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EDITOR'S COMMENT

Luke Tugby

Alibaba's $3.6bn splurge cements value of stores

Alibaba last month splashed $3.6bn on its latest big-money acquisition. Its target? Not a fast-growing online business. Not a rival marketplace operator. Not an up-and-coming direct-to-consumer brand. Not even a heavyweight tech or fulfilment specialist.

Its target was a bricks-and-mortar retailer. Alibaba has taken a controlling stake in Sun Art, the group that operates China's largest chain of hypermarkets.

The online titan already had a shareholding in the business, but that will more than double through the deal it has struck to buy out fellow investor Auchan. In total, the agreement takes Alibaba's direct and indirect stake in Sun Art to 72% – and it will make an offer to take full ownership of the business.

Taking on hundreds of big-box grocery stores across China plays into Alibaba's strategy to expand into physical retail. But it also speaks volumes in a much broader sense for the crucial role stores still have to play in retail's future.

Given some of the headlines recently, that is something that could be easily forgotten.

Analysis from Local Data Company (LDC) and PwC revealed that more than 11,000 shops closed across the UK during the first half of 2020. That figure clearly cannot be ignored. But it does not represent the end for physical stores – far from it.

The coronavirus crisis would have offered Landsec the perfect excuse to retrench from physical retail

Landsec, which owns Bluewater and Trinity Leeds, underscored that last month, reaffirming its commitment to physical retail. Although the landlord will sell some retail parks, it will reinvest a chunk of that cash into mixed-use projects containing retail, offices and residential units.

Landsec is confident its existing retail locations on the ground floors of London office buildings – the destinations hardest hit by the pandemic – will ultimately recover and says its outlet centres are "thriving" despite lockdown restrictions. The crisis would have offered Landsec the perfect excuse to retrench from physical retail. The fact it is not serves to highlight its confidence in the future of stores.

Little-known comic book and memorabilia chain Geek Retreat has a similar view. At the same time that Landsec unveiled its strategic review, the retailer announced plans to open 100 new stores over the next two years in an ambitious land grab.

Geek Retreat boss Peter Dobson says its shops will provide "a place for our loyal customers to get out of the house and play safely post-lockdown" – an experience websites and apps cannot replicate.

Creating highly valued experiences and brand-building touchpoints with customers is something that every bricks-and-mortar business, from Geek Retreat to Gucci, must continue to leverage, no matter how much ecommerce might have exploded.

H&M is another doing exactly that. The group's online sales now account for 26% of total revenues. But ahead of the launch of our *Digital Fashion 40* report (see page 25), H&M's head of expansion Tom Houghton told Retail Week it is in shops, rather than ecommerce, where the business creates and nurtures its "meaningful connections" with customers. The Swedish fashion giant has ploughed millions into its tech and digital capabilities, but it is also continuing to invest in "optimising" its stores.

"We know that to be really successful in this business, you have to really inspire the customer through your physical stores," Houghton says. "That's where you're going to make those meaningful connections and ensure that people keep returning to the brand."

Ecommerce will become an increasingly important part of the sales mix off the back of the pandemic. But stores, in addition to driving sales – £74 of every £100 spent at H&M still comes through its shops – will have a crucial role to play in offering experiences, building brand loyalty, directing customers to online and fulfilling home deliveries.

In that sense, the importance of stores will be heightened, rather than diminished, in retail's digital future. Don't believe me? Just ask Alibaba. **RW**

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

THE BIG STORY

Nightmare before Christmas

Lockdown 2.0 – it is the news the industry dreaded. Many retailers fear chaos, but could the exclusion of click and collect come to the rescue? **Grace Bowden** reports

Non-essential retail must shut until December 2 under new restrictions

The impact of another lockdown in the middle of the golden quarter is likely to be heavy.

Next chief executive Lord Wolfson forecast last week, prior to the latest measures being announced, that two weeks of mandated closures across England, Scotland and Northern Ireland would trigger a 20% drop in full-price sales. That prediction might now prove over-optimistic.

Primark, one of the high street's most successful retailers, anticipates a hit of £375m in lost sales.

British Retail Consortium (BRC) chief executive Helen Dickinson says the previous lockdown "cost non-essential shops £1.6bn a week in lost sales; now that we are entering the all-important Christmas shopping period, these losses are certain to be much bigger".

Lending weight to that view, Retail Economics forecasts that the four-week lockdown in England will lead to a £6.75bn decline in non-essential retail sales.

Reaction among retail executives was mixed. One senior retailer said that the industry had been blindsided because the latest restrictions, confirmed over the weekend, contradicted conversations that were had with government officials just days before.

Another retail leader says: "Given how much we'd all invested in making shops safe, while I'm supportive and resigned that the prime minister had to make the decision about the lockdown that he did, I do think it would have been an option to run non-essential retail.

"The BRC's data is clear – non-essential retail wouldn't on its own make a huge difference to transmission rates."

Toy specialist The Entertainer's chief executive Gary Grant agrees that the money spent on making stores safe in the wake of the pandemic make the November closure particularly disappointing. However, despite that, he believes the government's decision to shutter non-essential stores is the right one.

"If the information from experts is true, it is not reasonable to keep retail open and risk the NHS falling over, " he maintains. "I would have made the same decision – it's a really difficult one and not something that will have been taken lightly."

Surge in demand

One small solace for some retailers has been a surge in demand, both online and in store, in the wake of the second lockdown announcement.

John Lewis operations director Andrew Murphy says demand over the weekend was "very strong" as shoppers bought Christmas items early, which he hopes will reduce the severity of strain put on the retailer's online operations in coming weeks.

Grant agrees: "Our store trade is absolutely flying – I think people are responding to the lockdown measures and realising that if they don't physically buy toys over the next couple of days we, and couriers, almost certainly will not be able to manage the online volumes by Christmas."

In response to this demand, The Entertainer has extended opening hours across the bulk of its store estate to capitalise on in-store sales prior to lockdown. Dixons Carphone business Currys PC World is doing the same.

The lockdown regulations this time around do allow non-essential retailers to offer click-and-collect services, which many are planning to take advantage of – although details of what exactly will be permitted were not known at the time of writing.

Murphy says John Lewis will continue to offer click and collect across 320 Waitrose branches and 500 Co-op shops, but plans to offer the services from its 42 department stores as well.

"Click and collect is over half the volume of JohnLewis.com at any time, so that is a real boost for us," he says. "We absolutely intend to run it from our own shops.

"The practicalities are much easier in some than others as they have shopfront access, huge storage areas, parking bays. Others are more complicated in city-centre locations, but our initial assessment is that technically there are none we can't run.

"There may be a couple that, when we see customer demand, we might choose not to, but overall we are feeling good about that."

Next also intends to run a click-and-collect service from 300 of its 390 branches, stressing that shoppers will stay outside the store at all times while orders are retrieved by a member of staff.

Lush retail director Claire Constantine says "all shops will be running an 'order-and-collect' service, and many will be providing local delivery and online consultations".

Grant says the Entertainer will be "absolutely throwing everything at click and collect" in a bid to offset pressure on its couriers and distribution centres.

Limits of click and collect

But there are other retailers, particularly in fashion, who say click and collect is not an economically viable option for them.

The boss of one mid-market fashion retailer, who forecasts that lockdown will cause full-year sales to slide from 30% down year on year to as much as 50%, says the operational complexity of keeping stores open for click and collect means offering it during lockdown would be "nonsensical and irresponsible".

This government has a history of dripfeeding information. But we need answers so we can plan
Jacqueline Gold, Ann Summers

Ann Summers boss Jacqueline Gold echoes that view and says “the numbers don’t add up” for her business to run click and collect during lockdown.

Retail Economics forecasts the closure of shops during November will result in around £2.9bn of retail sales shifting online – a switch that even the most seasoned online retailers will struggle to cope with.

Amazon chief financial officer Brian Olsavsky expected that, even before taking lockdowns into account, capacity would be “tight” across its markets.

“We’ll all be stretched,” he says. “It’s advantageous to the customer, and probably to the companies, for people to order early this year.”

Some retailers offering click and collect during lockdown have flagged that the pressure store closures will put on their online operations will be substantial.

“Even for a £2bn online retailer like us, this is going to be a massive capacity strain coming at the time of year that it does,” says Murphy. “I can’t deny capacity strain, all things being equal, will be really severe – but if enough demand is pulled forward and we have decent availability and ability to get products to customers in a number of ways, we feel pretty resilient and optimistic.”

Click and collect is over half the volume of JohnLewis.com at any time, so that is a real boost for us
Andrew Murphy, John Lewis

But bosses of smaller retailers have expressed concern about being able to increase already stretched online capacity to cope with festive demand now that shoppers cannot visit stores.

“We will be dealing with potentially significant volumes and will need to get in the right staff to plug gaps, which is hard because other bigger retailers will be doing the same thing, as well as booking couriers,” says Gold.

A month – or longer?

Retailers are also having to grapple with the possibility that, despite Boris Johnson’s pledge that lockdown should not extend beyond December 2, which may not end up being the case.

Murphy says John Lewis is working according to three scenarios – shops reopening on December 2, December 16 or ”later”.

“I’m not confident, and I can’t see what can be achieved [to suppress the virus] in four weeks,” says Gold.

“This government has a history of dripfeeding information, which to an extent I understand because you don’t want to give people relentless bad news. But for our industry it doesn’t really work – we need answers so we can plan.”

Primark’s finance director John Bason says retailers must be allowed to extend opening hours when shops do reopen to make up for lost time in terms of Christmas trade.

“We’d look for longer opening hours. There will be big demand. It’s busy enough at Christmas in normal times, never mind now. It’s not about creating crowds; it’s about managing and spreading demand,” he says.

Marks & Spencer is also introducing bookable 30-minute slots for Sparks loyalty card holders to shop during lockdown in a bid to control numbers.

