

RetailWeek

BY ASCENTIAL

9 771360 821178 3 9 >

September 25, 2020 | £7.99

Don't miss on Retail-Week.com

/Stores Harrods unveils first
H Beauty at Intu Lakeside

/Watch West Midlands mayor Andy
Street on reimagining city centres



REASONS TO BE CHEERFUL

Why Lord Wolfson
is upbeat about the
future of Next **p4**



REMEMBERING SIR TERENCE

The retail legend
who transformed the
British high street **p9**



TIME TO DITCH THE JOGGERS?

How fashion retailers
aim to sell more than
comfy clothes **p22**



Has Sharon White got it right?

How John Lewis' turnaround plan is shaping up **p16**

Retail

Employee engagement and experience equals better productivity

UK management and employee research carried out in February 2020, on how the working environment has a direct impact on productivity

1

60%

of managers think that technology enabling greater employee flexibility was paramount to boosting workplace efficiency.



2

Age 55+

22%

Whether a manager believes employee flexibility has a 'major impact' on productivity will be dependent on his or her age.

3

In February, the average budget retailers set aside to improve productivity was £5.9m.

5.9m

5

64%

of 25-34 year olds consider employee engagement to have a major impact on improving productivity.

6

Total

67%

Fewer women than men believe their organisation is enabled for a multigenerational workforce

8

58%

of retailers measure the success of productivity initiatives by customer satisfaction.



7

More managers than employees believe their organisation is working at maximum capacity

53%

Managers

15%

Employees

Male

72%

Female

59%

Scan this QR code to download the Market Research report



© 2020 Citrix Systems, Inc. All rights reserved. Citrix, ShareFile and other marks appearing herein are trademarks of Citrix Systems, Inc. and/or one or more of its subsidiaries, and may be registered in countries. All other trademarks are the properties of their respective owners.

Ascential, 20 Air Street, 2nd Floor, W1B 5AN
Tel: 020 3033 4220
Website: Retail-Week.com
Email: Firstname.Lastname@Retail-Week.com

Talk to us...

Group Content Director
Charlotte Hardie 020 3033 229

Editor
Luke Tugby 020 3033 4305

Executive Editor
George MacDonald 020 3033 2836

Head of Content
Grace Bowden 020 3033 4338

Senior Reporter
Hugh Radojev 020 7715 6075

Reporter
Rosie Shepard 020 3961 8890

Features Editor
Gemma Goldfingle 020 3033 2943

Managing Editor
Abigail O'Sullivan 020 3033 2940

Production Editor
Stephen Eddie 020 7728 5000

Digital Product Manager
Rebecca Frole 020 3033 2659

Subeditors
Rebecca Dyer, Emily Kearns

CMS Specialist
Tatsiana Bakun 020 3033 2650

Commercial Content Director
Nicola Harrison 020 3033 2837

Head of Commercial Content Operations
Laura Heywood 020 3033 4289

Head of Commercial Projects
James Knowles 020 3033 6192

Relationships Director
Isobel Chillman 020 3033 2996

Commercial Content Editor
Megan Dunsby 020 3033 3866

Senior Content Manager – Events
Jade O'Donoghue 020 7715 6192

Group Commercial Director
Paul Stewart 020 3033 2755

Commercial Team
Imogen Jones 020 3033 2969
Julia Jones 020 3033 2952

Subscriptions Team
Shrinal Patel 020 7715 6316

Managing Director
Hanna Jackson 020 3033 2496

Find out more...

Group Events Director
Email: Poppie.Mickleburgh@Retail-Week.com

Customer Relations Consultant
Ben Tinning
Email: customerservices@retail-week.com
Tel: 0203 873 2847

Subscriptions/back issues
To find out more about becoming a subscriber, visit Retail-Week.com/membership.
For company-wide access please contact Corporate.Enquiries@Retail-Week.com.
For back issues call 020 3873 2847.

ASCENTIAL

All rights reserved © 2020 Retail Week
Powered by ASCENTIAL.
Printed by Buxton Press Ltd
Registered as a
newspaper with
the Post Office
ISSN: 1360-8215



EDITOR'S COMMENT

Luke Tugby



CVA vote must usher in a New Look for retail rents

One line stood out in New Look chief executive Nigel Oddy's statement after creditors rubber-stamped its controversial company voluntary arrangement (CVA) this month.

"We look forward to working closely with our landlords and all creditors to ensure we can navigate the uncertain times ahead together," Oddy said.

"Working closely". "Together". That will be crucial, not just to New Look's transformation plan, but to the future of physical retail in the UK.

For far too long now, the relationship between retailers and landlords has been strained, to say the least. Even ahead of New Look's CVA vote, there was dissent in the property owner ranks. British Property Federation chief executive Melanie Leech insists landlords are "increasingly supporting turnover-based rent models underpinned by collaboration and transparency", but that CVAs "should not become a mechanism to enforce this".

In the wake of the vote, Leech added that CVAs were now "wrongfully being used as a weapon by businesses to rip up leases permanently".

Although the latter is not strictly true – New Look says that after three years of the CVA it will pay whichever is higher, turnover-based rent or market rent – Leech is right in other ways.

CVAs cannot become the modus operandi for retailers seeking a switch to turnover-based models, and there has to be transparency and collaboration baked into lease negotiations. But now property owners must back up her words with action.

The simple fact is that New Look didn't want a second CVA any more than its landlords did. It only launched one because it felt it had no other option.

If property owners genuinely want to avoid more CVAs of the same sort, they have to work with retailers to reach lease agreements that work for both parties. This month's vote has to provide the catalyst for that to happen.

In theory, that shouldn't be too difficult. Landlords might not have been 100% happy with the terms of New Look's CVA, but there is growing recognition that turnover-based rents are the future of commercial property agreements.

New Look warned that it was effectively CVA or bust prior to the vote. No other retailer will want to leave its very existence dangling by that sort of thread if it can be avoided.

And it can be, so long as both sides work through this challenging period together by sharing ideas, sharing data and ultimately sharing in the success when retail comes through the other side of the coronavirus crisis, which it will.

Turnover-based rents have worked for retailers and landlords in parts of continental Europe for a number of years. Indeed, they are long-established in outlet centres across the UK. Such agreements

must now become the norm in towns, cities and shopping centres across the country.

Property owners, more than ever, have a vested interest in their tenants' performance, and therefore want to invest in establishing an infrastructure that will allow businesses to attract footfall and drive sales.

Retailers, for their part, should be willing to share customer data with landlords – and share in the financial success – if they are genuinely working together to grow revenues.

That is already happening in parts of London. Covent Garden landlord Capco said in July that it would move to turnover-based rents on a case-by-case basis, while Cadogan, which owns commercial property in Chelsea, is now charging hospitality businesses rents based on their sales performance.

That theme of togetherness – in households, in communities, in businesses – has proved a silver lining of the coronavirus cloud. Now it's time for retailers and landlords to embrace that culture and usher in a new era of retail rent agreements. As New Look has warned, their futures depend on it. **RW**

The simple fact is that New Look didn't want a second CVA any more than its landlords did

NEED TO KNOW



Next chief executive Lord Wolfson

Eight reasons Next's boss is optimistic

Despite the troubles plaguing the fashion sector, Next boss Lord Wolfson remains surprisingly upbeat about the future of the business. **Retail Week** finds out why

Next will be profitable this year

Next made a small £9m profit in its first half, but has raised its full-year guidance from the £195m it expected in July to £300m.

Wolfson has forecast three potential scenarios for its second half. Even in the worst-case scenario, which includes a second nationwide lockdown, sales would fall 34% between now and the end of its financial year, but pre-tax profit would come in at £110m.

"The first half has been much better than we could have hoped in March," he explains. "The company has made a small profit, but the fact that we've made a profit in the first half isn't really important.

"The most important thing for us is that in all of our scenarios – the upside, central and downside – the

group will be profitable and the balance sheet will end the year stronger than we started."

Next is placing its bets on a middle-ground scenario, in which sales would decline 8% year on year during its second half and 20% across the full year. This would result in a £300m pre-tax profit.

The retailer is pouncing on new opportunities

Next has used the time in lockdown to pounce on new business opportunities, getting creative and collaborating with new partners.

It has finalised a joint venture with L Brands to take over the UK arm of Victoria's Secret, including 18 standalone stores.

Next will also stock the lingerie brand's products in some store

concessions and is planning an overhaul of its online offer.

The retailer has also developed its Beauty Hall concept and has signed for four stores in Watford, Milton Keynes, Gateshead's Metrocentre and Reading, with another two sites in the offing. The chain will open in October and will also house Next Home products and a selection of women's accessories, lingerie and gifts.

The retailer is open to new business ideas as well – and Wolfson says the pandemic has accelerated this part of its operation. "We're seeing much faster development of new opportunities than we would've expected at the beginning of the year," says Wolfson.

"That's partly a result of the impetus the pandemic has given us, and partly because of a result of

We're seeing much faster development of new opportunities than we would've expected at the beginning of the year

Lord Wolfson

us being more open-minded, and potential partners being more open-minded, about the kind of collaborations that we can do."

Wolfson has clear criteria detailing what Next looks for in new business ideas. They must create value for customers and clients; play to its strengths, assets and expertise; make a margin commensurate with the risk; and make a healthy return on capital.

However, he is clear that any new project must not detract from the Next brand and, using an alcohol-themed analogy, vows that the froth will not take precedence over the beer.

