery. In Japan the three biggest c-store groups, 7-Eleven, FamilyMart and Lawson, ran a test in August sharing drivers and vehicles.

The initiative is partly to address a shortage of drivers and the volume of traffic on roads, but the commercial benefits to retailers are clear.

The skills and economics needed in ecommerce have led many established retailers to team up with platform businesses, whether retail giants in their own right such as Alibaba or Amazon, or dedicated technology platforms such as Ocado and Shopify.

Working with Amazon is supping with the devil, many argue. Some even question the extent to which it is valuable to trade through retail operators such as Zalando, which they distinguish from platforms such as Ocado.

Role	Average salary
Ecommerce director	£120–£200k
Head of product/product director	£70–£150k
Head of customer insight	£80–£100k
Senior data scientist	£70–£90k
Head of data science	£90–£110k
Senior UX designer	£65–£90k
Head of performance marketing	£70–£120k
CTO/CIO*	£90–£160k

Source: Cranberry Panda’s 2020 ecommerce salary survey.

*Role not included in survey. Salary based on estimate from Cranberry Panda team

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It's all about data. We no longer 'go shopping'; we do it all the time because it's [the smartphone] in our hands

Shimona Mehta, Shopify

"The challenge with platforms [such as Amazon or Alibaba], when someone else is effectively the retailer, is that you're disintermediated. If you're a strong brand like Nike that may not matter, but for others there's a risk," says one ecommerce director.

Superdry's Williams says that if a retailer has its own brand site, "there's more that you can do than on your little piece of Zalando".

Shopify's Mehta argues: "It can be a powerful distribution channel, but you're not going to build a brand because you can't tell your story. If you use Amazon as your sole way of talking to customers you're going to get lost in the commoditisation."

Mehta and Ocado's Jensen argue that technology platforms such as theirs enable retailers to own their customers, rather than pass ownership to someone else, and therefore deepen that relationship.

Mehta maintains that platforms such as Shopify enable retailers to concentrate on what they are best at, such as product and customers, rather than creating their own technology solutions: "Bricks-and-mortar retailers don't have the particular experience on the team. People should be focused on customers. They don't need to be a tech company."

Some retailers have the scale and brand appeal to become marketplaces in their own right. Walmart is building a third-party marketplace in partnership with Shopify, while in August Kroger revealed plans to build a marketplace with ecommerce business Mirakl.

UK retailers are also taking steps to adapt by adopting a model more like a marketplace. Next, for instance, has made the sale of third-party brands, rather than solely own-label, integral to its online operations.

Bain head of retail Jonathon Ringer says: "It makes sense for some retailers, but there's only room for a finite number of marketplaces."

For others, therefore, finding the right way of working with marketplaces will be the way forward. He says: "Some will need to make a decision about whether they are a retailer or a product brand. If it's the latter, they might want to look at other routes to market [such as marketplaces]."

Focus on the store

Stores may yet become a more vital component of an ecommerce offer than ever before, especially if they are more effectively positioned within the retail ecosystem.

During the pandemic, the big grocers were able to redeploy assets to support online demand through initiatives such as in-store picking. That was expensive and contributed to additional Covid costs, which kept profitability flat even though sales rose.

But even if using stores for fulfilment undermines margin in food retail, there are opportunities for non-food stores in particular to be used in different ways and become part of a successful business model.

Berg says: "If you asked me pre-Covid what was the future of ecommerce, I'd have said stores. I'd probably still say that."

She sees more opportunity in click and collect, which can help reduce fulfilment costs. Stores can also play a bigger part in the returns process, she points out.

According to Next – before lockdown – online customers collected almost 50% of their orders and brought about 80% of their returns to stores. Next is working to make returned items "customer-ready and fit for resale before they leave the store".

Mehta says there are more opportunities for retailers with stores: "Transform and rethink it from being a distribution channel to, for instance, a marketing channel to extend and build your relationship with customers."

