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September 11, 2020 | £7.99

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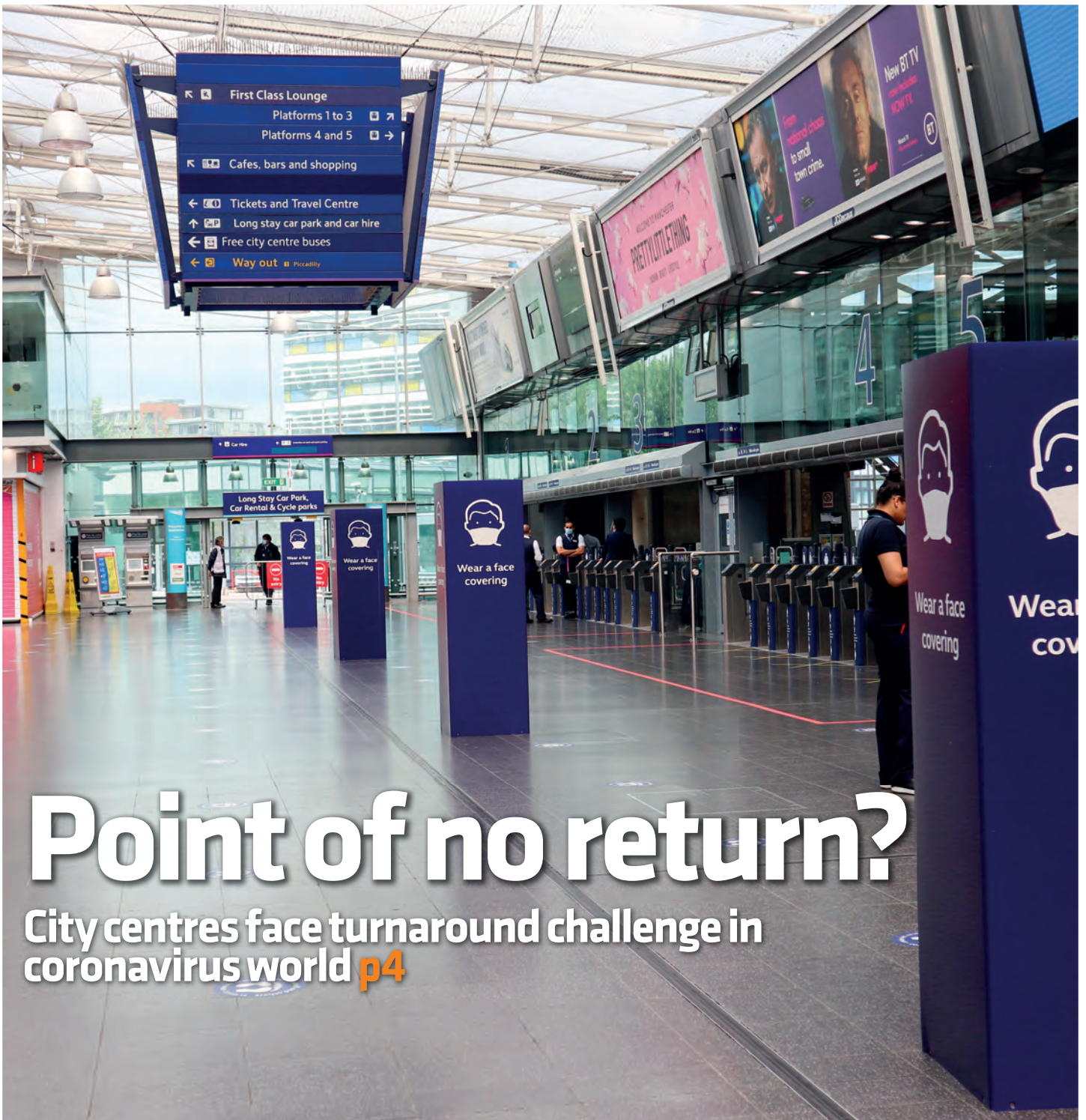
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Printed by Buxton Press Ltd
Registered as a
newspaper with
the Post Office
ISSN: 1360-8215



EDITOR'S COMMENT

Luke Tugby



Charles Wilson leaves the industry as a retail legend

“Tesco might be buying Booker, but the biggest thing they are getting in this deal is Charles Wilson.”

The words of one retail executive, spoken shortly after Tesco's merger with Booker was unveiled in January 2017, have stuck in my memory ever since. It was just about the highest praise that could have been bestowed upon Booker's boss Wilson – Britain's biggest retailer was paying £3.7bn not primarily for a business, but to gain access to the brilliant retail mind of a man known in the industry as Two Brains.

But after a glittering career, now is the time for Wilson, in his own words, to “take things a little easier” and retire. He has more than earned that right after a storied and, at times, turbulent career.

Tesco sent shockwaves through the retail world in July 2018 when it revealed Wilson had been diagnosed with throat cancer and would be stepping down from his role as chief executive of its core UK business, just five months after taking on the job.

Widely seen as the heir-apparent to Tesco boss Dave Lewis prior to his diagnosis, Wilson reverted back to his former position running the Booker business – a company that could easily not have even existed today were it not for Wilson's interventions.

Under Wilson's leadership, Booker was transformed. It listed on the stock exchange, purchased rival Makro's UK cash-and-carry operations from Metro Group and snapped up the Londis and Budgens convenience chains from Musgrave in a £40m deal. The attraction to Tesco was obvious – Booker offered it a route into the lucrative ‘out-of-home’ food market, increasing the supermarket giant's power across the supply chain, with distribution to restaurants and c-stores.

In the year to February 29, Booker increased sales 5% to £6bn and racked up cumulative synergies of £207m following the merger – a year ahead

of schedule. Even amid the Covid crisis, when trade to restaurants was decimated, Booker still managed to grow sales 6.1% in the 13 weeks to May 30.

It is no wonder that Lewis describes Wilson's turnaround of Booker as “one of the most remarkable business case studies in recent history”. But although his 15 years at Booker will form a central part of Wilson's legacy, he has given so much more than that to the industry.

A humble, unassuming leader, Wilson has not always been the frontman in his career but has often played the tune fellow executives have sung.

Lewis has taken centre stage at Tesco, earning plaudits for his turnaround plan, but Wilson offered an invaluable sounding board for Lewis in his first retail chief executive role.

For years, during his first stint at Booker, three years at Arcadia and a 12-month spell at Marks &

Spencer, Wilson similarly served as Stuart Rose's right-hand man.

Who knows where M&S might be today if it had managed to keep hold of Wilson and his two brains for a while longer. And as Shore Capital's Clive Black muses, where would Rose have been without Wilson by his side for so much of his career?

And where would Wilson have taken Tesco if cancer had not intervened and he had been allowed to tread the path that had been seemingly laid out for him as Lewis' successor?

These are questions that will never be answered, but the one thing not up for debate is the standing Wilson will be held in when he retires in February. His name has been cemented alongside retail's great leaders – Ken Morrison, Terry Leahy, Archie Norman. That is the company Wilson keeps.

But he isn't just a great businessman; he is a great man to boot.

Everyone at Retail Week wishes him well in his thoroughly deserved retirement. He bows out where he has always been – at the very top of his game. **RW**

Who knows where M&S might be today if it had managed to keep hold of Wilson

THE BIG STORY

How can city centres bounce back?

As one-time commuters predominantly continue to work from home, **Hugh Radojev** assesses what can be done to encourage people to return to hard-hit city centres

While lockdown restrictions have been lifted, many UK office workers are still working from home.

As a result, many retail and other businesses reliant on commuter spending have suffered catastrophically as footfall in once-thriving urban hubs remains dismal.

The toll on city-centre businesses has been stark. It has been epitomised by businesses such as sandwich and coffee shop giant Pret a Manger, which is to close 30 stores and axe 2,800 jobs, and counterpart Costa Coffee, which has put 1,650 roles into consultation over redundancies.

Last week, the chief executives of 80 high street retail, food and beverage and hotel chains wrote to Boris Johnson warning of the “existential” threat the shift to working from home posed to their businesses.

The letter calls on the prime minister to take “action to build public trust to levels that will trigger a return of safe travel into central London [which] has become a social and economic emergency”. It said: “Residents and workers need to be persuaded that public transport is safe and their workplaces are safe.”

The letter also suggests a blizzard of promotions to promote the message that the UK is “back for business”.

This all comes as the government has rolled out a media campaign to encourage workers to go back to offices. It coincides with the return of children to schools across the country, which experts predict may free up many people to return to offices. However, the big problem facing the

government and city-centre businesses is that, as well as any fears some may have over the ongoing Covid-19 outbreak, many employees feel they are as productive, if not more, at home.

