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RetailWeek

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EDITOR'S COMMENT

Luke Tugby

Don't underestimate the power of partnerships

The idea of togetherness is one that has shone through in countless ways amid the Covid-19 crisis.

Families, communities and colleagues across the UK have formed bonds closer than ever to support each other through the health emergency.

Increasingly, retailers are doing likewise, seeking third-party partnerships with other brands and businesses – new relationships they believe will help them emerge stronger.

Just this week, two of Britain's biggest grocers unveiled their latest partnerships. As Retail Week revealed, Tesco will host AO.com's first physical shop-in-shops in five of the grocer's largest supermarkets. Meanwhile, Asda will hand over the toy section at a handful of its supermarkets to The Entertainer, giving the specialist free rein over ranging, merchandising and pricing.

Such deals increasingly make sense as retail adapts to the widespread impact of the pandemic. As Asda says, it has seen "a shift in customer behaviour" during the outbreak, resulting in "an increasing number of shoppers looking to complete multiple shopping missions on a single trip". It is a trend retailers must react to.

For the past few years, Tesco has been pulling back from the electricals category, particularly when it comes to larger white goods. It has stopped selling bulky items such as fridges, dishwashers and washing machines in stores, and in 2018 axed its Tesco Direct website dedicated to general merchandise. But demand for such products remains and, in fact, increased during the early stages of lockdown.

In AO, Tesco is teaming up with a retailer that can offer expertise, keen prices and fulfilment prowess to the grocer's existing customers in a category where it previously struggled to compete.

The AO shop-in-shops will also offer another reason to visit, helping Tesco enhance the 'one-stop shop' reputation the UK's large supermarkets are increasingly trying to carve out.

Meanwhile, AO has secured a highly experienced bricks-and-mortar partner from which it can learn tricks of the trade on a daily basis, while also putting itself in front of the supermarket giant's huge customer base in a capital-light manner.

In the past, it might have been seen as a sign of weakness to seek help from third-party retailers, brands or tech suppliers. Some businesses are still trying to reshape the insular cultures they have been built upon, shunning external insight and ideas in favour of always doing things 'their way'.

Those schools of thought and ways of working are becoming increasingly outdated and have to change if retailers are to adapt to the post-pandemic future and embrace some of the opportunities the new trading realities will present.

Even the largest and most successful retailers in the world are opening their minds to that future, embracing and harnessing other companies' expertise, rather than attempting to take them on at games they cannot win without huge capital and capacity investments.

Walmart is not too proud to admit when it cannot do things alone and to seek help from outside

Take Walmart: the biggest bricks-and-mortar retailer on the planet refuses to assume that because something worked yesterday it will yield the same results tomorrow. It is not too proud to admit when it cannot do things alone and to seek help from outside instead.

In the past year, Bentonville has opened its doors to Instacart to offer a same-day delivery service; to Shopify to expand its marketplace proposition; and to Microsoft to join forces on a bid for TikTok.

As a result, Walmart is facing into the challenges being posed by a digital future and rivals such as Amazon, and also seizing opportunities to grow its customer base and appeal to younger shoppers.

Tesco, Asda and Walmart are just three examples of major retailers leveraging the power of the partnership. In a post-pandemic world, all retailers should be looking for similar opportunities. RW

Read Luke's articles at Retail-Week.com/Luke-Tugby Luke.Tugby@Retail-Week.com @LukeTugby

THE BIG STORY

John Lewis boss sets out new strategic vision

John Lewis Partnership chair Dame Sharon White has unveiled her strategy for the department store and grocery business. **George MacDonald** reports on the plans and considers their potential impact on the business

Dame Sharon White, who in February took the helm of the bellwether retailer, owner of grocer Waitrose and department store John Lewis, was already faced with the challenge of restructuring it in the face of changing shopping behaviour, but also had to confront the implication of the Covid-19 pandemic.

The new strategy sets out the retailer's plans to expand its digital, virtual and delivery capabilities in order to reach more customers around the UK, including through an extension of services.

John Lewis will retain its 'Never Knowingly Undersold' price pledge for the time being, while it researches a "new value pledge".

With a five-year aim of reaching £400m in profit, White believes that the plan is both self-funding and takes into account any economic uncertainty in the next few years.

The retailer has committed £1bn to accelerate its online business and overhaul its shops to drive better customer experience, using funds saved from streamlining its head office and operations.

White plans to highlight the value both Waitrose and John Lewis offer customers for high-quality goods, introducing more affordable price points on some homewares.

The retailer will expand its delivery capacity for Waitrose to more than 250,000 per week, with 25% of those orders reserved for the vulnerable.

It also plans to continue partnerships with Deliveroo and others to offer more delivery options.

Virtual shopping has proven popular for the retailer throughout the lockdown period, with personal styling and home design services available online or on its app, which the John Lewis Partnership hopes to build up with its virtual Christmas shop this year.

Sustainable agenda

The retailer has made a commitment to be net zero carbon by 2035, including sourcing from net zero carbon farms for its Waitrose food supply.

In a bid to ensure all products are "made to last", John Lewis has said that all product categories will have a 'buy back' or 'take back' solution by 2025.

All key raw materials in its own-brand products will be from sustainable or recycled sources by 2025, and it will develop sustainable rental and resale options for customers.

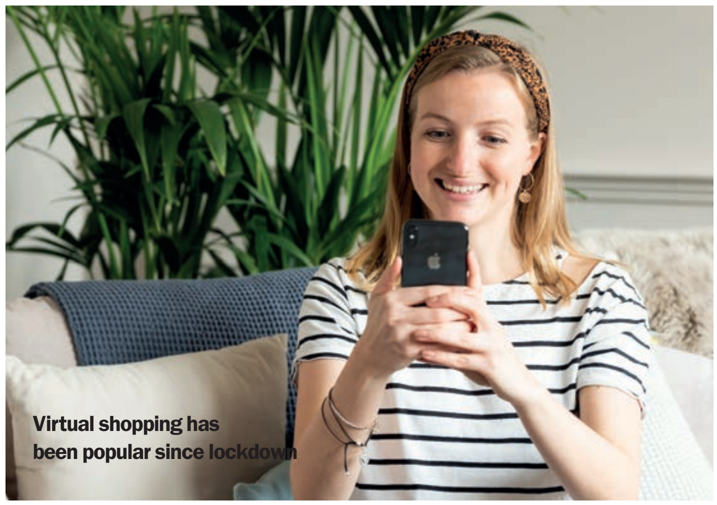
To aid local communities, the Partnership has also pledged to recruit people out of the care system to help build up their careers.

The famous employee bonus, which was scrapped this year, will return once profits exceed £150m and the retailer's debt ratio falls below four times.

White said: "We've seen five years of change in the past five months, and Waitrose and John Lewis have responded with great agility. Our plan means the John Lewis Partnership will thrive for the next century, as it has the last.

"We're adapting successfully to how customers want to shop today, while showing the Partnership is improving lives and building a more sustainable future.

"We'll share our success with our customers, Partners – who own the business – and our communities." RW



Virtual shopping has been popular since lockdown

Dame Sharon White

We're adapting successfully to how customers want to shop today, while improving lives and building a sustainable future

Dame Sharon White, John Lewis

JLP's non-retail ambitions rely on restoring retail success

One of the most striking aspects of the strategy update from the John Lewis Partnership was the extent to which the retailer is staking its future on what strategy director Nina Bhatia termed "non-retail".

The group aims to generate 40% of profits from new areas by 2030. Much of that is expected to come from services ranging from housing provision to financial services – the business is investing £100m in the latter alone over five years with the intention of growing it fourfold.

It is not that retail does not matter. The overall umbrella under which the plans are gathered is the ambition of creating "retail customers love" and there are plenty of initiatives in progress at the two core retail businesses.

The interest in services reflects the opportunity to build on the retail proposition and the values for which the partnership is famous, such as high standards of service, to push into "areas where we are trusted and can fulfil customers' needs by making a difference to their lives and the planet".

That direction of travel makes sense, especially as online continues to reshape the retail landscape. At the John Lewis department store business, for instance, the expectation is that it will be "a 60-70% online retailer by 2025".

That means it has to up the ante in store but, when so much commoditised product can be bought from so many ecommerce sites, it also means it needs to leverage strengths such as being a source of trusted advice.

The cornerstone

Greater focus on services is not a leap into the dark for John Lewis. It already operates to some extent in all the categories it intends to build further.

But success cannot be taken for granted. Other retailers have made big plays in financial services before and success has proved elusive. Tesco's bank, for instance, lost £155m in its first half. Its rival Sainsbury's has challenges of its own within its banking arm, while income from the M&S financial services division also fell last year.

> **New services represent a big opportunity. But some of the basics at the retail business need to be urgently fixed first**

That is not to say that John Lewis cannot succeed. It is taking a sensible approach by linking with expert partners such as Munich Re in insurance and BNP Paribas in customer credit rather than, for instance, launching its own bank.

But success will surely depend on the restoration of its retail prowess – or rather, that of the department stores in particular – because that is the cornerstone upon which everything else will ultimately be supported.

One of John Lewis' foundations, its excellence of service, is acknowledged to need work. How often do you hear someone say they visited a John Lewis store only to be shown or invited to browse the website?

Catherine Shuttleworth, founder of retail marketing specialist Savvy, observes: "I've always found it easy to shop with John Lewis until this year as there are massive out-of-stocks and a huge lack of customer service. They used to be spectacular at the latter – you could call a store, speak to someone who was an expert in their department and get real quality help or they would send you the product. Now you can't talk to anyone and their competitors outshine them."

John Lewis admitted: "First-class customer service delivered by partners is our unique strength. We know it's not always been as easy as it should be to shop with us, so we're first investing to deliver a fantastic experience – online, on the phone and in-store."

Laying foundations

The in-store experience is vital to John Lewis' success – past, present and future – and plays a key part in its multichannel appeal. That is clear from the partnership's plans to invest £1bn, split 50/50 between improving stores and developing online, over the course of chair Dame Sharon White's five-year plan.