What next?

Retailers may be struggling with getting the ecommerce model right now, but how consumers shop is rapidly changing, which brings new challenges, costs and opportunities.

For example, social shopping is likely to be a growth area as consumer companies chase customers 'where they are', on sites such as Instagram.

GfK's *FutureBuy* research showed that 18% of consumers have used a 'buy' button on social media, and 14% have clicked on shoppable articles or posts.

Berg says: "I think, finally, we're going to see social commerce take off. Online has largely been about cutting out friction. In the future it will be more about fun, engaging experiences."

Doing that most effectively, as well as selling, will depend ever more on that data that facilitates customer understanding. And, as changes to rules affecting cookies come into force, that will increasingly mean first-party data.

Tesco is one of the leaders in that respect through its Clubcard scheme, which provides access to invaluable data on its approximately 16 million members. The scheme allows Tesco to better understand customer interests and reward their loyalty with personalised offers.

Ascential's Painter says: "Retailers do have a phenomenal opportunity if they invest in first-party customer data. This is where Tesco does have an advantage. If retailers don't invest in first-party data, it's going to be even harder in the next two years to trade on the internet."

Mehta says: "It's all about data. We no longer 'go shopping'; we do it all the time because it's [the smartphone] in our hands. The use of social media, and other online channels, to communicate and build relationships, as well as transacting, can be deployed by many retailers and, for example, help drive customers to stores."

Doing business online may bring challenges, but it brings opportunity to know and serve the customer better than ever before.

Williams says: "If you compare it to 30 years ago, control has shifted from retailer to consumer. The customer had to go to a shop, which was only open at certain times of the day, and not at all on Sundays. The internet has done away with all that, and from a consumer's point of view it's fantastic."

For strong brands, that brings "fantastic opportunity". Williams adds: "You can express the product and its provenance, and describe it in a way you could never do in the four walls of a store, without worrying about a journey to the store or whether the sales associate treated the customer well – you remove all those sticky points."

As the changes wrought by the pandemic play out, identifying an economic model that works has never been more important. **RW**



Partnerships such as Ocado and M&S could play a pivotal role

ANALYSIS

Storeworker 2.0

Covid, new habits and fewer in-store roles have created a wealth of extra responsibilities for shop workers. **Rosie Shepard** looks at the skills needed for the new generation of shop staff

From health and safety champions to tech support to online shopping pickers, the role of the shopworker has changed a huge amount in the past year. And, as job cuts reverberate across the industry, store staff will be asked to do more and more.

These new responsibilities reflect the undeniable changes in how consumers browse and shop in store, exacerbated by the new normal of post-lockdown shopping.

Whether they sell food or fashion, retailers have had to overhaul store operations to keep in line with customer expectations – including introducing new roles, such as greeters, and having workers take on multiple job functions.

Trend forecaster The Future Laboratory co-founder Chris Sanderson says: “The skills required in this inter-Covid era are taking personnel back to the role of the shopkeeper – an individual who is the primary interface with the customer and must be able to respond empathetically and intuitively.”

The new storeworker must be well-rounded, adaptable to new requirements and able to be both operationally and customer-minded.

Merging on and offline

When the majority of stores closed their doors to the public in March, non-essential retailers and their employees were left in limbo. However, businesses were quick to think of innovative ways to serve customers, which created new duties for store staff.

Both Dixons Carphone and John Lewis turned their hand to virtual consultations, leveraging the knowledge of in-store colleagues to help customers make purchasing decisions from their own homes.

Dixons Carphone’s video consultation service ShopLive is here to stay, even though its stores have reopened. Dixons Carphone retail director Mike Carslake says: “ShopLive saw the emergence of a new way for customers to shop and a new way for our retail colleagues to provide expert advice.

“During lockdown, our retail colleagues were provided with the tech needed to deliver

ShopLive from their homes. The new tool meant colleagues were able to utilise their existing retail skills and technology expertise to help the huge numbers of customers looking for advice and recommendations from an expert.”