M&S stores director Helen Milford says: “With winter ahead, we know customers are increasingly concerned about queuing so, in response, we wanted to deliver a quick digital solution to help them shop.

“Customers will always be able to visit M&S without a slot, but we hope this is a small way we can help make things a little easier for our customers.”

In a year when retailers have risen to the challenge, time and again, they face their biggest hurdle yet to ensure a happy Christmas. **RW**

NEED TO KNOW

Will retail descend into supply chain chaos this Christmas?

This year is expected to be an online Christmas like we've never seen before. But can retailers – and their couriers – cope with the expected delivery surge? Gemma Goldfingle reports on the likely obstacles this golden quarter

Christmas looks like it is going to be "rather messy" for retailers this year, according to Accenture managing director of strategy Kelly Askew. With shoppers avoiding crowded spaces and enjoying the convenience of online, after relying on the channel more and more this year, Christmas 2020 is predicted to be an ecommerce one.

Yodel chief executive Mike Hancox admits: "There's no hiding from the fact that this year is going to be like nothing we've seen before. We've been operating at 'peak' levels since March, with volumes up 20% compared with a 'normal' year, and are forecasting Christmas to be another 20% on top.

"Ongoing lockdown measures mean that a large number of consumers won't see friends and extended family during the festive period, so are likely to turn to online shopping to send gifts. We're also anticipating the surge in demand for fresh food and wine deliveries to continue to grow."

Although couriers have been scaling up to cope with this demand – Hermes chief operating officer Carl Lyon says it has added four new hubs, 1,000 trailers, eight new depots, and more than 10,000 people after it experienced five years' growth in five months earlier this year – the stark truth is that Britain's delivery network cannot cope with this level of online demand.

"We've heard from big carriers that they're out of capacity already. They're informing their customers that the capacity they have is already spoken for," says Askew.

> **Some big carriers are informing customers that the capacity they have is spoken for**
> **Kelly Askew, Accenture**

And it's not just the couriers that are operating at capacity. There are also challenges at warehouses. "In the UK and Ireland, warehouses are by and large full. It's not just down to ecommerce but pre-Brexit stockpiling," he explains. "It's a shortage of space we haven't seen in the past."

Askew points out that this is further complicated by Covid-related absenteeism in some distribution centres, along with a reduction in capacity due to social distancing.

John Lewis, which experienced 73% growth in its already strong online sales in the first quarter of this year, has added an additional fulfilment centre to its portfolio to increase capacity during the Golden Quarter.

A JLP spokeswoman told Retail Week: "We've also invested in our capability at our existing DC locations, therefore increasing our overall picking and packing capacity, while also investing in additional equipment and provisions to maintain social distancing throughout our busiest weeks in our warehouses. Some distribution centres will fulfil online orders of over +300% compared with last year."

Askew believes that bigger retailers and their carriers will have secured extra capacity. He says that, depending on the sector, retailers have planned for around 30% to 40% growth in online volumes this Christmas; however, smaller retailers could be in trouble. "Mid-sized and smaller retailers should be talking with delivery partners, couriers and local delivery partners now to try to secure any capacity."

Delivery slots snapped up

The online boom is expected to extend to grocery. Yodel's Hancox says: "This year increasingly looks like the year that Santa delivers Christmas dinner along with the presents."

Supermarkets have been ramping up to service this demand. Waitrose has more than trebled the number of Waitrose.com slots it offers to 190,000 each week.

However, shoppers are getting in early. The JLP spokeswoman said the retailer had already booked 107,000 slots for December 20 to 24. This compares with 44,000 slots for the whole Christmas run-up – from December 15 to 24 – last year. Currently, the Waitrose website shows that all slots between December 20 and Christmas Eve are fully booked up.

Tesco is using its sought-after festive delivery slots as an incentive for shoppers to sign up to its Delivery Saver subscription, for which they pay £7.99 a month.

Christmas delivery slots launch for Delivery Saver members on November 13 and for non-members a week later.

Flattening the curve

What can retailers do to make sure they deliver this huge online Christmas?

One key thing is to persuade consumers to do their festive shopping earlier and avoid a last-minute rush.

"To use a Covid analogy, there's a need to flatten the curve," says Askew. "Just like the NHS, the delivery infrastructure in the UK isn't equipped for the huge uplift that is occurring, so retailers are well-advised to encourage people to shop earlier."

He recommends highlighting that delivery slots are booking up fast online to encourage people to avoid the last-minute rush.

The Entertainer's chief executive Gary Grant is cynical that such measures will work. "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 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."

Askew admits it is a "delicate balancing act" for retailers. "They don't want to set in people's minds that if you order too late you're not going to have your product in time for Christmas as they're afraid that might drive their customers to competitors."

Another tactic that retailers could deploy is launching promotions to persuade early shopping. Hancox is urging retailers to adopt this strategy. "We've long recommended that retailers stagger their promotional activity in the run-up to Christmas to help spread the load and this year that seems particularly pertinent," he says.

We recommend that retailers stagger promotional activity in the run-up to Christmas to help spread the load
Mike Hancox, Yodel

Alternative delivery options

The fact is, with not enough delivery capacity across the UK, some retailers will have to get creative to avoid empty stockings this Christmas.

"Looking at non-traditional delivery partners is an option for some retailers. They can use Uber Eats and Deliveroo to deliver products," says Askew. "Of course, such things come at a cost."

While Uber Eats and Deliveroo are already common delivery partners for grocers and c-store operators, Askew suggests partnerships could extend across all fashion and electricals.

Retailers and couriers have already had to employ new creative fulfilment methods to cope with the online surge. Hancox points out that Yodel partnered with private-hire taxi firms to deliver parcels at the early stages of lockdown.

Askew believes we will see a true Dunkirk spirit as retailers strive to deliver this ecommerce Christmas. This includes not only store employees fulfilling parcels, but even having customers deliver packages to other people in their area. Shoppers could be offered financial incentives while picking up goods in store to deliver to neighbours on their way home.

However, Askew acknowledges that such solutions will cost retailers more money. "The difference is that at Dunkirk people did it for free; now you're going to have to pay people to rally."

This will inevitably mean retailers have to charge more for delivery in the run-up to Christmas to make the economics stack up.

Click-and-collect Christmas

To reduce shipping costs, retailers will be encouraging shoppers to pick up orders in store.

If capacity is challenged, retailers will offer free click and collect, according to experts, which – given that home delivery prices are expected to rise this Christmas – may entice more people to opt for that collection method.

"Click and collect will be more popular than in previous years," says Askew. "Fewer people will want to go into a store and physically shop, so some of them will move to click and collect. If executed properly, it provides a very safe shopping experience and can often be touchless."

John Lewis Partnership has significantly increased its collection slots this year. By the end of October, the retailer will have 269 stores offering click and collect, with 57 of these offering drive-through collections.

The retailer has been expanding its click-and-collect network via third-party partners. As well as picking up John Lewis parcels at the department store or Waitrose, shoppers can now also collect at more than 500 Co-op stores.

However, a surge in click and collect will cause some retailers headaches. "The sheer volume of orders that are going to be backlogged in stores waiting for pick-up can cause challenges, in particular for smaller-footprint stores," says Askew. "Imagine a shoe store with hundreds of orders sitting there waiting to be picked up. Space becomes a real concern."

Delivery delays

Will this unprecedented demand lead to empty stockings on Christmas Day?

The fact that Black Friday is the new peak of the Christmas period – and is expected to be peakier than ever this year as cash-strapped shoppers look to grab a bargain – could provide a safety net. "The nice thing about Black Friday is that there are several weeks afterwards to deliver goods before Christmas," says Askew.

However, delivery will take longer than usual. Retailers will be forced to extend delivery times, Askew predicts, as they did to cope with online demand during lockdown. But he does not foresee huge delays. "During lockdown, delivery was extended by two or three days. It wasn't weeks."

Some retailers are considering reducing promotional activity around Black Friday to cope. Missguided plans to scale back Black Friday and pull out of Cyber Monday entirely as it believes social distancing restrictions in its warehouses will limit capacity.

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

However, Missguided may be in the minority as, after a difficult year, retailers will be keen to capture as many sales as possible.

Being upfront with customers will be key. Yodel's Hancox says communication between retailer, courier and customer is more vital than ever. "Being clear with customers about the ETA of parcels and keeping them up to date at every step has never been more important."

Hermes' Lyon says constant communication with customers will be crucial to enable the company to "deliver the parcel right the first time".

Hermes will be promoting its delivery app and encouraging customers to set up safe places and options for alternative delivery, such as local shops or lockers, to avoid having to attempt delivery multiple times.

Death of the last-minute Christmas shop

While Black Friday deliveries will arrive in time, there may well be delays to those orders made in the week running up to Christmas.

"It's the people who do a rash of panicked shoppers on 22nd and 23rd December who have a real reason to be concerned. I would expect a lot of packages will arrive on the 27th," says Askew.

In fact, retailers may bring back their last pre-Christmas delivery dates. This is in contrast to previous years when delivery dates have been pushed later.

"We'll see a game of chicken where no one wants to declare too early that you can't order with them past a certain date. I think there will be a lot more challenge in same-day and next-day delivery as we approach Christmas," says Askew.

Another anomaly is, of course, coronavirus. If lockdown remains more severe across the UK, the government may give authority to prioritise essential items over gifts.

Just look at Wales where non-essential retail was closed during its 17-day firebreak lockdown. First minister Mark Drakeford last month ordered that supermarkets are only able to sell "essential goods" during this period.