New services are currently an ambition and without doubt, represent a big opportunity worth pursuing. But some of the basics at the retail business need to be urgently fixed first.

There are some encouraging signs, evidenced by "positive trading momentum", and the group is rightly focusing attention over the next two years on profit recovery and laying the foundations for growth. Then will come the drive to "accelerate change, reshape and grow".

The plan was described as "ambitious and achievable". It is also measurable – the target is profits of £200m by the end of year two and £400m by the end of year five.

As White said: "Today is the day we get on with the job." RW

NEED TO KNOW

Why is Asos cautious about the golden quarter?

While Asos' profits and sales surged in recent months as it navigated the pandemic, it has warned the next few months may not be quite so easy. Rosie Shepard reports

Nick Beighton, chief executive, Asos

"The pandemic probably brought 10 years of digital disruption into the space of just a few months," says Asos chief executive Nick Beighton as he assesses the fashion etailer's past financial year.

Unlike much of the fashion sector, Asos has emerged from the pandemic in a strong position. Profits soared 329% to £142m in the year to August 31, when group revenue was up 19% to £3.26bn.

The number of active Asos customers also jumped by 3.1 million to 23.4 million as more shoppers turned online during the coronavirus outbreak.

Asos also managed to pivot its product mix in the second half to reflect demand for popular lockdown categories such as activewear and face and body, but despite the company's success, Beighton and chief financial officer Mat Dunn struck a cautious tone.

Like other retailers, Asos is uncertain about what consumer demand may look like in the lead-up to Christmas as a raft of disruptive factors come into play.

Life disruption

Coronavirus restrictions such as the rule of six have caused havoc across the hospitality and retail industries, as parties and celebrations have been cancelled or downsized.

Following the latest three-tier measures in the UK, it seems unlikely there will be much relaxation of the rules this golden quarter – if anything they may become more draconian – and that means fewer opportunities for people to go out, so less demand for products such as party clothes that would typically be in demand among Asos' young customer base.

Asos has built up a reputation for its going-out gear and has factored the change in behaviour into its expectations for the coming months.

"In terms of the way we've set our buy plan up, we were anticipating further lockdown restrictions," says Beighton.

"We detuned party gear and going-out gear, particularly dresses and shirts. We've dialled up to offer more width in casual wear, sportswear and beauty products, as well as extending our core ranges."

While Asos is concerned about "how 20-somethings' lives will be disrupted as we run into Christmas" and its impact on its traditional bestselling partywear, it recognises that continued demand for lockdown categories such as loungewear could also work in their favour if they increase the range on offer.

With different rules applied to different areas depending on the number of cases, Asos may see a sporadic pattern of demand for either occasionwear where hospitality venues remain open or loungewear where they are forced to close, which is difficult to plan for.

Unemployment rates

Fears of increased joblessness are rising as the furlough scheme comes to an end and more redundancies are widely expected, despite the new job support scheme.

Research from McKinsey found young people and those in part-time positions are most likely to lose their jobs in the coming months and latest figures from the Office for National Statistics showed that between June and August, 60% of people who have become unemployed are aged between 16 and 24.

Beighton says: "One of the things we are very mindful of is that the financial impact of Covid-19 hasn't yet filtered through to the 20-something audience in terms of potential unemployment. We're very worried about how it might fall on 20-somethings globally.

"During lockdown, lots of those people were supported by the equivalent of furlough schemes around the world, but we're worried about how it might fall now and affect disposable income."

To combat the potential recessionary impacts on its customers, Asos is introducing a new own-label range called AsYou.

The collection, priced between £8 and £28, is aimed at plugging the gap in Asos' offer to appeal to a wider audience including those who may not be able to afford its more expensive pieces.

Asos anticipates disruption to the traditional golden quarter

Cash-strapped shoppers and the tough environment mean the coming months are likely to be highly promotional in retail, which can also affect performance.

Beighton also explains that Asos remains flexible in its approach to promotions and will follow the industry in its promotional calendar if it has to if the Golden Quarter and Black Friday season sees unprecedented Sales.

Product shortages

The global disruption caused by the pandemic has piled pressure on fashion supply chains, adding another headache.

"If you think right back to the start of the pandemic out of China, the first impact most retailers were feeling was the reduction in the supply of products coming out of the region," Beighton says.

"As the virus spread and became a more global pandemic, it then meant that manufacturing in various parts of the country and world just didn't happen.

"In some areas, that meant up to three months of no production."

The result was that a lot of stock simply was not made and supply chains have not managed to make up for this further down the line.

He also explains that many suppliers have been struggling to keep up with the demand for products such as loungewear and sportswear, which have been popular in the lockdown months, posing an issue if the spike in popularity continues.

Ironically, the current pandemic means we're short on product. We've factored this into our planning and are chasing the intake
Nick Beighton, Asos

Asos does not expect the supply chain issues, which impact the entire sector, to be rectified until spring/summer 2021 as items such as jogging bottoms remain in short supply.

"Ironically, the current pandemic means we are short on product," Beighton observes. "We've factored this into our planning and are chasing the intake, it's an industry-wide issue," he concludes.

Brexit clouds

The UK is scheduled to leave the EU on December 31, which could again cause problems for Asos and the retail industry while there is no trade deal in place.

Dunn says the key risks for Asos regarding Brexit are increased duties on products crossing borders in and out of the UK, disruption at ports and any impact on consumer sentiment, which could be exacerbated by the continued impacts of the pandemic.

Dunn has estimated that based on current World Trade Organisation tariffs, Asos would take a £25m hit next year with a no-deal Brexit.

"Clearly there are other material uncertainties in terms of both supply and demand but it is not possible at this stage to provide colour or clarity on these," he explains.

To mitigate the potential impacts of Brexit, Asos has looked to remove its reliance on key UK entry points and has reviewed its supply footprint to ensure it "minimises product flows which could incur incremental duty", but the majority of Brexit headwinds cannot be predicted yet.

With the continued impacts of the pandemic on both supply and demand in the lead up to Christmas, as well as the potential for a Brexit impact, Asos is right not to take anything for granted about the next financial year – even though its performance so far has been strong. RW

NEED TO KNOW

Five priorities for new Tesco boss Ken Murphy

Tesco's interim results gave new boss Ken Murphy his first opportunity to address the City and experience the scrutiny that comes with being chief executive of Britain's biggest retailer. **Hugh Radojev** reports

The former Walgreens Boots Alliance executive joins the supermarket giant at a time when its core food business is flying. Pre-tax profits surged 28% during the 26 weeks to August 29, as group sales climbed 6.8% to £26.7bn.

The numbers encapsulate the scale of the turnaround overseen by Murphy's predecessor, Dave Lewis – and the business the Irishman inherits is in a very different place to the one Lewis was parachuted into six years ago.

As Shore Capital analyst Clive Black notes: Lewis "faced into a morass of internal strife" when he took the reins with sales shrinking and a financial crisis to overcome.

With Tesco now on a much firmer footing, the biggest challenges facing Murphy are external ones – a global pandemic, a recession and Brexit will all need to be navigated.

Murphy kept his strategic cards close to his chest, having only been in the business a week, but has already pinpointed several "opportunities and challenges" that will face him as Tesco boss.

He insists his plans will be "less about me making my mark and much more about delivering for customers".

What are the key priorities that will be at the top of Murphy's to-do list?

1. The Christmas question

The biggest question facing retail at the moment is how coronavirus restrictions will affect Christmas trading.

With restrictions around socialising in large groups or with other households likely to remain in place over the festive season, grocers will be concerned about how things will pan out. Planning for Christmas 2020 ranges would have begun in January, if not earlier, long before the pandemic took hold in the UK. But will such products sell as strongly as they have in previous years?

Chief financial officer Alan Stewart stresses that Tesco's planning has not fundamentally changed amid the health emergency because it had already banked on consumers having smaller gatherings.

"Smaller Christmas celebrations have been a trend for some time," he says. "This Christmas is looking like no other in terms of some of the constraints that people will have, but I have no doubt that customers will find some way of enjoying Christmas."

Murphy also remains upbeat, drawing on the "strong" sales Tesco has registered so far in Halloween categories as evidence that people will look to enjoy such occasions despite the government's measures.

"We had a conversation about Halloween a few weeks ago and people were worried about that being cancelled too – but you try telling a 10-year-old that Halloween is cancelled," he says. "We've seen quite strong Halloween-related sales and we're convinced that we will have as good a Christmas as possible in the circumstances. I think people will be particularly keen to celebrate Christmas this year."

Tesco has already begun recruiting more than 11,000 temporary staff to cope with anticipated festive demand.

Stewart says the recruitment drive is on a similar scale to previous years but suggests a higher proportion of those new staff could be focused on picking and packing online deliveries from stores as ecommerce sales continue their rapid growth trajectory.

2. Ecommerce forever

Online grocery sales have exploded since March – and Tesco has captured the biggest slice of this burgeoning market.

Just five weeks after the UK was put into lockdown on March 23, Tesco doubled the number of online delivery slots it offered from 600,000 to 1.2 million. It has since grown that further still to 1.5 million.

Murphy says online accounted for between 15% and 16% of Tesco's total sales during its first half. As ecommerce sales grow to account for such a chunk of revenues, operating the division at a healthy margin becomes increasingly important – something that has presented grocers with a headache for a number of years.

But Murphy says the increase in demand for home deliveries has helped to make online more profitable for Tesco.

"The profitability of online has definitely improved," he says. "The average basket size has increased substantially. Van utilisation has also improved dramatically. As we've grown the number of slots, almost a third of those are now click-and-collect slots, which also improves the economics of dotcom."

Murphy believes the consumer shift to online during the pandemic is "here to stay" and would "top out" at around 20% of Tesco's sales.

To capitalise on that, Murphy is keen to rapidly roll out Tesco's new urban fulfilment centres – mini-warehouses located alongside some of its largest supermarkets – the first of which opened in West Bromwich earlier this year. A further two are due to open by the end of 2020, with a further 23 planned over the next two years.