Wolfson is building the Ocado of fashion

In a bid to boost its online credentials, Next has used the past six months to perfect its Total Platform model, which enables it to host and operate the websites of third-party brands.

It launched its first ecommerce platform of that ilk a few weeks ago for online luxury retailer Childsplay Clothing.

Total Platform clients pay Next to operate their brand's website and online fulfilment, including elements such as website systems, warehousing, distribution networks and returns handling. That leaves the brand itself with time to focus on building its identity and product ranges.

The new technology will also be used to run the new Victoria's Secret UK website. But when asked if the strategic shift to license its technology and fulfilment expertise would position Next as the Ocado of fashion, Wolfson is coy.

"We never make grand predictions about the future," he says. "The way we start new businesses is to see how they go,

do as good a job as we can. How many people choose to take up that service, we have no idea. In 10 years' time, it might be an enormous business, but it might be a very small business.

"It's the same answer I would've given Retail Week 10 years ago when we started our Label business. We would never have said: 'We're going to have a £500m business selling other people's brands on our own website' and we would never have said: 'We're going to have a £500m business overseas online' when we started that.

"Our job is to push that business as hard and fast as we can, and do as good a job as we can. If we do a good job, we stand every chance of making it into a very exciting business."

Christmas will not be a washout

Wolfson refuses to be "doom and disaster" about the coming months and the prospect of spending Christmas in lockdown. He does, however, concede that more turbulent times lie ahead.

"While sales in the next half won't be as good as in the past 13 weeks, we are not in a position where we're worried about the company's stability over the next six months," he explains, reiterating the fact that all of its financial scenarios result in a profit.

However, he thinks that the 'rule of six' – the latest government restriction that limits social gatherings to no more than six people – means customers are likely to buy fewer party outfits and gifts for others this Christmas.

"When you're seeing people, you inevitably buy more gifts than when you're not seeing people," Wolfson says. "That will affect that trade going into Christmas. But we think it will be -12%, not worse than -12%."

Although he acknowledges a lack of office Christmas parties will impact dress sales, he points out the business is geared up to do well on bestsellers such as knitwear and outerwear.

He explains that Next's autumn/winter occasionwear business is much smaller than in spring/summer, when events like proms and weddings take place.

"The things that we sell

well in the run-up to Christmas are things like knitwear, and coats and scarves, hats and gloves. The demand will still be there for that," he insists.

Online sales remain strong

Next's already strong online proposition – ecommerce accounted for just over 50% of total sales pre-Covid – has grown exponentially during lockdown, continuing to rise even after stores reopened.

Since May, online sales have been above pre-pandemic levels, a trend Next attributed to fewer people travelling abroad for holidays and the reluctance of some consumers to return to bricks-and-mortar stores.

Wolfson believes that online "habits are likely to stick", with those who were less accustomed to shopping digitally now converted. He says Next is well placed to capitalise on those new behaviours.

"In some form or another, we think it will have accelerated the structural shift away from high streets and shopping centres to online," Wolfson says, though he remains insistent that there is a place for stores in Next's future, even if they are less profitable this year.

Store costs are coming down

Although store sales have yet to fully rebound at Next, the retailer is benefiting from lower store costs and, during lease negotiations with landlords, has reduced rents by 50% on average so far this year.

With 60 more store leases up for renewal this year, Next expects to shave £9.9m a year off its rent bill.

Wolfson says retail rents have been reset over the past few years,

At best, these new ways of working have engendered independence of action and creativity, and stimulated innovation
Lord Wolfson

We are not in a position where we're worried about the company's stability over the next six months

Lord Wolfson

but admits that the pandemic has accelerated that trend.

"The fundamental resetting of rent expectations happened long before Covid," he says. "For the last two years, we've seen rent reductions of around 30%. It's certainly exaggerated the trend and negotiating rent renewals during the pandemic was an environment very much in the retailer's favour. The [rent] decline we might have expected in two years might have gone into one."

Retail parks are resilient

Across retail, sales made through stores remain down on pre-pandemic levels, but retail parks have proven more resilient than other destinations.

The same is true at Next – and the retailer's dominance in such locations has protected the business from the impact that city-centre-based operators have suffered. Last year, 62% of Next's retail sales came from retail park stores, compared with just 27% from its city centre shops.

Amid the consumer reluctance to spend time in crowded locations, retail park shops "where customers can park and walk straight into relatively spacious stores have performed much better", Wolfson says.

There are better ways of working

Like many companies, much of Next's workforce has shifted to working from home since the beginning of lockdown. Rather than lamenting the change, Wolfson sees it as a positive, driving more efficient working practices and setting the retailer up for a flexible future.

"The experience of having to work from home has opened our eyes to new and better ways of

working, collaborating and communicating among ourselves and with our suppliers," he says.

In warehouses, social distancing has forced the team to spread work as evenly as possible over 24 hours and brought new efficiencies. It has also led the retailer to question whether stretching out next-day delivery cut-offs to midnight is actually worth the cost.

After taking advice from Dixons Carphone boss Alex Baldock, Wolfson made changes to its call centres so agents could take calls at home.

He says this could lead to longer-term changes to create "more flexible, convenient and enjoyable ways of working, making it easier for the business to recruit and retain staff while enhancing our ability to flex up work when we experience spikes in call centre demand".

Wolfson also highlights that buying teams have become better at making quick decisions, rather than waiting for trips abroad and have been in more regular contact with suppliers through video calls.

"Decisions have been made on the spot, rather than being 'saved up' for trips or selection meetings. At best, these new ways of working have engendered independence of action and creativity, and stimulated innovation," he says.

"We have had to let go of some of our time-honoured product-selection processes – with all their checks and balances – and we have empowered individuals and small teams to make more decisions outside of the corporate machine. For many, this has been liberating and the best people have increased and improved their creative output.

"With hindsight, it appears that the corporate machine was supporting the inexperienced and the less able, but holding back the strong."

Wolfson plans to use the lessons learned during lockdown to establish better working practices across the business, understanding what works best for each individual and team.

In a retail sector that is shy of good news stories right now, Wolfson's dose of optimistic realism is much needed. There are some bright spots that all in retail can take heart in. **RW**

NEED TO KNOW



Bershka

How Inditex beat the fashion blues

The Spanish fashion group has returned to profit in a period when most are struggling.

Luke Tugby and **Rosie Shepard** pinpoint three reasons for the retailer's success

Zara owner Inditex swung back into the black during its second quarter, despite the ongoing impact of the coronavirus pandemic.

The Spanish fashion conglomerate, which also owns brands including Massimo Dutti, Bershka, Pull&Bear and Oysho, posted a net profit of €214m (£194.7m) during the three months to July 31, compared with a €409m (£372.1m) loss the previous quarter.

Retail Week analyses how Inditex beat the fashion blues to return to profit.

Store recovery

Inditex says its performance reached a “turning point” during its second quarter as it laid the foundations for “a return to normal trading conditions”.

This was underpinned by the reopening of its 7,500-strong store portfolio across 96 international

markets. The group said 98% of its shops are now open and store sales are “recovering progressively”.

Inditex was able to reopen stores in countries such as Spain, Germany and France before those in the UK, which remains behind many nations on the coronavirus curve. The fashion giant's recovery on these shores is

It was able to fulfil ‘a big part’ of its online order backlog by selling products located in closed stores, as empty shops essentially became micro-fulfilment centres overnight

likely to take a little more time as a result. At the height of the pandemic back in May, Inditex shut 87% of its stores, but shoppers are now returning despite social distancing restrictions.

Inditex pointed to the “differentiation” and digitisation of its physical locations as playing key roles in convincing consumers to go back into its shops, as its €308m store optimisation programme bears early fruit.

Many of its shops have started using RFID technology to allow customers to “click and find” the items they are looking for, while shoppers can also reserve fitting room slots in some stores, offering new, quicker and safer ways to shop amid the coronavirus crisis.

Inditex says it “remains very active” in differentiating its store spaces and will press ahead with what it calls “highly prominent projects” in the

The fashion titan's online sales surged 74% during its first half and have continued to grow ‘at a remarkable pace’ since the end of July

coming months, despite the growing penetration of online spend.

It is, however, closing around 500 stores as it focuses on consolidating its presence in key city centres to one larger store, rather than several smaller ones. Such flagship destinations will provide Inditex with greater capacity to offer the digital experiences that its customers demand in a post-coronavirus world.

Online expansion

The proportion of spend going through digital channels has skyrocketed during the pandemic, and Inditex has capitalised on that rapid online shift.

The fashion titan's online sales surged 74% during its first half and have continued to grow “at a remarkable pace” since the end of July.

Inditex has invested time and cash in recent years to build a “single inventory position”, integrating all of its stock into the same system. That has paid dividends during the coronavirus crisis.

During April and May, Inditex's single view of stock meant it was able to fulfil “a big part” of its online order backlog by selling products located in closed stores, as empty shops essentially became micro-fulfilment centres overnight.

Chair Pablo Isla said earlier this year that “without our full stock integration, we would have not been able to have this significant online sales growth”.

Future store openings will create what Isla calls “a high-quality digital, eco-efficient store and online platform”, as physical locations “play a stronger role in the development of online sales due to their digitalisation and capacity to reach customers from the best locations worldwide”.

Inditex's surge in digital sales was further buoyed by the launch of Zara websites across parts of Europe and South America. The brand started selling online in Bosnia-Herzegovina, Albania, Algeria, Argentina, Peru, Uruguay and Paraguay during its first half.