Nine out of 10 respondents to a survey by Southampton and Cardiff universities said they would like to continue working from home in some capacity. In addition, 40% said they were able to get as much work done at home as in the office, while 30% said they had been more efficient.

Working from home is likely to become even more of a norm, so what can businesses do to draw consumers back to city centres?

London at a standstill

While cities across the UK have seen steep downturns in footfall, the problem is most stark in London.

In 2019, London generated over £500bn – around a quarter of the UK's GDP. The engine powering growth was its teeming commuter workforce.

Figures from Transport for London (TfL) show that as many as 1.1 million people commuted into London every day pre-pandemic. Office for National Statistics data shows that four out of five London residents were commuting into the city on public transport.

With international tourism effectively at a standstill, many retailers say getting people travelling back into London, be it for work or leisure, is vital to restarting the economy.

To that end, New West End Company boss Jace Tyrrell has been working with TfL on acquiring real-time data to warn

customers of when certain stations in the district are busiest.

“The big issue for us is getting people to the West End,” he says. “What people are telling us is that they don't feel comfortable travelling. If we had real-time data, we could help customers feel safe, show them when stations are too packed or are quieter.”

For Fortnum & Mason chief executive Ewan Venters, the capital needs “a big gesture” to win footfall back. “My idea is to offer free London transport from September to November,” he says. “We need to break habits that have been formed. Let's get people moving again around the capital. The transport is very clean and very safe. The numbers support this.”

Chair of The Restaurant Group and White Stuff Debbie Hewitt suggests lowering or even temporarily removing congestion charges and parking meters in central London, to encourage people to use their cars as a safe travelling alternative.

“In London, there is the additional cost burden of the congestion charge and paid-for parking,” she points out. “The car just isn't seen as a sensible alternative for many people, particularly if it is unaffordable.”

On a visit to the West End in August, London mayor Sadiq Khan outlined an eight-point plan to save the district. This includes the government extending the holiday on business rates payments beyond next April and continuing the furlough scheme for hospitality and retail businesses beyond October.

The mayor said he was doing “all in his power” to help businesses,



Commuters have not been convinced to return to city centres en masse

Liverpool leads

While London struggles, one city that has managed to restore footfall back to near pre-pandemic levels is Liverpool.

Liverpool created a city centre working group, which includes 50 representatives across the private sector, the BID, Liverpool One shopping centre and public sector stakeholders such as the police and Merseytravel, which worked to breathe life into the shopping and eating district.

The group focused on urging people to dine out in the city centre through its Without Walls project, which enabled outdoor dining in restaurants and cafes. That drove footfall that benefited retail – at the end of August, footfall at Liverpool One was up 3% year on year.

Claire McColgan, director of culture at Liverpool Council, says the next step for the city is coaxing people back to work with its ‘Get Back to Business’ campaign.



Pret pivots

As one of the most high-profile chains caught in the eye of this storm, Pret a Manger has responded with a new scheme designed to reel in customers.

It has launched the 'YourPret Barista' subscription service, which will only be available to customers in stores, not those looking to order deliveries through its partnership with Just Eat.

For £20 a month, subscribers will be able to get "up to five barista-prepared drinks per day" – and the first month is free for all subscribers as part of the launch.

Customers can sign up online or by using QR codes in Pret stores. The subscription will then load on to customers' smartphones and be auto-renewed each month.

Each subscription can only be used at stores for eat-in or takeaway.

Pret chief executive Pano Christou says: "This is just the first step in our plan to bring Pret to more people. We now have the building blocks to establish Pret as a multichannel, digitally led business, and YourPret Barista is the first big launch we're able to deliver through our new platform."

but called on the government to do more.

"In the face of a perfect economic storm, our businesses need urgent and sustained support from government to ensure they can survive this pandemic," he said.

Retail consultancy firm CACI director Alex McCulloch says employers too must do more to make offices feel safe for employees.

"It's not just about taping off every other desk. It means reconfiguring office space to feel more collegiate. It's about getting different teams to come in on different days," he says.

McCulloch says he cannot see, even post-pandemic, workers ever returning to offices five days a week. He says this could lead to retail and hospitality businesses needing to acclimatise to lower frequency but high-value visits from customers in future.

'September's on us'

The government's 'Eat out to help out' scheme was a huge success. Between August 3 and 31, Treasury figures showed that the scheme generated an extra £500m in customer spending.

High street pub chains Wetherspoon and Slug & Lettuce are both extending the Monday to Wednesday discounts at their own expense throughout September, as are restaurant chains such as Pizza Hut, Bill's and The Real Greek.

Food delivery app Deliveroo is also offering customers discount codes in September, enabling them to obtain the same discounts as during the scheme.

Speaking to Retail Week, Greene King chief executive Nick Mackenzie urged the government to consider extending a version of the scheme for city centres throughout September and also called for an extension to business rates holidays and immediate cuts to VAT.

"Government support so far has been hugely welcome, but the challenge for businesses like ours is far from over. That's why we are calling on the government, city mayors, local authorities and employers to work together urgently to bring people back to our cities before it's too late," he says.

Some big city-centre landlords have also stepped in with other schemes designed to support struggling

occupants, particularly those in the hospitality sector.

Cadogan Estates, which owns property across Kensington and Chelsea, has moved all of its hospitality tenants to turnover-based rents to help them ride out the pandemic.

Cadogan has also worked with Kensington and Chelsea Council on pedestrianising certain streets, such as Pavilion Road off Sloane Square. A similar scheme was unveiled in June by Wandsworth Council on Northcote Road.

Retail Week understands West End landlord The Crown Estate has also moved the majority of its hospitality tenants to turnover-based leases.

The landlord has been working with Westminster Council to reduce the number of lanes on Regent Street to one in either direction to expand pavements for better social distancing. It is also working on a scheme to encourage cycling and the pedestrianisation of some streets to allow alfresco dining.

While such measures will prove helpful for hospitality tenants, McCulloch believes more needs to be done by landlords to support retailers.

CACI has been working with landlords such as Hammerson to rip up existing leasing models and move to more flexible structures that better reflect the store's role in ecommerce.

He sums up the future of the store, particularly in city centres, as becoming more of a showroom. "The store of the near future is going to be much more about selling the brand, rather than shifting product at the tills," he says.

While some of the schemes have had positive effects on footfall and consumer spending in certain city centres, all experts agree that the lack of a coherent central government strategy is hampering overall recovery.

As summer ends, the furlough scheme tapers off and staff work from home more than in the past, city-centre tenants will be looking at the coming golden quarter and Christmas trading periods with a mix of hope and fear.

If footfall does not pick up drastically, the pain being felt by city-centre retailers now could just be starting. Yet, whether it is through a retail equivalent of 'Eat out to help out' or new in-store subscription models, there are things businesses can do to mitigate the risks. **RW**

NEED TO KNOW



WHSmith's Cowling and Keir: our travel division will fly again

As WHSmith launches its one-stop shop at Heathrow Terminal 2, CEO Carl Cowling and managing director Toby Keir tell **Rosie Shepard** why they believe the sky's the limit for the travel division, despite tough times on the high street

"Is it too early for an espresso martini?" jokes WHSmith managing director for travel retail Toby Keir. "I spend my life in airports – I never know what time it is," he explains, settling instead for a cappuccino.

Pulling up a chair in Heston Blumenthal's The Perfectionists' Café in Heathrow Terminal 2, you'd be forgiven for thinking Keir and WHSmith chief executive Carl Cowling were about to head off on a business trip, were it not for their lack of luggage.

The coronavirus crisis has put paid to that, decimating footfall in airport terminals as the number of people travelling by plane plummets.

But that hasn't grounded WHSmith's investment in its travel retail estate.

Seventy-four years after it became

the first ever retailer to open for business at Heathrow Airport, WHSmith has just launched its new-look store at Terminal 2, complete with a gift hall and book shop.

With the terminal's Boots store closing its doors during August, WHSmith worked with Heathrow to conjure up a concept that includes a Well pharmacy and a health and beauty section selling 3,500 lines to help plug that category gap.

The store, due to open earlier in the year but delayed by the pandemic, has been a year and a half in the making, and aims to bring several categories together to create a one-stop-shop for travellers.

"We call the store 'blended essentials'," says Keir. "If you go to an

airport, it's got everything you need for your holiday or flight. We've got a great tradition in areas like books, magazines, food and drink – those are all big categories for us. We looked at health and beauty in particular, and if you're going abroad it's something you need.

"Our thoughts were having it all together would actually be a lot easier for the customer, as in our airport stores the average dwell time is around six minutes.

"Having everything together is actually really important because often you're trying to get to your flight quickly – it's difficult to get to four or five shops before your gate is called."