Murphy believes adding "an element of automation" to Tesco's existing in-store picking capabilities within its biggest sheds could be "game changers" for the business. He hints that the move could eventually allow it to compete with Ocado's Zoom same-day delivery proposition, fulfilled from what the online grocer calls its micro-fulfilment centres.

"The key is the ability for us to capture an order and process it in a very short space of time," Murphy explains. "That opens up the possibility of more immediate demand fulfilment and same-day fulfilment, which we think will expand the number of shopping missions that we're relevant for."

3. Preparing for Brexit

Tesco's immediate focus in the first half of its financial year has been on serving customers during the coronavirus crisis, but an issue looming ever closer is the UK's severance from the EU – and the growing possibility of food availability issues and price increases in the event of no deal.

Murphy remains philosophical about a potential cliff-edge Brexit, pointing out that Tesco has previous experience of planning for such an eventuality.

"Tesco has had the benefit of having to prepare for the potential of a no-deal Brexit on at least one occasion in the past. We've had a couple of dry runs at this," he says. "We're prepared for all the various different scenarios that may emerge."

Murphy stresses that, regardless of whatever Brexit deal may or may not be struck, the grocer will retain its commitment to delivering value for its customers.

"From our Aldi Price Match and

My job is to maintain momentum in the business and keep us focused on delivering a brilliant Christmas
Ken Murphy, Tesco

Ken Murphy took the helm at Tesco earlier this month

Clubcard Prices, we're committed to providing customers with value, whatever the circumstances," he says.

"Particularly if we head into a recession and times get tough, we'll be even more focused on value and that won't change, regardless of what happens with Brexit."

As Stewart points out, Tesco has invested heavily in price over the past few years, slashing everyday prices and scaling back on promotional participation which, he says, fell from 30% to 22% year on year.

Murphy admits that striking the right balance between keeping suppliers and customers happy can be tricky, but reiterates his determination to keep Tesco's prices competitive.

He adds: "We will continue to look for long-term partnerships with suppliers as we continue to seek to innovate for customers but, also, we must be sharp on value and that can't be allowed to change over time."

4. Maintaining momentum

Murphy has experienced a "whirlwind" first week at Welwyn Garden City and says his first impressions are of a business whose "house is in order". With that in mind, he believes his main role, for now, is to keep a steady hand on the tiller.

"As far as I'm concerned, my job is to maintain momentum in the business and keep us focused on delivering a brilliant Christmas," Murphy says.

Tesco built such momentum under Lewis through a concerted fightback against the discounters, Aldi and Lidl, as investments in price and quality won shoppers back.

The grocer's Aldi Price Match scheme has been expanded to more 500 branded and own-label lines and is set to grow further. Tesco says the initiative helped it achieve "switching gains from Aldi for the first time in a decade".

Part of that, however, has been driven by the pandemic. An increasing number of customers have favoured larger supermarkets where they could get everything they required in one shop – something that is not always possible at Aldi or Lidl.

Murphy's task now will be to keep hold of those new customers – he sees Aldi Price Match and its Clubcard loyalty scheme as vital weapons in his armoury as he goes into that battle.

"I was kept fully in the loop in terms of the push to move to everyday low pricing and Aldi Price Match and I'm a big supporter of that move. I believe it's the right thing for customers," Murphy says.

Clubcard members are currently benefiting from Clubcard Prices on around 2,000 lines, while members of Tesco's £7.99-a-month Clubcard Plus subscription service get 10% off two 'big shops' a month in store. This has led to "a basket uplift 300% higher than our original expectations", according to Stewart.

Such work to drive loyalty by enhancing Tesco's reputation for price and quality will remain key. "I see the Tesco brand as being absolutely central to driving the business forward," he says, calling it the "promise between the business and its customers".

5. Hungry for more

Tesco retreated from a number of markets and categories under Lewis, selling its Homeplus South Korean business, Kipa in Turkey, as well as non-core operations such as the Tesco Direct website, Dobbies Garden Centres and the Giraffe restaurant chain.

The grocer is currently in the process of selling its Thai, Malaysian and Polish businesses as it refocuses further still on its core UK market. The £8.2bn disposal of the Southeast Asian division should be complete at the end of the calendar year, with the £181m sale of its Polish arm expected to go through next spring.

But Murphy has decisions to make around whether to offload even more of Tesco's non-core divisions.

The supermarket giant still has a headache in Central Europe with its underperforming businesses in Hungary and the Czech Republic.

Despite right-sizing its store estate and simplifying ranges in those markets, Tesco's Central European arm saw a 23.4% drop in operating profits to £59m during the six months to August 29, after like-for-like sales slipped 0.9%.

Murphy insists, however, there are no immediate plans for further international retrenchments, blaming the profit dip on the introduction of a new sales tax in Hungary.

Similar questions have been raised about the future of Tesco's banking arm, which also experienced a torrid first half – Stewart says it expects to deliver an operating loss of between £175m and £200m in the current fiscal year.

Murphy blames its travails almost entirely on the coronavirus crisis and says he has "no plans to divest the bank". He says: "The bank has been a very strong performer for a number of years and we believe that once this crisis has passed, it will continue to do so in the future."

In the short term, Tesco's new boss is focusing on ensuring it is business as usual for Britain's biggest grocer. Any thoughts of building his own legacy and stepping out from the shadow of the "man who saved Tesco" are on hold. For now, at least. RW

NEED TO KNOW

The store is designed to reflect the city

In-demand collections and exclusives are a draw

Adidas' new London-centric flagship

Adidas has opened its new London flagship store, which is full of artwork commissioned by local artists and nods to the brand's heritage. By **Grace Bowden**

Adidas' new Originals shop, which opened in London's Soho, has been designed with its destination keenly in mind, with one-off installations commissioned by local artists, specially designed neon signs from Walthamstow institution God's Own Junkyard and a 3D-printed trainer sculpture.

The store spans two floors but, at 790 sq ft, is not a large-scale retail emporium – a choice that Adidas Northern Europe vice-president Chris Walsh said was deliberate.

"We wanted this store to be truly reflective of the creativity of the city that it is in, not just a drag-and-drop global box that you could find anywhere," he said.

The store has launched two exclusive lines of trainers that can only be bought there, a Spezial-branded pool table and Pioneer vintage speaker set and DJ booth.

These exclusive products and interactive elements will sit alongside sought-after capsule collections such as the upcoming Kanye West Yeezy and Beyonce's Ivy Park lines, the latter of which will be launched in store at the end of this month.

Adidas has also filled the store with nods to its heritage as a brand, including a display case of sneakers that have been signed by artists such as Missy Elliott and Flea from Red Hot Chili Peppers.

Despite opening the store in the midst of a pandemic, Walsh is confident in the long-term appeal of Adidas' newest flagship.

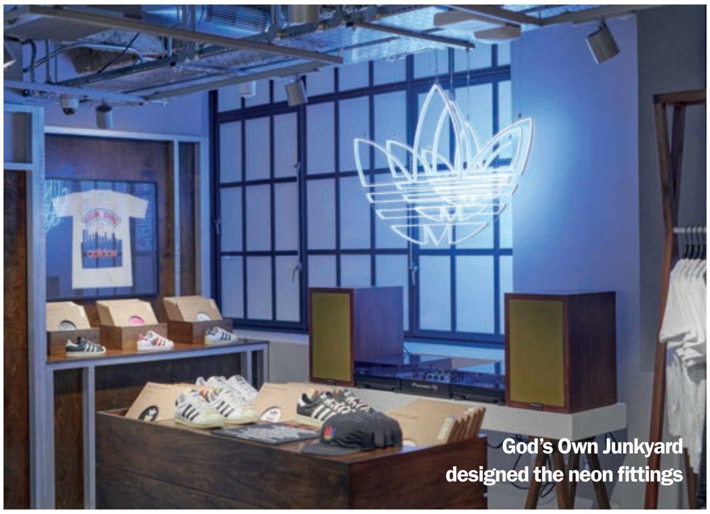
"We strongly feel there is a long-term consumer appetite for stores like this and places where you can interact on a community level. There's also a real appetite for hype-based products that are imbued with craft, and storytelling is one of the fastest-growing parts of the market, so you need a retail environment where you can really do that justice," he said.

The store also has an extensive collection of sneakers across Adidas' most popular lines with displays organised by style but not separated by gender, which Walsh says was laid out deliberately after listening to Gen Z and millennial shopper feedback.

The brand is also filled with nods to the brand's sustainability agenda, from upcycled furniture to a Stan Smith 3D-printed trefoil mural containing living plants.

Walsh said: "The new Adidas Originals flagship is one of the best expressions of our brand, combining creativity and sustainability with commerce, and creating a home of Originals for London creators.

"The store will become the destination for the most in-demand Adidas Originals product in London and we look forward to joining the Carnaby neighbourhood in welcoming our Adidas consumers and community." **RW**



God's Own Junkyard designed the neon fittings

The 3D-printed trainer sculpture

OPINION

The 12 trends of Christmas – festive retail under Covid

This year's peak shopping season will present retailers with challenges and consumer behaviours they have never faced before, writes **George MacDonald**

As Christmas nears, there is little seasonal cheer as retailers anticipate a Golden Quarter characterised by levels of volatility and uncertainty they have rarely experienced before. The pandemic continues to disrupt everyday life and business – and the industry will need to be on its mettle to navigate this strange landscape.

1. Bad mood Britain
Britain has been ill-served by its political leaders. Not only have they presided over mixed and sometimes contradictory messages about how people should behave, they have fostered division and discontent through their handling of the crisis. The result is alienation and demoralisation among the public, potentially undermining confidence during the peak trading period.

2. Life on hold
Vast swathes of the nation are living under tighter coronavirus restrictions that are likely to affect consumer behaviour, such as bans on indoor social mixing and pub and restaurant closures.

The lockdowns make city-centre trading locations such as London's West End less appealing to visitors. Retail will almost certainly suffer as a result of footfall declines.

3. Value focus
The emergency has raised fears not just about human health, but the health of the economy and household finances. While a lid has been kept on unemployment by the various financial support schemes, it is still rising. Many people on support schemes will have less money in their pockets than previously as the amount they will be paid is capped. Cash-strapped consumers are likely to carry on spending with some of the low-price players such as B&M, which have performed strongly this year.