Now Dixons shop assistants working on ShopLive do so from store, showcasing products to customers and offering advice.

While product knowledge may be an existing necessity, selling via video call will require presentation and demonstration skills. This may change the requirements needed to work in a Dixons store, and the retailer, who is hiring staff specifically for ShopLive (280 roles were filled by July 15), will be looking for confident recruits who are happy presenting on screen.

A background in theatre or drama and an interest in public speaking may therefore become desirable.

Theatrical skills are something John Lewis was looking for in its customer-service staff pre-Covid, as it strived to up the in-store experience. In fact, more than 500 partners were sent to ‘theatre camp’ where they were trained by National Theatre actors in voice and body-language skills to help them communicate better and offer better experiences.

This coincided with John Lewis pushing services such as a concierge, style advice, beauty treatments and events in store. The retailer has now switched these services online, offering experiences such as advice for expectant parents and cookery and gin masterclasses.

It’s listening skills and picking up on non-verbal cues. We’re looking for a higher level of personal skills than ever before
Anna Blackburn,
Beaverbrooks

These theatrical skills are already utilised by other retailers.

Lush employees are trained to showcase how any product works and encourage customers to try themselves.

Meanwhile, Hamleys encourages children and adults alike to get involved in the fun by trying out toys and has a selection of colleagues, often in fancy dress, outside the store singing songs and enticing customers in.

With customers still somewhat nervous about returning to bricks-and-mortar stores, this interaction may put some at ease and make the shopping experience more enjoyable.

Online fulfilment

While non-essential retailers had to think of new ways to serve customers while stores were closed, grocery and pharmacy retailers remained open, increasing their headcount on the shopfloor to keep up with demand.

But with some customers either unable or unwilling to shop in store, demand for online food shopping slots soared, leading to extra services like picking and packing in store, as well as last-mile delivery.

“We’ve needed to be as flexible as ever, going that ‘extra mile’ with things like increasing home-delivery slots for those customers who found themselves unable to shop in store,” says an Iceland spokesperson.

“Colleagues have needed to be able to complete all in-store activities, rather than just their normal focus; our colleagues are more multi-skilled than ever.”

Retailers have also turbocharged click-and-collect over the past few months.

Dixons Carphone offered ‘drive-thru’ click-and-collect, while The Entertainer launched a ‘ready in 10’ service, allowing customers to collect items ordered online at stores within 10 minutes.

Storeworkers are now required to be more operationally focused than before – those who used to simply be on the tills, for example, must now stack shelves or pick and pack online orders, and may even have a hand in delivery.



Heightened service

At a time when many are still dramatically cutting down social contact, a trip to the supermarket may be one of the few times they experience human interaction, making customer service more important than ever.

On a basic level, the new storeworker now has a host of cleaning duties to make customers feel safe; this includes wiping down service counters and sanitising products that customers have tried on. Many shops also have a greeter at the door, tasked with explaining the new shopping protocols to customers.

Beaverbrooks chief executive Anna Blackburn believes a key requirement of the new storeworker will be excellent interpersonal skills. "As the high street has become increasingly marginalised, customers are looking for increased levels of service and professionalism. This is something we've been looking at the past few years, to offer that personal one-on-one service to really give them a reason to come into store," she says.

"The skillset of a colleague now requires resilience, emotional intelligence and rapport-building skills – all of that has featured heavily in our recruiting processes."

While these skills may have been high on the agenda before the pandemic, Blackburn says they are now top of the list when hiring store colleagues. "Over the past couple of months, the biggest thing we have to deal with is about building consumer confidence and making the customer feel safe.

"Our colleagues need to understand the needs of an individual customer and adapt to meet those needs, rather than having a blanket

one-size-fits-all approach. We will get some customers coming in that feel really safe and others that have had different experiences, and it's those listening skills and the ability to pick up on non-verbal cues that are really key for a store colleague. We're now looking for a higher level of personal skills than ever before."