WHSmith has separated the store into different zones, creating a shop-in-shop feel that guides customers around

– a concept that, unbeknownst to the planning team at the time, has become even more useful in a Covid-secure one-way system.

Customer numbers may be vastly reduced, but Cowling and Keir are pleased with early shopper reaction – net promoter scores were "way above 70" during its first two weeks of trading – and plan to roll the concept out to other travel destinations.

Despite the impact of the pandemic, WHSmith remains committed to opening its pipeline of new stores in travel hubs, although opening dates will hinge on how coronavirus plays out globally over the next few months.

Among the new locations, WHSmith is opening two stores with health and beauty sections in

It's a very tough time on the high street and we've worked closely with landlords to find a solution

Carl Cowling, WHSmith

Manchester's new Terminal 2 building, due to be the largest airport terminal in Europe upon completion.

Expansion opportunities

Although the coronavirus crisis has clearly dealt a major blow to WHSmith's travel division, with sales down 91% year on year at the height of lockdown, Cowling is already eyeing further expansion opportunities that have arisen from the current adversity.

"I think, while we wouldn't have wished this on ourselves, over the next couple of years there's going to be a lot more opportunities for securing space in airports," he says. "Because we sell a lot of different categories our ability to drive business in an arena where there are fewer passengers will be much better than retailers who only have a single category."

Cowling looks around Terminal 2, pointing to the John Lewis and Cath Kidston stores. Neither of them will be reopening, but those units will offer prime locations for other retailers looking to expand their travel footprint.

Similar stories will be playing out at airports around the world, Cowling suggests, and WHSmith appears well-placed to take advantage of that churn in terminal tenants – not just in the UK, but on a global scale.

Its reputation in travel retail was given a huge boost last year with the \$400m (£312m) acquisition of US company Marshall Retail Group (MRG) – a deal that added 170 US stores, including 59 in airports, to its growing international portfolio.

At the time of that purchase, MRG had plans to open a further 33 airport stores by 2024 – one of which, Gotham News by WHSmith, opened at New York's LaGuardia Airport last month.

Opening such stores in major international airports is a far cry from where WHSmith's international business was a decade ago, when it



EMMONY CONWAY

consisted of mainly UK shops, plus 10 in Denmark.

It now has a presence in 32 countries – and, despite the current issues plaguing the travel retail sector, Cowling believes its reputation as a business offering travellers "essentials" will allow it to expand.

"When we go out there and tell our story to international landlords, I think our ability to win more business will only increase," says Cowling, who took the reins as chief executive from Stephen Clarke last November.

"Landlords increasingly will be looking for something that's more efficient for them, and that makes sense in this new world where passenger numbers are going to slowly increase, but it's not going to recover to pre-Covid levels.

"Most forecasts are saying that will happen in 2023, so retailers and airports need to do something very different in that time. Having a much better retail offer that draws people in is going to be much more important."

Building relationships

Cowling places great emphasis on WHSmith's ability to work alongside landlords like Heathrow Airport in its travel locations, but such relationships with other property owners have seemingly become strained – particularly after the retailer demanded rent cuts across its high street portfolio amid the pandemic.

However, Cowling says most landlords have been forthcoming in

lease negotiations and WHSmith has a positive working relationship with high street property owners.

"We've got a very good relationship with all of our landlords," he insists.

"Unlike a lot of retailers, we've really thought through our property strategy over the past decade, so we've got a really short average lease length. We've been pretty good over the last few years about reducing our rents.

"It's a very tough time out on the high street and we've worked pretty closely with our landlords to try to find a solution that's right for us and right for them. I wouldn't comment on any specifics, but I'd say that it's quite collaborative.

"We've collaborated with our high street landlords, we've collaborated with our travel landlords, and we've built relationships with some of these companies for over 100 years."

Plans for the high street?

Despite such co-operation from landlords to reduce rents, WHSmith's high street stores have become an easy target for criticism over the perceived lack of investment in them. Indeed, images of below-par store standards have allowed the @WHS_Carpet account to become a Twitter sensation in recent years.

Sales have been falling, too. Revenues from WHSmith's high street sales tumbled 74% year on year in April, at the height of lockdown, although that rate of decline eased to 25% by July.

High street shops seem to have become the forgotten element of WHSmith's estate, and even Cowling himself is quick to turn conversation back to the future of the travel division.

When asked whether the new-look Heathrow store could form a blueprint to revive its high street shops, Cowling says that it's far easier to understand the customer journey in a travel store.

Adding a health and beauty section to its high street shops, he adds, would not work due to the immense amount of competition from other more established retailers in the category, such as Boots and Superdrug.

While that rationale makes sense, WHSmith's ongoing investment in travel retail seems at odds with its ongoing restructure. The consultation could result in as many as 1,500 roles being axed – the majority of which would be in its travel locations.

Cowling says the process, which he hopes to have completed by October, is a "very difficult" one, but insists it will be "for the good of the business" in the longer term.

"We can't really control the number of passengers in airports or the number of customers who go on to the UK high street. What we can control, though, is the way that we lay out our products and the conversations we have," he concludes.

As Cowling and Keir focus on setting its travel division apart from the rest, WHSmith is banking on its airport stores not being grounded for long. **RW**

NEED TO KNOW

Will The Hut Group's IPO float or sink?

The Hut Group has revealed its intention to float after years of speculation. **Hugh Radojev** analyses whether it will hit its valuation and why it has chosen this moment

After the best part of a decade, one of the great City will-they-won't-they stories finally reached a conclusion when Manchester-based online retailer The Hut Group (THG) confirmed its intention to float on the London Stock Exchange.

The retailer's target valuation has been set at £4.5bn, an eye-watering number for a business that the average consumer may not have heard of.

Theetail group's websites specialise in health and beauty, though it also runs nutrition and fashion businesses. Its businesses include Lookfantastic, Myprotein and Coggles, as well as a host of product brands such as Espa and Illamasqua.

The IPO launch comes off the back of "strong growth" in the six months to June 30 this year, with sales rocketing 36% year on year to £676m. This follows an impressive 2019 when THG grew sales 25% to £1.1bn.

But it is not just about retail growth at THG. It has also developed its own ecommerce warehouse and tech platform that it outsources to other businesses, much like that other pureplay-turned-tech titan Ocado. THG clients include Boots, Procter & Gamble, Nintendo, Nestlé and Mercedes-Benz.

The group was hoping for an Ocado-style valuation. At three times revenues and 10 times EBITDA multiples, £4.5bn could prove a tall order, particularly with markets still reeling from the effects of the pandemic.

Can THG meet its price tag and why has it chosen now as the time to float?

The price is right

The valuation may be punchy but, as Shore Capital analyst Clive Black points out, it is well researched. The online group has been working with seven different banks as IPO advisers since July. "They'll have done some pilots and I'm sure will be at least quietly confident they can achieve that aim," he says.

While its valuation is based on revenue and EBITDA margins, analysts believe the success of THG's IPO lies elsewhere.

Peel Hunt analyst John Stevenson says its delivery platform THG Ingenuity will be a big part of its sales pitch to would-be investors. "I'm sure THG sees itself as more of a tech company with a platform that enables them to drive traffic, market directly to consumers and drive engagement," he says. "They'd probably argue that, after that, the product itself is almost ancillary."

Independent retail analyst Nick Bubb agrees and says "much will depend on how good the City thinks THG's technology and software is".

However, he worries that THG's diverse portfolio of brands and dramatic

transformation from a business that originally sold CDs online, when chief executive Matthew Moulding founded it in 2004, may play against it.

"I've always thought the biggest issue with The Hut Group is how it has changed shape so much since it started," says Bubb. "First it was a CD and videoetailing business, which dabbled in clothing, before moving, a little randomly, into nutrition and beauty."

One deals expert agrees. He says the group structure is "very complex" and wonders whether that has already turned off private equity buyers. As well as its many retail websites and technology platform, the sprawling group also includes several hotels and country clubs and its own airline, THG Air, to transport goods.

"The public markets are more forgiving around complex groups because they're used to conglomerates, whereas with private equity the temptation is to break up. I wonder if that's one of the reasons why it's decided on an IPO," he says.

However, Stevenson disagrees. He believes the complex structure of the current group may have put investors off five years ago, but the market understands ecommerce much better now.

£4.5bn
The Hut Group's
target valuation



THG has changed dramatically since it launched as a CD etailer in 2004



THG's portfolio of brands includes Glossybox, Lookfantastic, Myprotein, Coggles and more

THG has been on the brink of this for several years, but obviously online valuations have gone through the roof during the pandemic
Nick Bubb



THE HUT GROUP

"Investors are more interested in consumer dynamics in terms of acquisition cost for customers, how they shop, and the granularity and visibility on the growth they are trying to deliver," he says.