4. Opportunity at home
The other side of the coin is that many consumers continue to spend more time at home. There has already been a boom in home categories, but increased demand remains and retailers continue to seize opportunity.

5. Fashion victim
Fashion, however, may prove much less resilient. Established buying preferences have been overturned, with consumers switching into loungewear and activewear. So far as parties are concerned, Christmas has been cancelled – and so have the purchases of new gear that usually typify the festive period.

6. Small is beautiful
As consumers spend time at home, the opportunity for socialising is limited by bans on mixing with other households indoors and the rule of six. Some turkey producers are even rearing smaller birds than usual.

7. Thirst for experience
Such limited opportunities to socialise create opportunity, however, as people put greater value on the quality of those experiences. Jaded by endless Zoom calls, consumers will seek out products and services that enhance the quality of real life. That is surely an open door for retailers to push.

George MacDonald
Executive editor, Retail Week

8. Early spending
The signs so far are that Christmas spending is starting early. The trend was highlighted in BRC monthly sales data, which revealed a 5.6% increase in total sales during September. It is in retailers' interests to do all they can to encourage that early spending. Who knows what further twists and turns there may be before Christmas?

9. Online will continue to grow
The early-buying trend will reinforce another – the shift to online shopping. Ecommerce has grown exponentially during the crisis and is likely to become the first option for many as a result of increasingly established consumer habits, convenience and a reluctance to visit busy shopping destinations.

10. One-stop appeal
Ironically, given the rise of online, the big store has found new appeal during the pandemic – testament to the safety precautions taken by retailers and the convenience of stocking everything under one roof.

11. Must-have product
Some retailers will benefit from high-profile product launches in time for Christmas – notably the iPhone 12. While some aspects of virtual life have lost their lustre, if there is one item that ticks the boxes of need-to-have and nice-to-have, it's the smartphone.

12. There's money to be spent
While the pandemic has hit the income and job security of many, others have benefited financially. Those working from home have been able to save and the household savings ratio has risen to 29%. The opportunity is there for retailers to benefit. RW

CaRe20 COVID-19

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

OPINION

Curfews and empty offices – is this as good as it gets?

Heading back to the workplace is not only good for mental wellbeing, but for the livelihoods of the many surrounding businesses that will benefit, says **Peter Williams**

By now we had all hoped that there would be a predictable path back to some kind of steady state resembling where we were pre-Covid.

Instead, we have a 'second wave' or the prospect thereof, a tightening of the rules in many parts of the country and the 10pm curfew. Sadly, we have gone backwards from where we were only a few weeks ago.

The government appears to be leading us to accept that it will/could be like this for the next six months. But will it?

Do they really know any more than we do? What happens at the end of the six months in March 2021? Another half-year of the same?

Of course, we all desperately hope that a vaccine will be found – that would be truly wonderful. But there is no guarantee that this will be the case, despite the incredible efforts being applied by medical scientists.

Even when one is found, immunising the population and encouraging people to feel confident about travelling to retail destinations will take months, if not years.

Business planning has never been more difficult – except I imagine in wartime, which predates even me so I don't know.

All organisations need some kind of scenario to plan for, so that the big decisions involving significant investments in terms of people and money can be made.

Should we adjust to the new norm now, by releasing the pause button, and get on with life as it is at present?

Peter Williams
Chair of Superdry, Mister Spex and Sophia Webster

In physical retail these include where to open and close stores and where to site distribution centres. By comparison, ecommerce is more dynamic and flexible, requiring less investment.

So maybe we should just assume this is it? Hopefully, the situation won't get worse – and anything better is then a bonus.

In which case, should we adjust to the new norm now, by releasing the pause button, and get on with life as it is at present? Just accept we have to live with Covid and adjust accordingly?

We do not want people to be put at risk or flout the rules. However, as the chancellor Rishi Sunak said in Parliament when presenting his winter economic plan and talking on the subject of Covid: "We must learn to live with it, and live without fear."

Easier said than done. The economic backdrop for many parts of retail is bleak. People are spooked. Consumers are avoiding big urban centres and shopping locally. There are hardly any overseas visitors.

Online, for obvious reasons, is doing well. However, in total, overall consumer demand is weak and that's before we see the full effect of Brexit.

Organisations that say the workplace is closed until 2021 are not helping. That's too simplistic an approach

Somehow we need to do much more to enable and encourage consumers to spend. Online clearly isn't an issue, but offline for many parts of the retail sector is a very serious and, in some cases, terminal problem.

In my personal view, organisations that say the workplace is closed until 2021 are not helping. That's too simplistic an approach.

While I appreciate this is easy to say but difficult to enact, we have to go back to the workplace as much as we can within the rules.

However, the rules need to be sensible. The organisations that say employees can work from home are killing the livelihoods of the shoe repairer, dry cleaner, coffee shop, sandwich bar, pub and restaurant, and damaging the mental wellbeing and personal development of their employees.

In September I chaired two board meetings where attendees, at their volition, could be there in person. The difference in the quality of the discussion and the mood of the attendees, compared with the previous Zoom version, was palpable. Retail is a social activity for both our customers and our employees.

This could be as good as it gets, so we had better get used to it and plan accordingly. **RW**

We're all responsible for looking after retail's people

Supporting employee mental health should be a priority for all businesses – and this year perhaps more than ever before. **Chris Brook-Carter** calls on retailers to join retailTRUST in being there for the colleagues who need a helping hand

We – you, me, every leader in British retail – have been handed a once-in-a-lifetime opportunity to prevent a potentially life- and sector-changing incoming mental health storm.

retailTRUST believes the health of all our colleagues is the foundation of the ongoing success of British retail. We believe in a world where everyone involved in retail has access to help and support to manage their wellbeing whenever they need it.

To succeed, we must protect the health and happiness of millions of retail workers, which is being hit hard in these unprecedented times, and we must work together and act now.

While one in four adults will experience a mental health problem at some point in their life, the trust believes we should be there for the four in four colleagues – in other words, everyone – who will experience a setback or life event of some sort. Access to our pioneering approach to emotional, physical, vocational and financial services can make a huge difference to how they deal with those challenges.

Now is an incredibly difficult time for those working in retail: the impact of the pandemic has hit them hard, financially, emotionally and physically.

Between March and July this year, retailTRUST received a 50% increase in applications for financial aid and observed a 404% year-on-year uplift in the number of visitors to our website looking for online support.

Applications from people seeking health support, the vast majority of which related to mental health issues, rose 164% year on year in June and July.

Between January and August, we provided 3,400 counselling sessions to help colleagues struggling with difficult emotions and situations, and we have gifted £381,090 worth of non-repayable grants to keep some of our most vulnerable colleagues from becoming homeless, unable to feed their families or make essential hospital visits.

Following World Mental Health Day on October 10 and National Work Life Week (October 12-16), we launched our 2020 *Health of Retail* report, authored by the trust's chief medical adviser Dr Adrian Massey.

Chris Brook-Carter
Chief executive, retailTRUST

Applications from people seeking support, the vast majority of which related to mental health, rose 164% in June and July

This report, which can be downloaded from retailtrust.org.uk, identifies a triumvirate of pandemic-induced stress and anxiousness facing UK retail workers:

- Financial instability because of store closures, financial performance, job losses, the end of furlough payments and uncertainty around the incoming Job Support Scheme;
- Uncertainty and the fear of the unknown, caused by the threat of redundancy and the overwhelming nature of negative mainstream reporting about the future of our industry;
- Social disconnect, at home and at work, as a result of lockdown, which has also led to an increase in physical, verbal and racial assaults from customers and a 'hero to zero' change in public opinion about store workers.

So, today, we're calling on you to join us and be there #forthefour.

We all have a responsibility to look after the people that contribute to retail's financial success and to build a healthy, happy, diverse and inclusive workforce that reflects retail's position as the premier industry in the UK economy. RW

ANALYSIS

A very Covid Christmas?

With the UK in recession and the pandemic still restricting many people's lives, Grace Bowden asks how, where and on what shoppers are likely to spend this golden quarter


Will the rule of six restrict gatherings?

Much like the rest of 2020, this Christmas will be like none in recent memory. The ongoing coronavirus pandemic has made things challenging for retailers and shoppers alike. Big social gatherings, like the office Christmas party, are banned, there's limits on store capacity and the end of the furlough scheme this month is expected to lead to another surge in redundancies.

This perfect storm will impede spending. Retail Economics forecasts festive-period spend will be down between 3.1% and 4.1% year on year – based on the current government guidance and not taking into account any further restrictions over the Golden Quarter – while Retail Week Prospect analysis predicts sales could be down 6% year on year.

Retail Economics chief executive Richard Lim says rising unemployment, fears about job security and shopping restrictions will lead to "the weakest festive period in recent memory".

Shoppers are certainly planning to spend less. In an exclusive Retail Week survey conducted by Walnut, 39% of shoppers said they plan to spend less this Christmas than last year and only 8% plan to spend more.

There is mixed feedback from retailers about how they think Christmas will pan out.

While Next boss Lord Wolfson believes its second-half sales will decline by 12%, new John Lewis boss Pippa Wicks is more optimistic and expects Christmas trading to be as good, if not better, than last year.

"People will want to be with family and make it special, and that will play into the Christmas spend," she says. "People haven't been on holiday as much this year, so they are saving. And the self-treat piece will come into the Black Friday experience as they redivert some of that money into those products."

Morrisons boss Dave Potts believes that consumers will be looking to tighten their purse strings as the furlough scheme ends and fears around job security grow.

Potts says Morrisons will invest more heavily in price, promising customers their "cheapest Christmas ever". He vowed that Morrisons would be £22 cheaper than last year on the same 451-item festive shopping basket.

Notonthehighstreet chief commercial officer Ella d'Amato agrees shoppers will be thrifty. "People will be careful with their pennies, so each purchase will be more considered than maybe it was in previous years."

What kind of Christmas are consumers planning?