Last-minute shoppers, beware. Christmas 2020 comes with a whole range of challenges, from delivery delays to shops potentially closing. To avoid disappointing loved ones on the big day, start shopping now. RW

NEED TO KNOW

Jeremy Byfleet

Infarm says its farms use 95% less water than traditional methods

Infarm's UK boss on how vertical farms could save the planet

As the German-based vertical farming firm goes live with its third UK retail partner, Infarm's UK operations manager Jeremy Byfleet tells **Hugh Radojev** why the future of agriculture could be modular

It is difficult to ascertain the mood of an office via video call, but a steady background hum shows Infarm's London HQ remains a hive of activity even in the midst of the pandemic.

Since first launching a vertical farming partnership with Marks & Spencer at the end of 2019, Infarm has joined forces with two other retailers in the UK – Selfridges and, starting last week, Amazon-owned Whole Foods. It has also partnered with pureplay delivery service Farmdrop.

Infarm's UK operations manager Jeremy Byfleet believes such coups are just the beginning: "Even through the pandemic we've been able to launch with new clients and demonstrate that we can serve an online business, physical retailers and, with our ability to scale, wholesale and manufacturers as well. We're looking for new clients and to grow as quickly as possible."

Since being founded in 2013 in Berlin, Infarm has done deals with clients in 10 countries including the US, Denmark, Japan, the Netherlands and its native Germany, as well as the UK. The company operates around 500,000 sq ft of vertical farming space internationally, but has much bolder expansion ambitions.

"Our aim is to get to 5 million sq ft in the next five years," says Byfleet. "That shows the ability we can scale to. That's not just a round number, it's something we're planning to do."

Over the past few years, the opportunities vertical farming offers – providing a way to reduce food waste and increase freshness – has led to an uptick in interest in the technology.

UK pureplay grocer Ocado – and its Solutions technology arm – have been movers in this space. In June 2019, it joined forces with 80 Acres Farms and Priva to create the Infinite Acres joint venture, and also snapped up a 58% stake in Jones Food Company, Europe's largest vertical farm, in Scunthorpe.

At the time, Ocado chief executive Tim Steiner said the technology would "allow us to address fundamental consumer concerns on freshness and sustainability, and build on new technologies that will revolutionise the way customers access fresh produce".

Separately, former Tesco boss Dave Lewis told Retail Week that one of the supermarket's largest suppliers has created a vertical farm for strawberries, now operational. Lewis believes the government should offer capital grants to allow businesses to build such capability in vertical agriculture, and in turn create a more sustainable and environmentally friendly supply chain.

It is that impact on the planet that Byfleet believes is the single most exciting thing about vertical farming's emergence. With the population of the Earth forecast to be 10 billion by 2050, and with industrial farming techniques and global warming wiping out vast tracts of arable land, food retailers and suppliers need to find a different way.

"We're going to need twice the amount of arable land that we currently have. So, either we destroy our world doing that, or find new ways of growing," Byfleet warns. "It's not about being in competition with other suppliers and growers. The share of the pie will grow and we can all grow with it."

Modular approach

While other vertical farms operate across enormous units, Infarm has taken a modular approach. The company says its in-store farms use 95% less water and 75% less fertiliser than traditional methods, while some 90% of the LED lights it uses are powered with renewable energy.

Its farms at Whole Foods stores in Kensington and Fulham take up just 21 sq ft, but can produce around 650 plants per month. Byfleet says producing the same crop yield using traditional techniques would require more than 1,200 sq ft of land. This approach also cuts down on supply chain and shipping costs since the produce can be "grown and harvested within 50cm" of where it is sold.

In theory, technology like Infarm's could be scaled almost infinitely to "grow a produce basket for the customer". However, while Infarm is working on new seeding technologies, it can only currently produce lettuce, herbs and leafy greens at scale.

Data compiled by Dutch vertical farming company OneFarm in 2018 showed that, per ton of harvested lettuce, vertical farms like Infarm, which are run on renewable energy sources, produced 98% less carbon emissions than standard farming practices.

The produce it grows, therefore, comes with a price premium. Price points are higher than for cut plants harvested using traditional methods.

Byfleet believes prices will come down as greater take-up creates economies of scale, but he insists that customers are already saving when they purchase from one of its farms. "Take typical herb pricing with Whole Foods – it'd start at about £1.20. Is it more expensive than a cut herb? Yes, it would be. But with our products, it's like picking it from your garden. You can put the roots in the water and they will stay alive. You also use less, because it's fresher and has a stronger taste."

Infarm hopes its UK partnerships will flourish in a similar way to yield a bountiful harvest in the longer term – both for it and humanity. RW

The Big Question: Is John Lewis' office conversion a good idea?

With the pandemic leaving London's West End devoid of workers and tourists, the news that John Lewis plans to turn half its Oxford Street store into office space received a mixed response. Industry experts offer their views

Jonathan De Mello, equity partner, CWM

John Lewis receiving planning consent to turn more than 50% of its Oxford Street store into offices is a turning point for retail space repurposing – with local authorities recognising the need to facilitate change.

Department store retailing necessarily needs to evolve and downsizing of physical retail floorspace is part of that. the multi-floor model – with bulkier product categories found on upper floors that can be bought more cheaply on the internet – leads to lower retail sales densities overall. This space is now better served by other property uses, such as offices.

Office space enables John Lewis to gain rental income from office tenants that, hopefully post-Covid, would be keen on securing space in the heart of the West End. This will enable them to continue trading in Oxford Street given the costs of operating the store – chief among which is their annual business rates bill of £10.4m.

Even with this reduction in retail floorspace, the size of the retail element would still be comparable with that of House of Fraser and Debenhams.

Personally, I feel a mix of residential and offices would have worked better at the site, given significant demand for West End residential space and a chronic lack of supply.

John Ryan, managing director, Newstores

More, or at least the same, from less would seem to be the underlying principle as regards chopping the space occupied by the John Lewis flagship on Oxford Street in half.

The store has always seemed a mite over-endowed as far as its selling area is concerned, and getting from one part to another has always been a hike.

Two atria, a series of mega-escalators and a basement where it is possible to lose your way make this a store that is ripe for alternative thinking. The question has to be whether the space freed for offices will prove attractive at a moment when working from home is the order of the day.

Working on the assumption that the current state of affairs cannot prevail endlessly, however, putting a quart into a pint pot looks an overdue move.

This may be a store offering almost everything for the home, clothing, beauty and a pretty good deli-cum-food hall, but decisions will have to be made about what remains. Things will have to give and it seems likely that the number of hospitality elements will be cut.

There will, of course, be categories that perform less well than others and here too the axe may fall.

This will be a big store even when only half of it is left.

Hugh Radojev, senior reporter, Retail Week

It's hard to argue that John Lewis' Oxford Street store isn't too big for its own good and, in terms of retail space anyway, in need of downsizing.

A 50% reduction is, some might say, a good start and even more floorspace could stand to be repurposed.

However, even holding both those points to be true, John Lewis' choice to give it over to office space seems ill-conceived given the societal shifts being driven by the pandemic.

Data from the Chartered Institute of Personnel and Development published in September found that both employees and employers are expecting to work more from home post-pandemic than they did previously.

There is also empirical data showing that many employees have found they are just as productive working from home and are actually happier in terms of work-life balance.

This change in thinking has led to a physical shift, too, as many workers have used the pandemic as an excuse to quit the suburbs and satellite towns of city centres such as London for places less commutable but more desirable to live.

The strategy may well bear fruit, provided John Lewis can find tenants, but unless office occupancy rates skyrocket post-pandemic it's hard to see it being the silver bullet to its retail property woes.

The West End struggled to attract people back after the spring lockdown

Neil Saunders, managing director, GlobalData Retail

The branch number of John Lewis Oxford Street is 001. That reflects its status as the company's birthplace and, until online overtook it, the most important selling location.

Sentimentality does not protect from commercial realities but, even so, converting almost half the space to offices feels wrong.

Arguments that online is taking a greater share of sales and that footfall in London has diminished can both be advanced. But neither of these things is permanent and both will unwind as the virus abates. As such, John Lewis is betting its future on an unlikely trajectory. And, of course, it should really put more effort into making the space it has work, rather than taking the easy way out and ditching half of it.

There is absolutely no doubt that some reduction of space is needed. But cutting so much and so fast just seems rash and desperate. RW

NEED TO KNOW

The shop-in-shop is AO's first foray into physical retail

Shoppers can order larger items for home delivery

AO opens first physical shop in Tesco

The electricals specialist is trialling its first ever physical format with Tesco. By Hugh Radojev and Luke Tugby

As Retail Week revealed last month, AO has partnered with Tesco to open the first of five shop-in-shops at Tesco Extra in Middleton, Greater Manchester.

The 2,000 sq ft store will allow customers to order larger electricals such as washing machines, fridges and TVs for home delivery, while smaller items can be purchased off the shelf.

Each product at the shop-in-shop will have a QR code associated with it. Customers will be able to scan the code corresponding to the product they wish to purchase, which will take them to the AO website. The space includes digital signage broadcasting multimedia content on different screens.

AO chief executive John Roberts says the six-month pilot with Tesco is focused on tapping into growing consumer demand for convenience across all categories, including electricals and white goods.

"We were looking at this a few years ago and saying, on a five-, 10-, 15-year view, what does the landscape look like? My philosophical view was that the majority of the market would move online but not all of it. So, for the element of the market that doesn't move online, what does that look like?

"Our view is that it will be much more convenience-based. Not everybody wants to buy everything online, so this is about taking AO, from a convenience point of view, to where customers already are. Conceptually, we knew that's what we wanted to do, so then we said who would be the best partner to work with? The most obvious partner to work with is one that has the space to be able to do it with, and the largest amount of footfall, so Tesco is a standout partner."