Seize the moment

THG and its banking gang of seven may be confident of hitting its valuation, but the middle of a pandemic, which has left international markets in turmoil and seen the UK plunge to the deepest recession since records began, seems a strange time to try for a float.

However, Black believes the timing makes perfect sense. "There's investment appetite out there," he says. "This appetite has been generated because central banks and governments have pumped hundreds of billions, even trillions, of pounds into markets and consumer tech is a safe haven at the moment."

He says that THG will have looked at the "big valuation premiums" of the likes of Ocado and will be seeking

to benefit from the recent strong performances of tech-driven goliaths such as Amazon and Apple.

Bubb points to the recent growth of online retail stock such as Asos, which he says will help THG's IPO. Since its last £200m fundraising round in April, Asos' market cap has grown almost fivefold to £4.95bn.

"THG has been on the brink of this for several years, but obviously online valuations have gone through the roof during the pandemic," he says. "They will be particularly mindful of the huge rally in Asos' value in recent months."

The deals expert agrees: "It's positioning itself as an online retailer and a platform for other online retailers at a time when everything is going online due to the pandemic. Also, no one else is listing right now. Now is the perfect time to do it because they're a sexy tech thing that people can actually invest in right now."

It would appear the time is finally right for THG, and UK retail could have a new multibillion-pound power player. **RW**

NEED TO KNOW

Watch: Inside Amazon's tech-driven grocery store
Retail-Week.com/Amazon



Amazon's first supermarket opens in LA

The Fresh supermarket in Woodland Hills incorporates multiple checkout-less options, electronic shopping carts and Alexa-led devices to provide what Amazon calls a “seamless shopping experience”. **George MacDonald** reports

Amazon has opened the doors of its first Fresh supermarket in the latest push by the tech giant into food retail.

The store, in Woodland Hills, Los Angeles, was described by Amazon as a “new grocery store designed from the ground up to offer a seamless shopping experience, whether customers are shopping in store or online”.

Amazon Fresh, which for the time being is open to invited customers only, incorporates elements such as checkout-less options including a Dash Cart trolley, drive-thru collection and customer advice through Alexa devices.

The Dash Cart, which uses computer vision algorithms and sensors, allows customers to sign in using an app or QR code and their purchases are automatically totted up. They can then pay and leave through a special lane without queuing.

Customers can access their Alexa shopping lists and Echo Show devices

will answer questions such as “where can I find the hot sauce?”

The retailer is also offering Amazon.com package collection and a free, package-less product returns service.

Amazon said the store offers “a wide assortment of national brands and high-quality produce, meat and seafood” and prepared foods freshly made daily in store.

Brands will include 365 by Whole Foods Market, the US grocery chain owned by Amazon, big names such as Coca-Cola and local brands such as Röckenwagner Bakery.

Customers using Amazon's Prime Rewards Visa Signature Card or Prime Store Card are eligible for 5% cashback on their checkout spend.

The store includes measures to ensure safe shopping amid the Covid-19 outbreak, such as daily temperature checks for all employees and free disposable masks for customers. The shop will operate at 50% capacity. **RW**



Alexa devices are located throughout the store



Amazon's Dash Cart logs items and allows customers to pay without queuing



The Fresh supermarket is located in Woodland Hills, Los Angeles

Pret's new blend should make other retailers smell the coffee

As pleas for workers to return to city-centre offices fail to gain much traction, businesses could do worse than look to Pret a Manger's attempts to adapt to the new reality, writes **George MacDonald**

The pandemic has decimated footfall in Pret a Manger's traditional city-centre playgrounds – especially London – and prompted the coffee and sandwich chain to take cost-saving measures. It is closing 30 branches and axing 2,800 jobs.

But Pret is not, in contrast to some retailers, relying on cost savings and cutbacks alone to see it through. The business is adapting its model fast to reflect changed conditions.

Pret has started off by recognising the big picture: it will take a long time for city centres to make a comeback, if in fact they ever regain their former glories.

Hectoring government and business lobby campaigns urging commuters to get back to the office are not going to pave the streets with gold.

In fact, they have been so clumsily executed that they may have the reverse effect, as people bridle at a patronising tone that has even prompted some companies to reassure employees they should feel no obligation to come into the office unless they choose to.

Rather than rail against the unfairness of the new world, Pret is determined to establish its place within it and become relevant in new ways.

Chief executive Pano Christou told the *Today* programme: "There's no doubt that workers will come into the office less often than beforehand. Pret needs to adapt itself to the changes of customer patterns and that's where we've been very focused."

Finding new opportunities

The new subscription scheme is one example. The approach has already been tried out by the chain's sister business in the US, Panera – also controlled by investor JAB Holding Company, which bought Pret for £1.5bn in 2018 – and the experience so far indicates that it is working.

Launched in February, before lockdown, it now has more than

800,000 members. Panera chief brand and concept officer Eduardo Luz said in a *Forbes* interview that the initiative has kept the business front of mind for coffee shoppers. They are still visiting, although often at a later time than the traditional dash-to-the-office rush, and that change has also brought the opportunity to sell more lunch lines.

Alertness to new opportunities throughout various times of the day, which has also helped Greggs' star rise as it adapted its proposition by moving into the late afternoon and evening food-on-the-go markets, is becoming increasingly important to Pret.

Pret showed its ability to adapt when it began experimenting with an evening menu some years ago. During the pandemic, it enhanced that with a supper delivery pilot. There will be more in a similar vein.

Pret UK boss Clare Clough told Retail Week that the dinner market is a big opportunity.

New ventures can be informed by another benefit of the subscription service – assuming it takes off – and that is data. Clough said there is the chance to build "richer digital relationships



George MacDonald
Executive editor,
Retail Week

Rather than rail against the unfairness of the new world, Pret is determined to establish its place within it and become relevant in new ways

with our customers" and better understand shopper behaviour, ranging from purchase frequency to product preferences and regional distinctions.

To find a path through the aftermath of the pandemic, Pret has looked at international markets to draw on the widest range of good ideas possible, while paying close attention to the detail of its domestic market.

It has not thrown any babies out with the bathwater, but sought new ways to make its core appeal relevant.

Such approaches are open to many other retailers, not just those selling coffee and croissants.

Whether it's Dixons Carphone's ShopLive service, designed to combine the strengths of in-store expertise with the video technology that has become ubiquitous during the crisis, or John Lewis's tie-up with home-workout specialist Peloton, retailers are showing their ability to adapt.

It is such versatility and responsiveness to how customers are behaving that will characterise the survivors of this particularly brutal phase of Darwinian retail evolution. **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.

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

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OPINION

Why the Post Office is putting staff on our board

Giving a voice to local postmasters will provide invaluable insights into day-to-day operations. Retailers would do well to follow and appoint a staff representative to their board, writes **Nick Read**

The Post Office is unique. We are the UK's largest retail network, with 11,500 branches, and the vast majority are run on a franchise basis by independent postmasters.

These men and women are businesspeople often considered the pillars of our local communities. They keep their branches open, no matter the circumstances, providing vital services and support to these communities.

With such a dedicated and enterprising group, I believe postmaster representation on the board is the right way forward for Post Office Limited.

Every organisation is different, not least the Post Office. As such, I can only tell you why we have made this decision and where I believe it can take us. I hope our decision will prove an example for others to emulate – I believe it will.

We are creating a non-executive director position on our board for a serving postmaster, advocating for the interests of more than 8,000 postmasters.

Genuine partnership

We are determined to create a genuine partnership with our postmasters and this initiative reflects our commitment to that end.

Since joining the Post Office a year ago, I have prioritised a reset in our relationship with postmasters. They must be at the forefront of our business, with the Post Office providing them with the support they need to help their businesses thrive.

I'm grateful that, since the announcement was made, the National Federation of SubPostmasters – whose members run around 75% of Post Office branches – have welcomed the move.

I am acutely aware that our postmasters are businesspeople and entrepreneurs at heart. Each one is proud to serve their community, but they are also postmasters because they find the Post Office to be a good fit with their other commercial interests.

Our proposition must be fair, attractive and mutually profitable – the view of a postmaster as to how best we continue to drive footfall to branches, attract more SMEs to use our services and continue to be the destination to access cash and do everyday banking is therefore indispensable.

I know there will be appetite for engagement among postmasters. At our recent 'Stronger Together' regional events, more than 1,000 postmasters tuned in virtually to hear about priorities for the year ahead and to give their views.

Ultimately, any organisation must listen to those who provide the lifeblood of their business on a day-to-day basis in such a way. Retailers in particular can gain invaluable insights by placing store staff on their boards.