Boris Johnson's rule of six, curfews for pubs and restaurants and more stringent lockdown measures across much of the country mean consumers are already planning for a more intimate Christmas gathering this year.

According to the data gathered by Walnut, more than half (54%) of shoppers say they plan to spend Christmas exclusively with their immediate family. By contrast, just 1% plan to see extended family and friends alongside immediate family for Christmas, while 9% plan to see just family.

However, the combination of restrictions and Christmas falling over a weekend means d'Amato believes that we might spread our Christmas celebrations over several days, rather than condensing them into one day.

"With so much to reflect upon and Christmas falling on a Friday, we anticipate that many will use the long weekend to have three or four Christmases with those they love."

M&S also predicts that consumers will celebrate several 'Mini-mases' rather than one blow-out Christmas Day event.

What will people buy?

Smaller gatherings, less disposable income and much uncertainty will dramatically impact what is on our festive shopping list.

As one ecommerce chief executive observes: "The thing that will spook the whole sector is the rule of six. If that runs through December, what does that mean for Christmas party season, gifting, the family event?"

Grocery

The ecommerce boss believes grocery will be particularly hard hit by this restriction: "Tesco, Sainsbury's and Asda will stock up all this great party food, everyone buys it early, then either eats it and needs to buy more, or throws it away. I suspect we won't see that happen this year."

Despite these fears, a third of shoppers expect to spend the majority of their Christmas budget on grocery, according to the Retail Week and Walnut survey, making it the highest ranked category.

However, the shift away from parties – and therefore party food – and general restrictions on larger social gatherings mean many grocers are forecasting for sales to be broadly flat or marginally down year on year.

Supermarkets are making changes to their ranges to serve shoppers having a more intimate Christmas. Waitrose brand manager

To read a longer version of this feature
Retail-Week.com/Christmas-predictions

The thing that will spook the whole sector is the rule of six. If that runs through December, what does that mean for party season, gifting, the family event?
Ecommerce chief executive

Anni Ludhra-Gent says: "While we still have larger options, we have also made adjustments to cater for smaller gatherings, such as The Queen of Trifles – still a show-stopping dessert, but designed as a smaller serve for six people – which we expect to be a bestseller this year.

"We have also focused on making sure our mains can be used for leftovers or reused in other dishes. All our party food can be frozen."

Aldi is offering a bigger mix of small or single-portion festive food and shifting away from the larger turkeys and party food that would have been a staple of festive fare in previous years.

Meanwhile, Marks & Spencer is betting big on frozen food so shoppers can still have festive canapés without worrying that they won't be finished by the smaller-than-usual number of guests. Its frozen food sales have increased 65% in the past six month and M&S expects this trend will continue through the festive season.

In terms of products, M&S expects traditional fare like warm puddings and custard and Black Forest gateau to be bestsellers as shoppers pick comforting old favourites in an uncertain time.

Homewares

John Lewis' Wicks believes homewares sales will be strong as shoppers spend more time in their houses or having guests over for smaller gatherings. She says shoppers will "buy one or two cushions to brighten up their homes, or something to put on the mantelpiece or bookshelf to bring a bit of colour into the room".

Wicks says early indications point to "strong purchases" across John Lewis' Christmas merchandise range.

Ikea's retail operations manager Tolga Öncü expects the retailer's kitchen range to perform well across Black Friday and Christmas. "For everything relating to cooking, I think we'll see a huge increase in demand. I'm pretty sure many of the recipes from our grandparents that we follow are not aimed at a small party, so food storage will sell well too," he says.

Dunelm believes shoppers will be looking for fun festive decor, such as novelty baubles, to help lighten the mood after a challenging year. It also expects products like fake flowers and foliage to do well as customers look to bring the outside in after a year of restricted travel.

Electricals

Some 12% of shoppers expect to spend the bulk of their Christmas budget on electricals. Big launches, such as the rumoured new iPhone, PS5 and Xbox Series X, will drive spending – particularly around Black Friday.

Electricals jumped 20% in John Lewis' first half and Wicks believes this will be a big festive growth category, driven by new Apple ranges.

Dixons Carphone chief commercial officer Ed Connolly believes that gaming, which has surged throughout lockdown, will trade well. "As we head into our busiest trading period, we're anticipating specific demand for tech, especially gaming. We've seen more demand for gaming tech throughout lockdown, with more time at home offering more game time for customers, and we're also expecting next-gen console and PC launches to be huge," he says.

As people plan a more permanent shift to home working, laptops and other home office equipment will be in high demand,while shoppers swapping their daily Pret coffee for a better home-made morning drink will lead to a surge in coffee machine sales.

People spending more time at home will also drive big appliance sales, with extra-capacity fridges and super-screen TVs in demand.

Fashion

Fashion has had a torrid year as we collectively ditched our occasionwear for trackie bottoms and jumpers, and with office Christmas parties likely to be cancelled this is set to continue.

Wicks expects John Lewis' fashion sales to be subdued.

Next boss Lord Wolfson says: "If there's still restrictions on people getting together, it will impact one part of our business, which is the clothing people buy for those get-togethers and the gifts they buy when they meet up. A big feature of Christmas is partywear for events and I just don't think that will happen."

However, Farfetch chief brand officer Holli Rogers thinks shoppers will want to splash

ANALYSIS

out after a year spent in their tracksuit bottoms – even if they only get to wear outfits at home.

"I think people are dying to get dressed up, even if it is for a Zoom event. We'll probably sell more glitter than we have before, more glitz, even if people wear it inside," she says.

Missguided chief executive Nitin Passi is also optimistic and believes the etailer's Christmas sales will be up year on year.

While Wolfson is not relying on sales of party dresses, he believes Next's autumn/winter ranges should sell well because of its strength in areas like knitwear, coats, scarves, hats and gloves. "The demand will still be there for that, whether or not there are increased lockdown restrictions," he insists.

Toys and gifts

Toy retailers are still forecasting a bumper Christmas, bolstered by families spending more time at home.

The Entertainer boss Gary Grant says time-intensive toys, such as complex Lego sets and puzzles, which were taken up by children and adults alike to fill time during lockdown, will be among its top sellers.

The retailer is now selling as many puzzles a month as it would previously have sold in a year, and this is a trend Grant expects to continue through Christmas. He also believes Paw Patrol, Peppa Pig and Barbie ranges will do well this year.

The Works boss Gavin Peck says: "With social distancing measures likely to be in place for the foreseeable future and fewer options for leisure activities, we expect customers will be looking for indoor activities to keep their families busy over the winter months.

"Board games, jigsaws, art and craft materials and books were all in high demand during lockdown, and we expect those categories to continue being popular over Christmas."

However, Next's Wolfson believes that gift sales will be hit by social restrictions.

"When you're seeing people you inevitably buy more gifts than when you're not seeing people. That will affect that trade going into Christmas," he says.

An online Christmas

As has been the case so far this year, retailers are looking down the barrel of a thoroughly online Christmas. According to the Walnut and Retail Week survey, 65% of consumers plan to do the bulk of their Christmas shopping online this year – up 15% year on year.

Anxiety about visiting shops is a factor driving people to do more shopping online. More than two-thirds (71%) of consumers say rules around Covid-19 will put them off shopping in physical locations this year, according to Retail Economics and Klarna research, with 37% saying they will avoid stores as much as possible as a result.

Lim says shoppers will lean towards locations that ensure more physical space, like retail parks: "People will be nervous about shopping in crowded locations. Everyone knows what shopping over the last few weeks before Christmas is like in normal times; it's already a crowded and stressful experience.

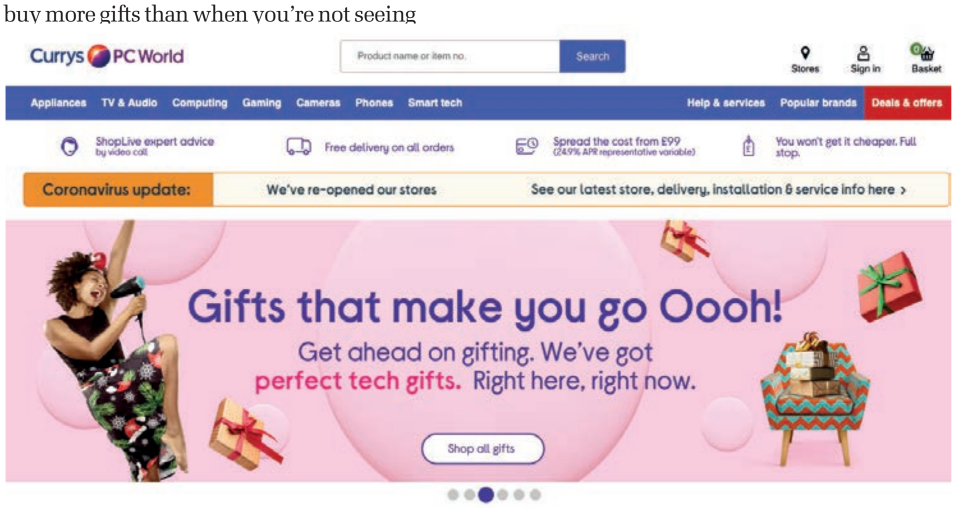
"Retailers will be under pressure to meet social distancing guidelines, so in terms of the experience it won't be pleasant compared to what they are used to."

To enable social distancing during Christmas peak some retailers will look to extend opening hours, particularly in grocery.

Shopping centre operator Hammerson is also reportedly considering extending opening hours in the run-up to Christmas on a centre-by-centre basis, while Levi's European vice-president Richard Hurren says it would look to open later to cope with demand around Black Friday and Christmas.

Christmas comes early

Christmas shopping is starting earlier than ever before. Walnut research shows that 17% of shoppers have already started their Christmas shopping, while 25% plan to start in the next few weeks.



Dixons Carphone is expecting tech to do well this Christmas

We expect the first peak, around Black Friday, to be even more pronounced this year for non-food – larger than the Christmas peak
Richard Lim, Retail Economics

"Consumers are planning their Christmas spend much further in advance than ever before. This can clearly be seen with our 3 million customers as searches for 'Christmas' are already double what they were this time last year," says d'Amato.

