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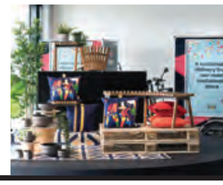

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RETAIL

RetailWeek

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

Talk to us...

Group Content Director
Charlotte Hardie 020 3033 229
Editor
Luke Tugby 020 3033 4305
Executive Editor
George MacDonald 020 3033 2836
Head of Content
Grace Bowden 020 3033 4338
Senior Reporter
Hugh Radojev 020 7715 6075
Reporter
Rosie Shepard 020 3961 8890
Features Editor
Gemma Goldfingle 020 3033 2943
Managing Editor
Abigail O'Sullivan 020 3033 2940
Production Editor
Stephen Eddie 020 7728 5000
Digital Product Manager
Rebecca Froley 020 3033 2659
Subeditors
Rebecca Dyer, Emily Kearns
CMS Specialist
Tatsiana Bakun 020 3033 2650
Commercial Content Director
Nicola Harrison 020 3033 2837
Head of Commercial Content Operations
Laura Heywood 020 3033 4289
Head of Commercial Projects
James Knowles 020 3033 6192
Relationships Director
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Commercial Content Editor
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Senior Content Manager – Events
Jade O'Donoghue 020 7715 6192
Group Commercial Director
Paul Stewart 020 3033 2755
Commercial Team
Imogen Jones 020 3033 2969
Julia Jones 020 3033 2952
Subscriptions Team
Shrinal Patel 020 7715 6316
Managing Director
Hanna Jackson 020 3033 2496

Find out more...

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

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

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EDITOR'S COMMENT

Luke Tugby

Don't even try to battle Amazon this Black Friday

It's been a year fraught with difficulties and challenges almost from the outset, and now another huge test is looming for retailers.

With a second lockdown well underway, the peak Black Friday and Cyber Monday weekend is poised to become more of a digital event than ever before .

A survey from PwC suggests that 88% of shoppers will do all of their Christmas shopping online this year, although spending on Black Friday itself is likely to fall 20% year on year.

That contrasts with the view of McKinsey, which believes Black Friday will be "the biggest shopping day of the year" in 2020, with 56% of shoppers intending to make purchases on November 27. That compares with 39% on Cyber Monday and 38% in the last week before Christmas.

With the prospect of increased online demand piling added pressure on to supply chains, retailers must be wary of balancing the short-term ambition to drive Black Friday sales with the longer-term requirement to enhance brand reputations.

Even though the majority of retailers have succeeded in keeping a good handle on stock during the coronavirus pandemic to date, the temptation for some may be to offer consumers enticing promotions and rapid delivery in a bid to take advantage of soaring ecommerce demand.

According to IMRG, online sales grew at their quickest rate since June during the first week of November, soaring 61% as consumers bring their Christmas shopping forward and take advantage of early Black Friday discounts.

Much has been made of the fulfilment challenges that a golden quarter dominated by online activity is likely to bring. For many businesses, a spike in orders, coupled with a next- or two-day delivery pledge, is likely to push supply chains and logistics capabilities to the limit and ultimately be untenable.

Particularly at this time of year, a failure to meet such bold promises could erode consumers' trust in a brand for life, not just for Christmas.

The key to navigating this crucial period will be simple: don't even try to compete with Amazon during this year's online Black Friday and Christmas bonanza. It's a mantra that has been discussed in boardrooms up and down the country for years, but now more than ever retailers must focus on what Amazon can't do.

They must place emphasis on their sector specialisms, their green credentials, the quality of online help and advice they can offer customers, and ensuring their returns policies are flexible and multichannel – assuming of course that stores are allowed to open in January.

Allbirds, for instance, is raising prices on Black Friday. It will add £1 to the price of its entire range on November 27 and will match every £1 raised by its customers and donate all proceeds to Fridays For Future, the movement founded by Greta Thunberg.

Allbirds is just one of the brands that is acutely aware of the risks involved in taking on Amazon at ita own game. Instead, it is accentuating one of its USPs as a method of cutting through the Black Friday noise and ramping up revenues.

Now more than ever retailers must focus on what Amazon can't do

After a torrid 2020, consumers are likely to gravitate to retailers displaying such credentials, rather than simply opting for the retailer that can offer the quickest delivery.

Many will actively want to support smaller, local and ethical retailers, and will seek them out ahead of Amazon. Consumers shopping early for gifts will wait a bit longer for delivery if it means helping out smaller companies in tune with their principles.

Therein lies a big opportunity for retailers that cannot compete with Amazon on price or fulfilment. Highlighting what makes your business genuinely unique, while under-promising and over-delivering when it comes to delivery, will be crucial to maintaining customer satisfaction during the festive period and loyalty heading into 2021.

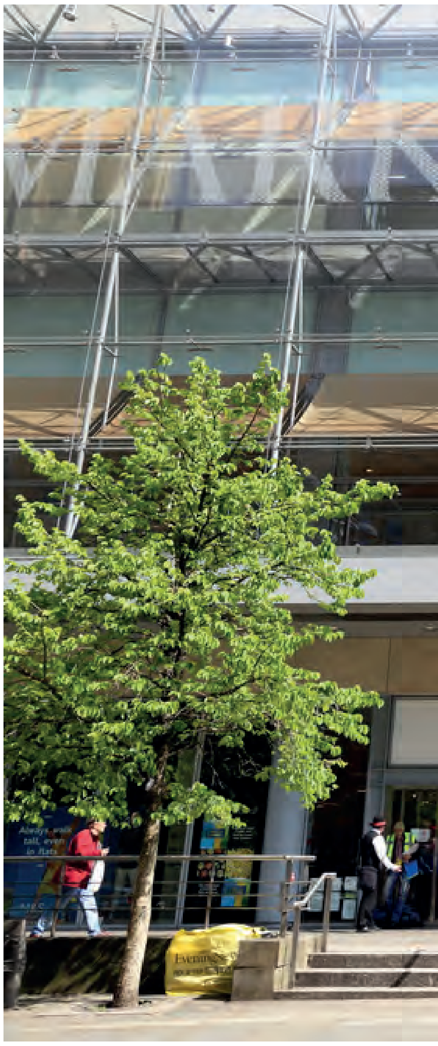
Going toe-to-toe with Amazon will leave retailers on a hiding to nothing if they really want to achieve either this Black Friday. RW

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

THE BIG STORY

From M&S to MS2 – thinking like a pureplay

With Covid accelerating the pace of change, Marks & Spencer's 'MS2' strategy aims to bolster its digital capabilities to better serve customers. George MacDonald reports



Marks & Spencer's half-year results again spotlighted the accelerated shift to online shopping that has accompanied the Covid-19 pandemic.