For retailers to thrive, they should provide an opportunity for those that run their businesses day to day in shops across the country with the ability to engage in strong debate and challenge the way things are done.

This helps ensure the best service and

Retailers should provide an opportunity for those that run their businesses to engage in strong debate and challenge the way things are done

products are provided to customers.

The Co-op has member directors, for example. Outside the retail sector, some of the biggest firms in accounting, consulting and law have employee representation on their board.

Resetting relationships

The creation of the new non-executive role at the Post Office is just one part of what we're doing to reset the relationship with postmasters.

A separate consultation will be launched shortly, asking how postmasters and those commercial partners who operate multiple Post Office branches want to be involved in the development and execution of business decisions.

This will include options to establish regional or thematic forums. Many retailers already operate this way with their franchise partners.

Each company will have its own approach as to what is best. At the Post Office, I hope we can provide a blueprint that others in the retail sphere and beyond can point to.

There is no doubt we have had a challenging period over recent years. But the business will thrive if we ensure that postmasters are at its centre. **RW**



Nick Read
Chief executive,
Post Office

We've put in family money, but now I'm facing a CVA

Jacqueline Gold explains why turnover-based rents are the way forward in the new retail landscape – and how lack of flexibility from landlords may force her business into a CVA

The Covid-19 pandemic has been an extraordinary time for all retailers. With all our stores closed at Ann Summers, the focus shifted to online, and thanks to the heroics of our colleagues we managed to meet a significant step up in demand while people were in lockdown. I can't imagine why...

Our stores have now reopened and we are looking to the future with optimism. After the toughest year in our history in 2018/19 – partly owing to some self-inflicted own goals – the business is now back on track.

We've strengthened our leadership team, resolved some big IT issues and improved our product quality, price positioning and marketing. All this work will mean our 2020 numbers will show a significant improvement in the £16m loss that our accounts will show we recorded in 2019.

The implications of Covid-19 on our industry are much broader than the immediate hit on our financials. All retailers acknowledge that the way customers shop isn't going to just go back to how it was before the pandemic.

Many more shoppers have discovered the convenience of online, and people are reluctant to travel into city centres, especially if it requires public transport. More working from home will mean less passing trade for a long time to come.

These are long-term, possibly permanent, changes and they mean that landlords must take a more pragmatic approach to rents.

Ultimately, no retailer can afford to run stores unprofitably, and with business rates set to return next spring, the challenge of property costs is going to become even more pressing than ever.

We want to work in partnership with our landlords and our interests should be aligned. That's why we, like many retailers, think turnover-based rents are the way forward.

Jacqueline Gold
Chief executive
Ann Summers



It's no coincidence that outlet centres and travel retail have been two of the few success stories in bricks-and-mortar retail in recent years, and these are the places where turnover rents are the norm.

We recognise that our landlords are businesses too, and we understand they will need a return. I'm pleased to say the majority of ours are sensible and have been open to negotiations.

No retailer can afford to run stores unprofitably, and with business rates set to return next spring, the challenge is going to become even more pressing

However, there are some who haven't and who continue to bury their heads in the sand when it comes to these discussions. And the way the system is set up, if they won't come to the table, the only way a retailer is able to resolve the situation is to undertake a CVA.

Last resort

We are still working with all our landlords and a CVA isn't something we would do lightly. A CVA is a restructuring process and historically has been seen negatively by external and internal stakeholders.

But increasingly we have seen a number of retailers with historically strong businesses and supportive owners finding themselves with no option but to use this facility.

In the case of Ann Summers, my family has ploughed large sums of money into the business to help us address the issues that held us back last year and to get it back on an even footing, with plans to invest further. But there is no point doing that just to subsidise those landlords who continue to cling on to outdated terms.

I'm grateful to those landlords who have engaged in constructive discussions with us and, should we carry out a CVA, they will definitely not be compromised.

To those who haven't yet, there is still time to come to the table. It's a shame we have to threaten a CVA in order to do this, but this is no idle threat.

Whatever the outcome, Ann Summers has a bright future. We believe in stores as a key part of our offer, alongside our ever-improving online channel and our unique and rapidly growing direct selling business.

And we don't want to lose brilliant colleagues. But it needs everyone to do their bit, including landlords. Otherwise, there will be many more of us forced to go down the CVA path. **RW**

ANALYSIS

What will be Britain's next £1bn brand?

With Gymshark securing unicorn status last month, just eight years after it was founded by former pizza delivery boy Ben Francis, who could be next? **Gemma Goldfingle** looks at the businesses that have the potential to become Britain's next £1bn brand

Gymshark secured unicorn status last month after it was valued at more than £1bn in a fresh funding round that led to private equity firm General Atlantic taking a 21% stake in the business.

The sportswear brand joins an exclusive list of fewer than 25 British companies to achieve unicorn status since 2001. But who could be next?

Revolution Beauty

Revolution Beauty has become the go-to budget makeup choice.

Set up in 2013 by Adam Minto, a cosmetics industry lifer known as Mr MakeUp, it sells 'mass-tige' products – that's mass-produced

makeup that is marketed as prestige and sold at affordable prices.

And shoppers are snapping them up. Sales surged to £113.8m in 2018, its last reported financial year, while profits hit £13.6m.

Revolution Beauty has revolutionised the beauty industry as it focuses on 'fast beauty' – think fast fashion but with makeup. That means the company launches new trend-led products on a weekly basis.

The brand sells via its own website but also through retail partnerships. It is stocked in Superdrug, Boots, Asos and Beauty Bay in the UK, and in a range of department stores, beauty specialists and grocers around the world, including Ulta Beauty and Target in

the US, Monoprix in France, and Lidl and Natura in Poland. International expansion is a key part of its growth plan and it is already sold in more than 35 countries.

The beauty industry may currently be suffering as many people continue to stay at home, but the long-term growth prospects of Revolution Beauty are undiminished and it has a good chance of being Britain's next £1bn brand.

Missy Empire

Following in the footsteps of Boohoo and Missguided is fellow Manchester fast-fashion retailer Missy Empire, which sells affordable clothes for 16- to 35-year-old women.

Set up by brothers Ash and Ish Siddique in 2015, Missy Empire was featured in *The Sunday Times* Fast Track 100 this year as one of the UK's fastest growing businesses after annual sales rose 115% in three years.

The good run looks to have continued as Missy Empire expects sales to have grown from £13.9m to £25m in its year to March 2020, according to Business Live.

Like Boohoo founder Mahmud Kamani, the Siddique brothers have a background in clothing manufacturing. In fact, they only ventured into online retail when a major customer cancelled a bulk order of Christmas leggings, leaving them with stock to shift.

The brothers put the leggings on eBay and they sold out overnight, which led them to think they should build a business selling fashion online.

The Siddique's manufacturing background ensures they can get products made cheaply in as little as five days.

Like rivals Boohoo and Missguided, Missy Empire works with celebrities and social media influencers such as former *Geordie Shore* star



Freddie's Flowers offers a subscription-based service



Revolution Beauty focuses on 'fast beauty'

If you look at other billion-pound success stories, they often seem to disrupt markets

Kien Tan, PwC

Vicky Pattison and *The Only Way is Essex's* Chloe Lewis to help it build recognition.

It has 1.4 million followers on Instagram, which may be some way behind Boohoo's 6.7 million, but it is fast catching up.

It will also be looking to follow in Boohoo's financial footsteps and will be eagerly eyeing its £4bn valuation.

Freddie's Flowers

Freddie Garland, founder of Freddie's Flowers, describes the online florist as "like the milkman, but with flowers". The business operates a subscription model and delivers flowers to doorsteps on a weekly basis for £25.

Each box comes with an arranging guide and details about the different flowers in the delivery.

The idea of a £1bn online flower seller may seem outrageous, but PwC retail deals specialist Kien Tan insists it has legs.

"If you look at other billion-pound success stories, they often seem to disrupt markets. Look at Gymshark with the sportswear market that had been owned by Nike and Adidas, or Harry's and Dollar Shave Club shaking up a shaving market that was dominated by Gillette," he says.

"Flowers is another big market that is both ripe for branding and disruption. Freddie's Flowers is disruptive, it has a subscription model – which is another common attribute of disruptive billion-pound brands such as Nespresso – and is Insta-friendly, which gives it the potential to grow cheaply via word of mouth."

Freddie's Flowers may be relatively small – sales hit £16.5m last year – but lockdown has given it a big boost.

Demand has surged from stay-at-home consumers eager to brighten up their homes and customer numbers jumped 73% from 60,000 to 104,000 during this period when traditional florists and garden centres were closed.