Brand ambassadors

However, store staff are expected to go beyond simply offering exceptional customer service and be true ambassadors for the brand.

"With the impact of the pandemic on the leisure, culture and food and beverage sectors, retailers looking for enthusiastic, engaged, passionate and committed team members are not going to be short of individuals prepared to go beyond traditional sales expectations to deliver higher levels of service and relationship building," says Sanderson.

"As a result, storeworkers become hosts and brand ambassadors, rather than just shelf stackers and cash takers."

This goes beyond their role in the store. Retailers are looking for people who will represent the brand on a more personal level, posting on their social media about it.

John Lewis store staff have been equipped with the employee advocacy app Qubist. This app allows staff to share John Lewis content, including its iconic Christmas ads, and increase brand engagement and awareness.

When it launched the tool last year, John Lewis senior manager for social and digital Eva Bojtos said: "The passion and knowledge of our partners is very powerful and inspiring. Giving them a way in which to connect personally

with customers online provides a deeper, more meaningful relationship."

The Qubist app measures partner advocacy, provides staff with content suggestions and prompts about products, services and events.

Bojtos said there was a direct correlation between activity on the Qubist app and in-store appointments for things like stylist sessions.

Encouraging shopworkers to promote and embody the brand online could give local customers the impetus to return to store and interact with staff.

While not a universal requirement, social media know-how could be an increasingly important trait for new employees.

Recruitment 2.0

It's clear that a new type of storeworker was already in the works pre-Covid, but expectations have skyrocketed as retailers scramble to keep up with online demand and persuade customers to venture back into stores.

"The key skills we now focus on developing range from customer service to food safety and, of course, new Covid-secure training, setting our colleagues up to be as well-rounded as possible," said an Iceland spokesman.

"Resilience, tolerance and managing customer expectations are skills that have proved particularly valuable in recent months. These are traits we very much embrace and that will become even more prominent in the behaviours we look to recruit and train in future."

The new storeworker needs to be agile and adaptable to take on new tasks and, at this time when the retail experience is still impaired, be a crucial part of making shopping enjoyable. **RW**

ANALYSIS

How Alibaba plans to conquer Europe

Alibaba may be the world's biggest retailer, but so far its efforts outside Asia have been lacklustre. But with a European DC poised to open and an army of European influencers signed up, Alibaba is now firmly eyeing the West. Can it succeed? By **Grace Bowden**

Alibaba has long been heralded as the dominant force in ecommerce in China. In the year to March, the retail titan surpassed \$1trn in gross merchandise volume.

However, the business is still a minnow outside China, with just 7% of its sales coming from international markets – a far cry from co-founder Jack Ma's target of bringing half its sales from outside China by 2025.

But Alibaba is making moves to redress this, eyeing expansion in the West, and Europe is its big focus. Over the past two years, it has started building a distribution centre in Belgium, opened an AliExpress store in Spain and last month revealed plans to sign up 100,000 content creators to grow its international business.

Recently it held a livestreaming marathon in France, with influencers carrying out 100 live product showcases in 10 days.

How it will take on Europe

So how does the retailer plan to make this a reality? Alibaba operates a series of online marketplaces, each with a different geography or customer base. Its most renowned is Tmall, which focuses on bringing Western brands into China. Then there's Taobao, the Chinese equivalent of eBay, Southeast Asian site Lazada and AliExpress, its international marketplace.

To date, AliExpress has built a sizeable business in Russia and Eastern European countries such as Poland, but has yet to build up significant traction elsewhere in the West.

Like Taobao, AliExpress is primarily focused on SMEs selling to individual buyers, but its current form is a far more budget version.

"The current perception of AliExpress' site is that it is a source for cheap Chinese goods and there is a huge lag in terms of shipping times," says independent retail analyst Tiffany Lung.