At the retailer, which was already moving towards a digital-first approach before the outbreak, the change in shopping habits has prompted chief executive Steve Rowe to up the pace of transformation at the core clothing and home division.

Its revival is key to any turnaround plans and Rowe has revealed how the business intends to think and act like an online pureplay as ecommerce grows in importance.

Having, at last, started selling food online through a joint venture with Ocado, which went live in September, the focus is now turning to the apparel arm.

M&S' results were, despite its first ever loss as coronavirus took a toll, better than expected and showed the extent of channel shift.

M&S was for a long time a digital laggard, but its online performance was encouraging in the first half. Clothing and home online sales rose 34% and its market share increased, enabling it to claim the number two spot online behind Next.

That is the context in which the retailer is now acting to cement and build on its position, with the ambition that online will account for 40% of sales within three years.

The retailer acknowledges that its website "has been structured as the online channel of a stores retail business moving in lockstep with the rhythm of physical store-based trading, rather than competing head to head with pureplay competitors".

'MS2' aims to bring together M&S' product and digital capabilities to better reflect and cater for shoppers. Invisible to the shopper, the new way of operating will "create a single integrated online, digital and data team within clothing and home supported by our stores and a refocused product supply engine". Although invisible to the customer, it should better serve them.

Rowe tells Retail Week the change would alter how M&S thinks and acts.

"This flips the model," he says. "We think about range and promotions differently, we think about end-to-end supply chain differently, we think about media spend and marketing differently. We're seizing the momentum in M&S.com to turbocharge online growth."

Through initiatives such as the relaunch of the Sparks loyalty programme and changes such as the deployment of in-store technology to improve productivity, M&S has begun to think much more digitally.

But as well as thinking like a pureplay can it act like one by, for instance, being able to respond to product trends spurred by influencers and Instagram demand with the speed of online specialists such as Boohoo?

Rowe believes so. He says that capability exists to some extent through the retailer's nearside supply network and will grow, particularly through partnerships with a new generation of online brands such as that with Nobody's Child, M&S' first tie-up with a third-party fashion brand. Rowe says: "Nobody's Child comes with a very, very short supply chain."

M&S chair Archie Norman, who describes the definitive switch in emphasis as "the most important organisational change we've made in a couple of years", maintains that, as a result, M&S will behave like retail's new generation of fashion retail stars rather than a legacy business.

He says: "We're up against some very strong pureplay competition and they're not constrained by stores."

Traditionally, for instance, a promotion would require stock to be delivered to all stores, marketing and point-of-sale materials and labour scheduling. "Online you could do that in an afternoon," he says.

"You get locked into a mindset that everything online has to be in store and everything in store has to be online. Asos and Boohoo and Amazon aren't worrying about any of that, and there's no point attaching a ball and chain to ourselves.

"Our mindset has been too schizophrenic. We need to liberate people to do things that in the old world would have seemed outrageous."

Similarly, it makes no sense to run international and UK online separately. "In Asos and Next, international is seen as central. In our business, it's been run separately but it will fit into MS2," Norman says.

Chief strategy and transformation director Katie Bickerstaffe says that "our job is to modernise history" as the retailer responds to very different customer journeys than would have existed even 10 years ago.

She says a pureplay mindset exists in "pockets" at M&S, but she is confident that "everybody understands how important it is" for the business to press the pedal hard on change, as the wider world changes.

She says the first question people ask about anything they do, as MS2 is initiated, is: "How does this help the digital experience of our customer?" Stores have not become redundant. She says several digital trials – "and I don't mean touchscreens" – are under way in five pilot branches and that staff in those stores, including quite traditional branches, have become some of the biggest advocates of the shift.

As retail gears up for its most digital Christmas ever with England in lockdown throughout November – although M&S stores will remain open because of its food business – M&S has made progress in online fashion that it can build upon.

Analyst Clive Black of Shore Capital, M&S' house broker, says: "More is still to do around the organisation, its stores and clothing and home, but the heavy lifting feels like it has been undertaken and work in the digital sphere is leading to a more relevant and resilient business, manifested in the announcement of MS2."

The retailer may have a long way to go in building its digital operations, but the health crisis has prompted it to shift more radically and rapidly than would otherwise have been the case. Perhaps it finally stands to reap benefits from changes to which the pandemic has added momentum. RW

What is MS2?

- MS2 will be led by clothing and home managing director Richard Price and chief strategy and transformation director Katie Bickerstaffe
- It combines online, data and digital trading in one team adapting to an online model
- It will herald "a step-change in online product, presentation, pricing and social marketing including recognition that the online business will need a focused range"
- There is "a mandate" to drive for more rapid fulfilment and expansion of the Castle Donington fulfilment centre
- There will be "maximum usage of one of the best customer databases in the UK to drive digital customer engagement and build loyalty"
- There will be a "seamless" order online-order in store with a new click-and-collect and digital sales experience
- Domestic and international online will be run as one rather than separately
- There will be more brand partnerships such as that recently struck with Nobody's Child

Chief executive Steve Rowe (left) wants Marks & Spencer to 'flip the model' on how it operates

Clothing and home performance by location

Location type	% change to last year (Q2)
City centre	-53%
Shopping centre	-46%
High street	-39%
Food stores	-30%
Outlets	-26%
Retail parks	-25%

Clothing and home performance by category

Category	% change to last year (Q2) – stores	% change to last year (Q2) – online
Formal	-54%	-16%
Holiday	-50%	-34%
Shoes and accessories	-55%	-30%
Outerwear	-46%	-5%
Casual	-37%	40%
Kids	-31%	83%
Lingerie and men's essentials	-37%	87%
Home and beauty	-33%	27%

INTERVIEW

Henry Birch took the helm at Very in September 2018

Very boss Henry Birch: 'If it's not a record peak, I'm resigning'

The Very Group's sales surpassed £2bn for the first time in October, helped along by its new automated fulfilment centre. Chief executive Henry Birch tells **Grace Bowden** he expects the group's good fortunes to continue

If you were compiling a list of retailers that are doing better today than they were two years ago, it probably would not be a very long one. One exception proving the rule in an unprecedented year is The Very Group, led by relative retail newcomer Henry Birch.