The subscription model means many of these new customers will stay with Freddie's Flowers long after lockdown has ended.

Cult Beauty

Another beauty business disrupting the sector is online retailer Cult Beauty.

The website, which sells hundreds of brands across skincare, makeup, hair, bath and body, and fragrance, was set up by beauty enthusiasts Alexia Inge and Jess DeLuca, who were tired of buying expensive products that did not live up to their claims.

The pair decided to set up their own beauty website where they would curate what Inge refers to as their "beauty hall of fame: our own authoritative treasure trove of products that our customers could trust".

Its roster of stellar brands established Cult Beauty as a trusted destination for discovering trends and must-have products. Revenue rose 31% to £104m last year, while profits jumped 94% to £5.7m.

Inge believes that Cult Beauty's curation is key to its success.

"We achieved this as a trusted multi-brand retailer with a focus on expert curation and reputation as the place to go for beauty discovery and incubating trends," she says. "We are incredibly proud that Cult Beauty

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Cult Beauty prides itself on "expert curation"

continues to grow, while we see other retailers suffering as they throw more and more products at the already beauty-confused.

"Our customers keep coming back because they trust us to provide them with the best advice and cult products on the market."

The retailer is pushing ahead with international expansion and launched seven country-specific websites last year, including Germany, Spain, Italy and France.

International sales currently account for 59% of total revenue.

Cult Beauty hired JP Morgan late last year to look for a buyer or investors to fuel its growth. Inge told *The Times* earlier this year it is still "looking at opportunities that are out there".

VPZ

Vaping shops seem to be found on every high street now as people swap tobacco for e-cigarettes. While this market is full of single-store operators, VPZ is the UK's largest

vaping chain with 150 shops up and down the country.

VPZ was set up by former smoker Callum Henderson after he kicked the habit by using e-cigarettes. Alongside his brother Connor, he opened his first store in Edinburgh in 2012.

It was originally called Vaporized but rebranded as VPZ last year to differentiate itself from the raft of other businesses with vape in their trading name.

The Edinburgh-based firm made the FT 1000: Europe's Fastest Growing Companies 2020 following its 64% compound annual growth rate between 2015 and 2019. Sales hit £26.4m last year.

VPZ is targeting expansion across Germany, France and Spain, as well as more stores in the UK. *The Grocer* reported earlier this year that tobacco giant Philip Morris International has part-funded VPZ's expansion, although the vaping shop is still run as an independent business. **RW**

Our customers keep coming back because they trust us to provide them with the best advice and cult products on the market

Alexia Inge, Cult Beauty

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From e-bikes to pound shops: filling the gaps

While the pandemic continues to force many businesses to the wall, some old and new retailers are still snapping up space. **Hugh Radojev** meets those with ambitious store plans

UK high streets up and down the country have been hammered by the coronavirus pandemic – first by the lockdown and now by the slow footfall recovery, particularly in urban areas. The strain has proved too much for some businesses that have been forced to shut up shop.

Unsurprisingly, vacancy rates rose across all shopping destinations in the second quarter of 2020, according to British Retail Consortium figures, with 14.3% of shopping centre space and 12.4% of high street space left empty. These figures could rise in the current quarter as big names such as New Look and River Island plot store closures via CVAs.

However, some sectors have thrived during the pandemic and some retailers – old and new – are spotting opportunities to snap up property deals. As Knight Frank's head of retail research Stephen Springham explains: "There are lots of retailers that are just starting out and there are decent deals to be had. They can cherry-pick space right now. If you're looking for space, don't waste a good crisis."

Pure Electric plots 500 stores

One retailer expanding at pace that many will still be unfamiliar with is electric bike and scooter retailer Pure Electric.

Since July, the retailer has expanded from one London showroom to 14 stores in total across the UK, after snapping up 11 former Cycle Republic stores. Store locations include London, Birmingham, Manchester and Gateshead's Metrocentre.

Last month, it also signed deals to open stores in Paris and Madrid.

Chief executive Peter Kimberley says the plan is to eventually have 500 stores across the UK and Europe. He puts the rapid expansion of the business down to the pandemic, which has accelerated electric scooter usage.

"I don't think the rise in cycling and scootering is going to change any time soon," he adds.

Pure Electric has recently opened sites in London's Holborn and Victoria stations and is in discussions about new sites in Spitalfields Market and near London Bridge.

"Basically, we want to either be at the beginning or the end of a customer's commute or journey," says Kimberley.

With such bold growth planned, does Kimberley not worry that Pure Electric might, like retailers of days gone by, find itself with an unwieldy and expensive store estate in years to come?

"Bricks and mortar is going to be so important for us, now and in the future," he insists. "Our stores also need to act almost like petrol stations. They need to be on routes for a customer. People are going to get punctures; they'll need bikes serviced, they'll need their chains upgraded."

Peloton rides into UK retail

Scooters are not the only type of bike to gain traction of late. US-based fitness app Peloton, which sells at-home workout bikes with personalised digital classes, is setting its sights on the UK.

With bikes setting shoppers back close to £2,000, the brand believes stores are necessary for people to try out the equipment before buying.

Last month, Peloton opened two new 1,700 sq ft showrooms in Birmingham – one at the Bullring shopping centre and another at Grand Central. These add to the eight existing bricks-and-mortar spaces the brand has in the UK since it opened its first in London in September 2018.

Peloton has also teamed up with department store chain John Lewis to open nine showroom concessions within its stores.

Peloton managing director of international Kevin Cornils says the showrooms offer would-be customers "an excellent opportunity" to become better acquainted with the brand.

"Peloton is such a unique experience that you have to try it and our retail showrooms are a great way to learn more about the brand and the Peloton bike in person."



Poundland wants to put its full range in new stores

ANALYSIS



With retail property prices driven to all-time lows and home fitness reaching all-time highs, there might never be a better opportunity for brands like Peloton to make their mark in the UK.

Just Cuts eyes rapid expansion

Another overseas company aiming to establish itself as a household name in the UK is Australian budget hairdressing chain Just Cuts.

The salon, which launched in the UK in 2018, is looking to ride the growing popularity of hairdressers in the UK. More than 1,000 new hairdressers and barbers opened in 2019, according to the National Hair and Beauty Federation.

Just Cuts has more than 240 salons in its native Australia and New Zealand, but has even more ambitious plans for the UK, according to UK general manager David Mathie.

“Our goal is to have 400 salons in the UK,” he says. “We’ve opened nine so far. We’ve just opened the ninth in Blackburn and I’ve got another at Intu Lakeside due to open soon. We’re looking to roll out new salons every month. There’s no stopping for us.”

Just Cuts has opened two new salons since hairdressers were allowed to reopen on July 4, and Mathie says the pandemic has created opportunities for new brands.

“Landlords are doing everything they can at the moment to get new brands into vacant spaces. The more stores closing down means the more vacant spaces landlords have to fill.

“For a new brand coming to the UK, negotiations are strong at the minute, which is really good,” he says.

In terms of ideal store locations, Mathie says Just Cuts’ salons tend to be based in shopping centres as the business model is based on “customers walking in without appointments, so we really do rely on higher footfall traffic numbers”.

However, he says, due to the current deals available on high street locations and the rebuilding local footfall traffic, “we will be looking at high street locations as well”.

Poundland's store push

Some established UK retailers are also seeking to benefit from advantageous property prices. One of those is Poundland, which is among the UK’s largest discount chains.

The retailer already has 822 stores across the UK and Ireland, but it has been one of the most active players in the retail property market of late.

Poundland property director Ben Wall says it has opened 13 new stores since July with a particular focus on the retailer’s new extended offering.

“We are looking for new stores that take our full range, including frozen and chilled ranges, our homewares, Pep&Co clothing and our Poundland core range,” he says.

In terms of ideal units, Wall says the new stores will range from 6,000 sq ft to 10,000 sq ft in size to better accommodate the increased range.

While the pandemic has not sated Poundland’s desire to take new space, it has changed Wall’s process in evaluating what an ideal space looks like – particularly in terms of location.

“Larger city centres are obviously not top of our list at the moment,” he says. “That’s not to say that in some major cities where we’re underrepresented we wouldn’t be looking to actively acquire some space.”