Inditex's digital sales rise was buoyed by the launch of Zara websites in parts of Europe and South America

Since the year-end, Zara has switched on websites in Chile, North Macedonia, Montenegro, Tunisia and Andorra, and it will also commence selling online in four new markets later this month – Costa Rica, Guatemala, Honduras and Nicaragua – as it seeks to further expand its online presence.

Full-price focus

Unlike many of its competitors across the globe, Inditex has been able to maintain tight control of inventory and refrain from discounting too heavily during the pandemic.

Inditex's fully integrated supply chain has allowed it to rapidly react to trends, meaning that it has not been burdened by as much excess occasionwear and formalwear as some of its competitors, at a time when shoppers were not shelling out on outfits for social events.

Zara's app, for instance, reflects the switch in clothing spend to

more comfortable styles in the way it illustrates its autumn ranges. Wide trousers and flat shoes are worn by models riding bikes and climbing fences, for instance, rather than focusing on smarter occasionwear.

Only buying ranges that it knows will sell through in the current climate and ordering stock in limited quantities – inventory levels were down 19% year-on-year – have allowed Inditex to focus on full-price sales and maintain higher margins than many of its competitors.

In its first half, Inditex's gross margins stood at 56.2%, representing only a slight dip from the 56.8% it recorded during the same period last year.

As other fashion players scramble to clear excess stock at knockdown prices ahead of the crucial Golden Quarter, Inditex appears well placed to have a much merrier Christmas than some of its peers. **RW**



NEED TO KNOW



John Boumphrey

Boumphrey: not your average Amazonian

Amazon's new UK chief John Boumphrey is a leader who stands out from the crowd in terms of engaging his teams and being people-focused. **Grace Bowden** reports

Amazon has named its EU fashion chief John Boumphrey as its new UK boss – and it is far from the first time that the long-standing Amazon executive has turned his hand to something new.

Boumphrey's rise through the ranks of Amazon, where he has served as a director and later vice-president across a variety of functions over the past nine years, is no doubt precipitated in part by a flurry of executive departures across the organisation recently.

His predecessor Doug Gurr is taking the helm at the Natural History Museum, while former European boss Xavier Garambois is also leaving for pastures new.

Amazon has form when it comes to promoting internal candidates to its top jobs, but one retail executive and former Amazon colleague observes that Boumphrey is "one of the less tenured VPs in the organisation",

considering that the business' senior vice-presidents serve an 18-year stint on average.

So why has the online titan selected Boumphrey to lead its UK business?

Effective leader

An Oxford graduate with a degree in modern languages, Boumphrey has cut his teeth over the years combining his grounding in strategy as a former Bain consultant with hands-on retail experience.

His first retail role came in 2006 as head of strategic development at Homebase, where he went on to serve as trading director until his departure to Amazon in 2011.

A former colleague of Boumphrey's during his time at Homebase says: "He had all the things you'd expect from a strategy consultant – great drive, smart, the ability to turn his hand to different things and question things.

But the thing that was different was he was smart and humble enough to see he needed to broaden out of strategy to be a really effective retail leader.

"His strategy background means he can see the bigger picture. But he's also got high EQ and will be able to take teams with him."

Tony Gregg, founder of headhunting firm Anthony Gregg Partnership, concurs: "He's incredibly bright with a tough streak, but somebody who will always make the effort to talk to people. He knows that better understanding who his team is means getting more out of them, which isn't always a trait that we see in spades in Amazon leaders."

A former colleague of Boumphrey's at Amazon adds: "What makes him stand out there is he is more focused on leading and engaging with the people around him than the average Amazonian leader.

He's got high EQ and will be able to take teams with him
Former Homebase colleague

"His teams like working for him and he will invest time thinking about how to drive up people engagement there."

Reputational challenge

Amazon has come under fire in recent months for its handling of staff safety amid the coronavirus pandemic. Senior executive Tim Bray quit earlier this year over the retail titan's treatment of staff, who protested against a lack of safety measures in its warehouses.

Appointing "people-focused leader" Boumphrey to run its UK operation could be a big step from Amazon in countering that reputation.

Despite not being a retail lifer, Boumphrey has ratcheted up an impressive mix of experience across different sectors over the years. Following his start in home and DIY at Homebase, Boumphrey has covered a broad church of sectors at Amazon.

He started in its entertainment division, before switching into home and leisure, and later consumables.

Fashion focus

In 2018, Boumphrey was appointed as Amazon's European head of fashion – a sector in which Amazon harbours ambitions to become a bigger player.

Could Boumphrey's promotion be a signal that Amazon is about to ramp up its fashion focus? One former colleague has his reservations.

"John's appointment is unrelated to Amazon's significant ambitions in fashion. When Amazon looks for a country leader, the top thing it is looking for is someone with a good understanding of the broader machine, and if they have a good grounding in the country in question, that's a bonus.

"The reality is there were a very small number of VPs in Europe who you could have put into the role, and John ticks every box."

Whatever Amazon's ambitions in the UK, Boumphrey has proved he can rise to the occasion and bring his team with him while doing so.

He will undoubtedly bring a more human touch to Amazon's UK operations. But, at a time when Amazon's sales have soared, the pressure will be on Boumphrey to deliver much more than that. **RW**

Sir Terence Conran: a life of design

From bringing the duvet to the UK to supporting the launch of Retail Week, the British designer, retailer and restaurateur changed the way people lived. By **Rosie Shepard**

Best known for creating the iconic Habitat homewares business, Sir Terence Conran's flair for design made an impact across retail, hospitality and the urban environment.

His career began in the 1940s, but it wasn't until the 1960s that the European influences he championed began to take root across the living rooms of the nation and he became a household name.

Conran's designs came at a time when post-war austerity was in need of some brightening up with bold colours, prints and stylish yet accessible pieces – all with the aim of being affordable with a standard teacher's salary.

He even claimed to have boosted the sex lives of British home-owners with the introduction of the duvet – an invention he brought back from a visit to Sweden.

While Habitat's simple furniture shaped homes two decades before Ikea landed on British shores, both Conran and Ikea founder Ingvar Kamprad had an immense admiration for each other, often attending each other's parties before Habitat was taken over by Kamprad's Ikano group in 1992.

As the architect of Storehouse – a now defunct retail empire that encompassed British Home Stores (BHS), Mothercare, Heal's, Richard Shops and Habitat – Conran extended his designs throughout the British high street in the 1980s.

He later brought his imaginative take to the hospitality industry, creating Michelin-starred restaurants including London's Bibendum and Quaglino's.

Conran set up his first company in 1952, which was given a boost when he was asked to decorate legendary 1960s fashion designer Mary Quant's second Bazaar shop.

Inspired by continental Europe, Conran opened his first Habitat store in 1964 on London's Fulham Road, selling trendsetting furniture and homewares, such as Le Creuset pots, colourful sofas and flatpack furniture.

The Fulham Road store relocated to King's Road in 1973 at the same time Habitat opened its first store abroad in Paris.

By 1980, there were 47 Habitat stores across the world, as well as a mail-order catalogue.

The success of the Habitat brand grew throughout the following decades,

leading to its mergers first with Ryman and then with BHS, Mothercare and Heal's to become part of the retail conglomerate Storehouse.

Conran later described the appointment of Michael Julien as chief executive of Storehouse as one of the "biggest mistakes" of his life, after the group was plagued by recession in the late 1980s, leading to Conran's departure in 1990.

Not to be deterred, Conran retained control of his namesake brand,

He really did believe that everyone should have a right to great product and design
Ian McGarrigle, WRC

opening The Conran Shop in London and Paris, as well as continuing to grow his restaurant portfolio.

While Storehouse ultimately disintegrated, Habitat has retained its popularity. The homewares business was bought by Sainsbury's as part of its £1.4bn acquisition of Argos owner Home Retail Group in 2016.

Passion above all else

"One of the things about Terence was that he, in the nicest possible way, always thought that his idea of design was right," says friend and Retail Week founding editor Baroness Patience Wheatcroft. Conran was one of several big-name retailers whose expertise and support Wheatcroft drew upon when she launched Retail Week.

"He was an early adopter of the need for something like Retail Week, and was great fun at the conferences," she says.

Wheatcroft's overarching impression of Conran was of his passion for everything – be it his staunch dislike of the Conservative government, his ardent support for remaining in the EU or his determination to create The Design Museum that would become his legacy.

Conran remained involved in the running of The Design Museum

until the end of his life – its thriving visitor book is a testament to his determination, says Wheatcroft.

Democratising design

Crispin Tweddell, another friend and founder of private equity firm Piper and the Pitcher & Piano chain, as well as a Retail Week columnist, remembers Conran as an "inspiration" who always made time for new entrepreneurs.

"We all got a big lift when we sat down with Terence," says Tweddell, who brought a number of friends to meet Conran over the years to help inspire them and drive their ideas forward, including Boden founder Johnnie Boden.

Ultimately, Conran will be remembered for his mission to democratise design, says World Retail Congress chair and former Retail Week editor Ian McGarrigle.

"Design didn't have to be about high-net-worth people only being able to have beautiful objects," he says. "He really did believe that everyone should have a right to great product and design – that's really what he championed."