A Greenwich-born son of a diplomat, Birch has had a well-travelled life – his father's job took them to Switzerland, Afghanistan, Hungary and the US – and career, spanning politics, online gaming and gambling.

But when he took the helm of The Very Group – then known as Shop Direct – in September of 2018, it marked his first retail role, barring a Saturday job in Gap as a teenager.

Birch was named chief executive at a testing time for the online retailer. During his first 18 months, Very fell into the red following a hefty PPI bill, saw an exodus of its executive team and contended with longstanding owners the Barclay brothers mulling a sale of the business.

Birch says this period, while challenging, does not rank among the most difficult moments of his career. He reserves that dubious accolade for an incident during his tenure as chief executive of William Hill online involving the company's Israeli office, 300 staff staging "total mutiny" and a three-month stint in a Tel Aviv hotel to get the operation back up and running.

It is perhaps no surprise that Birch has taken the highs and lows of his first two years in charge of Very in his stride. "Frankly it's what makes life interesting – from a personal perspective, I'm not looking to put my feet up and have an easy time," he says.

"When you look back on something in retrospect you can say: 'Wow, that was intense or difficult.' But it didn't necessarily feel like it at the time. As a management team, we did feel a slight element of treading water, which was induced by the PPI overhang being much greater than we thought and resulted in us needing to divert cash that otherwise would have been invested in the business.

"But today there is a real sense of renewed optimism with the business, which is borne of two things. One is that we've gone back into profit – the shackles of PPI have gone and, more importantly, we are trading really well.

"Secondly, the digital transformation that Covid-19 has brought on, whether it's been sped up by three years or five years, puts us in exactly the right place and we are firing on all cylinders."

'How did we do that?'

As Birch alludes to, The Very Group has emerged as one of lockdown's clear retail winners. Last month, the business returned to profit as its full-year sales surpassed £2bn for the first time, driven by a 10.6% boost in customer numbers to 4.5 million.

Very's growth during the last nine months has been aided in no small part by the etailer's new 850,000 sq ft automated fulfilment centre in the East Midlands, called Skygate, where Retail Week meets Birch to discuss the group's recovery and plans to build on its purple patch of growth.

"It's a bit like meeting someone for an interview in prison, isn't it?" laughs Birch, gesturing to the sheets of perspex that divide each seat at the boardroom table in the era of social distancing.

We ripped up our core plans, went for the stratosphere and it still worked without the teething problems
Henry Birch, The Very Group

Covid-19 safety measures aside, this newly built warehouse is a state-of-the-art facility. The warehouse boasts a gym, basketball court, football pitch, multi-faith prayer room and canteen serving hot food 24 hours a day for its 500 staff – a number that operations director Phil Hackney estimates will rise to 850 during Christmas trading, though the etailer plans to lean on automation for the bulk of its order fulfilment during the peak period.

The warehouse would be the envy of many retailers. It has 500 robots working inside a 180,000 sq ft grid, which will process 70% of the group's orders. The technology enables the business to process an order – including returns for redeployment – in just 30 minutes and to fulfil next-day delivery on orders made as late as 10pm. There are also plans to extend the cut-off time to midnight.

Getting this warehouse up and running has been a white-knuckle ride for Very. A soft launch was pushed forward to full operation on March 23 – the day Boris Johnson told everyone in the UK to stay home to save lives.

"We envisaged we'd open in March, ramp up here slowly and in the Northwest slowly," Birch explains. "We made the call to open just as lockdown was happening, the logic being that God knows what lockdown will entail but we have done sufficient planning and have an excellent team in place, which means we can cope with whatever is being thrown at us.

"All of those things were true, but what we probably underestimated was the speed and volume that this place ramped up. When you chuck in the logistical wrinkles of social distancing, hyper-cleaning and the fact that we are the first facility that our technical partners Knapp have launched with none of their engineers on site, we had a load of challenges that weren't in the initial plan for the launch.

"When you look at it in retrospect you do think: 'Bloody hell, how did we do that?' That is what is amazing about this place, not just size and scale, but what has been achieved in nine months under these circumstances.

"Most big projects like this go to plan in terms of volumes but screw up or have teething problems. We ripped up our core plans, went for the stratosphere and it still worked without those teething problems."

Happy days

With the current climate driving shoppers online, operational prowess at Skygate already proven and the ability to ramp up capacity at one of Very's three former warehouses in Shaw, Greater Manchester, if demand requires it, Birch is adamant the etailer is set for its best Christmas ever.

"I would stake my job on it – if it's not a record peak, I'm resigning," he laughs. "Across the board, we're expecting a really good performance over Christmas. In terms of how long that goes on, all I can say is we continue to be surprised by the ongoing strength of demand we are seeing."

Birch says Very's stress-testing of a 25% sales slide at the start of the pandemic, before delivering a 28% uplift, has made him wary of predicting just how big Christmas could be.

"We have underestimated every number so far, so I am a little bit loathe to make predictions, but we have real momentum as a business," he says.

One of the elements driving that momentum is a new type of shopper coming to The Very Group in their droves during the pandemic.

"The last 12 months have had so many twists and turns, so we will be looking internally into where we are headed, and some of that has changed based on Covid," Birch explains.