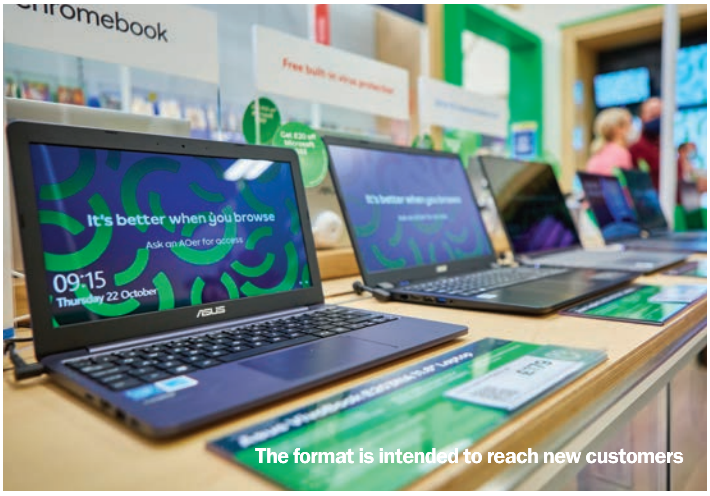
Asked whether there were plans to roll the pilot out across more than five Tesco stores in future, Roberts said: "Neither of us have done this just to do five stores. But the output of what happens in these five stores will inform the best next steps for us both.

"It would be premature for us to judge what that looks like, but clearly Tesco has got a lot of stores and we are hugely ambitious."

AO chief operating officer Danny Emmett said: "This is a way for us to introduce new customers to the brand. We very much see ourselves as an ecommerce retailer but we aspire to be the destination for electricals so it is about meeting new customers. The physicality of the store presence will help us do that."

"This is something we have been working on for well over a year and has been a developing opportunity. We have been speaking to Tesco for a long time as a partner to make sure we get it right – we haven't just raced into doing this. We've put a lot of thought and effort into it to make sure the execution represents the brand.

"Covid has obviously accelerated the migration to online. However, footfall into supermarkets has remained and even grown in a lot of cases, so this is a real opportunity." RW



The format is intended to reach new customers

The store-in-store will be 'convenience-based'

OPINION

We need effective test and trace to sustain the sector

As England begins a second lockdown, online is not enough to keep retail going. The government needs to get a grip on testing to stop Covid stealing Christmas entirely, says **George MacDonald**

"The more precisely we try to predict it, the less likely we are to be right." That's what Next chief executive Lord Wolfson told Retail Week about his Christmas scenario planning just days ago.

Wolfson could have had little idea how prescient his words would be as, over the weekend, details of a new lockdown were announced as the fight to contain Covid-19 continues.

Next's worst-case scenario already looks as if it could be optimistic. It envisaged the possibility of two weeks of store closures in England, Scotland and Northern Ireland and factored in a 20% full-price sales decline over the fourth quarter.

Since yesterday, so-called 'non-essential' retail faces a shutdown in England lasting a month, though trading is still allowed in Scotland and Northern Ireland. It could not have come at a worse time as the industry navigates an already disrupted peak period and hopes to recoup some of the ground lost during the first lockdown in the spring.

The only good things that can be said about the latest measures are that they are less restrictive than those imposed in March and, having got through that tumultuous period, the industry is better prepared for round two.

This time, retailers forced to shut in March will be permitted to operate click-and-collect services, though that will certainly bring challenges. It is not hard to imagine queues of the sort that built up to get into stores last time, putting pressure on staff and systems and making for a frustrating experience.

Retailers are also better set up to cater for increased online shopping; many having already ramped up capacity and borne at least a proportion of the associated costs.

But how well online can stand up to another likely surge in demand at what is traditionally the busiest time of the year is another question. Even the mighty Amazon, which last week posted a 37% third-quarter sales rise and expects a rise of between 28% and 38% in the fourth quarter, has warned that capacity would be "tight" in what was expected to be "an unprecedented holiday season".

And, as was the experience of many retailers previously, even a rise in online demand may not be enough to compensate for lost store sales.

Having acted to address liquidity when the pandemic first broke out, many retailers are in a stronger financial position. But even though they may be more prepared this time, there is no getting away from the fact that the hit to revenues threatens to be substantial.

The previous lockdown, according to the British Retail Consortium, cost 'non-essential' retailers £1.6bn a week in lost sales. Following news of the latest lockdown in England, Primark revealed that it anticipates lost sales, including from closed stores in some European countries, of £375m.

Broker Investec observes: "We do not expect demand to collapse in the initial weeks as seen in the first lockdown; we expect consumers to adapt more seamlessly, having been through the experience once already. We are looking for demand to fall off between 40% and 60% with larger basket size partially mitigating lower footfall."

George MacDonald
Executive editor, Retail Week

The authorities' handling of the emergency looks more chaotic by the day and the retail industry's health depends upon that of the population

So Covid may not entirely steal Christmas, but the likelihood is that many retailers will be waking up to not much more than a lump of coal.

It remains to be seen whether the lockdown will end as planned on December 2 and nobody should hold their breath.

The authorities' handling of the emergency looks more chaotic by the day and, ultimately, the retail industry's health depends upon that of the population. But much of the population is highly unimpressed with how the pandemic is being handled.

A recent YouGov poll for Sky News, for instance, found 52% of people thought the government was making the wrong decisions and 67% would back a 'circuit breaker' lockdown.

Throughout the crisis, retailers have demonstrated incredible resilience and adaptability, but that can only go so far.

For lockdowns and their impact to end, people need to feel reassured that the pandemic is being brought under control. Mass testing and a test-and-trace system the public has confidence in would be the best Christmas present retailers could hope for. Retail leaders should exert all the influence they can on politicians to make that happen. 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**

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OPINION

Bank attitudes to the retail industry are hardening

With the furlough scheme being watered down, unemployment likely to rise and consumer confidence low, lenders are being particularly cautious when it comes to retail this golden quarter, writes **Alistair Lee**

With the government loan schemes due to close at the end of November, it is important that businesses seeking to borrow funds to cover trading impacts from the pandemic get their applications submitted quickly – within the next week, ideally.

Banks are busier again as the schemes end, after a quieter period following the first wave of applications. A month to process an application is still quite tight timing for most of them.

We have detected a hardening of bank attitudes towards the retail industry in recent months as one of those hit most hard by the original and now regional lockdowns.

Being mainly London-based, bankers are seeing the emptier streets in the capital and inferring the impact on stores.

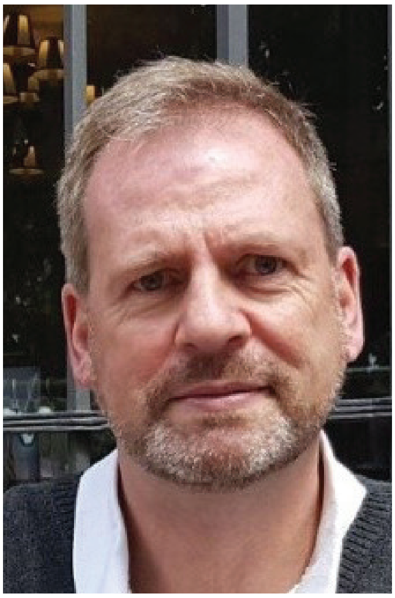
With the furlough scheme being watered down, potential rises in unemployment, rents needing to be caught up and paid again, consumer confidence waning – and all this happening as the vital golden quarter gets under way – there are a number of reasons lenders feel they need to be cautious at present.

But, of course, very few retailers are all about the high street these days and most will have been able to mitigate against many of these impacts – not least through a significant increase in online sales.

Annoyingly, while lenders and investors are cognisant of the structural shift to online sales when looking at store-based businesses, they still question whether this year's online sales are sustainable or a blip. This feels like not only not getting to eat the cake, but having it taken away, too.

From our experience helping a number of retailers to get 'Covid funding' from banks and other lenders in recent months, the 'accepted view' of business planning has moved: from a spring view, when plans where expected to include a 2021 that looked much like 2020 should have; by mid-summer to trading being forecast to be back on track by mid-2021; to now probably seeing 2021 as a year of consolidation and trying to get back to a 'normal' trading level.

Very few retailers are all about the high street and most will have been able to mitigate against many of these impacts – not least through a significant increase in online sales



Alistair Lee
Partner, Argyll Debt Advisory

Forecasting is the most difficult it has ever been. It may be worth running forecasts for 2021 based upon a high, middle and low view of trading

Clearly, this will vary from business to business and those with a bias to online channels and essentials will be least affected.

But it seems likely that a number of businesses will be reappraising the funding needs that they forecast in the summer. They may need to return to the market for more funding in the near future, but probably not within the currency of the present government loan schemes unless the dates get extended.

It probably makes sense for many retailers to plan to raise such funding in early 2021 once the Christmas trading outturn has been seen.

Forecasting for the coming year is the most difficult it has ever been. Even so, in November it may be worth finance departments running forecasts for 2021 based upon a high, middle and low (but not disastrous) view of trading.

That should allow the business to judge any potential funding gap. If a funding need is likely to exist, then it will probably make sense to engage with your advisers, if you use them, and potential lenders ahead of the Christmas out-turn in order to be on the front foot early in the new year. RW

Read a longer version of this article
Retail-Week.com/Be-Inspired

We need more black directors and white allies

Bridget Lea ruminates on why having more black business leaders and white allies in retail would help keep diversity and equality a 'live issue rather than a current hot topic'

The retail industry plays an important role in promoting social mobility, today as much as it did 25 years ago when I started out. It offers wonderful career opportunities; with hard work, focus, great leadership and a bit of luck, it is possible to work your way up to a senior position.

It is critical organisations have honest conversations about social mobility and diversity in the workplace, and how they can balance the playing field at all levels, including the boardroom.

Although it may be an uncomfortable conversation, retailers must acknowledge the issue surrounding the lack of diversity regarding retail leaders and take action.

When I was climbing the ranks, I never saw a senior retail leader who looked like me, and I know from experience the amount of work that it takes to get to the next level as a black colleague in retail.