Department store Liberty says that sales of its Christmas merchandise are up 260% year on year after the brand launched its festive ranges online last month – earlier than ever before.

Meanwhile, Amazon's plan to launch its Prime Day, usually held in the summer, later this month will no doubt also drive forward festive spend as shoppers pounce on an excuse to snap up bargains.

Shoppers concerned about their finances are also starting their festive shopping earlier to spread the cost of Christmas over more than one payday, while some are factoring in time for online delivery delays and returns, according to retail analysts.

British Retail Consortium director of insight Kyle Monk says a number of larger retailers are already looking at how to manage the online surge so deliveries are not impacted, including launching awareness campaigns around potential supply chain issues and carrying out earlier promotional activity.

John Lewis opened its Christmas shop earlier than ever this year, Bensons for Beds is set to launch a campaign compelling shoppers to buy items they'd usually purchase in the Boxing Day Sales and Notonthehighstreet launched its Christmas campaign in September.

Bumper Black Friday

Despite this early planning, Lim believes Black Friday will still be the peak of festive spend in non-food this year. "We saw a twin peak of sales in the run-up to Christmas last year and we expect the first peak, around Black Friday, to be even more pronounced this year for non-food – larger than the Christmas peak," says Lim.

IMRG forecasts that online sales over the two weeks of Black Friday (November 15-30) will be up at least 30% – a number that could rise to 50% if further restrictions on in-store shopping are enforced.

IMRG strategy and insight director Andy Mulcahy believes all categories will register

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growth, but while areas like clothing will see smaller rises because of a lack of demand for new outfits, homewares, electricals and particularly grocery could double year on year over Black Friday and in the subsequent run-up to Christmas.

In recent years, retailers have spread their Black Friday promotions over longer periods to protect their supply chain. Monk thinks they will extend them even longer this year and businesses, including those who have not participated in the discounting event before, will start offering targeted promotions as early as October.

"Certain brands that have historically said they won't engage in it in past years will get involved this year, purely because if they don't there's more of a risk due to the online nature of this Golden Quarter," he says.

However, the ecommerce boss had reservations about how successful retailers endeavouring to flatten the established peaks of festive trading will be.

"Consumers are hearing and reading about enormous economic pressure, and the likelihood is you've either been impacted by furlough or know someone who has. Therefore, you will be acutely aware of the security of your job and how much you have to spend – there is enormous pressure on the consumer.

"When consumers think that way, they time everything around their paydays – and they fall almost perfectly this year with Black Friday and Christmas."

The Entertainer's Grant agrees. "Unfortunately, we can't make people buy early," he says. "If I could take 20% of my December turnover and spread that across October and November, I would – but I can't make people buy. Some people definitely are already, but if I said you need to buy earlier for Christmas, they'll think it's some kind of marketing ploy. But anybody in shipping would be able to back it up."

Grant acknowledges how big an issue this is for his business: "There's two things in life for a child that are absolutely critical – and that's a birthday and Christmas. As an adult, if a present turns up four days late, you don't go into a meltdown, you understand the reality of life, but it's critical that children aren't let down this Christmas."

Mulcahy believes some retailers may have to reduce promotions to quell demand, rather than risk the bad PR of failing to deliver to a shopper in time.

Missguided's Passi says that coping with this demand alongside the limitations around staff numbers in warehouses will be a significant challenge. "The business will reduce its level of Black Friday promotions this year due to social distancing restrictions in its warehouses.

"We will begin promotions at the beginning of the month, but there won't be the same amount in a bid to spread demand so warehouses can cope. We'll have to turn down some demand during Black Friday and Cyber

John Lewis opened its Christmas shop earlier than ever

Monday, which is gutting. But most retailers get lost in a world of discounts at that time of year, and our analysis shows the new customers we bring in are not the most valuable."

A quiet Christmas week and January Sales period

In contrast to the bumper Black Friday, Lim predicts a quieter December.

"We expect the week before Christmas will be much more muted in physical locations. Many consumers will avoid shopping in physical locations because of the government-imposed restrictions," he says.

"January Sales will continue to become less important in the retail calendar because of the Black Friday impact."

Several retail executives believe that, although shoppers will be willing to spend more in the run-up to Christmas to celebrate after a difficult year, this frivolity would come to an abrupt end come January as the impact of coronavirus on the economy and consumer confidence come home to roost.

Bensons for Beds chief operating officer Joe Wykes says the bed retailer is planning a 'Black November' sales event rather than waiting until later in the month, in a bid to reassure shoppers that they do not need to go to overcrowded stores to get a bargain.

The same crowd concerns has led the retailer to predict that its Boxing Day Sale will be more subdued than previous years. It is aiming to pull spend forward to pre-Christmas to compensate.

There's an uncanny mix of the familiar and unknown about Christmas this year and how it will play out for retail.

Retailers have dealt with cash-strapped shoppers searching for festive bargains before, but this Christmas will be the first time established trends and new behaviours collide – and all at a time that is meant to be the sector's golden goose.

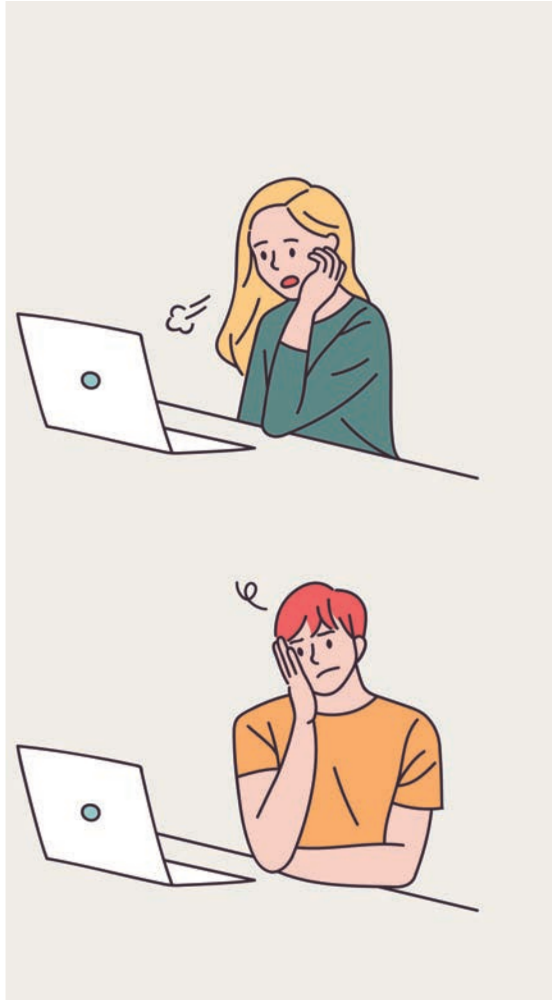
"Christmas shopping behaviour will undoubtedly be very different this year and retailers with physical stores will be working hard to find new ways to deliver the inspirational Christmas shopping experience they have created in the past," says d'Amato.

"However, Christmas is traditionally a time for shopping and we believe that there will still be strong consumer demand over the festive period as people look to purchase thoughtful gifts for others and treat themselves after what has been a very tough year."

After a year of unrelenting and unprecedented change, retailers will be hoping shoppers take comfort in the tradition of parting with their cash to make Christmas special. RW

ANALYSIS

The big mistakes retailers keep making online



Online is a more important channel for retailers than ever. But too many businesses are still making mistakes that irritate customers and hinder conversion. By Gemma Goldfingle

For bricks-and-mortar retailers, online is a more important part of their business. For a three-month period earlier this year, most retailers, others than those deemed essential, were rendered pureplays.

With shoppers reluctant to head back to the high street, online continues to be pivotal for retailers. Non-food online sales accounted for 40.1% of sales in September, according to the BRC-KPMG retail monitor.

Despite its growing importance, many retailers are not maximising the opportunities that ecommerce brings. In fact, many are making fundamental errors that are hindering conversion rates and annoying customers.

1. Slow loading pages

This is a perennial bugbear and one that is a surefire way to lose shoppers.

Olivia Lacide, senior account executive at digital agency Anything, says: "It's well documented that it only takes two seconds for a user to click away from a website that isn't loading, so online retailers need to ensure their speed is fast to capture customers as soon as they click on the link to the site."

Edge Testing Solutions carried out research into 258 UK online websites and found that the average first-page load speed was seven seconds. Sixteen per cent of sites took 10 seconds to fully load and three took more than 20 seconds.

To improve loading speed Lacide advises that retailers properly size images, minimise code such as JavaScript and CSS, which slow down a site, and avoid loading lots of different fonts.

2. Out-of-stock items still listed

Is there anything more infuriating to shoppers than finding the perfect item only to click through and discover it's out of stock? The simple fact is that, after spending time searching for the product they covet, many fed-up shoppers will simply click away from the website if the item turns out not to be available and some will never return.

"This won't help conversion rate or relevant page views," says Cheil ecommerce strategist Duncan Howe, who recommends retailers follow the lead of online estate agents.

"Take more of the Rightmove/Zoopla approach: 'Here is everything that's available. Didn't find what you want? Look at what we've already sold/sold out of'. Then customers see exactly what they can buy, followed by what they've already missed out on."

Howe also suggests retailers promote when they are going to get more stock soon and encourage shoppers to sign up for notifications.

3. Putting style over substance in imagery

There was a trend a few years back to make retail websites more like a magazine, packed full of stylised images with stories attached.

While this type of content may be appropriate for designer brands, some shoppers feel it is over-the-top for high street retailers.

One UX expert highlights Zara as a brand that has taken this too far, and says the stylised imagery does not showcase the products well.

"As a rule, online retailers should ensure that the product shots show the products clearly, in detail and from many angles to help the customer know exactly what they are buying," she says.

4. Insufficient or confusing categories

Splitting products into categories can help make site navigation easier for shoppers. Rather than searching through all trousers, they can click 'women', then 'trousers', then 'jogging bottoms'. However, product categories need to be intuitive to the user. Do people actually look for formalwear or are 'going out clothes' or 'suits' what they are scanning for on the navigation?