"Had you spoken to us a year ago, we would very much be talking about a focus on our core, highly engaged customers who shop across multiple categories and use our credit offer. That focus is still there but we have loads of new people shopping with us and not using our credit offer, using us as a pure retailer. Frankly, happy days.

"We welcome those customers. We are making money and growing from them as well, so making sure we continue to appeal to them is a priority alongside our core customer base."

Brand appeal

This combination of new customers and Very's established model as an online retailer with a built-in credit offer has also bolstered the etailer's appeal to brands.

The Very Group has signed up more than 100 new labels across fashion and beauty during the pandemic including Topshop, Mint Velvet, Elemis and Ren. Birch believes such additions – and deepening relationships with brands such as Nike, Adidas, Samsung and Apple – will stand the etailer in good stead for long-term growth.

"From our perspective, we want to broaden the range of what we sell with Nike. From Nike's perspective, they want to work with fewer but the right partners – and our model means they can trust that their brand will be protected in a way they can't on a marketplace," he says.

It's not hard to perceive this as a dig at Amazon, which Nike pulled its brand from in 2019 as part of its crusade to work with fewer, better retail partners.

"What I think they and other powerhouse brands like about us is we give them access to a group of customers they wouldn't reach through other retailers, and that comes down to our integrated credit piece," says Birch.

Very allows shoppers to defer paying with credit on any purchase, but its offer has different prongs including splitting payment into thirds over a three-month period with no interest or interest-free credit on a purchase, with payment deferred for three, six or 12 months, as chosen by the customer.

Birch says its data on customers using these payment options alongside other strands puts it ahead of rivals for many brands. "We have a huge amount of data on our customers, whether that is transactional, financial or behavioural data, so there is potential to offer a much more personalised shopping experience to our customers and a more proactive one for our brands, which we work in tandem with to drive their and our growth," he says.

Birch believes The Very Group's model means it will punch above its weight in years to come – be it by luring brands that are wearied by the hands-off marketplace model of Amazon, or consumers who want to shop online across a broad church of categories. The latter is what attracted Birch to The Very Group before he took the top job two years ago.

"I found, and find, the company very compelling for a number of reasons," he recalls. "Partly the legacy and history and our constant reinvention throughout. If you look at where we've come from through doorstep, catalogue, physical, telephone and now a digital model, we've kept the same business model and core customer – we sell everything but spread the cost of what you buy. That applied in the late 1920s and it applies today.

"I like the longevity and legacy alongside the continual transformation our business has demonstrated. The model we have today, in terms of retail with integrated credit, is also one people are now copying. That model is really chiming with the times. We give you the option to buy anything you'd want outside of food and the flexibility to pay for it how and when you want in an uncertain world."

Despite that uncertain landscape, Birch is confident the shift to ecommerce will play to The Very Group's strengths – and could help transform the Liverpool-based etailer into the next online goliath. RW


Henry Birch at Very's new Skygate fulfilment centre

NEED TO KNOW

Homebase is on the market

Industry observers believe trade buyers are unlikely to take much interest in Homebase, so a private equity deal is most likely

Homebase for sale: who are the potential buyers?

Homebase has revealed it is up for sale after returning to profitability. Rosie Shepard takes a look at who could be in the running to acquire the DIY specialist

After two and a half years under the ownership of turnaround specialist Hilco, Homebase is seeking new owners to drive the next stage of its growth strategy.

Bought for just £1 in 2018 after a disastrous period under the ownership of Australian retailer Wesfarmers, Hilco's tenure has brought the home enhancement business back into the black.

Industry observers believe trade buyers are unlikely to take much interest in Homebase, so a private equity deal is most likely.

Retail Week spotlights some of the top private equity names likely to be running their slide-rules over the retailer.

Lone Star

Lone Star Funds dropped out of the race to buy Asda from Walmart earlier this year after reports that it could not justify the £6.5bn price tag.

However, it's not as if cash is a problem for the private equity house, so it might see merit in a different venture.

While a value for Homebase has yet to be agreed, Lone Star would presumably be able to snap it up for far less, based on the £340m Wesfarmers paid back in 2016.

Apollo

Another party interested in the Asda takeover deal, Apollo may also be looking for an alternative retail acquisition.

The US firm hired retail veteran and former Debenhams boss Rob Templeman to help with the deal, who could equally be well-placed to aid in a Homebase bid.

Templeman led Homebase from 2001 to 2003, seeing it through both a £750m sale to Permira and the subsequent £900m sale to then Argos owner GUS retail group a year later.

It was thought that he would take on the role of chair if Apollo won the Asda bid, so a similar arrangement could be made here with his experience at the retailer as a bonus.

While Homebase has returned to profitability under Hilco, Apollo could also bring the DIY retailer to the next level with its specialism in creativity and operational improvements.

Permira

Permira previously invested in Homebase back in 2001, purchasing the retailer for £750m and making a swift profit a year later.

The private equity firm was credited with restructuring the DIY specialist, boosting its profits amid an economic slump.

It has held a host of retail companies over the years, including New Look and Hugo Boss, while it currently has stakes in Dr Martens and buy-now, pay-later financial services company Klarna.

Permira expressed interest in buying Gymshark earlier this year, so may be looking for another retail investment on a growth trajectory.

Meditor

Meditor took over flooring specialist Carpetright in December 2019 for a cut-price £15m and FlooringSupplies.co.uk earlier this year for an undisclosed sum.

It has clearly shown willing to invest in difficult situations, rescuing Carpetright from a significant debt pile after it undertook a company voluntary arrangement in 2018, resulting in the closure of 80 stores.

The British hedge fund has said it is keen to do more deals in the sector with cash to spare, making Homebase an attractive opportunity to branch out into new adjacent categories.

Stonebridge

Stonebridge recently acquired struggling menswear business TM Lewin through its subsidiary Torque Brands, so it has certainly shown interest in bricks-and-mortar retail.

Its team includes Hilco co-founder Robert Schneiderman and Hilco former chair, chief executive and co-founder Paul Taylor, both of whom have extensive experience in the retail industry and would potentially be willing to deal with their old firm.