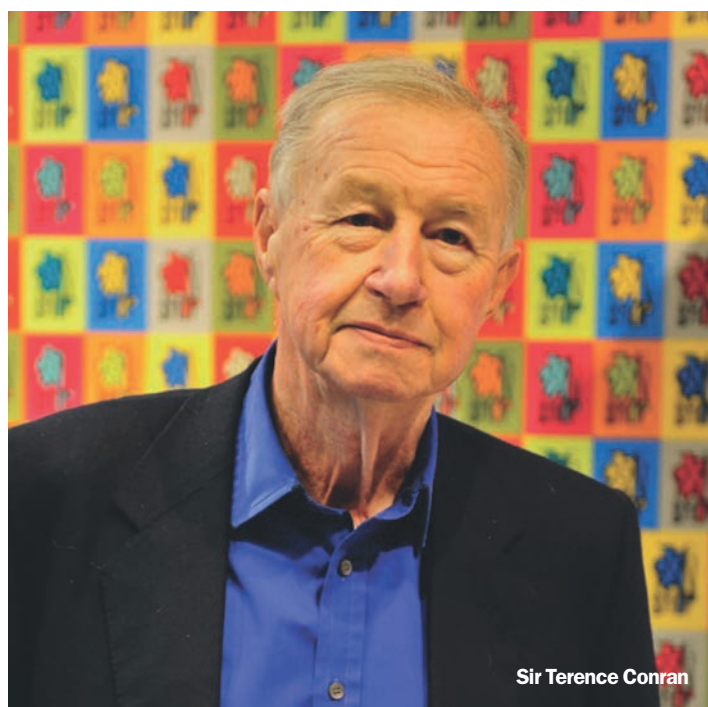
"He had an eye for detail and wanted to create really attractive speciality retail, and he was one of the key figures at that time that brought in design standards and made stores really attractive places to go."

Conran is often credited with creating what is now called the store experience, designing good-looking stores and bringing style to the masses.

A family statement said: "A proud patriot, Sir Terence promoted the best of British design, culture and the arts around the world, and at the heart of everything he did was a very simple belief that good design improves the quality of people's lives."

He was awarded a knighthood for his services to design in 1983 and named as a Companion of Honour in the 2017 Birthday Honours.

"He knew it would benefit everybody in this country if we could embrace his concept of design," concludes Wheatcroft. **RW**



Sir Terence Conran

NEED TO KNOW



JD Sports is scaling back its bricks-and-mortar ambitions

How coronavirus has shifted JD Sports' focus

The sports fashion chain is cutting back its store expansion plans and ramping up its investment in marketing to keep online sales buoyant. By **Grace Bowden**

JD Sports has made a name for itself as one of UK retail's star performers. And despite the hammer blows coronavirus has delivered to swathes of the sector, the sports fashion giant has emerged bruised but still swinging.

Although the vast majority of its global store estate was closed for weeks during its first half, JD Sports' overall revenue declined just 6.5% to £2.5bn in the 26 weeks to August 1.

Profits, however, were harder hit, tumbling 61% to £61.9m before tax and exceptional items. The retailer attributed the slump to costs associated with ramping up and running its online operations to meet increased customer demand.

"Before coronavirus, our distribution centre was set up to serve stores and online in a fairly consistent, predictable ratio, which allowed for growth on both sides," executive chairman Peter Cowgill explains. "Overnight, how we operated it had to be completely reframed to accommodate online only."

The retailer said it shelved out £8m on PPE for staff and invested

£2m in its Kingsway warehouse in Rochdale to adapt to social distancing requirements and allow for smaller numbers of staff to work or take breaks at any given time.

Cowgill says that, while outgoings such as those represented one-offs, many others, such as ongoing investment in marketing to maintain online sales levels, will represent increased costs for the business over the longer term.

He also points out that fulfilling online orders is "more expensive" because workers "are selecting individual items rather than bulk shipping to stores".

The level of investment required to market to new online shoppers is much higher than that required to drive repeat purchases.

Cowgill is confident, therefore, that the cash JD is spending on pay-per-click advertising will ease off in the coming months. He believes the silver bullet to running its online operation more profitably would be for social distancing measures to be eased.

Shift to online

JD is not only having to grapple with the headache of running ecommerce profitably, but is also considering what the online shift means for its bricks-and-mortar ambitions.

Prior to the coronavirus outbreak, JD was heralded for its experience-led store openings and had plans to open a store a week in Europe.

While the business has pressed ahead with an opening in Paris, and is set to debut in New York's Times Square next month, Cowgill says the business will be "much more stringent" when it comes to future store openings.

"Our thought process in the current climate is to put our foot on the ball a bit more and assess whether the weak pulse of footfall starts to increase," Cowgill explains.

"There is no point investing in these city centres at the moment when footfall is as low as it is. One of the most uneconomic places at the moment has to be Oxford Street – high rents, low footfall, what's the point?"

We are certainly buying as if there is going to be a Christmas
Peter Cowgill, JD Sports

"We are committed to high-level, experiential stores, but they are suffering in city centres."

Store expansion and Brexit

Against that backdrop, JD Sports has shelved nearly half of the European store openings it had originally planned in its current financial year. It will now launch around 30 new shops.

A number of planned UK openings have been put on hold. "Particularly when it comes to city centres and shopping centres, we'll need some pretty heavy persuading that is the place to invest," says Cowgill.

However, JD is upping its investment in Europe as it prepares for the UK's exit from the EU.

About 90% of JD Sports' stock is purchased from international brands, so the business would be hit hard by potential taxes on its imports and exports in the event of a no-deal Brexit.

The sports fashion chain launched an 80,000 sq ft 'test' warehouse in Belgium during its first half. It says it is taking "a number of significant operational learnings" from the site, which it will use to shape "a longer-term, more permanent, European supply chain strategy".

Cowgill warns that, without a trade deal, employment would be pushed over to Europe and companies like JD would perform "a landgrab on distribution centres in EU territories".

Christmas is still coming

While Brexit and, more fundamentally, the coronavirus crisis, have sparked shifts to JD Sports' short-term priorities, Cowgill believes there are some things even a global pandemic can't change – the festive peak.

"We are certainly buying as if there is going to be a Christmas," he says. "We're not optimistic about the market as a whole, but what we are optimistic about is JD Sports as a market leader in athleisure, which attracts a multi-branded consumer to store, as is evidenced by high sales retention."

By tweaking its strategy to move with the times while continuing to focus on what makes JD unique, Cowgill hopes the sports fashion retailer can stay ahead of the pack through the pandemic and beyond. **RW**

Christmas time, Covid tests and wine? Taxing times ahead

With the Golden Quarter fast approaching amid a climate of uncertainty, retailers should focus on product and convenience to make the most of their traditional peak, says **George MacDonald**

In little more than a week's time, retail's traditional Golden Quarter begins, but it would take more than three wise men to work out how it may go this year.

A successful Christmas selling season can rarely have been so important for retailers after the forced closures of lockdown. At the same time, rarely has the outlook for peak been as unsettled as it is now, when the virus is wreaking new havoc and threatens worse to come.

The restoration of some semblance of normality, such as being able to eat out again or an uptick in staff returning to offices – even if slowly-slowly – now looks as if it could be in jeopardy, particularly after the new restrictions announced by Boris Johnson.

We can't seem to get through a week without restrictions in more parts of the UK, from Solihull to Sunderland. And now the whole country faces, at minimum, lockdown-lite – which will probably last six months.

The 'circuit break', limiting pub and restaurant opening hours, making face masks mandatory for retail staff and even bringing in the prospect of military back-up as police focus on enforcing Covid rules, came as concerns mount about a rising number of cases.

The increase in cases is also fuelling public anger and fear because of the unavailability of testing, which is adding to the febrile atmosphere.

Uncharted territory

It is against that background of uncertainty and worry, not of festive cheer and anticipation, that retailers prepare for Christmas.

Reading the crystal ball is harder than ever, whether it is working out likely trading patterns online or in store, or in food or general merchandise.

As far as online is concerned, how will Black Friday play out this year? Will it be more important than ever as consumers have become more used to shopping online? Will it pull forward

spending more than usual, sparking compensatory price-cutting as sales dry up afterwards? How will online capacity, already massively increased during the outbreak, cope?

Will shoppers, concerned by the prospect of joblessness, watch the pennies and seek out bargains? Or, after such a dismal year, will they be determined to pull out all the stops and have a big celebration with all the trimmings? Will extended families and groups of friends avoid mixing too much? And, if so, will it be smaller Christmas dinner sizes in demand rather than whole turkeys?

And what will the ongoing restrictions such as social distancing mean for managing the seasonal rush to stores – assuming that it happens? One senior retailer mused to me that 24-hour opening might have to be introduced simply to process Christmas customer numbers. Whether that is now even a possibility must be open to question.

Playing to their strengths

It's a massive headache. No wonder alcohol sales soared during lockdown, and retailers may feel like turning to

Bundling product together for one simple delivery gives retailers the chance both to sell more items and to create efficiencies

the bottle again as they ponder the months to come.

But amid all the uncertainty, retailers have two weapons at their disposal that should help them to do as well as possible: product and convenience.

Both were deployed together at the height of the pandemic. Food boxes, pioneered by Morrisons and adopted by other retailers, proved a great success. From the original collection of essentials, all sorts of variants appeared, from vegan boxes to fresh flowers, as retailers curated their ranges for easy delivery and to make things simpler for shoppers.

It was a smart idea, and one open to retailers of a wide variety of products, whether that is toys, confectionery, entertainment or beauty. Why not fashion, too? Apparel could be packaged up to include partywear, along with the loungewear and activewear that have been among the biggest sellers across fashion retail during the pandemic.