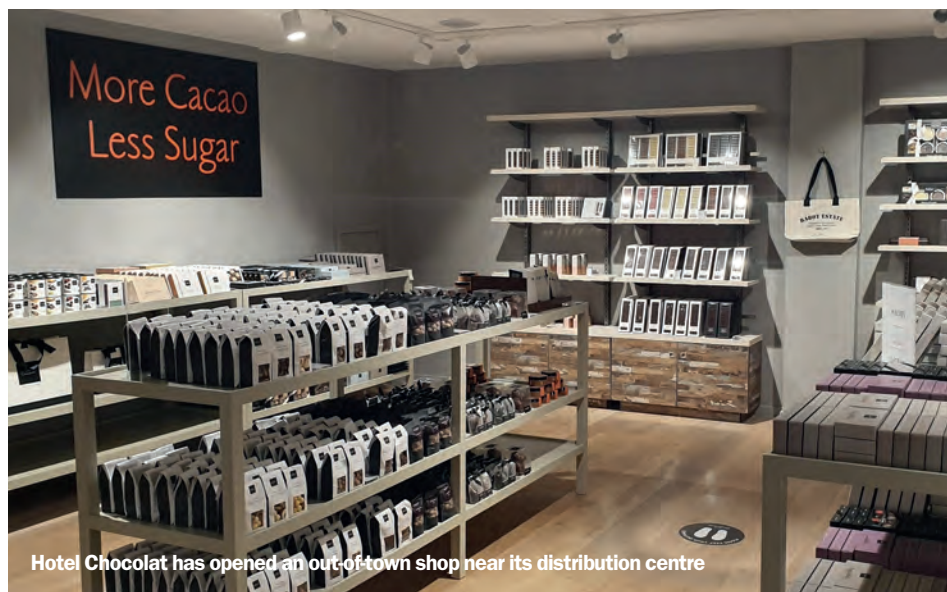
Another high street staple looking to expand during the pandemic is home and DIY retailer Screwfix.

Last month, owner Kingfisher revealed Screwfix would open 40 new stores this year – 30 in the UK and a further 10 in the Republic of Ireland.

Screwfix has opened at least 50 new stores a year for nearly a decade and now has more than 680 stores across the UK. It plans to have 800 bricks-and-mortar stores in the UK in the long term.

Chief executive John Mewett says: “The growing demand for convenience means we’re opening more stores to help our busy customers get their jobs done.”

There are decent deals to be had. Retailers can cherry-pick space right now. If you’re looking for space, don’t waste a good crisis
Stephen Springham, Knight Frank



Hotel Chocolat has opened an out-of-town shop near its distribution centre

New formats

A number of established national chains have also begun experimenting with new formats during the pandemic.

Hotel Chocolat, which usually trades in prime city-centre, shopping centre and travel locations, unveiled its new out-of-town format last month.

The store, next to its main distribution centre in St Neots in Cambridgeshire, is designed to cater to shoppers that feel safer driving to stores during the pandemic.

It is twice the size of a regular Hotel Chocolat store and has a shop, cafe and 3,000 sq ft of outside space dedicated to alfresco seating, as well as a 100-space car park.

Boss Angus Thirlwell told Retail Week it had “gotten off to a great start” and was the best-performing store in its portfolio on the day it opened. Thirlwell said it could roll the concept out to more locations in outlet villages, retail parks or service stations if the debut store trades well.

“It’s perfectly placed if you want to drive to Hotel Chocolat, have an amazing shopping experience, pick up a choc shake, fill up the boot and drive off again,” he said.

While Hotel Chocolat is moving out of town, Dunelm is heading to the high street.

The home and DIY giant, which usually trades in big-box retail parks, launched an in-town concept store in June called Dunelm Edit in Crawley, East Sussex.

The store features bestselling products picked out by Dunelm’s design team and local customers who took part in focus groups. The chosen “edit” will be made up of products that are most popular in the Crawley area – an idea that will be replicated in future iterations of the store concept in different neighbourhoods.

One store expert suggested other big-box operators, such as B&M and The Range, could follow Dunelm’s experiment with smaller, in-town formats to capitalise on the trend towards local shopping.

The discounters march on

Unsurprisingly, the German discount grocers continue to expand at pace.

Lidl, which recently opened its 100th London store, is targeting a further 30 shops in the capital by the end of 2023.

The grocer also said it would be “embracing mixed-use sites to help support the creation of new homes and office space” as part of its expansion drive in London. For example, its new site in Richmond, currently under construction, has been designed and built to feature a school on top of it.

Lidl chief development officer Ingo Fischer says: “We’re embracing the wide range of locations that London has to offer to help meet customer demand.

“With plans in place for more stores across the capital, we look forward to welcoming many more customers through our doors while continuing to identify and secure new sites that do not currently benefit from a discount offering.”

The market is either geared towards more opportunistic retailers, or bigger names that have the means to take advantage of this downturn and expand
Jonathan De Mello, property analyst

Not to be outdone, Aldi is also pushing on with its UK expansion. It plans to open an average of one new store a week between now and Christmas. The discounter, which has around 900 UK stores, is targeting 1,200 stores by 2025.

Store closures may be rife across big established retailers, but there is a new group of brands emerging that are keen to take space.

In many cases, these younger, independent brands, such as Pure Electric, are more agile than their bigger rivals and will be entering a retail property market rapidly adapting to shorter lease lengths, turnover-based rents and more flexible leasing models.

“The current market is either totally geared towards more opportunistic retailers, which tend to be independent and providing services people can’t get, or the bigger names that have the means to also take advantage of this downturn and expand,” says independent property analyst Jonathan De Mello.

There is still life in bricks and mortar yet. **RW**



Lidl is opening new stores in London

ANALYSIS

Retail job cuts: is there any end in sight?

As the coronavirus pandemic hammers the economy, the retail industry has been among the hardest hit when it comes to job losses.

Rosie Shepard explores whether further cuts can be prevented

From River Island to Debenhams to Dixons Carphone, and from Boots to John Lewis to Marks & Spencer, retailers have collectively been culling thousands of jobs over the past few months.

According to the Confederation of British Industry (CBI), retail employment fell in the year to August at its fastest rate since February 2009, as retail sales continued to suffer from the effects of the pandemic.

Now that the country is officially in recession, it seems inevitable that yet more job losses are on the horizon.

As the furlough scheme begins to wind down with an October end date in sight, retailers will have to make some tough decisions when it comes to who stays and who goes – and more than 200,000 retail jobs are likely to be axed, according to the Centre for Retail Research (CRR).

Looming losses

At the time of writing, 121,000 jobs have been lost in retail since lockdown began, the CRR calculates, but it could get much worse.

“In total, about 3 million jobs could be lost if the furlough scheme doesn’t get extended, and retail is a major user of the scheme,” says think tank IPPR’s senior economist Carsten Jung.

“Over the course of the crisis, retail had more than 1.7 million people on furlough. While that number has now come down, it’s still the sector that used it the most – meaning a large chunk of those job losses could highly likely come from retail.”

The end of the furlough scheme, set for October 31, could be a turning point for retail

job losses. Experts and industry chiefs envisage that how the Christmas peak period plays out will also dictate the direction of employment, along with the effects of an ongoing shift in shopper behaviour.

M&S chair Archie Norman observes: “It is a very lopsided picture. The big food retailers and parts of online are doing fine, but the drop in demand has fallen heavily on certain types of retailer and specific locations. That will not revert any time soon.

“We are witnessing a progressive rationalisation of the sector. The wind-down of furlough will be a catalysing event, but a lot of people will keep going for the seasonal peak. For some, it will then be a cold January.”

CBI lead economist Alpesh Paleja says that the employers’ group’s latest data revealed a marked decline in retail sales and online orders year on year, which in turn may affect retailers’ ability to retain employees beyond the end of October.

“The furlough scheme has proved effective at insulating workers and businesses in some of the worst-hit sectors during the pandemic, but these findings reinforce fears that many job losses have been delayed, rather than avoided,” he says.

“Trading conditions for the retail sector remain tough, even against the backdrop of business slowly returning.

“Firms will be wary of deteriorating household incomes and the risk of further local lockdowns potentially hitting them in the pocket for a second time.

“As a result, further support may well be needed for the retail sector if demand continues to disappoint.”

Preventing future spikes

IPPR’s Jung proposes that the furlough scheme could be revised and extended in order to bridge the economic crisis and help abate the swathe of job losses across the sector.

He calls for a part-time subsidy, in which workers are brought back for half of their normal hours but paid their full salary – half covered by the employer and the other half by the government.

“The key thing to note is demand and sales are coming back. We are past the low point of the crisis and the economy is now around 20% below what it was before,” he says.

“We’re seeing that in retail as well – people are going back to the shops. What we are proposing is, rather than making people redundant now and fuelling the lower demand with fewer people, to keep all workers and let them work part time while the economy recovers.

“Sharing work to save jobs is the best option to stimulate the economy and keep jobs long term.”

With retail’s traditional peak trading period approaching, Jung argues that his proposal should be in place in the run-up in order to give the industry the best chance of bouncing back in the new year.

“As things stand, the spike in job losses is likely going to be between now and October, because that’s when the scheme will end,” he says.