Retail veteran Allan Leighton, who has previously held top roles at Asda, Pandora and Selfridges, also sits on Stonebridge's advisory board and could provide great insight for the group.

Stonebridge has a particular focus on "technology-enabled investments within the consumer sector".

While Homebase is just beginning to make headway with its digital growth through a 10-year partnership with The Hut Group, the new focus could bring interest from this private equity firm. RW

Sainsbury's new neighbourhood hubs

As part of new boss Simon Roberts' strategy to 'put food back at the heart of the business', Sainsbury's has opened up two more stores under its larger convenience store concept. **Luke Tugby** reports

Sainsbury's is ramping up plans to roll out its larger 'neighbourhood hub' convenience store format.

The grocer has opened two new sites under the concept, in Midhurst, West Sussex, and Bishop's Waltham, Hampshire.

Sainsbury's said the stores are designed to offer consumers a "one-stop shop" proposition and cater for the shift towards longer shopping missions and bigger basket sizes that has been driven by the coronavirus pandemic.

Key features of the new stores include coffee-to-go, fresh orange juicers, beauty and cosmetics areas and collection points for Argos and Tu clothing orders made online.

The Midhurst store, pictured, is around three times the size of a standard Sainsbury's Local, measuring almost 12,200 sq ft, while Bishop's Waltham is smaller at 9,100 sq ft.

The openings come after Sainsbury's piloted the format in Woodhall Spa, Lincolnshire, last year.

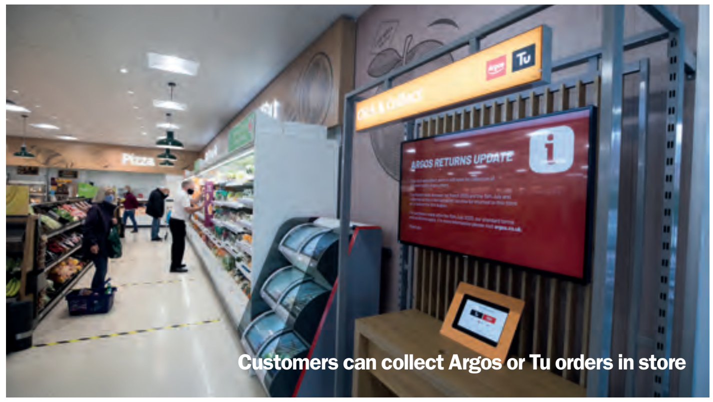
Earlier this month, the supermarket giant revealed plans to open 18 of the neighbourhood hubs over the next three years as part of new boss Simon Roberts' strategy to "put food back at the heart of the business".

Sainsbury's director of commercial operations Graham Biggart said: "At Sainsbury's we're constantly striving to make the experience for our customers as convenient as possible and we're confident we have curated the ideal solution for these communities.

"We know how important it is now more than ever to have access to everything you need close to home. These stores give customers convenience and great choice alongside Sainsbury's renowned service."

The grocer's property director Patrick Dunne added: "These new stores reflect our strategy to put food first and commitment to our customers to provide them with convenient access to delicious and great-value food.

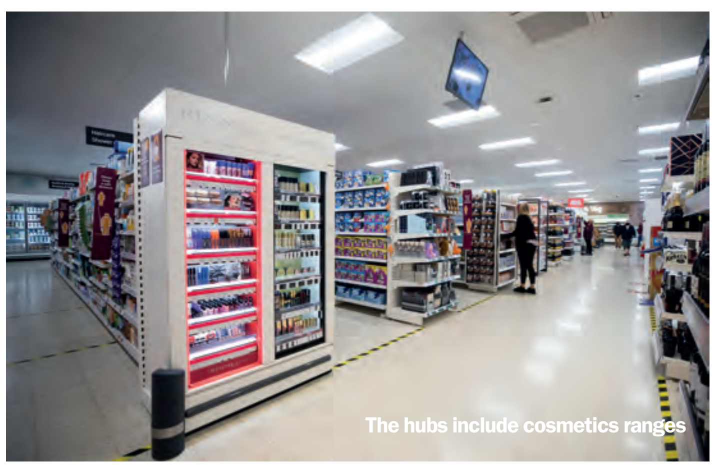
"We've been overwhelmed with local support since announcing our plans to open these stores, we know the demand is there and we're confident these stores will thrive." **RW**



Customers can collect Argos or Tu orders in store

The format is larger than a standard Local


Shoppers can purchase freshly squeezed orange juice


The hubs include cosmetics ranges

TECH 100

Tech 100: Meet the faces of retail's digital future

Retail Week's Tech 100 index highlights the most influential people shaping the future of commerce through technology and digital innovation. By **Megan Dunsby**

RWRC has just published its annual index of the global leaders powering retail innovation. Spanning all sectors – from start-ups and disruptors to investors and established brands – the list highlights game-changing technologies coming to the fore and the future-thinking companies retailers should be partnering with.

As retailers battle to deliver an online Christmas and optimise their digital strategies, there has never been a more pressing time to discover the people changing the way the industry thinks, operates and sells.

To help businesses learn from the individuals powering innovation and transforming digital commerce, RWRC has published the *Tech 100 2020*; the annual index of the most innovative global technology leaders influencing retail today.

From the brains behind emerging brands giving established retailers a run for their money, to the investors fuelling this new era and the collaborators partnering for success, this year's Tech 100 represents the changing face of the industry.

Produced in association with ChannelAdvisor, DataRobot and Salesforce, the digital report showcases the individuals retailers should be working with, taking inspiration from and even investing in.

Who are the Tech 100?

The index is split into five groups – collaborators, start-ups and disruptors, retailers and brands, investors and tech titans – and features 74 new faces, including those who often float under the radar but are steadily shaking up the industry.

Highlighting the breadth of retail tech innovation taking place worldwide, leaders featured in this year's Tech 100 represent countries including the US, the UK, Ireland, India, China, the Netherlands and more.