My story: from low-income single parent to senior leader

As a very young single parent with two kids, living in a council flat in a low-income neighbourhood, I was certainly not set up to succeed.

I knew my kids deserved more and so I found a part-time job at the local Co-op head office, filing two days a week. I was given the responsibility of buddying new graduate trainees, guiding them through their induction and helping them settle into the business.

After spending time with the trainees, I realised with my skillset and knowledge that I was just as good as them, but they had something I didn't – a degree.

I enrolled at Manchester Metropolitan University. I completed an IT degree and joined a Marks & Spencer graduate programme – and I haven't looked back.

Now, I'm a managing director for Sainsbury's and I'm proud of all I have achieved. I love retail and believe it's a great place for people to start their career. Whether you're fascinated by digital, finance or people, the industry is rife with opportunity across a range of areas, offering a wide variety of roles to accommodate individual strengths.

Setting up more black colleagues for retail success

A big part of my role is to create a trusted environment where my leadership team can succeed and thrive, so we can show up in the best way for our customers.

I'm lucky to have a superb, diverse team who rise to the challenge every day and help to make Sainsbury's become the UK's most trusted and inclusive retailer where people love to work and shop.

It is important for me to be part of an organisation that is committed to positive change. The events that have taken place this year, including issues surrounding Black Lives Matter, have really been an eye-opener for everyone.

We used Black History Month to educate colleagues on how black people have contributed to British history, to take the time to listen to our black colleagues and to really celebrate with them.

I keep myself grounded and informed by mentoring ethnically diverse colleagues and holding black and ethnic minority listening groups regularly.

I feel that it's very important to be a role model and show my teams that it is possible to progress as a black colleague.

I have felt a responsibility to encourage discussions around race at all levels and to help educate the board, who have been very receptive, about the need to improve diversity at Sainsbury's.

Bridget Lea
Managing director for the North, Sainsbury's

Black representation in retail must be more than a 'hot topic'

Education is critical for retail, along with meaningful actions within retailers' strategies that will ensure we create a fair and level playing field for everyone and that unconscious or conscious biases within the business are corrected.

This means reviewing data to understand why there isn't appropriate black representation at all levels.

Internal processes may need to change, additional support and development may be needed, and ultimately progression must be seen by black colleagues if we are to address this.

If we have more black board members and business leaders, we will have a far better chance of addressing the issue of discrimination – keeping this as a live issue, rather than a current 'hot topic', and creating live plans to change cultures from the top down.

Allies are critical in making real change in retail and must actively work to move this discussion forwards.

I am very aware this isn't a problem the black community can solve alone as we do not have the platform or the power.

If our white allies begin to drive this agenda forwards, we have a real chance of creating lasting change.

The retail sector still has a long way to go, especially at a board and senior management level. However, I believe this year has made organisations take notice.

As a sector, we have a responsibility to ensure we are finding talent, irrespective of background, and bringing them into our businesses. I'm confident that although this has been a challenging year for black colleagues, the future will bring about positive change. RW

ANALYSIS

Local heroes: The retailers benefiting from the rise of localism

Since the lockdown, people have taken to shopping where they live and local retailers have come to the fore. George MacDonald highlights some of the thriving businesses that hold lessons for all of retail

Since lockdown was imposed in March, in its aftermath shopping habits have changed beyond recognition.

As people worked from home and avoided busy city centres online retail grew in importance, but so too did local retail as consumers discovered, or reacquainted themselves, with the shops on their doorsteps.

Like their bigger counterparts, independent neighbourhood retailers faced challenges but have found ways to adapt and build on newfound shopper interest to retain custom over the longer term. Among the biggest beneficiaries were food shops – not just convenience giants such as the Co-op, but local c-stores, butchers, bakers and pharmacists.

Other local players have also managed not just to keep their heads above water but to cement and extend local appeal. They have done this by doing everything from maintaining availability to standing out for their service standards and, like their giant counterparts, switching into the potential of online.

In May, grocery market monitor Kantar recorded sales growth of 63% at independent and symbol food stores. While that rate of growth has moderated, it was still almost 20%, according to the latest data released earlier in October.

Building loyalty

Retailer turned specialist consultant John Heagney, a founding partner of C-Store Collective, believes "good" local convenience stores are holding on to between 20% and 25% of trade won during the pandemic.

Many are now investing, particularly in categories such as chilled, to improve their stores and cater even better for customers. He is optimistic about their prospects as they meet and exceed local shoppers' expectations.

Heagney says: "I think there's been a change in mindset. They've risen to the challenge and raised the bar, and are delivering high service levels and extended product ranges. Consumers had been guided by big brands, but they've gone back to the high street and been pleased at what they've discovered.

Retail consultancy Canny Insights founder Graham Soult, a longstanding adviser to independent retailers and to the High Streets Task Force, thinks that while local food retailers have been winners, others – especially in essential categories – are also benefiting and will continue to do so.

He observes: "More people are going to be working from home for longer and are likely to stay more local. There's a lot more acceptance of the 'shop local' message – people have discovered what's on their doorstep and appreciated how hard retailers have worked to keep them safe and well stocked."

> **Consumers had been guided by big brands, but they've gone back to the high street and been pleased at what they've discovered**
> **John Heagney, C-Store Collective**

Digital dynamism

Soult thinks digital has made a big difference and says: "We're seeing bricks-and-mortar businesses being more clever in terms of innovation."

That may be use of Facebook and other social media to increase visibility and connections in the community, through to online delivery. Durham's covered market, for instance, shifted online and enabled people to do a full market shop.

Vitally, he says, local businesses have been able to "tell their story" more effectively through social media. "The worst thing they could have done was keep silent," he says. "My sense is that Covid has made everybody realise, if they hadn't already, the issues the high street faces and emphasised the importance and value of an independent offer."

Soult believes that funding available for town centre improvements, and collaboration between businesses and local authorities, creates opportunity for the high street.

Property specialist Jonathan De Mello, partner at CWM, says working from home – when everybody from the chief executive to the most junior staff member is doing it – means that retailers must "gear up for the localism trend" as the desertion of city centres leaves businesses that traded there exposed.

For some big retailers, that is likely to mean a reappraisal of their property portfolios. For local indies, there is an opportunity to seize the moment and make the most of their strengths.

De Mello says: "In customer satisfaction surveys, independents tend to come out higher. They're invested in their businesses, they're not just clocking in and out – you can see it. Customers have been forced to shop locally and they've found it a nice experience."

Budgens, Kenilworth, Warwickshire

As panic buying put pressure on availability and then lockdown was imposed, local food stores as well as big grocers had to be fleet of foot to adapt to the challenges and manage the surge in trade.

C-store owner Avtar Sidhu, known as Sid, stepped up to the plate to keep the shelves stocked, run his shop safely and play his part at the heart of the community.

Sidhu's 2,000 sq ft Budgens store is built on four cornerstones – fresh and chilled, local products such as bread and honey that reflect the area the shop caters for, alcohol and tobacco alternatives.

“We're part of the fabric of the local community and that runs through us,” he says.

Sidhu recalls: “When it first happened, things were moving so quickly it was difficult to react.”

However, luckily he already had plans in place for a local delivery service before the emergence of coronavirus and anticipated that “store to door would be the next big battle”.

He accelerated his plan by deploying the Snappy Shopper app, offering delivery in between 30 and 60 minutes. A taxi driver whose work had evaporated took charge of fulfilment and now works full-time for Sidhu.

“During lockdown it was incredibly popular,” he says. “It went through the roof and as people found out it was available we got repeat orders.”

Sidhu even took on delivery to elderly and vulnerable shoppers on behalf of the local Covid support group, which organised food deliveries among the local community.

One of the biggest challenges Sidhu faced was that six staff members either stopped working or had to isolate, putting the business under strain.

“My first thought was, could we stay open? We decided we would. Then it was about making food available to everyone who needed it whatever it takes – deliveries or restocking at midnight.”

He put a call out on social media for help and local volunteers, including people furloughed from other jobs, worked for nothing to ensure the store could trade and deliver to the vulnerable.

“It was just amazing – they wouldn't accept money. Everyone realised the role we play,” he says.

Sidhu estimates he has retained “a good third” of the additional trade from lockdown, highlighting the value people place on their local shop.

“People regarded us differently,” he concludes. “They saw our role as bigger than a convenience store. It rekindled community spirit.”

Banquet Records, Kingston upon Thames

With a heritage stretching back to punk music label Beggars Banquet, it should be no surprise that this local record store was defiant in the face of Covid disruption and brought an independent spirit to bear.

The retailer, which also sells online and puts on live concerts, maintained the ethos that made it so popular among music fans and launched initiatives ranging from delivery by bike to some of the first socially distanced gigs as the pandemic dragged on.

“We've always tried to find ways of taking things that sound like a good idea to a good business idea,” says owner Jon Tolley.

The three legs of business – the store, website and events – were all of equal importance to Banquet before the crisis but it is online that has really kept it going. Quite an achievement for a business that Tolley who when he took ownership of the business 15 years ago is unsure of “whether we owned a computer”.

Today, digital is keeping him in business. “We chose not to reopen the store, and we put all our focus on the website and made significant improvements,” he explains.

Banquet's store remains closed now, reflecting factors such as the difficulty of social distancing and keeping staff safe. But the personal touch was retained by a click-and-collect option for local customers and hand-delivery by bike, enabling some of the shared enthusiasm for music between customers and staff to be maintained.

Music retail shares the same trading peaks as the wider industry but it has one big event of its own – Record Store Day in April.

Then, Tolley says, Banquet might typically make six days' worth of sales in six hours. This year's event was cancelled but a series of three ‘drop dates', when titles are released as part of Record Store Day, was organised instead.

“Despite everything, we are significantly up on 2019,” he says.

Tolley remains determined to reopen the bricks-and-mortar store. He believes the turbulence accelerated by Covid means “the future of the high street is still to be decided” but is convinced independent retailers can continue to play their part.