“I expect that will be the biggest spike, but by reforming the scheme we may be able to prevent it and build a bridge into the new year so companies can hold on to their workers.”



Millions of jobs are at risk when the furlough scheme ends, the CRR warns

“Forcing employers to shed workers before this important [Christmas trading] period is a huge mistake. It will be damaging for businesses and it will be damaging for the economy,” he concludes.

Upskill and uphire

Covid-19 has cemented new consumer behaviour, including a definitive shift to online, meaning some retail roles will be more favoured than others.

We are witnessing a progressive rationalisation of the sector. A lot of people will keep going for the seasonal peak. For some, it will then be a cold January
Archie Norman, M&S

Online goliath Amazon has hired more than 100,000 new workers across its network of distribution centres, while AO.com last month created 650 new positions as it chases further growth.

Even M&S, which axed 7,000 jobs last month, is seeking to hire in its online division, particularly in its fulfilment centres and warehouses.

Delivery drivers and order pickers have been high on retailers’ lists in order to keep up with online demand.

Tesco said last month that it will hire 16,000 new employees in the coming months, including 10,000 pickers and 3,000 drivers.

AO chief executive John Roberts also suggests some employees could and should have the potential to upskill themselves.

While more frontline workers may be necessary as part of the online surge, head-office roles will also require a digital edge.

Roberts points to “incredible global ecommerce success stories” in the UK, such as The Hut Group, Asos and Boohoo, as examples of online businesses that are creating jobs and upskilling staff.

“The onus needs to be on how we create platforms for people to be better and how we create learning journeys for people to

reskill,” he says. “We have invested massively in our tech teams, on how we recruit them and train them ourselves.”

Roberts concludes that many of the losses could be offset if traditional retailers really buy into the shift to online.

Long-term outlook

Roberts believes retailers will need to overhaul their own strategies if they hope to save jobs in the coming months, insisting that it is “retail’s own fault” for being so slow to adapt to the demands of the multichannel customer – an issue the furlough scheme cannot solve.

“I don’t think this is a government problem; it’s a retail problem. It’s not the government’s job to try to save Debenhams,” says Roberts.

However, BRC chief executive Helen Dickinson believes that government intervention is needed – on long-standing issues such as business rates – if the retail industry is going to thrive and jobs are to be safeguarded.

“Without action, the recent job losses we’ve seen across the industry will be just the tip of the iceberg,” she says.

Whether Roberts or Dickinson are right, more redundancies certainly loom on the horizon for the retail industry. **RW**



Coronavirus Consumer Pulse: Fashion rebounds as traffic hits seven-month high

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.

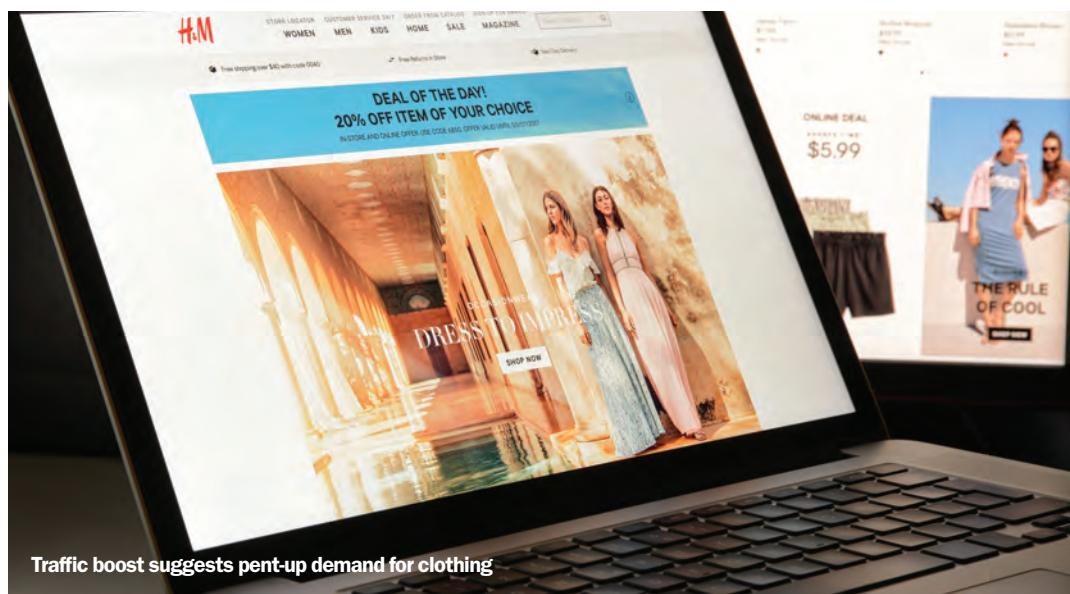
Fashion's welcome boost

The number of customers visiting fashion retailer websites has jumped to its highest level in seven months.

Clothing chains have been battered by the crisis, with the need to refresh wardrobes curtailed by lockdown. However, fashion was the only category to register increased online traffic over the two weeks to August 22.

Average daily visits to websites of major chains grew from 342,117 in the week starting August 2 to 354,466 in the week starting August 16 – the highest number of visitors to fashion sites since SmartCube started tracking daily traffic at the start of February.

Grocery, health and beauty, and home and DIY retailers all suffered declines in average daily traffic over the same two-week period.



Traffic boost suggests pent-up demand for clothing

Marks & Spencer was the biggest beneficiary from the increase in traffic to fashion retailers' websites, enjoying a spike to levels not seen since long before the pandemic. Average daily hits on its website jumped to 816,279 during the week starting August 16 – up 18.2% from two weeks previous. However, a portion could have come from grocery shoppers ahead of M&S' online launch with Ocado.

But other major fashion retailers, including H&M, Next, Zara and New Look, also registered impressive gains over the two-week period, suggesting a degree of pent-up demand.

Average daily visits to Next's website increased 4.5% in two weeks, hitting 922,887 during the week beginning August 16. Across the same two weeks, H&M posted a 2.1% increase, Zara recorded a 1.6% uplift and New Look grew web hits by 4.9%.

Appetite for grocery waning?

Other sectors failed to register similar growth, with visitor numbers to grocery websites proving a particular casualty during the two weeks to August 22.

Ocado was the only major online grocer to grow traffic in that period – potentially buoyed by its M&S tie-up. The pureplay operator grew its average daily traffic 6.6% from 221,771 in the week beginning August 2 to 236,381 in the seven days starting August 16 – the busiest it has been since mid-May.

The only other grocers to register increases were discount duo Aldi and Lidl, which do not operate transactional grocery websites. Aldi, which does sell wine and general merchandise special buys online, grew average daily traffic 1.7% to 275,900 over the two weeks, while Lidl had a 15% spike to 204,085.

By contrast, Waitrose, which has just split from Ocado, saw its average daily online traffic drop 6.5% from 174,942 in the week beginning August 2 to 163,573 two weeks later – its slowest online week since the start of March.

Asda and Morrisons saw sizeable declines in site traffic of 3.5% and 6% respectively over the two-week period.

DIY SOS?

Home and DIY businesses have been among the big winners during lockdown, but demand for these products appears to be easing.

Dunelm, which said earlier this week that full-year results would come in ahead of expectations following a "strong" August, clocked up an average of 520,450 daily website visits in the week beginning August 16 – a 3.2% increase compared with the week commencing August 2.

Ikea's online traffic climbed 2.9% over the same two-week timeframe, while rivals DFS and ScS notched 6.3% and 16.7% growth respectively.

This points to a shift to customers refurbishing their homes, rather than

the painting and decorating that had been prioritised during lockdown.

Average daily traffic to B&Q's website fell 5% from 982,168 in the week beginning August 2 to 933,087 in the seven days starting August 16.

Homebase saw an even steeper rate of decline, with daily online visitor numbers slumping 11% to 254,117.

Screwfix proved to be the more resilient of the Kingfisher fascias, though online traffic was still down 1%.

No 'lipstick effect'

Health and beauty chains are also struggling to drum up online sales, with Boots and Holland & Barrett seeing declining web traffic. Average daily visits to Boots' website dropped 4.4% between the weeks commencing August 2 and August 16, while Holland & Barrett's traffic fell 1.7%.

Superdrug was the only major chain to register an increase in online traffic across the two weeks – a modest 0.1%.

Space NK, The Perfume Shop, Feelunique and Allbeauty all posted healthier uplifts.

Despite the demand for beauty products, there is little evidence of a broader 'lipstick effect' taking hold as the UK consumer comes to terms with a recession. **RW**

To find out more about The Smart Cube or the Coronavirus Consumer Pulse monitor, email retail.solutions@thesmartcube.com