Fifteen disruptors are celebrated among the Tech 100. These include Sacha Poignonnec, co-founder and co-chief executive of Jumia, the Nigerian-based online marketplace increasingly being labelled 'the Amazon of Africa'; Lucy Yeomans, the creator and co-chief executive of Drest, the tech platform gamifying luxury fashion; and Yony Feng, the CTO, CIO and co-founder of Peloton, the interactive bike fitness start-up that has seen sales and its user community soar during the global lockdowns.

The list isn't limited to recognising those with tech job titles either. While it features CTOs and CDOs, there are several CEOs, heads of and chairs, which shows that the onus of influencing tech change in retail no longer sits solely with tech and IT bods.

There are also more women featured in the list than in 2019 with 25 female tech leaders represented, a 25% uplift on 2019.

These female retail tech innovators include disruptors such as Cult Beauty co-CEO and co-founder Alexia Inge and Elvie founder and CEO Tania Boler, retailers such as Pret a Manger chief technology and transformation officer Sarah Venning, and tech titans such as Pinterest's retail vertical strategy lead Amy Vener, to name but a few.

However, while the volume of female representation is up on 2019, the fact that only a quarter of the list are women is a depressing reality for the diversity of retail tech. More stark still is the fact that there is not one black retail tech leader in the list.

While this holds up a mirror to the industry, it sends a message that more needs to be done by those in positions of influence to make the retail tech scene more diverse and to avoid the risk of group-think and limiting creativity. **RW**

View the Tech 100 index today by heading to retail-week.com/tech-100

What makes someone Tech 100-worthy?

To feature in the index, leaders must:

- **Have achieved demonstrable success driving technology and innovation in their fields, particularly in the past 12 months**
- **Be powering transformation in retail, either as part of the industry or as a collaborator or investor in it**
- **Stepped up retail technology and innovation during the current pandemic and/or displayed an innovative mindset to navigate through the crisis**

OPINION

Retailers can’t afford to squabble like cats in a bag

As the retail industry labours under the restrictions of a second lockdown, some are adopting a beggar-thy-neighbour attitude that is in the interests of nobody, says **George MacDonald**

It’s understandably frustrating for retailers imperiously deemed ‘non-essential’ to see others still trading from open stores, but attempting to limit the operations of so-called essential shops will not relieve any of the pressure on the worst affected.

The sight of grocers and other big retailers such as Marks & Spencer having to close off floorspace showed only the contradictions of the measures in place.

It’s not just food retailers that are being targeted. Carpetright and Ryman are among those to have attracted the anger of independent retailers that argue they are selling non-essential goods. Indie retail association Bira went public with its criticism a couple of weeks ago.

Rather than throwing a spanner in the works of businesses that can trade, efforts would be better spent highlighting that shops are generally safe places as the pandemic continues. The argument for them to remain open across the board must be made all the more forcefully given the possibility, perhaps the likelihood, of an extended lockdown or more lockdowns to come.

Criticism of some retailers by others has become a characteristic of the Covid outbreak, first rearing its ugly head in arguments that the supermarket giants should not have benefited from the business rates holiday.

It was an argument riddled with inconsistencies, which may end up harming not the intended targets but all retailers. However, it is still being made.

If grocers had not had access to the rates scheme, it would not necessarily have meant a penny more for other retailers. Most importantly, though, sniping about the fact that they did, on the spurious grounds that they had ‘done alright’ through the spring lockdown, undermines the fundamental argument about the broken rates system.

That argument is based on the fact that the present system is not fit for purpose and fundamental reform is necessary – not that the system should be changed only to help out struggling businesses.

If the interests of anybody who has ‘done all right’ are excluded from the benefits of reform, doesn’t that rule out just about any retailer that makes a profit?

It’s an incoherent argument but one that the government, anxious not to lose such a rich tax bounty, could use against the whole retail industry in future, simply by repeating back points made by some retailers now.

The wasted energy of the rates argument and others happening now about essential and non-essential retail are crystallised in one word and one business: Amazon. As stores are closed in full or in part, the juggernaut hurtles on.

Amid the debate about shops, online continues to grow apace. Partly, of course, because at present there is no other option, but also because many consumers now prefer to buy online and avoid busy places as much as they can.

George MacDonald
Executive editor, Retail Week

The wasted energy of the rates argument and others happening now about essential and non-essential retail are crystallised in one word: Amazon

Just about every retailer competes online as well as in store, and surely building a profitable ecommerce business should take greater priority than spatting over restrictions on bricks-and-mortar operations.

Click and collect offers greater opportunity too during this lockdown than it did in the last, allowing more effective competition.

Such options are open to retailers big and small, publicly quoted or independent. In fact, many indies have come into their own online in the past months and weeks, rapidly adding services or creating compelling content on social media such as Instagram in order to drive trade.

One of the retail industry’s defining characteristics is the intensity of competition, red in tooth and claw. But squabbling like cats in a bag over which retailers should be allowed to do what is a waste of energy.

Now, more than ever, the industry needs to be heard on the big issues that are shaping its future. Issues such as the need for mass store closures at all, confusing official guidance and the unfair, punitive burden of business rates. And to be heard, retail must speak with one voice. **RW**

CaRe20 COVID-19

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

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

'**CaRe20** – Caring for Retail during COVID-19' is aiming to raise vital funds to provide financial, emotional, physical and vocational support to store workers, pharmaceutical staff, and those working in food distribution and the medical supply sectors who may be ineligible for government support during this health emergency.

HELP CHANGE THE LIFE OF SOMEONE WORKING IN RETAIL TODAY.

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

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

RWRC BY ASCENTIAL

retailTRUST

BRC

OPINION

Retail leadership lessons for our stop/go times

Against the sombre background of a second lockdown, how are retail chiefs motivating colleagues? **Fran Minogue** takes a look at the shining examples

There was a horrible novelty to the first lockdown. We'd never been there before and the first priority was colleague safety and then to focus on keeping operations going.

And the weather was good; we had a lovely late spring and early summer, so at least that one hour of exercise a day could be spent in the park or the garden.

It all feels so different this time around. The second lockdown has been met with weariness, resignation, cynicism and even anger, as many feel the tiered approach was working and the havoc wreaked on the economy is unjustified.