“I think independents can adapt quicker than corporates. We can pick up an idea and put it into action straight away, and that's the only way retail can survive.”

ANALYSIS

Seekology, Richmond upon Thames

Less than a year ago, in November 2019, Rebecca Saunders opened her own retail business, Seekology. Having held roles at big retailers including Notonthehighstreet and Argos, and been a premium beauty buyer for department store group John Lewis, the opening of her own beauty and wellbeing business was the realisation of a long-term ambition.

Less than six months later, as the pandemic broke out and a nervy Britain went into lockdown that shuttered all non-essential retail, Saunders closed her shop for good and handed the keys back to the landlord.

However that setback did not spell the end of Seekology. A transactional website, already close to launch when the health emergency struck, enabled Saunders to continue trading and, despite the uncertain trading environment, Seekology has just opened another bricks-and-mortar store in Richmond, inside well-known local wellness centre Bhuti.

"Both channels are growing," says Saunders.

Seekology was originally designed to appeal to local customers and sold local brands – supplements made in nearby Chiswick, for instance.

The idea was to offer shoppers in well-heeled Richmond a unique product range and experience of the sort they would previously have had to travel into central London for, and cater for a demand for independent brands with local connections that customers felt good about supporting and which made thoughtful gifts.

Saunders says the online business, which is fulfilled directly by suppliers, "took off pretty immediately" during lockdown. Demand for products such as yoga mats was strong as people were forced to exercise at home with gyms shut, and she introduced online consultations that enabled Seekology to make the most of its expertise and standards of service.

"Our point of difference is being impartial about brands," she explains, in contrast to the competing plethora of brand concessions in a department store.

Some might be surprised that, in the present circumstances, Seekology has opened another shop but Saunders remains convinced of the value of a physical presence.

"I've always been a huge proponent of multichannel retail, she says. "So many customer journeys involve both channels. We're getting a lot of people coming for face-to-face skincare advice. By coming together in Bhuti and sharing the opportunity we could be more than the sum of our parts."

Gifted Local

Young mum Helen Robinson always loved a trip to her local shops in Muswell Hill, London. But the time she had to devote to her children, and worries that they might break expensive items as she browsed, meant she was unable to visit the high street as much as she would like.

Confident there were many people in the same position, Robinson, a former executive at media giant Viacom, and childhood friend Florence Eavis launched Gifted Local just over a year ago.

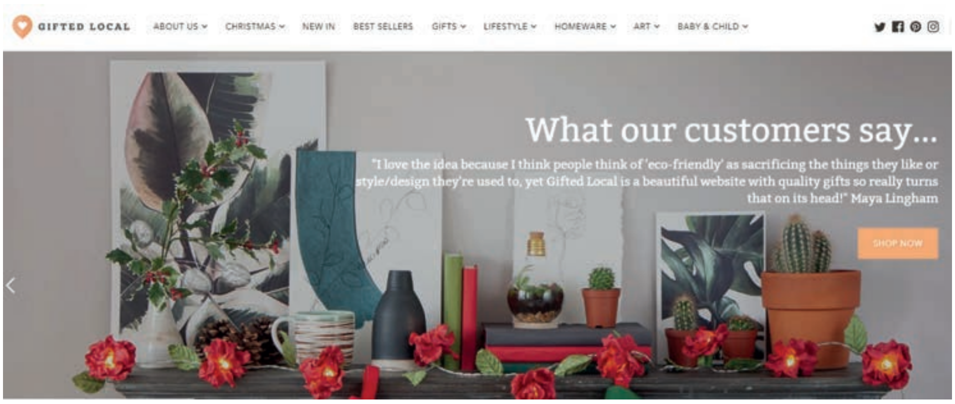
It is a hyper-local online marketplace designed to offer shoppers distinctive gift lines, all supplied by businesses in the area, and a concern to minimise environmental impact – orders, fulfilled by suppliers, are often delivered on foot.

Trade was subdued when lockdown was imposed and consumers were preoccupied with ensuring their cupboards were stocked with staples, but in the months since it has regained momentum.

"As things have calmed down we've seen steady growth," Robinson says.

Consumer interest in local goods and healthy high streets was generally growing before the pandemic and Robinson believes that will continue.

She says: "The feedback we are getting is that people like to support local businesses. They're rediscovering their high streets and community, and they like buying something with a lovely story behind it."



"People are rediscovering their high streets and community, and they like buying something with a lovely story behind it"

Eavis says the number of sellers on the site has risen to 80, reflecting the rise of lockdown habits such as working from home. "Some businesses have told us that they've sold more on our site than on some much bigger platforms," says Eavis.

Gifted Local's sellers are mainly "creative makers" but local shops, typically those that had no online offer of their own, have also been signing up.

At present Gifted Local covers five north London postcodes in Haringey, ranging from affluent Highgate to more workaday Tottenham, but the pair hope to expand to serve other parts of London first and eventually the country – always prioritising products in the customer's vicinity.

"The plan has always been to have it across Great Britain, but have that local feel." RW

ANALYSIS

Which Covid trends are here to stay?

The coronavirus pandemic has upended almost every part of society and few sectors have been more challenged than retail. Hugh Radojev looks at some of the Covid-driven changes that will outlast even the virus

The retail sector has learnt many lessons over the past eight months of the pandemic and adapted incredibly swiftly to shifts in consumer behaviour driven by the virus.

The million dollar question is: which of these changes are here to stay? Retail Week speaks to trends forecasters and future gazers to find out the answer.

The WFH revolution

Perhaps one of the most pronounced shifts in the day-to-day life of consumers since the pandemic struck has been the shift towards working from home.

While the move towards home working has been slowly increasing over the past decade or so due to the growth in technology, the national lockdown in March saw the number of homeworkers rocket overnight as offices closed and entire workforces were forced to work remotely.

This giant WFH experiment has been successful and many workers – and employers – plan for this to continue. Both Twitter and Microsoft have told employees they can work from home permanently if they want to.

Research from the Chartered Institute of Personnel and Development (CIPD) finds that 37% of office workers say they will continue to work from home in at least some capacity once the coronavirus crisis is over, compared with just 18% of workers pre-pandemic.

Meanwhile, the survey shows employers expect 22% of staff to work from home all the time after the pandemic, compared with just 9% before lockdown measures were imposed.

Trend-forecasting firm Next Big Thing founder Will Higham believes the move to home working ties into a wider shift in consumers psyche focusing on what's important in their lives. He calls this phenomenon "The three S's: safety, serenity and solidarity".

"Before the pandemic we were already seeing people reassess. Asking themselves what really matters. That's led to a sharp increase in sales of things like healthy food and fitness equipment, home and DIY stuff and gardening equipment. That focus on the self isn't going to go away, even when the pandemic does."

Many people currently working from home plan to continue to do so after the pandemic

ANALYSIS

The crisis saw many consumers embrace online shopping for the first time

Some of the nicer local retail stories are about people shopping for elderly neighbours isolating. That will leave a lasting legacy
Richard Cope, Mintel

Localism, localism, localism

Directly connected to the rise in working from home is the growth in consumers shopping locally.

A lack of commuters and tourists have seen footfall plummet in areas like London's West End. In August, New West End Company said that since the end of lockdown visitor numbers had been 50% lower than last year's figures.

With fewer commuters heading into city centres, many once struggling regional and suburban high streets have seen shoppers return in their droves.

Mintel senior trends consultant Richard Cope says ongoing working from home will lead to a long-term shift in customer spending from city centres to more local high streets.

"It's going to transfer spending and distribute it more evenly. Local convenience stores will get more local spend. You might get reduced spend overall, but it's going to mean people will want to spend more in their local community."

Cope believes local convenience stores such as the Co-op, Nisa and Costcutter, which have experienced soaring sales since the pandemic hit, have successfully tapped into consumers' growing sense of community.

He believes that retailers should look to "incentivise consumers to shop for their neighbours".

"Some of the nicer local retail stories we've been hearing are about people shopping for elderly neighbours isolating. That will leave a lasting legacy," Cope says.

"The UK already, pre-pandemic, had an issue with an ageing population. As long as the virus persists in the community, even if it's bought more under control, there's going to be an element of society who just don't want to go out shopping."

Expect to see new brands make their way to more suburban areas to capitalise on this growing local demand.

The Future Laboratory futures analyst Victoria Buchanan says that pop-up landlord firms such as Appear Here have been working with large retail brands to launch temporary spaces in such locations, which she says will garner longer-term rental demand.

"Rather than looking at Piccadilly Circus or Oxford Street, now brands are looking at Broadway Market in Hackney or Hampstead High Street," she says. "That's down to proximity because, obviously, people don't want to travel. But it's also because people want to support local, independent businesses."

Online omnipotence

It may have become something of a cliche in the months since the pandemic, but Buchanan believes that ecommerce really has seen "five years' worth of growth in five months".

But is this just a flash in the pan and will consumers simply revert back to stores when the virus subsides?.

Buchanan believes not. Her reasoning is that so many shoppers have been converted to online, particularly older ones who have begun using it for the first time during the pandemic.

"It's captured lots of people who hadn't previously been shopping in that way before. That older demographic are getting used to shopping that way," she says.

Over the past few weeks diverse retail businesses such as fashion giant Zara, footwear colossus Nike and department store John Lewis have all predicted that online sales will account for more than half of their revenues within the next two to five years.

Grocers too have been betting big on the increase in online being here to stay. Tesco has invested millions into more than doubling its online delivery capacity since March and new chief executive Ken Murphy recently described its plans to build 25 new online grocery fulfilment centres by 2022 as a potential "game-changer" for the future of the business.

Last month, one in five households ordered groceries online as digital made up 12.5% of overall grocery sales, compared with 7% in 2019. Meanwhile, last month's BRC-KPMG Retail Sales Monitor showed online penetration had jumped to 40% in September.