Bundling product together for one simple delivery gives retailers the chance both to sell more items and to create efficiencies.

Last week, Next boss Lord Wolfson described the health emergency as having been "expensive and miserable" – the challenge now for retailers is to deploy all the art and science at their disposal to ensure Christmas doesn't turn out that way for them too. **RW**



George MacDonald
Executive editor,
Retail Week

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

RWRC[^]
BY ASCENTIAL

retailTRUST[®]

BRC



retailTRUST is a registered charity in England and Wales (1090136) and in Scotland (SC039684).
Company No 4254201 (Company limited by Guarantee) Registered England & Wales. Registered
office: Marshall Estate, Hammers Lane, London, NW7 4DQ.



Registered with
**FUNDRAISING
REGULATOR**

OPINION

Our species has a serious problem with plastic

Real progress in the fight against plastic pollution will only happen if all businesses, including retailers, have to publicly report their plastic footprint in a transparent way, says **Richard Walker**

You can't manage what you can't measure" is an insight usually attributed to Peter Drucker, probably the most famous management consultant of all time.

When applied to plastic, it is perhaps best coupled with the advice of any number of health and welfare counsellors: the first step towards overcoming any addiction is to recognise that you really do have a serious problem.

There is a widespread and growing understanding that our species and the planet do indeed have a serious problem with plastic pollution. However, I don't think that most of us have truly grasped just how huge that problem is.

Every month brings fresh reports on some new aspect of this continuing environmental disaster. In August, it was the UK National Oceanography Centre revealing that plastic pollution in the Atlantic is at least 10 times worse than previously thought.

In response, some of our leading NGOs are convening global brands to take bold voluntary action, and every responsible business is at least paying lip service to doing something about it.

Accountable and transparent

But the problem is that we are all taking different approaches, setting non-comparable targets, and reporting progress in inconsistent and externally uncheckable ways. We need context.

It's too easy to announce a relatively small action on plastics and bask briefly in positive headlines and public kudos, sure in the knowledge that no one will ever be able to check whether it has made any tangible impact. We are missing the tools that allow proper public accountability and transparency.

This can all change if everyone adopts a consistent, nationwide approach that we all share, which will enable all of us to see who is genuinely making progress towards solving the problem.

Richard Walker
Managing director,
Iceland Foods



Retailers tend to focus on one small area – such as plastic bags – or on their own-label products, because that is the area of their business over which it is easiest to exercise control.

We did this ourselves when we announced in January 2018 that we aimed to eliminate all plastic packaging from the Iceland own-label range by the end of 2023. That project is going well, with our own-label plastic usage down by 29% by the end of 2019. But it only tells part of the story.

To tell the rest of it, we decided to publish [on September 16] for the first time Iceland's full plastic footprint, including the branded and own-label

products we sell, and the secondary and tertiary plastic we use in our depots and distribution system.

The results are simply terrifying: in 2019 we generated more than 1.8 billion items using primary plastic, and over 100 million items of secondary and tertiary plastic. Even more terrifying is the context that we are a relatively small player in UK food retailing, with just 2.5% of the national grocery market. Do the maths and scale up our plastic waste for the food retail industry as a whole, then add non-food retailing and all the other businesses in every sector that are using plastic to protect and package their goods. The total will be almost unimaginably mind-boggling.

The good news is that finding out all the information we are publishing was relatively cheap and painless. Like every other business with a turnover of more than £2m and handling more than 50 tonnes of packaging a year, we have to report our packaging waste figures to the government under the Packaging Waste Recovery Note (PRN) scheme.

Best policy

Knowing how simply this can be done, we are calling on all other UK retailers and businesses to do the same. We are supported in this call by Friends of the Earth, Greenpeace, A Plastic Planet and Surfers Against Sewage.

We are urging the government to make the public reporting of this information mandatory through an amendment to the Environment Bill. We are also pressing for bold and clear national plastic pollution reduction targets.

I strongly believe we are only going to make real progress if we achieve genuine transparency on the scale of the problem and true comparability on the solutions so many of us are trying to implement.

Because, to conclude with another universally acclaimed aphorism: honesty is always the best policy. Isn't it? **RW**

This can all change if everyone adopts a consistent, nationwide approach that we all share

Consumers haven't felt the real pain yet, but they will

This year has been something of a rollercoaster for people and businesses alike, but 2021 is when reality will start to bite for consumers and the places they choose to shop, says **Andy Clarke**

It's the cliché of 2020 to read that we are in unprecedented times, or this, that and the other have been changed forever by the Covid crisis.

It would be more realistic to view the past six months as a period when we have all had to readjust to different priorities, and change our behaviour and spending accordingly.

But no one is talking enough about the economic costs of making these changes in lifestyles.

So far, the government has stepped in with huge amounts of cash to keep people in their jobs. But how long can we go on like this? What will happen when, as is coming sooner or later, someone has to pick up the tab and the real world of economics reimposes itself?

With furloughing set to end soon, we are already seeing the first signs that many jobs will go, as businesses face a damaged 2021 economy without the short-term subsidies that have been forthcoming during the heights of the outbreak.

Unemployment will obviously rise sharply next year, economic activity will probably recover at a slow pace and there is a real prospect that input prices will rise sharply as supply shortages, such as difficulty getting some crops harvested and weak sterling, have a negative impact. And I haven't even mentioned Brexit yet.

Mixed fortunes

This was meant to be the year in which the supermarket industry braced itself for Brexit, supply bottlenecks and product shortages. But everything changed overnight with the government's decision to put us all into lockdown in mid-March.

Paradoxically, 2020 has been a relatively buoyant year so far for the sector. Those early fears of shortages gave a major boost to spring sales volumes and neatly set the consumer psychology for the duration of the pandemic.

Andy Clarke
Former chief
executive of Asda
and chair of
Newton Europe



Across the whole food market, sales volumes are significantly ahead of 2019 as we all spend much more time at home. But handling this higher level of demand has not been easy or cost-free. All the big players have increased home-delivery capacity, incurring significant extra direct costs in the process.

Social distancing and anti-virus precautions impact the productivity of shops and the costs of customer service. Lower volumes further exacerbate the squeeze on profitability of legacy store portfolios.

We'll see a rapid end to the past six months' comfortable acceptance of a 'nobody rock the boat' consensus on gross margins

This was meant to be the year in which the supermarket industry braced itself for Brexit. But everything changed overnight with lockdown

That's why we are already seeing job losses and organisational restructuring. Longer term, there are big implications for shop rents and capital values.

So far, the rates holiday and the almost total avoidance of promotional activity have gone a long way to covering these extra costs – and prevented any significant profits shortfall.

But the positive factors supporting volumes are likely to decline over the rest of the year, as people start to return to offices, children are back at school and consumers regain their enthusiasm for eating out and visiting the pub.

Consumers haven't felt the real pain yet. But as and when they do, we'll see a rapid end to the past six months' comfortable acceptance of a 'nobody rock the boat' consensus on gross margins. When that happens, look out for a renewal of rapid market share growth by the discounters.

Aldi and Lidl have taken their collective foot off the volume pedal recently, but it is a basic principle that, in a competitive market, the lowest-cost operator holds the cards.

It's no surprise they have shown comparatively little interest in building an online offer with universal home delivery – a million or two more unemployed will have plenty of time to do their own shopping. **RW**

ANALYSIS

John Lewis: Has Sharon White got it right?

Is the John Lewis Partnership chair's turnaround plan enough to save the business from the department store scrapheap? **George MacDonald** reports

The scale of the turnaround challenge facing new John Lewis Partnership chair Dame Sharon White was thrown into stark relief last week as the owner of the eponymous department stores and Waitrose grocery businesses disclosed a first-half loss of £55m. It was only the second time the business had plunged into the red – the first was last year.

While the Covid-19 pandemic exacerbated the retailer's difficulties, its problems predate the health emergency.

Restoring the Partnership's commercial health, in particular that of the department stores, will depend on the strategic choices made by White, the former Ofcom boss who took the helm earlier this year.

The legendary institution confronted challenges ranging from questions over the relevance of department stores in general to what many saw as a cack-handed restructuring under former chair Sir Charlie Mayfield that left its two trading divisions leaderless.

At the time of the restructure, John Lewis was flailing as it sought to carve out a position in a changing department store landscape, and Waitrose, which had generally fared better, was preparing for divorce from long-term online partner Ocado.

Many of the Partnership's most experienced senior staff were made redundant, and in the aftermath of that the pandemic brought new challenges, the likes of which had not been experienced in living memory.

But much more remains to be done, some of it at the most fundamental level. So what are the challenges to overcome?

Rediscovering its entrepreneurial spirit

First and foremost, former John Lewis Partnership senior staff members and managers have told Retail Week that White needs to restore the business' mojo.

"It had lost its nerve," says one. "It needs to find its entrepreneurial spirit again," says another.

Such terms might surprise some, who see JLP as essentially quite a conservative business – after all, it closed on Mondays right up until the mid-1990s – but it has a strong track record in innovation.

From the pioneering Christmas ads at the department store business to tie-ups at Waitrose with avant-garde chef Heston Blumenthal, through to a focus on experiential retail – derailed by Covid – or free coffees for customers, it has constantly brought new ideas.

Despite the loss reported last week, there was welcome evidence of innovation and entrepreneurialism.

Waitrose's partnership with Deliveroo may have been precipitated by the pandemic, but characterised a willingness to adapt.