While the success of US platform Wish shows some customers are happy to accept longer delivery times if a product is cheap enough, AliExpress has made steps to tackle this perception.

Last month, Alibaba's logistics arm Cainiao Network launched a new air route between Hong Kong and Madrid that will cut down delivery times for AliExpress orders made in Spain by 30%. AliExpress will also open a £90m 220,000 sq m warehouse near Liege Airport in Belgium next year and opened its first store in Madrid last year.

Lung says the aim of all this is to change brands' and shoppers' perception of AliExpress in Europe by cutting down delivery times and showcasing more premium products.

"AliExpress is slowly trying to tackle its pitfalls," she says. "The most important aspect of its Madrid AliExpress store is using it to educate shoppers and rebuild the brand and image of the platform."

Ecommerce consultancy Pattern's global head of marketing Joanna Perry says bringing Western brands onto AliExpress could help it gain traction in Europe.

"At the moment, AliExpress is a platform for Chinese manufacturers and brands to sell to the West," she says.

"For its next stage of growth, it will need Western brands to attract visitors from more mature ecommerce markets, such as the UK and Germany. Alibaba has a head-start in that it already has relationships with many large Western brands that sell on Tmall."

Perry says it needs to attract these brands to sell on AliExpress in Europe: "It would seem sensible to start with brands and categories that already sell well on Tmall, though this might require a repositioning of AliExpress to a more premium experience."

Big brands and undercutting Amazon

AliExpress has built some momentum in this area, securing big brands such as El Corte Inglés and Lego to sell on AliExpress in Spain.

However, there have also been reports that it was rebuffed by operators such as Mango, Benetton and Spanish fashion group Tendam due to concerns about the amateur look and feel of AliExpress' website.

Lung believes that a rebrand and a more Westernised online shopping journey could help AliExpress crack Europe. She describes its current ecommerce website in Spain as being "sensory overload" for Western shoppers, with lots of text, small pictures and unclear segmentation between product ranges and categories. She says a "tidier" website layout is needed in order to attract European shoppers.

But consulting firm OC&C's retail partner Pascal Martin believes a more profound repositioning of AliExpress is required.

"What Alibaba has done with Tmall is demonstrate that it can create an aspirational environment for brands online," he says. "A few years ago, so many Western businesses dismissed Tmall but now, particularly with Covid-19, brands that are not on there look stupid."

"The AliExpress site is a little bit messy and not very conducive to a premium brand. If I were a Spanish or French brand, I would not be looking at AliExpress as a very sexy place to be seen, but Alibaba has shown over the years that you would be wrong to bet against it."

AliExpress general manager Wang Mingqiang has previously said that foreign brands needed time to understand its platform.

He pointed out that it offers brands the capability to design their own digital storefronts, including a homepage housed with their own imagery and video, but it clearly has



So far, Alibaba has avoided competing directly with Amazon, but there are plenty of big brands who do not trust Amazon

Pascal Martin, OC&C

some work to do to become a destination for brands in Europe, like Tmall is in China.

In the meantime, AliExpress has focused largely on selling products from SMEs and offers more competitive rates than Amazon to drive sellers to sign up.

According to Reuters, AliExpress has waived monthly rates in Spain to attract third-party sellers, while commissions for goods sold are set at 5% to 8%. By comparison, sellers must pay €39 per month to sell on Amazon in Spain, plus a commission of up to 15% on items sold.

But Martin believes that if Alibaba wants to build scale in Europe, reframing AliExpress to better resonate with big Western brands and high-spending shoppers would be a good place to focus.

“The breakthrough in Europe will come when it starts a Tmall-type of approach. So far, it has chosen a route that avoids competing directly with Amazon, but there are plenty of

big brands – LVMH, Nike – who do not trust Amazon.