A world-class ecommerce arm is now a must-have for retailers, whatever their size.

Buchanan points to platforms like Shopify that can help smaller brands handle everything "from setting up a website, to processing payments and tracking orders" and says "in many ways, it's never been easier for a small business to sell online".

She believes retailers should repurpose flagship city centre stores to fit into this more ecommerce-focused future and points to fashion brand Off-White, which recently unveiled a new hybrid store in Miami. The shop can either operate as a showroom and store when the virus is waning or be turned into a dark fulfilment centre if cases are on the rise.

"The role and purpose of flagship stores is changing and they are becoming more like fulfilment channels. You're seeing brands talking about their stores as logistics hubs, as fulfilment warehouses."

Virtual shopping

When the pandemic struck in March, communication apps such as Zoom and Microsoft Teams went from niche office communication tools to vital methods to keep businesses and families in touch.

Buchanan says that smart retailers will be looking to leverage the ubiquity of these kinds of services now as sales channels.

Dixons Carphone and John Lewis were fast movers and unveiled virtual shopping services early in the pandemic.

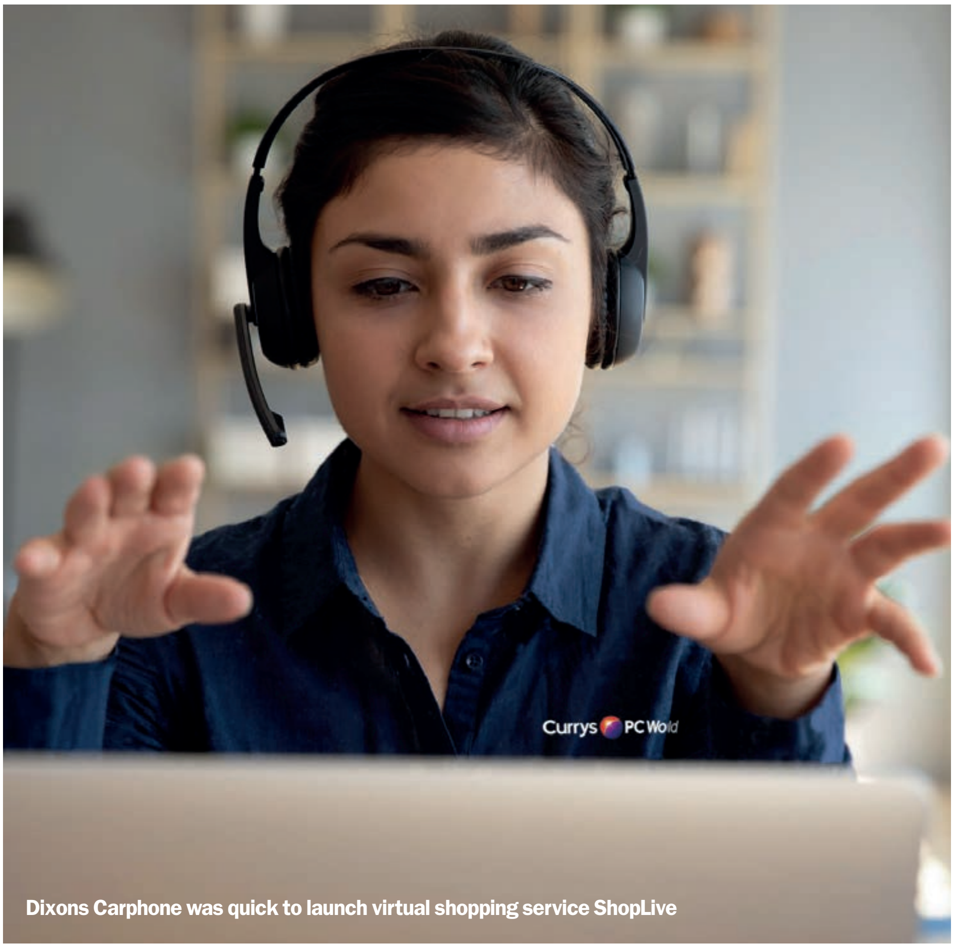
In the US, higher-end fashion such as Emiliano Zegna and homewares brands such as The Shade Store have also embraced the trend.

"Places like Zoom are actually becoming a new customer opportunity. If people can't be in your stores, how can they still be at home communicating with your staff?" says Buchanan.

She adds that technology is becoming an increasingly important part of socially distanced in-store experiences, particularly overseas. She points to the new 'social media' Burberry store, which opened in Shenzhen, China, in August through a partnership with Tencent.

The store is fully integrated with WeChat, which acts as a digital companion for shoppers, allowing them to engage with in-store items, learn about new products and content, and even share their own content.

"That idea of bringing customers into a physical retail environment and still being able to create that experience with reduced physical contact is an interesting one," says Buchanan.



Dixons Carphone was quick to launch virtual shopping service ShopLive

Protecting staff

Another hard-learned lesson from early in the pandemic is the damaging effect virus outbreaks can have on supply chains.

At the beginning of lockdown multichannel retailers such as Next were forced to close down their online operations to prevent outbreaks at distribution centres and warehouses, and make them Covid-safe.

In May, etail giant Amazon founder Jeff Bezos spoke about investing $4bn (£3.07bn) into creating the world's first "vaccinated supply chain".

Investing in protecting supply chains will be vital in the months and years ahead, says Higham, who highlights that this also taps into growing consumer demand for retailers to treat staff well.

"Ethics continues to be of growing importance to consumers. Some data we put together recently found that consumers want to know what measures brands are taking to protect their staff. Some 37% of people said that was the most important thing to them and 21% wanted to know what steps were being taken to protect them," he says.

Higham says that a "sense of collective struggle still exists among some consumers" and how brands have treated their employees during the pandemic will play a role in future buying decisions.

While the outlook is uncertain, all the experts agree that coronavirus hasn't created new behaviours and trends out of thin air, but reinforced and vastly accelerated a number of existing behaviours.

And while trends such as online growth, city centre decline and virtual shopping may suggest a gloomy outlook for some bricks-and-mortar retailers, Cope believes there is still a need for stores in the future.

"We're never going to be happy just working at home and having everything delivered to us. Experience is still going to be key and those outside the home are going to be important," he says.

"Retailers can still provide experiential things when they are allowed to do that, that's not going to go away. The need for human interaction won't ever go away." RW

The role and purpose of flagship stores is changing and they are becoming more like fulfilment channels
Victoria Buchanan, The Future Laboratory

ANALYSIS

TV or TikTok? Where marketers should spend their budget right now

Marketing teams have faced a tough challenge in recent months as consumers' lives and behaviours change. Rosie Shepard explores how best to reach customers right now

Marketing budgets have been slashed as businesses try to cut costs to weather the coronavirus storm. Earlier this year marketing spend fell to its lowest levels in the 20-year history of the IPA Bellwether Report, which monitors marketing spend.

Meanwhile, some tried-and-tested methods of advertising – think of tube stations and billboards plastered with fast-fashion adverts – are no longer viable as shoppers remain at home and avoid public spaces.

Some retailers have been exploring new routes to reach consumers – TikTok and Twitch for example – while others have been ramping up their digital marketing and television spots.

"The enormous amount of uncertainty, with rapidly changing rules and attitudes, means marketers have had to become much more agile to adapt and respond," says MediaCom chief strategy officer Geoff de Burca.

"Campaign-planning timelines have shortened. Campaigns have been started, stopped or moved at incredibly short notice."

Rapid changes to marketing plans have been made and in many cases budgets have had to be cut to counterbalance increased operational costs associated with the pandemic.

While there's no one-size-fits-all solution, Retail Week explores where marketers should be spending their budget right now and what new methods are proving successful.

The digital shift

With more and more consumers avoiding stores and shopping from the comfort of their own homes, digital marketing has unsurprisingly been ramped up over the past few months as retailers try to meet their customers wherever they are online.

Dixons Carphone head of brand and advertising Corin Mills says it hasn't even considered using out-of-home advertising like billboards and posters during the pandemic, as it pushes further into digital marketing, and is unlikely to invest in outdoor ads in the future.

The electricals retailer has also moved its press advertising online now that consumers are "digesting more press than ever before", according to Mills.

"For Carphone Warehouse we've very much been embracing digital. Where we were using press previously, we're still working with them but on the digital side of things, seeing a load of traffic and benefit from people consuming news online," Mills explains.

According to data from Ofcom, online news consumption surged by up to 30 minutes in the height of the pandemic. While these figures have now normalised to pre-pandemic levels, Ofcom has seen changes in the top sites chosen by readers.

Mills adds: "We've been strong in digital advertising for a long time, but we've really accelerated what I'd call a foundation of digital – retargeting, and things like that."

> **The enormous amount of uncertainty, with rapidly changing rules and attitudes, means marketers have had to become much more agile to adapt and respond**
> **Geoff de Burca, MediaCom**

Localised marketing has also been crucial for marketers during the pandemic, with both Dixons and Marks & Spencer looking to build on this in the future.

The two retailers noted the importance of the local store in keeping loyal customers.

"Localised comms are growing in importance," says an M&S spokesperson.

"During the pandemic we launched local Facebook pages, which are run by store teams, which helps us to provide agile messages to local customers on any changes, initiatives and opening hours.

"These pages also reflect the growing importance for customers that brands are supporting their local communities. Through the pages our teams can share the work they're doing on food distribution via Neighbourly and when our rainbow Sale was live they were posting fundraising totals."

With email communication central to M&S's marketing strategy and driving a quarter of the retailer's traffic, customers receiving more localised content will only help.

Similarly Dixons wants to continue sending emails with a local feel, particularly post-sale, to remind customers what their local store can do for them.

Keeping it social

Online marketing channels such as social media have also been paramount for many retailers, which have sought to engage with their customers on a number of platforms.