Retailers should make sure their categories are in a language that shoppers actually use to avoid irritating time-poor shoppers.

5. Not enough product information

While in-store shoppers can ask customer service assistants for more detail about products, online the web page is it. Far too many retailers do not give enough information on product pages.

Look at this product page on Very (right). The retailer has helpfully added bullet points to its product page to summarise the garment. But what do you really learn from those bullet points?

Its name, colour, fit and that its end use is hiking? Is this not all obvious? Meanwhile, we learn nothing about what materials it is made from and whether or not it is waterproof.

Meanwhile, poorly designed – and duplicated – cookie messages overlay the product description, further impeding the shopper's experience and understanding of what the product actually does.

Howe says: "Try to remember that not everyone knows your products as well as you

do. That amazing new patented fabric you've got – no one knows what it's called. Explain it upfront in one of your introduction bullet points; don't just reference it by name. You risk alienating people unfamiliar with your terminology. Say what you see; your customers will thank you."

6. Poor naming conventions

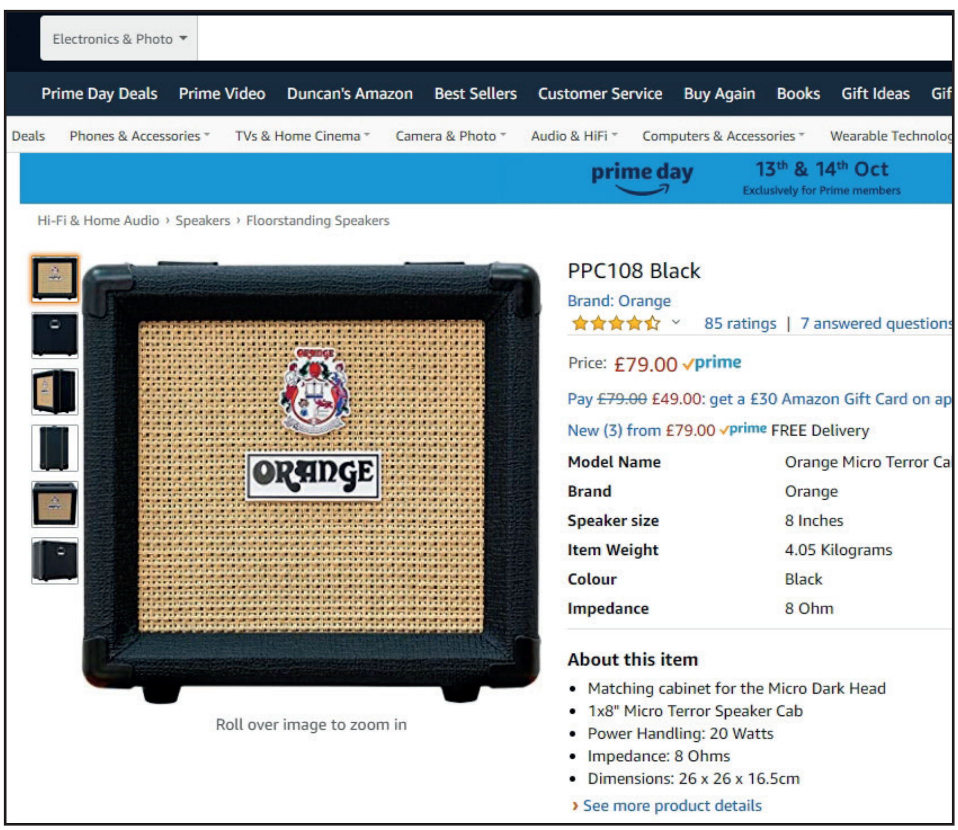
Too many retailers still make the mistake of using ambiguous product names or, worse still, product codes in descriptions. This makes it nigh-on impossible for shoppers to find such items.

Take this example on Amazon (below). The product page is entitled 'PPC108'. There is no mention of what the product is – nowhere does the word amp, speaker or PA appear, or even the brand name. The 'About this item' details are no better and do not give the shopper any idea on how they use the amp and what it is compatible with.

7. Not correcting search typos

Shoppers that actually search for a product on a website are 200% more likely to convert, according to research by WebLinc. However, many retailers are not making the most of their on-site search capability.

Sites that do not populate search boxes with autosuggestions, which make it quicker and easier to find what you're looking for, and those that do not correct mistakes, leading to customers getting the dreaded 'zero results', are both frustrating shoppers and hindering conversion. RW



ANALYSIS

Next and Harrods reinvent the beauty hall

The department store giants have opened new beauty formats over the past month – in the middle of a pandemic when face masks are mandatory in shops. Grace Bowden reports

Harrods' H Beauty has attracted big names and

Last month, Harrods unveiled a new store format that was a true departure from its central London retail emporium in Knightsbridge. The new store, called H Beauty, is housed in Intu's Lakeside shopping centre in Essex, which Harrods head of beauty Mia Collins describes as "home to some of the UK's most discerning beauty consumers".

The luxury department store chain plans to open another H Beauty format in Milton Keynes in the coming months – a location that may raise the artfully shaped eyebrows of their central London clientele. But it is not the only retailer looking to launch a beauty format in the commuter town.

Mid-market fashion retailer Next has pounced on a clutch of former Debenhams sites, including Milton Keynes and nearby Watford, to roll out its new Beauty & Home store format.

The two stores, which opened last week, marked Next's first move into bricks-and-mortar beauty following its online push into the category in recent years.

More Next Beauty stores are in the offing in locations including Gateshead's Metrocentre, Birmingham's Bullring and Grand Central, The Oracle in Reading, Silverburn in Glasgow and Croydon's Centrale centre.

Why now?

Against the backdrop of face coverings and social distancing in store, launching a store that traditionally relies on one-on-one beauty consultations, testers and samples might seem like a fool's errand.

According to data from Kantar Worldpanel's beauty panel, total cosmetics spend was down 22% in the 12 weeks to July 26, however, this is an improvement from earlier in the year when the UK was in lockdown.

While Harrods' move into the beauty market was in motion long before the pandemic hit, Next believed the opportunity of snapping up high quality retail real estate, which became available after Debenhams closed several stores following its administration earlier this year, outweighed the limitations of launching a new store during the coronavirus crisis.

Richard Cristofoli, Freemans chief customer officer and former Debenhams beauty managing director, suspects Next's physical expansion into beauty could be designed to win more support from beauty brands for its online offer.

"Next could be harshly described as window dressing for a digital play," he says. "This bricks-and-mortar move is about securing support from big brands, which will then enable them to secure brands online and sell them at scale digitally."

Floral Street founder Michelle Feeney, whose products are stocked in Harrods' Lakeside branch and will be in Next's upcoming Beauty & Home opening in Gateshead, agrees: "Up until now there haven't been a lot of prestige beauty brands on Next and by getting the Debenhams [sites] they have sped up their access to those brands.

"Distribution channels are collapsing for a lot of the bigger beauty brands so this gives Next access to the Estée Lauders and the Jo Malones they might not have gotten otherwise."

Next boss Lord Wolfson admits that online will be the biggest part of its beauty business.

"The Beauty Halls themselves are part of a much bigger drive in terms of building a beauty business. Last year we bought Fabled, which is a mainly online beauty business, and we now have 285 beauty brands on our website and we'll be adding many more brands as the year progresses.

"The Beauty Hall concept is 15,000 sq ft to 20,000 sq ft so that wouldn't fit. The majority of our beauty business will be online. We saw continued growth during lockdown, 19% during lockdown, and it's been growing about 60% over the last 13 weeks."

Making Harrods more accessible

Cristofoli says Harrods' motivation lies in the fact that beauty is one of the most resilient parts of the luxury department store during downturns because it drives greater shopper frequency and is more accessible than other categories such as fashion.

"There are many people who will never trade into luxury designer clothing who will buy into designer beauty. Many consumers will have an Armani perfume or Tom Ford lipstick but wouldn't dream of buying their clothes," he says. "This format means they can deliver the prestige of their brand to a much broader audience."

Kantar analyst Anusha Couttigane also points to the locations Harrods has chosen as an indication of a pivot in terms of the type of customer they want to attract.

"Harrods is snapping up space in locations that are domestic destinations, not tourist hot spots. This play is about appealing to the

cult favourites, and offers further luxuries such as a Champagne bar where shoppers can enjoy a glass

This play is about appealing to the home market with people who may have been commuting to London before lockdown
Anusha Couttigane, Kantar

home market with people who may have been commuting into London before lockdown and are now staying more local but still have money to spend. Harrods wants to tap into that aspirational shopper without relying on tourists having a day out in London or commuting into town five times a week."

Offering something new

In many ways, Next and Harrods' formats keep many of the trappings of the traditional beauty hall, combining heritage brands with more cult favourites.

The Next Beauty & Home store in Watford is fairly standard as beauty halls go with a strong mix of brands and concessions laid out in a grid format with a smattering of upmarket names like Chanel alongside many middle-market brands – Benefit, Bare Minerals and so on.

Cristofoli notes that Next's Watford outpost, which is in a former Debenhams beauty hall of the future, looks "almost indistinguishable" from its predecessor. Both formats have differences that make them stand out from other operators in the market.

However, there were a few things that made Next's beauty hall stand out from the crowd. The retailer has clearly kept its customer – a mum who is feasibly looking to do as much of her shopping with as few store visits as possible – front of mind in this space and this shopper could pick up gifts for both herself and her family.

Next's has combined its beauty offer with nightwear and loungewear in a bid to increase spend for shoppers who are looking for pampering products. The retailer also has a gifting department and was advertising its socially distanced bra-fitting service in its lingerie and accessories section.

There is also an entire floor dedicated to homewares. Wolfson says "the home and beauty offers sit quite nicely together" and the locations in which it is opening the new format will benefit from an expanded Next home offer.

Couttigane believes the combination of categories could be a winning strategy for Next in the current climate.

"Next is under-indexed in beauty, which has been one of retail's most resilient categories over the last decade, so this is a clever way for them to expand into a space that is still growing.