Exciting though news of a vaccine is, we still don't know if it will be the panacea we hoped for and it will come too late to save the high street from a meltdown. We've handed Christmas to Amazon on a plate.

Against such a sombre background, how are chief executives stepping up to lead and motivate colleagues through this stop/go scenario?

Dreams chief executive Mike Logue has created the Hub, an app that has been downloaded by 97% of colleagues. He uses if for updates – good news and bad – but it is accessible to everyone, to share successes and have fun, from celebrating birthdays to holding bake-offs.

He is confident Dreams will come through this even stronger and has invested in the business while some competitors have gone to the wall. Dreams acquired mattress specialist Feather & Black and will soon launch a value-led brand.

Encouraged by colleagues' suggestions on the Hub, the board has decided to award a one-off bonus to those who worked through the first lockdown while others were furloughed. While money is important, Logue says what motivates people is recognition and honesty.

He says: "Listen, respond and tell the truth – the vast majority will come with you."

Keeping staff engaged

Co-op Food chief executive Jo Whitfield is also focusing on recognition and celebration, keeping energy levels up and making sure colleagues feel included, engaged and most of all, safe.

The top team is working hard on visible leadership – getting out to stores and DCs and ramping up initiatives that connect the brand so powerfully to the communities it serves, such as food waste, child poverty and supporting the Marcus Rashford campaign.

Whitfield understands that many forced to stay at home – whether shielding or protecting elderly relatives – miss human interaction, so wellbeing and mental health are now high on the agenda and "it's OK not to be OK".

Dixons Carphone chief executive Alex Baldock is well prepared for this second enforced closure.

In a strong message of confidence, no store staff have been furloughed and colleagues use ShopLive to demonstrate product features via a web link and operate a click-and-collect service whereby customers don't even have to leave the car – purchases are simply popped into the boot.

Baldock also espouses visible leadership – going out with delivery drivers and visiting depots and stores to ensure there is no feeling of 'them and us'.

He rightly says that a sense of purpose has never been more important. Storytelling shows how technology is enriching people's lives, from installing a new cooker for an elderly lady to rush-delivering laptops to a GP surgery "are the things that have meaning for our colleagues".

Like many fashion retailers, Jo Jenkins at White Stuff is angry at the mixed messages about who can trade and why. But she's preparing the business for an online Christmas.

Her message to the team is all about customer-centricity; virtual appointments in store, free home delivery, no-quibble extended returns and even curated drop-offs for valued customers.

As a leader, Jenkins recognises that her colleagues have been on an emotional journey – fatigued by endless Zoom meetings – and she's not shied away from opening up about how the pandemic has affected her personally. The BRC chief executive's update calls and camaraderie from the industry have kept her going.

The message is clear: be visible, communicate and tell the truth – a more inclusive style of leadership will get us through this together. RW

Jo Whitfield understands many miss human interaction, so wellbeing and mental health are high on her agenda

Fran Minogue
Managing partner, Clarity

The new normal? Retail must get used to the new weird

We will never return to the ways we lived, worked or shopped before 2020, and retailers must reinvent themselves to make the next decade a new Roaring Twenties, writes **Michael Jary**

Back in March I wrote that coronavirus would bring a tipping point: a permanent change in industry structure. At the time some readers wondered whether I might be hyperbolising. It turns out I hardly knew the half of it.

Now that it's clear the crisis will continue for at least six more months, or maybe beyond next year, even a 'new normal' looks hopeful. We should get used to the new weird.

Essentially, we are seeing a redefinition of time and place. To illustrate this, try drawing three pie charts: how did you spend your waking hours last year and now, and how do you think it will be by 2022?

Split your time into six places: home, work/school, retail, eating out, leisure and travel. For the moment 'home' has grown massively and the other five have shrunk and changed beyond recognition.

The biggest change of course is work. Before lockdown, half a million people commuted into the City of London and Canary Wharf each working day: the number is now around a 10th of that. In the UK's largest cities only around 17% of workers have returned to their offices.

Every company I'm involved with is fundamentally appraising the purpose of office space. No longer will 'working from home' require explanation. 'Working from the office' will be expected only for a reason.

There are tasks that still benefit from physical meeting, such as collaboration, training, creativity and relationship-building, but those consume perhaps two or three days a week.

Our forced experiment has revealed that much of our working pattern made no sense – for productivity, for cost or for our quality of life.

As more work gets done from home, everything else follows. Online retail jumped from 19% to 34% and, although it has adjusted back a little, we've seen five years' growth in six months.

Michael Jary
Senior adviser, OC&C Strategy Consultants

And all other stay-at-home spend has accelerated: prepared meals, Netflix, live entertainment streaming, exercise and video gaming.

Meanwhile, shops and restaurants are being shuttered, performance and cultural venues are in jeopardy, transport services are being pared back, airlines are in financial distress.

These changes are tragic but they will prove, at least in part, irreversible. London hotel revenue per room has fallen by 75%. The commercial centres of major cities are being hollowed out.

Our forced experiment has revealed that much of our working pattern made no sense

Google mobility data shows footfall in retail and recreation venues in cities across the UK is down by at least 40%. Some high streets and retail parks in residential areas have benefited as spend has localised, but urban centres and malls with weakened anchors may never recover from their near-death experience.

We may wish none of this were true. We may call on the government for a plan to restore normality. But once changes have been under way this long there is no path back.

And yet, the longer-term effects are not fully clear. Part of the recent surge in home moving is pent-up demand, but some is a reappraisal of working patterns and lifestyles. Why pay city-centre housing costs when visits to the office will be much less frequent? Or, conversely, some are moving closer in to avoid public transport.

Whole industries, such as secondary education, entertainment or international travel, are facing challenges to their model. As they are reshaped, their associated retail will change, too.

For some households, Covid has been a personal crisis for health, family or livelihood. But many are using this time to reconsider their lives. They're finding that what they really need is less: less work, less travel, less business, less stuff.

The landscape is changing forever. Every business is in shock. It is natural to yearn for what is lost. But it is too late even for a vaccine to whisk us back to the past.