A relaunch of the Essential Waitrose range has resulted in a 9% year-on-year sales uplift.

At John Lewis department stores, the reinvention of in-store services online enabled the retailer to host more than 3,000 virtual appointments in areas such as home design and personal styling.

And the transfer of 1,800 John Lewis staff to Waitrose to help deal with the surge of food shopping during the height of the pandemic is also likely to open minds to new ways of doing business, as well as bring the two brands closer



Eight John Lewis stores did not reopen following the

– important because synergies, cost control and cross-pollination remain central to strategy.

Balancing two brands and one business

That focus on synergies from common ownership, central to Mayfield's vision and still a foundation of White's plans, makes intellectual sense, but the two brands are very different.

Some former managers believe that White should ensure that the differences between, and the dynamics of, each division must be recognised and that it will benefit the business to do so.

Many customers of each business are unaware of the link between the two, and internal research has previously shown that many do not care.

The group's partnership status matters massively to those who work there, but many consumers are indifferent to it – a mindset that calls into doubt the value of the rebrand a few years back of each business to '& Partners'.

In the past, the independent mindset of each business could make things difficult – central decision-making could be bureaucratic because of the need to be seen to take account of the views of each.

But the opportunities and challenges facing





lifting of lockdown earlier this year and questions have been raised about the future of the estate

It's better to let the two brands be what they need to be. You have to recognise what the two brands need to do for their core customers – that's the starting point

Former senior manager

the department stores and the grocery arm are different – evident in the divergence in performance between Waitrose and the department stores in the first half.

While John Lewis suffered a 9.7% total trading sales fall, Waitrose's revenues climbed 7.6%. There was like-for-like decline at the department stores of 9.5%, but at the grocery arm they rose 9.6%.

One former senior manager says: "It's better to let the two brands be what they need to be. You have to recognise what the two brands

need to do for their core customers – that's the starting point."

Waitrose starts in a stronger place than John Lewis – it is opening new space and focusing on building online following the split with Ocado, and has already achieved annualised online sales of £1bn earlier than targeted.

White needs to find answers to a question that has foxed many of her peers: what should a department store be these days?

Reviving the department store

The traditional department store model has been upended by the rise of online shopping, which has brought an incomparable assortment that once would have been the format's differentiator to everyone at the tap of a phone.

John Lewis faces difficulties in basic retail disciplines and categories such as home, which it must address, say some former senior staffers.

One says: "When it [John Lewis] was working, it was growing market share. Product, price, service – that's how you grow market share, and they have to drive that top line again."

Another maintains: "Home was always a great strength of John Lewis. You have to ask:

White's plan

White has kept her powder dry on the fine details of her strategy – that will come next month – but she has already set out the direction of travel.

That has included abandoning some of the changes made by her predecessor. New dedicated bosses for John Lewis and Waitrose – restructuring specialist and former Co-op director Pippa Wicks and ex-Sainsbury's buying director James Bailey respectively – have been appointed. But big changes are still to come.

There are five areas of strategic focus:

- The business will remain "driven by purpose".
- Simplify how the business works.
- Strengthen retail by becoming more convenient and enhancing appeal to the "next generation".
- Expand the services offer.
- Strike partnerships to power growth, such as its recent tie-up with Fat Llama to pilot furniture rental.

White envisages a digital-first business, in which John Lewis generates 60% of sales online versus 40% pre-Covid, with Waitrose's online operations to account for more like 20%, compared with 5%.

There will be a focus at John Lewis on the home and nursery categories (traditional strengths), and the addition of new services, which may range from horticulture to private rented housing – for instance, converting space above stores. The retailer already does that in some locations, as do other retailers such as Sainsbury's.

And some sacred cows may be slaughtered – the legendary Never Knowingly Undersold pledge is under review.

And, while White said in July during a broad-brush overview of her plans that there should be "green shoots" within nine to 12 months, profit recovery is three to five years away.

Some of the business shifts she anticipates and wants to drive were already evident in last week's results, such as the creation of partnerships and new services such as virtual styling.

has enough been done to develop product?"

But fundamentally it needs to find a new place in the world and work out the right relationship between stores and online.

John Lewis was early into multichannel, and a more recent focus on experiential shopping was designed to make the most of its bricks-and-mortar estate.

However, the accelerated pace of change means pressure remains on multichannel, while the pandemic has thrown doubt on the long-term appeal of that sort of experiential retail. One former director asks whether John Lewis should adopt more of a marketplace position online, fulfilling the long-standing role of department stores in a digital way.

ANALYSIS



Sharon White took the helm at JLP in February

It is an option that Next has pursued with success by selling other labels and through its Total Platform service for other businesses.

The extent of the online shift was evident in John Lewis' revelation last week that it had cut the book value of its store estate by £470m.

The department store business' online sales rocketed 73% and the retailer said: "Before the crisis, we believed that shops contributed around £6 of every £10 spent online. We now think that figure is, on average, around £3."

Bringing magic back to stores

GlobalData managing director Neil Saunders observes: "John Lewis is more advanced in digital, but investment is still needed to improve the online experience. The bigger challenge, however, is how to make physical department stores work."

"White has already taken some radical steps in getting rid of underperforming branches. This was probably a necessary decision to protect the business, but it doesn't answer the question as to why those branches were not pulling in enough shoppers nor generating sufficient sales."

"That is a much bigger issue and is something that arguably needs to be addressed

John Spedan Lewis always saw the business as experimental and innovative. Sharon White is continuing his tradition
Neil Saunders, GlobalData

across the whole estate. John Lewis shops look nice and they are smart, but they have lost some of the excitement and wonder that is needed to persuade shoppers to visit. Putting that magic back is hard, but it is vital."

Retail analyst Richard Hyman believes focus on execution and service must be at the heart of any hopes to transform the fortunes of the department stores.

He maintains: "The biggest challenge the department stores face is that John Lewis' biggest competitive edge is customer service. Everything else comes second. And it has not succeeded in transferring that online – the progressive and rapid move online is diluting it."

John Lewis needs to concentrate on selling better and selling more, he argues.

"There are too many product options that turn far too slowly," he believes. "How are they going to sell more product through stores, or make more money from online, which is generally a less profitable channel?"

Another former staffer said they find it frustrating that some fashion brands that feel outmoded are still stocked in John Lewis stores, when a new generation of brands gaining popularity online could be adopted. "All these lovely independent brands – you never see them in John Lewis and you think, why not?"

Eight John Lewis stores did not reopen post-lockdown, and the changing dynamics raise questions over the future of the estate. "It's very clear that there's too much John Lewis space," one person says.

"The big call is about right-sizing John Lewis, and fundamental thought about what the assortment should be in a digital age. Rather than trying to protect physical space, you need to adapt, which an online marketplace model might enable."

Decide on price positioning

The rise of online has also brought questions about pricing, and the advantages and disadvantages of John Lewis' Never Knowingly Undersold pledge. There are already anomalies – it does not apply to pureplay competitors, nor at Waitrose.

And it has been blamed for the financial toll on John Lewis in recent years as other department store groups launched near-permanent promotions as they battled to survive.

The very fact that the internet has brought unparalleled price transparency, and the retailer's reputation for honest pricing, mean that Never Knowingly Undersold is jettisoned at its peril, some believe.

"I would keep it, or something like it, as a cornerstone of value," a former JLP executive says.

White said last week that the famous slogan "needs modernising and refreshing", but that any change would retain a value-for-money aspect as part of a "brand standpoint".

The biggest challenge the department stores face is that John Lewis' biggest competitive edge is customer service – the progressive and rapid move online is diluting it
Richard Hyman, retail analyst

Is White's plan enough?

Just reviewing the price pledge prompted headlines, and White can expect more of them as she works to overhaul John Lewis.

So far, she has impressed many in the industry, who think she is doing the right things for the Partnership.

One former partner, who held a senior role, says: "Change was needed, but [Mayfield] took a sledgehammer to crack a nut and there didn't seem to be any big ideas. Sharon White has shaken things up, and people are pleased that there's someone in charge. I really hope it gets through this and they don't lose the specialness."

Hyman believes the challenge facing White is daunting. He says John Lewis is "firmly on the back foot" and in five years, he fears, "it's going to be smaller". "They'll need to shut more stores," he thinks.

But Saunders is encouraged so far. He says: "The flex into services is interesting as this is an area of reasonable growth, which can be more margin-rich than traditional retail."

"Some of the ideas are sensible extensions. Other suggestions, such as rented housing, are more radical and take the Partnership well outside of its traditional comfort zone. But we all talk about repurposing excess retail to residential, so why shouldn't the Partnership be one of the companies to make that happen?"

Saunders concludes: "She is not a business-as-usual type chairperson, so is exactly what the Partnership needs right now. There will certainly be criticism for making waves and trying new things. But the Partnership was founded on being radical."

"John Spedan Lewis always saw the business as experimental and innovative. Sharon White is continuing his tradition."

As retail is racked by changing shoppers' behaviour and the ongoing pandemic, experimentation and innovation will be the only way to salvage the department store if it is to survive as a fixture both online and on the high street. **RW**

Local heroes

While shifting customer behaviours and now the coronavirus pandemic have taken a heavy toll on traditional shopping centre owners, **Hugh Radojev** looks at the councils and retailers seeking to revitalise these spaces

Retail property is becoming an increasingly precarious investment, as evidenced by Intu plunging into administration in June.

Meanwhile, many of the other major landlords, such as Hammerson, are seeking to offload some of their retail portfolios.