"If you think back to the last recession, home was also one of the categories people were spending money on as they switched moving

Beauty halls in the age of Covid

How have Next and Harrods married the myriad social distancing requirements with offering a compelling in-store experience?

Understandably, the experience at Next Home & Beauty was quite clinical: one member of staff actually apologised as she tried to demonstrate what various lipstick shades would look like by using a variety of q-tips, and eventually pointed me to a Yves Saint Laurent mobile app where I could sample shades using augmented reality as I would not be able to do so on my face.

Next's awareness of a beauty shopper's hesitation to part with their cash before they see what a product looks like on them is apparent by the prominent 'minis' section in the middle of the store, where shoppers could buy smaller (and cheaper) sample-size versions of products ranging from Korean avocado sheet masks from Oh K! for £4 to a Dermalogica pre-cleanse balm for £12.

Given the current restrictions on socialising, along with fewer people dressing up to go to the office, shoppers seemed to be staying away from makeup and focusing on skincare purchases in store, perhaps to tackle the dreaded 'maskne' – aka face mask-induced acne.

Harrods had also bet big on minis in its store, although they are not as prominently located as Next's centre-of-store section, and instead are arranged along the queue for the tills.

The most striking thing when walking around H Beauty was how lively it was. Shoppers were getting product demos and having makeup applied by heavily PPE-d staff.

Harrods is clearly aware it needs to inform shoppers it is still offering these services in the current climate, and has signage at the entrance of the shop advertising its makeup and skincare consultations.

A store assistant said there has been a good level of demand for these services.

H Beauty also has a 'playtable' where shoppers can try products with help from staff; and the store offers testers to shoppers, although they are not on display and are distributed at staff discretion.

ANALYSIS

Next's beauty hall concept combines home and beauty products in a bid to attract the shopper looking to buy several different items in one store visit

house with making do and mending, and every indication of this pandemic so far shows that trend is likely to repeat. Therefore combining beauty and home under one roof could be a formula that will really woo customers."

If Next is backing a depth of product range and categories to coax customers to spend, Harrods is staying true to form and betting on a one-of-a-kind experience to separate it from competitors – and the in-store atmosphere suggested this tactic seemed to be working.

As well as a skincare station where shoppers can get facials in store and a play area where they can trial makeup looks, H Beauty also has a full champagne bar where shoppers can sip a glass of bubbly while indulging in retail therapy.

"We always had ambition in our beauty halls of future at Debenhams to do a pop-up food and drink proposition but we couldn't make it work," says Cristofoli.

"Harrods has the operational expertise to deliver that kind of proposition, which indicates that outside of the Covid situation they are intent on creating a much more experiential shopping trip than the average beauty hall."

Harrods has clearly attracted many big beauty names and cult favourites alike, and boasts a large Charlotte Tilbury concession when you enter the shop, along with areas for newer brands such as Huda Beauty, Hourglass and 111Skin.

Experts believe that innovations and experimentation with the beauty hall format is much needed in the UK, with international players like Ulta Beauty and Sephora offering a more exciting experience.

Feeney says: "They are taking this as an opportunity to look at what the future might look like in bricks and mortar in beauty, which is exciting and something I want to be part of.

"Both of them offer me [as a brand owner] a new customer, be it the beauty expertise and kudos that attracts people to Harrods or Next having earned their stripes with a big home customer who I'd like to know my brand better. Everything is up for grabs right now and you've got to be prepared to experiment and do things in a different way."

Outside of the Covid situation, Harrods is intent on creating a much more experiential shopping trip than the average beauty hall
Richard Cristofoli, Freemans

Grabbing market share

But can Next and Harrods make waves in beauty?

Cristofoli believes because there are fewer players of scale in beauty than there are in other sectors like fashion, Next and Harrods could both steal a march and gain market share at pace – something that will be bad news for department stores like Debenhams, Marks & Spencer and John Lewis.

"The reality is chain department stores still account for a huge proportion of the prestige beauty market, so it's not like its a highly competed for space like fashion, which has dissipated across a swathe of other businesses."

Cristofoli explains that big beauty brands have fewer distribution options for their ranges than fashion brands – a plight that has become even more apparent with the closures of Debenhams and House of Fraser stores.

"Newer brands coming into the market also want all the alternative routes to market so these two new options will be received well by brands as well as shoppers. It is the legacy department store chains that have the most to lose," he says.

Feeney is also confident both formats will resonate with shoppers.

"Marks & Spencer are clearly going after food more and John Lewis is assuming its customer will stay loyal, which is a big assumption right now. There is room for Next and Harrods," she says.

"What's brilliant about both is they are really partnering with brands. By hiring staff themselves but having brands train them they are both taking a multi-layered approach, which is as much about making the store nice and giving customers what they want as it is being a collaborative partner to brands.

"Harrods offers me prestige and Next gives me broad market access with the quickness of their web offer and fulfilment to back it up."

They may be different types of retailers, but Harrods and Next are highly respected in their fields. The fact that both are diversifying their offer and betting on beauty as their next big growth opportunity should invigorate the whole sector. **RW**

DATA

Coronavirus Consumer Pulse: Online traffic rises amid local lockdowns

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

As retailers grapple to understand evolving consumer trends and how they could shape the future of commerce amid the coronavirus pandemic, Retail Week has joined forces with analytics specialist The Smart Cube to monitor online shopping habits.

Our bi-weekly Coronavirus Consumer Pulse monitor pulls together data from a multitude of sources to better understand consumer behaviour and sentiment, and establish the businesses that are emerging as the online winners during the crisis.

Retreat from the high street

Traffic to retailers' websites increased at the end of September as the spread of local lockdown restrictions drove shoppers online.

Official figures released at the start of October showed that in September around a quarter of the UK's population – 16.8 million people – were subject to localised restrictions such as 10pm curfews at pubs and restaurants and bans on meeting too many people in indoor settings.

Such measures drove a 6.6% uplift in average daily visitors to retail websites in the week beginning September 27, compared with the previous two weeks.

All four sectors analysed in the Coronavirus Consumer Pulse experienced an uptick in traffic during that time period, but fashion registered the most significant improvement.

Average daily visits to clothing websites jumped 16% from 337,230 in the week beginning September 13 to 391,424 during the seven days commencing September 27.

By comparison, grocery retailers experienced a 5.7% uplift over the two-week period, home and DIY retailers registered a 3.4% increase and traffic to health and beauty websites was up 2.2%.

Dressing up on the up

Despite the Covid-19 restrictions meaning social occasions are more muted and less frequent than usual, consumers appear eager to shop for clothing again.

All fashion retailers analysed in the Coronavirus Consumer Pulse enjoyed improvements in online traffic over the last two weeks of September, with H&M, Zara, Boohoo, Asos and Next among the biggest beneficiaries of the surge in ecommerce shoppers during the period.

Average daily visits to Zara's website rocketed 33% from 165,428 in the week beginning September 13 to 220,107 two weeks later.

According to Similar Web data, that marked the Spanish fashion giant's busiest week for online traffic so far this year.

Zara's rival H&M also achieved that feat after its online traffic surged 28% to 384,977 visits per day over the same two-week period.

Pureplay rivals Boohoo and Asos registered 19% and 11% uplifts in traffic respectively, while Next's online traffic edged back above an average of 1 million hits a day for the fourth week this year. All of those have occurred since the end of June.

Asda price is right

Asda was the fastest-growing grocer in terms of web traffic at the end of September.

The supermarket giant registered a 14% jump in average daily visits to 982,515 during the week beginning September 27, compared with the previous two weeks.

Sainsbury's was Asda's closest competitor, growing online traffic 7.9% over the same two-week period to a daily average of 737,554 hits.

Ocado's popularity also continued to move in the right direction following the launch of its joint venture with Marks & Spencer at the start of September.

The online grocer registered an average of 260,559 visits to its website every day in the week beginning September 27, a 7.2% uplift compared with the week starting September 13.

Ocado's former partner Waitrose remained in growth, although the upmarket grocer's gains came at the much slower rate of 0.5%.

That said, Waitrose's average daily hits of 197,018 in the week beginning September 27 was its busiest seven-day period online since the start of June.

Britain's biggest retailer Tesco and its discount rival Aldi – which only sells wine and its general merchandise special buys online – were the only two grocers to experience a drop in website traffic over the last two weeks of September.

More consumers began shopping online as local restrictions came into force

Small-ticket winners

One trend emerging in this sector is the shift away from consumers looking at bigger DIY projects to lighter-touch home furnishings.

While the likes of B&Q, Homebase, Screwfix and Wickes benefited at the height of lockdown as people renovated their homes, homeware and furniture businesses like Ikea, Dunelm, DFS and ScS are now reaping the online rewards.

Dunelm grew online traffic faster than any of its rivals at the end of September. Average daily visits to its website jumped 18% from 461,073 in the week beginning September 13, to 542,738 in the seven days commencing September 27.

The number of shoppers visiting Ikea's website increased 4% over the same period to a daily average of 594,986 hits, while furniture rivals DFS and ScS grew ecommerce traffic 4.9% and 12% respectively, albeit from much lower bases.

B&Q lost online traffic at the steepest rate over the two-week period, as average daily visits to its website dropped 2.9% to 775,974 in the week beginning September 27.

Christmas comes early?

A number of health and beauty brands recorded increases in online traffic at the end of the month, perhaps suggesting consumers are already on the lookout for Christmas gifts.

The Perfume Shop, The Fragrance Shop, Space NK and Feelunique were among the businesses to register growth in the number of customers visiting their websites during the period.

Space NK almost doubled its website traffic from an average of 13,533 hits per day in the week commencing September 13 to 23,055 two weeks later.

Rivals The Perfume Shop and The Fragrance Shop posted 36% and 22% spikes in online visits respectively as consumers shopped for new scents.

The Perfume Shop's total of 57,769 average hits per day during the week beginning September 27 marked its busiest week of 2020 so far, according to Similar Web data.

By contrast, high street giant Superdrug only registered a slight uptick of 0.1% in ecommerce traffic over the two week period, while its chief rival Boots enjoyed a 9.8% increase to a daily average of 564,374 website visits. RW

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