“Amazon is also not as generous about sharing data about consumers with brands as Alibaba is, which is a big no-go for luxury brands. What that means is that Amazon has weaknesses; if Alibaba wanted to exploit them, a Tmall-type of environment in Europe would be welcome.”

Livestreaming and Singles' Day

AliExpress's goal of recruiting 100,000 more content creators to drive its livestreaming services shows that the brand has lofty ambitions for the international appeal of livestreaming as a means of driving spend.

Alibaba currently offers a range of livestreams across its Taobao Live platform, which sees influencers showcasing products they like, either in partnership with a brand or based on their own preferences. Think QVC meets TikTok, with hundreds of different presenters hawking everything from Estée Lauder's new serum to budget sunglasses at any given time.

Taobao Live reported a 110% jump in sessions in February compared with the previous year – and Lung believes the brand could emulate this growth in the West.

“Livestreaming really kicked off during quarantine in the West, so that's a winning point in Alibaba's formula,” she explains.

“AliExpress has also gained a lot of traction with Gen Z consumers, who are sharing on TikTok the best and cheapest finds on AliExpress using its image-recognition tool.”

Acquisition in the offing?

To jump-start this process, OC&C's Martin suggests that an acquisition, similar to the one Alibaba made with Lazada in Southeast Asia, would be a canny move.

“Alibaba is becoming the dominant ecommerce platform in Southeast Asian countries, but it didn't start from scratch there; it made acquisitions and then transferred those onto its own technology platforms to drive growth,” he says.

“Eventually, Alibaba will be a force to be reckoned with in Europe, but if it is serious about it, it will need to make some acquisitions.”

He points to Rakuten's acquisition of PriceMinister in France as a tactic to mimic.

Pattern's Perry agrees that Alibaba's Southeast Asia expansion could offer learnings for Europe. “When Alibaba has tried to leverage relationships with brands to get them to sell on Lazada, it's helped with listing products in the correct languages and made cross-border fulfilment easy to reduce barriers,” she says.

“I would expect to see the same approach if it decides to expand AliExpress's product range to feature Western brands more prominently.”

Lung says Alibaba could use the army of content creators it is bringing on board in the West to tap into this livestreaming demand.

Could AliExpress also import iconic Chinese shopping festival Singles' Day, pioneered by Alibaba, to Europe to turbocharge demand?

Lung believes that events like Prime Day and Black Friday demonstrate customer appetite for online discounting events, so Alibaba could exploit this with a Singles' Day European debut.

But Perry believes piggybacking on existing shopping events might be a better strategy. “It may not choose Singles' Day, as it's so close to other events such as Black Friday,” she says. “It could choose to adopt Black Friday as its main event; Alibaba is not afraid to take other people's ideas and run with them.

“In China, though, 11.11 is its most important event. It has also increased its activity for other Sales events, particularly the 6.18 festival – even though that was its main competitor JD.com's invention.”

Alibaba's initiatives to grow AliExpress's content creation and cut down its fulfilment times all point to an assault on the European market.

The online giant has demonstrated a formidable ability to create online shopping experiences that resonate with every type of shopper – from time-rich bargain-hunters to affluent big-brand collectors.

In a rapidly transforming market, retailers should watch closely. History has proven that you are more likely to win if you join Alibaba, rather than beat them. **RW**

DATA

Waitrose customers flock to online grocery during lockdown

As more and more customers turned to online shopping, Waitrose & Partners' latest *Food and Drink Report* highlights that Britons made more use of fast delivery services in lockdown, with heightened demand for Fairtrade or organic products and wine.

According to the report, 77% of Waitrose customers now do at least part of their grocery shopping online, compared with 61% last year, while one in four now do their food shopping online at least once a week, double the figure in 2019.

Waitrose executive director James Bailey said "shopping behaviours have changed profoundly" due to lockdown.

He continued: "Even before the Covid-19 pandemic, there are few retailers that wouldn't have predicted the continued growth of ecommerce relative to physical shops.