But while major developers are backing out of retail, there is another type of investor ploughing more into shopping centres in a bid to revive them: local councils.

One in five shopping centres bought between 2016 and 2019 were acquired by local authorities attempting to redevelop town centres in decline, according to research by Revo and Lambert Smith Hampton.

In cash terms, the National Audit Office estimated that between 2016/17 and 2018/19,

local authorities spent £6.6bn on commercial property, compared with just £460m in the previous three years.

The pandemic is likely to exacerbate this, according to Knight Frank head of retail research Stephen Springham.

“In the 20 years prior to 2016, there had been four local authorities buying a shopping centre. In 2016 there were 10 and it’s kind of grown exponentially since then,” he says.

“Local authorities aren’t the only buyers looking for shopping centres in the current market, but they’re certainly the most active.”

Middlesbrough: bringing footfall back

One local authority that has been active over the past few years is Middlesbrough Council as it strives to revive the town centre.

Mayor Andy Preston says: “Over the last 40 years, Middlesbrough has declined as an urban, residential and retail centre. We have to take action to reverse that. Capitalism has failed Middlesbrough, but we’re going to harness the free market to turn the city around.”

The council leapt at the opportunity to snap up Middlesbrough’s Captain Cook Square shopping centre, which had been “left riddled with empty stores”, according to Preston, and the flagship House of Fraser building in the town centre in July.

For a collective outlay of around £9m, Preston believes the council got “an absolute steal” for the two retail sites and sees them sitting at the heart of a wider, ambitious plan to revitalise the centre of Middlesbrough. Preston wants to build new residential property and ➔



Canterbury City Council partners with landlord NewRiver to manage Whitefriars shopping centre

ANALYSIS



Middlesbrough Council has ambitious plans for Captain Cook Square shopping centre

LEONARD DESIGN ARCHITECTS

Local authorities aren't the only buyers looking for shopping centres in the current market, but they're the most active Stephen Springham, Knight Frank

offices in the heart of the town to capitalise on the rise in new technology jobs in the area. The council is also in talks over opening a "shipping container village" food, beverage and leisure scheme in the style of Boxpark.

He also wants to bring a local brewery into the town centre, along with a cinema, bingo hall, live music venues and other gaming concepts, either within or adjacent to Captain Cook Square, which he says could attract an extra 700,000 visits every year.

Combined with the new offices and residential areas, Preston says more than a million extra people could come to the town centre each year, which will have a positive knock-on effect on its retail offer. "We're going to support our retail. Not by giving them money, but by giving them footfall. By driving footfall to the centre of town. Bringing footfall

through leisure, new residents and workers."

While Preston concedes that the pandemic might have made some of the ongoing discussions to bring new retailers, restaurateurs and other occupiers into Middlesbrough "more difficult", he remains adamant that the scheme will be up and running by summer 2021.

While he says his council is not actively searching for any more retail property in the town, Preston says he wouldn't rule it out if the right opportunity presents itself.

"We will always respond to either an absolute bargain that would make a great opportunity for the town or essential purchases to protect it."

Canterbury: a date with destiny

In a different vein to Middlesbrough is the Kent city of Canterbury. In February 2018, it spent £75.5m to buy up the remaining share in the city centre-based Whitefriars shopping centre, home to retailers including Primark, Fenwick and Marks & Spencer, having part-owned it with a pension fund for a number of years previously.

For Canterbury City Council head of property and regeneration Caroline Hicks, the purchase was not a desperate attempt to stop the asset from becoming insolvent. Instead, it was a calculated purchase made by a council that wanted "control of our own destiny".

"The Whitefriars centre was a very well-run centre, but even then we knew which way retail was going. We wanted to have more of a stake in changing that and the uses around it," she says.

However, unlike other councils that will try to manage such assets themselves, Hicks says the team knew it didn't have the expertise in house to make a go of running the Whitefriars centre. So, in 2018, it partnered with landlord NewRiver, which came on board to manage it.

The partnership allows both parties to bring their expertise to the shopping centre, without getting in each other's way.

"We've got a long-term business plan for the centre. A vision for the kinds of tenants, those we already have and the ones we'd like to see in there," Hicks says. "We pass that with the council and with NewRiver. On the tenant mix point, that's where NewRiver's expertise in both UK and international retail property comes in handy."

Hicks says that, when the council took ownership, the Whitefriars centre's tenant mix had become heavily skewed to mid-market, women's fashion – a category that has suffered terribly over the past few years. Given that the adjacent high street is dominated by local, independent retailers, Hicks says keeping Whitefriars "big brand central" is important.

When the council took ownership of Whitefriars, many big anchor tenants had lease breaks or renewals in a relatively short space of time. These breaks, combined with the added pressures of the pandemic, mean the council has brought forward its plans.

"What we're doing is essentially accelerating our plans. Where we were thinking about possibilities in five or 10 years' time, we're

now thinking if this unit should come back [on to the market] next year, how would we approach that and what would we do?"

Hicks says the council's aim is to "diversify uses" of Whitefriars to encourage greater footfall beyond those simply looking to shop.

"In Canterbury, we have an awful lot of retail and not a lot of leisure," she says. "We've also got a fair amount of food and beverage, but there's still scope for more balancing with that."

Canterbury has also received a lot of interest in taking space from co-working and serviced office providers. "It won't be so key for businesses to have big, centralised London offices in future, but being based somewhere you can get a fast train into the city in 50 minutes will still be important," she says. "It's that somewhere between working from home and commuting, and I think for a place like Canterbury that's where we see our future."

Woking: ahead of the curve

Woking Borough Council has been investing in retail property for more than a decade.

Back in 2010, the council bought the freehold for the Wolsey Place shopping centre, which is located in the town centre next to the newer, council-owned Peacocks centre. Woking decided to effectively combine the two, according to council leader David Bittleston.

"The decision was made that if we didn't spend some money on Wolsey Place, as the

second centre in the town, it would probably make the city as a whole less attractive in the long term," he says. "We joined the two together to create what has since become Jubilee Square."

The council not only joined the two centres together, but it has also moved the public library into the scheme and added a much larger food and beverage offer. Jubilee Square, which opened in 2012, "turned that corner of Woking centre into a major, exciting, vibrant area almost overnight", says Bittleston.

Following the success of Jubilee Square, the council has subsequently weighed in to block high-rise developments from being built on one of its main high streets, Commercial Way.

Instead, it has pushed ahead with the Victoria Square development, a mixed-use development that combines 125,000 sq ft of retail and other commercial space, anchored by a Marks & Spencer food hall concept, with housing and services.

"Victoria Square is really a regeneration housing project. There will be 429 new flats across two storeys and a 23-storey Hilton hotel. Where we are heading as a town, and where most towns are heading, is that traditional town centre shopping centres have to change and offer something else.

"Our focus is on what else we should add to that shopping environment. A brand-new refurbished cinema will be there. We've got

the more limited, but brand-led retail offering. We've got a theatre. We're looking at things like integrated health services. It gives people another reason to come to the centre in the first place."

Despite its history of engaging with retail and commercial space on behalf of its citizens, Bittleston says Woking Borough Council is not actively looking at any more investments at the moment. "Our overriding principle is that any purchases made with public funds must ultimately benefit the people of Woking."

A controversial trend

The growing trend of councils buying retail property has not come without controversy. As with any property investment, buying shopping centres comes with risks, and some constituents have become concerned that councils are effectively gambling on returns using taxpayer money.

These concerns were only heightened by the volatility post-pandemic that has hit both retail and the property market.

As a result, in April of this year, the Public Accounts Committee launched an inquiry into local authorities buying shopping centres.

In its draft report, published on July 6, the Parliamentary watchdog found that some councils had found themselves in unsustainable levels of debt by borrowing to buy centres and criticised the Ministry of Housing, Communities & Local Government for a lack of oversight.

Despite this, Springham says that local authorities will almost certainly continue to invest in commercial property, particularly with interest rates so low for borrowing money.

"It's so much lower for local authorities than on the open market," he says. "They are looking at 1% or lower lending rates. If that were available to everybody else in the market, even in this market, you'd be seeing a lot more activity."

"The rationale is very good if the local authority owns other property in the town and can marry those two together."

Committed councils have a greater reason than many private landlords to bring about meaningful change and, as the likes of Middlesbrough, Canterbury and Woking show, they have fresh ideas and energy to help revive shopping centres. **RW**



Victoria Square in Woking will combine retail, housing and a 23-storey Hilton hotel

Our overriding principle is that any purchases made with public funds must ultimately benefit the people of Woking
David Bittleston,
Woking Borough Council

ANALYSIS

Can fashion retailers style out the crisis?

Fashion has been one of the hardest hit sectors in a wedding- and holiday-free summer. **Rosie Shepard** asks whether retailers can convince shoppers to ditch their loungewear

With the Golden Quarter on the horizon, fashion retailers would ordinarily be readying the sequins for party season, but this year that may not be the case.

Events across the board have been cancelled or postponed, and with new government restrictions limiting the number of people allowed at any gathering to six, even smaller celebrations may not be going ahead.

Loungewear and athleisure have been the coronavirus winners when it comes to fashion, as consumers in lockdown switched their business suits for jogging bottoms while working from their sofas and dining tables.

Is there a way for fashion to bring the glitter back to the Golden Quarter, or will comfy clothes remain top of the list?

Lockdown loungewear

Over the past six months, the loungewear category has grown exponentially as consumers prioritised comfort while staying at home.