Fashion retailers including Asos, Boohoo and Farfetch have been using Instagram to connect with customers during the pandemic, with campaigns featuring models trying on clothes at

home and social competitions to get followers to post their own outfits alongside brand hashtags.

Paid-for social, such as influencer marketing, has also been stepped up, with 79% of retail marketers spending more in this area this year, according to a new report by influencer marketing agency Takumi.

A spokesperson from M&S says: "Working with the right ambassadors remains a critical part of our marketing for both food and clothing.

"In clothing, we're continuing to work with Holly Willoughby as our brand ambassador, with Instagram posts dropping from her throughout the season.

"In food we've been really focused on content that's both fun and helpful for our customers. For example, chef Chris Baber has been providing recipe inspiration for feeding the whole family and we've been sharing that content across multiple channels."

With more families spending time cooking at home this has proven popular.

Nike has also made use of influencers to capitalise on the fitness craze during lockdown, with brand ambassadors and athletes sharing their fitness regimes using Nike's #playfortheworld hashtag.

It's not just fashion brands that are focusing on social influencers. Dixons Carphone is looking to build its influencer marketing programme with a particular focus on showcasing its new virtual shopping service ShopLive.

It's no surprise that social is such a focus.

ANALYSIS

Brand ambassador Holly Willoughby has been promoting M&S on Instagram

Over the past few months, more and more consumers have been turning online, creating new social accounts to interact with not only friends but brands when they couldn't interact with them in stores.

Facebook revealed that it saw a 10% spike year on year in average monthly active users on its platform in March, when lockdown began, and usage of Facebook Messenger and WhatsApp has almost doubled in the areas hardest hit by the virus.

TikTok meanwhile saw 315 million new app downloads globally in the first quarter of 2020.

As Farfetch brand officer Holli Rogers explains, social media is important to customers and should therefore be important to marketers.

"We have an incredible audience of Gen Z and millennials who make up a giant proportion of our customer base," she says.

"We want to talk to them in the spaces in which they exist, for a better part of their day, so embracing social media has a lot of different components."

Making the most of new channels

While Instagram and Facebook are still popular, alternative social media channels have grown rapidly over the past few months.

TikTok has taken consumers by storm during the pandemic. Originally focused at teens, the 20- to 30-something market has now embraced TikTok – a platform on which users post 15- to 60-second videos showcasing anything from dance routines to fashion to comedy – and marketers have begun to catch on.

Tapping into trends, challenges and dances is key to engaging audiences on TikTok.

Asos is one definite success story. The fashion etailer's #AySauce – it sounds like Asos when said in an American accent, apparently – challenge invited people to show off three of their favourite looks in 15 seconds, using their own creative flair to bring them to life.

Asos boss Nick Beighton says: "The #AySauce challenge … has reached 2 billion views. We're the first European brand to get over a billion views so we're really excited about that. Clearly it resonated well with our audience and to get that amount of views is simply staggering."

Asos plans to launch a new challenge this month in the lead up to Halloween and Black Friday and is also focusing its marketing efforts on gaming platform Twitch to connect with a male audience.

Twitch is a video-streaming platform that is popular with the gaming community and uses live videos and chat functions to bring together like-minded users.

At the moment, retailers such as Asos largely use the platform for in-game advertising and have begun to work with influencers popular on the channel, however there is potential for live-streaming – where people shop via live video stream – on Twitch.

Burberry, for example, partnered with Twitch this year to live-stream its fashion show online.

Farfetch has been looking to grow its audience through YouTube. Rogers says: "YouTube is fascinating as a highly searched and viewed website, even more so because of lockdown."

Rogers sees YouTube as a channel to which young people gravitate for specialist content, such as fashion, much like specialist TV programmes of old.

"One of the things I remember from being a kid is watching this one programme that was fashion related. I had to religiously watch it every week at the age of 12. I was so young but it's that connection that you have to it, and that's how we want to connect with people, who maybe can't afford our products right now, but we can still tap into that aspirational audience."

According to MediaCom's de Burca, video content is most effective at building brands and driving sales, meaning YouTube and TV are likely good for long-term ROI.

Return to TV

With more consumers sat on their sofas than ever before, marketing teams have begun to turn back to TV ads to appeal to consumers.

According to stats from Ofcom, UK adults spent more than 6.5 hours watching television and online streaming on average per day during lockdown,

"TV has the potential to be even more effective than usual, a factor enhanced by the fact that TV advertising is incredibly good value right now as reduced advertiser demand has made prices cheaper," says de Burca.

Dixons Carphone, Farfetch and AO.com have taken advantage of the shorter booking times and better prices of TV spots, which is making the marketing channel relatively cheap and convenient.

"We made the decision to return to TV earlier in the year after a two-year absence," says AO director of ecommerce and marketing Steve Johnson. "We used our amazing AO-ers and in-house teams to bring these stories to life during the first few weeks of lockdown. This also coincided with a brand refresh, which aimed to showcase AO's incredible passion, high energy and personality, not only through marketing but across the whole business."

The shorter booking times have allowed retailers to be more reactive on TV to talk about things they are doing right now and many, like AO, are using staff members as the stars of their ads to enable quick turnarounds.

What's right for your business?

Marketing in the era of Covid has been uncertain territory for many, with budgets strained and traditional methods impacted, and teams have had to pivot to reflect where consumers are – namely online and watching television.

While some have taken the chance to step back from certain channels and conserve spend, other retailers have taken the opportunity to explore new methods such as TikTok, YouTube and Twitch.

De Burca reiterates that there is no one-size-fits-all answer to where to spend your marketing budget, but points to MediaCom's online tool the Demand Generator, which allows advertisers to work out their ideal channel mix based on various parameters.

Using the tool with different retail inputs, one clear conclusion can be drawn – that TV appears to be the safest bet for return on investment for the foreseeable future, especially with prices at the current level.

However, marketers would be sensible not to put all their eggs in one basket, and explore new and exciting routes to keep campaigns fresh and customers excited. RW

DATA

Digital Fashion 40: The retailers fashioning an online future

H&M has come out on top in the *Digital Fashion 40*, a new report ranking the retailers that are best equipped to thrive online in the wake of the coronavirus pandemic.

The Swedish fashion giant fended off stiff competition from pureplay competitor Asos and its global rival Zara to claim first place.

H&M's prowess in a raft of areas including product availability, its loyalty scheme, fulfilment and returns, and the use of online content to drive customer engagement helped it come out on top of the inaugural study.

The *Digital Fashion 40*, a new benchmark produced by Retail Week and data analytics specialist The Smart Cube, analysed every aspect of UK fashion retailers' online performance, including their digital capabilities, website traffic, customer experience and brand sentiment.

The comprehensive study leveraged data from Retail Week Prospect, WGSN Barometer and digital market intelligence platform SimilarWeb to assess retailers against 250 KPIs. It found that H&M was the best-equipped fashion retailer in the UK to survive and thrive online in 2021 and beyond.

The apparel titan has invested heavily since 2018 to digitise its business, improving website visuals, adding competitive delivery options and using visual and voice search.

This year, the opening of H&M's first 'omnichannel warehouse' in Milton Keynes has allowed it to maintain strong availability online, even at the height of the coronavirus crisis, while changes to its returns policies and additions to its already thriving loyalty scheme have helped maintain high levels of customer satisfaction.

That strategy has served H&M well during the pandemic, at a time when sales have shifted online at an exponential rate. At a group level, more than a quarter of H&M's sales now come through its ecommerce channels – and the business is well set up to capitalise if online penetration remains at similar or higher levels following the health emergency.

Retailers including John Lewis, Marks & Spencer and Boohoo also made the top 10, while Primark is conspicuous by its absence from the ranking, having been held back by its lack of a transactional website.

Lisa Byfield-Green, head of insight at Retail Week, said: "The fashion sector has been one of those hardest hit by the ongoing pandemic. This period has accelerated many of the trends we were already seeing in the industry, such as the importance of brand relevance, a clear proposition and a digital-first pureplay or omnichannel strategy.

"The *Digital Fashion 40* reflects the retailers that we feel are best positioned to survive and thrive online as we enter 2021. Our benchmarking measures looked for brands that entered the crisis in a solid financial position, with a clear proposition valued by customers, to attract high levels of online traffic and offer a great customer experience.

"It is clear that brands that will be most successful as we enter 2021 will be those that truly understand their customers and have the agility to adapt and anticipate the constant changes in consumer needs and behaviour."

Rachit Khare, vice-president of data science and analytics at The Smart Cube, adds: "Covid-19 has rapidly accelerated the digital shift in consumer engagement within retail.

"Our analysis of the UK's biggest fashion retailers over the last six months shines a spotlight on the businesses that have been quickest to adapt to changing consumer expectations. The learning for all retailers is to focus on developing digital capabilities, adapting ranges to the new normal and building brand loyalty through meaningful engagement with shoppers." RW

Rank	Retailer
1	H&M
2	Asos
3	Zara
4	John Lewis & Partners
5	Next
6	Marks & Spencer
7	JD Sports
8	Boohoo
9	New Look
10	River Island
11	Missguided
12	Zalando
13	Selfridges
14	Urban Outfitters
15	Topshop
16	All Saints
17	Schuh
18	House of Fraser
19	Sports Direct
20	Debenhams
21	Net-a-Porter
22	Matalan
23	Office
24	Gap
25	Clarks
26	Superdry
27	Ted Baker
28	Monsoon
29	Mint Velvet
30	Ann Summers
31	Joules
32	Matchesfashion
33	Fat Face
34	Dune
35	Kurt Geiger
36	Uniqlo
37	Boden
38	White Stuff
39	TK Maxx
40	Reiss

To find out more about the *Digital Fashion 40* and how your business performed, email: retail.solutions@thesmartcube.com