"But what would have previously been a gradual upward climb in demand has – with the outbreak of Covid-19 – turned into a trajectory more reminiscent of scaling Everest.

"The growth curve representing the uplift in customer demand has been steep and rapid, challenging all retailers' resources. Businesses have been forced to speedily face into the ascent and scale up their operations or face a slippery slide downwards. Because online shopping quickly becomes habitual these changes are unlikely to reverse."

Delivery expectations

While supermarkets remained open throughout the lockdown period, many customers have chosen to stay at home, with two-thirds of Waitrose customers saying they have shifted to online shopping to avoid stores.

More than 40% of customers say that online is the most convenient option overall. This cohort say they are particularly pleased that it means "someone else carries the bulky stuff" into their homes.

While Waitrose has added more than 100,000 delivery slots to its website per week, demand for its Waitrose Rapid service soared.

The delivery option, which allows customers to order up to 25 items to be delivered within two hours, tripled its customer numbers during the pandemic to 23,000.



The retailer found Friday is the most popular day for orders and deliveries, and some of the most popular products are breakfast items like eggs ordered late on Saturday evening or alcohol ordered before midday to be delivered later the same day.

Wine and recipe kits

During the pandemic, Waitrose saw a 238% increase in the number of Cellar orders, with wine being the most popular alcoholic beverage ordered online.

Seventeen per cent of customers bought more wine during lockdown, citing the wider online selection and the fact they did not have to carry it themselves as the primary reasons.

Waitrose has also seen a spike in the number of customers experimenting in the kitchen.

According to Google data, 2.3 million people were looking for "healthy recipes" in June 2020, while 2.1 million searched for "vegan recipes".

"Lockdown has seen some interesting trends for recipe searches, with lots of people searching for ideas for their herb gardens, 'grow your own' inspiration and lunch ideas," explains Waitrose digital content and design manager Kirsty Rolfe. "Comfort food recipes and baking were also huge

trends for the first half of 2020, as people got stuck into learning new skills at home and making delicious, uplifting food."

Consequently, the grocer saw an increased demand for its Cooks' Ingredients products in online shopping orders – the most popular being garlic and red chillies, or cornflour and baking powder for home baking.

Conscious consumers

Despite the pandemic, with all the stresses and worries that has brought, Waitrose said the rise of the sustainability-minded consumer has continued during lockdown.

"With 44% of us actively seeking out products online with less packaging, and searches for the food waste page on Waitrose.com up 94% compared with last year, it's clear that many of us are becoming increasingly aware of our impact on the environment and how sustainable we are within our own homes," says Waitrose head of corporate responsibility George Leicester-Thackara.

Waitrose also found that 27% of consumers are more actively seeking local British produce when doing their online shopping order. Searches for British chicken were up 289% from January to July compared with 2019.

60%

of people shop for groceries online more since the pandemic

2/3

of people say this is because they have preferred not going into stores

94%

increase in sales of Fairtrade sugar on Waitrose.com

Searches for British beef skyrocketed, increasing 889% in the same period year on year.

Fairtrade products such as bananas, coffee and sugar were also high on Britons' online shopping lists, with searches for the Fairtrade logo up 27% compared with the period from January to July last year.

The retailer noted that Fairtrade is popular with shoppers aged 18 to 24.

Big shift or lockdown blip?

Online grocery shopping has seemingly become more ingrained in how Britons shop, according to Waitrose, and has likely reached a tipping point.

Post-Covid-19, 19% of customers told Waitrose they will use a wider variety of online services, such as rapid delivery and click and collect, while 40% said they will shop for groceries online more frequently in the long term, compared with pre-pandemic levels.

A quarter of respondents also said that they will make bigger online grocery orders in future.

As the online shopping boom buoys Waitrose, the grocer has placed bets on its continued growth – increasing its online delivery slots, adding to its delivery fleet and opening its new Greenford fulfilment centre to better serve its London customers. **RW**