In the past three months alone, searches for loungewear grew 15%, according to global fashion search platform Lyst, while searches for leggings and hoodies surged 25% and 12% respectively in the first two weeks of September as customers prepare for the winter seasons.

“What we saw initially when the country first went into lockdown back in the middle of March was a shift towards people wanting more comfortable clothing,” explains womenswear retailer Sosandar’s chief executive, Julie Lavington. “They weren’t going to the office, they weren’t going to events, so they were buying less formal clothing and more comfortable pieces.”

This trend has continued throughout lockdown and beyond, with retailers like Primark, Topshop

and Boohoo all registering sharp upticks in sales of items such as jogging bottoms and pyjamas.

Primark parent company Associated British Foods’ chief financial officer John Bason summed up: “It’s stuff like loungewear, leisurewear, nightwear [that are selling]. Formalwear, luggage – that’s non-existent.”

A Topman spokesperson told Retail Week: “Leisurewear has been the most popular category at Topman for the last few months with jersey, sweats, joggers, jeans, underwear and socks accounting for around 50% of brand sales.”

Lyst data also reveals that athleisure is popular, with brands such as Nike and Sweaty Betty topping its search lists.

GlobalData senior apparel analyst Chloe Collins believes that the category will remain popular in the coming months as the evenings grow darker and colder.

“People are going to want to stay in and be cosy. Things like nightwear, leggings and joggers will all still be key, in really cosy fabrics.

“I think because a lot of people are still working from home at the moment, it’s going to be more difficult to get them to venture out after work once they finish for the day. Ordinarily they’d already be in the office dressed up and ready for after-work drinks, but if you’re at home and have to venture out in the dark, it’s going to be less appealing.”

She does, however, think that gymwear may not be quite as popular, as those who took up hobbies such as cycling or running during lockdown may not continue with these during the winter months.

The Golden Quarter

While loungewear may have cemented itself as a wardrobe staple, there are signs that shoppers are starting to think about jazzing



Loungewear is the lockdown bestseller and while sequin

up their looks now that pubs, bars and restaurants have reopened.

“As the weeks and months progressed [through lockdown], we did start to see things shift back to more normal buying behaviours,” says Lavington.

“Over the summer, people wanted pretty dresses. Even if they weren’t going on holiday, they were still buying clothing for when we had good weather at home. Customers are still buying items to make themselves feel good.”

“We think people will still dress up to go out for dinner even if they can’t go to fancy Christmas events,” she predicts.

With greater social restrictions in place, celebrating in small groups seems likely to be how the Christmas season will pan out.

However, Collins believes the comfy trend will extend into the Christmas season with jumpers and festive-themed loungewear and nightwear likely to be bestsellers.

“I think people will still want to celebrate – they’ll be looking forward to the end of 2020 – but it will be more about celebrating in the home,” she says. “There’s potential still for things like Christmas jumpers – even though people won’t be going into the office and participating in Christmas Jumper Day there – to sell well. There will be more emphasis on celebrating with the family at home.”

25%
The increase in
searches for leggings
in the first two weeks
of September



DEENHAMS



NEW LOOK

dresses could be out this Christmas the festive jumper will likely still prove popular among many shoppers

People are going to want to stay in and be cosy. Things like nightwear, leggings and joggers will all still be key

Chloe Collins, GlobalData

Lavington, on the other hand, thinks it could be all about how you market the outfits. Like retailers such as Zara and Asos, Sosandar has had models photograph themselves in their clothes at home during lockdown, and Lavington says by showing party clothes in a home setting, customers may be more inclined to purchase even if they are only wearing a party dress to the kitchen.

With the majority of consumers now accustomed to Zoom quizzes and video parties, it seems inevitable that some festive workplace celebrations may also go digital, meaning there is scope for retailers to market their occasionwear and festive jumpers for a virtual party too.

This is where separates such as sparkly tops or statement accessories could prove popular as customers try to look good online.

A Christmas offer with a difference

However, Kantar fashion analyst Anusha Couttigane says fashion's Golden Quarter depends on whether or not consumers are allowed to celebrate in groups.

"The appetite for festive fashion will be very much dependent on government guidelines around parties," she says. "Occasionwear, by definition, requires an outlet for social gatherings. Although the government is clamping down on large gatherings, it has also implied that regulations will be relaxed come Christmas.

"This, however, doesn't give retailers much time to prepare, so managing assortments will come with a higher level of risk this season."

Many retailers have planned ahead and minimised their exposure in party dresses. In fact, Lavington has backed more versatile items in the coming months, and predicts long-wearing denim and tops that can be dressed up or down for parties and pub trips or festive Zoom calls will sell well.

A Topman spokesman predicts only a "small element of partywear" will be among its top sellers. He says: "Leisurewear will continue to be strong in the lead-up to Christmas, but with the addition of

jackets and checked shirts and a small element of partywear for staying at home or going out."

Many shoppers won't risk buying expensive partywear pieces that they may not be able to wear.

"People are more likely to reuse things from their own wardrobes from previous years, and where they do want to make investments, they're more likely to buy casual pieces – like a nice party top that they could mix and match in the future, rather than a dress or full outfit," says Collins.

The lockdown period has made some consumers take stock of their consumption habits, and has triggered a shift towards more sustainable practices, including shopping locally and meal planning to avoid waste when limiting trips to the supermarket.

Consequently, those wishing to purchase new festive clothing could look to other channels in order to keep their environmental footprint lower, such as buying vintage or second-hand items, particularly for big events.

"One channel we might see improve over the season is rental, especially in the peer-to-peer space," says Couttigane.

Christmas 2020 will be a Christmas unlike any other, and while fashion retailers may not have a Golden Quarter of sequins and suits, there is still a place for some celebrations and festive clothing – even if it's just from the waist up on Zoom. **RW**

DATA

Less than a third of shoppers are prepared to head back to stores

More than half of UK shoppers would rather buy online than go into a store, according to Retail Week's new report *Dynamic Supply Chains*.

More than half (53%) of consumers say they are still more likely to shop online, even though non-essential shops have reopened, versus 32% who are more likely to return to shopping in stores.

Shoppers aged 18 to 24 are even more in favour of online at 70%, and among the 65-plus age group, 44% opt for internet shopping, versus 33% for stores.

Retail Week, in partnership with Manhattan Associates, surveyed 1,000 UK consumers to gauge how their spending and sentiment has changed because of coronavirus, and the key factors that will influence how and where they spend their money in future.

Combining this exclusive consumer research with retailer case studies, this report is the go-to resource for retailers to understand what consumers want and the steps they must take right now across people, processes and technology to deliver a first-class customer experience

The post-Covid consumer

Significantly, only 8% of shoppers say that they would go to a store for the social experience and enjoyment of shopping now that lockdown has eased.

This shift has major implications for the retailers that during recent years have invested heavily in the experiential side of physical retail in a bid to keep footfall from declining.

While social distancing restrictions remain in place and customers are prevented from trying on clothes, store shopping is set to remain less appealing.

In the report, McKinsey partner Anita Balchandani, who leads the consultancy's fashion and luxury practice, tells Retail Week that the "positive experience gap" enjoyed by fashion stores versus online has been closed by the coronavirus pandemic, adding that "the shift to digital and people getting more comfortable shopping online is something that will sustain".

Faced with these challenges,

retailers with store portfolios will need to find new ways to build brand loyalty and deliver an outstanding customer experience.

Supply chain strategies must evolve in kind to adjust to new ways of shopping and new expectations of the customer experience.

Following a period when measuring supply and demand has become extremely difficult, Manhattan

Associates UK managing director Craig Summers says supply chain networks will need redesigning based on segmentation to fit a more flexible structure that can quickly adapt.

"It's time for retailers to assess the role that each distribution centre and store plays in their business," he says, adding that trends include converting traditional stores into dark or partially dark stores and establishing

market-based micro-fulfilment centres.

As we move into the recovery phase of 2020, retailers should look beyond the immediate challenges and see the pandemic as an opportunity to rethink their supply chain strategy for the long term. **RW**

To download the report for free, go to: Retail-Week.com/Dynamic-Supply-Chains

53%

of shoppers are more likely to continue to shop online now that non-essential shops have reopened, versus **32%** who are more likely to shop in store

CONTACTLESS COMMERCE IS HERE TO STAY

Only **35%** of shoppers want a traditional sales counter with a fixed point of sale when paying

12% have used apps such as Deliveroo, Uber or Just Eat for delivery – peaking at **21%** for 25- to 34-year-olds and **20%** for those in London

70%

of consumers believe sustainability and environmental credentials are very or quite important post-pandemic

MORE THAN HALF (60%) of consumers want more store-based retailers to launch online delivery and ecommerce options post-pandemic

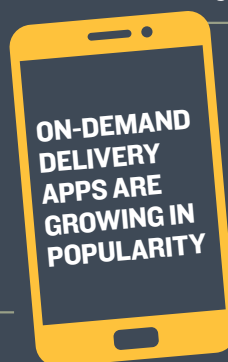
70%



of 18- to 24-year-olds are more likely to shop online even though stores have reopened

85%

of consumers used some kind of home delivery or click-and-collect service during the pandemic



OVER A THIRD

(38%) used contactless delivery where an item is delivered outside a property or by the kerbside

43%

are less likely to shop with a retailer that did not pay their suppliers during the pandemic



28%

of shoppers want to see next-day home delivery as a standard delivery option as we emerge from lockdown