We are never returning to the way we were living or working or spending in 2019. We must strain to look forward. For opportunities will arise.

Whenever changing consumer behaviours coincide with new technologies, new models spring forth. The pandemic of 1918-20 was followed by the Roaring Twenties.

Not everything is yet clear, but it is time to think about reinventing, not recovering. **RW**

INTERVIEW

Pano Christou's plan to save Pret a Manger

It's been a baptism of fire for chief executive Pano Christou, from battling a pandemic and cutting 3,000 jobs to launching a CPG range, a subscription service and a new dinner menu. He tells Luke Tugby why he believes Pret a Manger will emerge stronger than ever

"There have been times over the last six months when you sit back and think to yourself: 'My God, what's going on?'"

Pret a Manger boss Pano Christou has certainly had a rollercoaster ride during his first year as a chief executive.

When he took the reins from his long-serving predecessor Clive Schlee last October, Pret was in the midst of a crisis. It was rapidly and radically changing the labelling on all of its packaging in the wake of a tragedy that cost a young girl her life after she unknowingly ate a Pret baguette containing sesame while on a British Airways flight.

By late February, another human tragedy was sweeping the world and was just starting to have an impact on the UK – the Covid-19 pandemic.

As the UK was placed into lockdown in March, Pret's previously successful playbook of 'following the skyscrapers' was being torn to shreds. The closure of non-essential shops and offices sparked an exodus of white-collar workers from city centres like London, decimating its core business.

Christou has had to act swiftly and decisively to save the food and beverage chain where he has worked since the age of 22. Since the pandemic struck, he has launched a new coffee subscription service, started selling a CPG range of Pret coffee through Amazon and dramatically cut more than 3,000 jobs.

The whirlwind year has taken its toll on the Greek Cypriot. "When you make the call to close 400 shops across a multimillion-pound business that you have been part of for 20 years, it's really difficult," says Christou, who insists there will be no further job losses at Pret.

Pret's travails inadvertently led to it becoming a poster child to get people back to work during the summer – something that caused consternation among some consumers, who claimed the public were no longer encouraged to 'Save the NHS' but to 'Save Pret' instead.

Christou insists Pret played no part in creating this narrative: "When we announced we were losing close to 3,000 jobs, it was that same day that the government came out much more vehemently saying they wanted people to get back to work.

"I did a podcast for the BBC and they said: 'Surely you've been lobbying the government to get people back to offices' and I said: 'No, we haven't.' It just happened.

"It was a surprise to see that Pret became a real bellwether really through no fault of our own. It's not our business what people do, whether they want to come back to work or not. Pret just needs to stay focused on its business and try to do what it can to adapt to the new normal."

Despite the pressure he faces right now, Christou is positive about the opportunities Pret has to adapt.

"Clearly, being a chief executive of a large company comes with its challenges, its stresses – it's a 24/7 activity. But I have so much pride in having the opportunity to oversee such a wonderful brand – that's an opportunity that many people don't have.

"As and when we get through this, we will be much stronger than we were when we came into it," he asserts..

Pret cut more than 3,000 jobs this year

Bringing Pret to the people

Cutting Christou off just as he prepares to map out his vision for Pret's future, his screen goes black – the second national lockdown in England scuppered plans to meet Retail Week at the store where a young Christou originally

Pano Christou

PRET/PARSONSMEDIA

It's not our business whether people come back to work or not. Pret just needs to do what it can to adapt to the new normal
Pano Christou, Pret a Manger

cut his teeth, on London's Carnaby Street, resigning us instead to Zoom.

"Sorry the lights just went off here," Christou laughs, waving his right arm above his head to reilluminate the sensor-controlled room at Pret's Victoria HQ.

But make no mistake about it, despite fighting fires since the pandemic struck, Christou's strategy for Pret extends way beyond a plan to simply keep the lights on.

He says it is his "dream" to transform Pret into a genuinely multichannel business – he describes its tech capabilities prior to the pandemic as "woeful" – and to broaden its reach beyond major cities and their office worker-dominated demographic.

"Clive did a fantastic job as Pret CEO for 17 years. Driving change for a business that's had a CEO for such a long time was always going to be challenging but I think Covid has given me licence to rip up the rulebook," Christou says.

"Pret's mantra was 'wherever the skyscrapers are, let's go and open close to the skyscrapers'.

"The phrase I use with my teams now is 'how do we bring Pret to the people', whether that's in supermarkets, in local high streets, in market towns, in motorway service stations? We really believe that Pret can be a truly national brand."

Dinner time

ThThis week, Pret takes the latest step on that journey, launching its new dinner proposition. The menu includes options designed to be healthier than many of its fast-food competitors such as rice bowls, curries and pizzas.

Pret has already found success delivering breakfast, lunch and hot drinks through online delivery platforms Deliveroo, Just Eat and Uber Eats during the pandemic – Christou claims data it receives from those partners puts Pret as their most popular vendor of breakfast and lunch in the country.

But has Pret bitten off more than it can chew by going after a slice of the fiercely contested dinner market?

"Trying to grow a new daypart is not easy, it takes a long time and, more often than not, it's unsuccessful," Christou admits with a wry smile, recounting Pret's previous efforts to grow into the dinner market.

In 2015, the chain started offering dinners at one of its stores on The Strand, serving up a menu that included Cobb salads, meatballs, Korean BBQ pulled pork and mac and cheese.

"It wasn't successful," Christou concedes. "The feedback we received was the food was great but people didn't really want to go to Pret for dinner – the seating, the environment, the atmosphere.

"But in today's world, where delivery is much more prevalent, we are going to do dinner virtually, it's not dinner in our stores.

"It could still be an absolute disaster, but the main driver for it not being successful last time was the atmosphere in our stores – that's a non-event when it comes to serving food through the delivery platforms.

"I'm confident that the food and the menu taste really good. Over the last few months, I've worked my way through many of our competitors' menus – one of my conclusions is that there aren't many out there offering really healthy, fat-free, hearty options in the evenings.

"We're not going to try and do a

INTERVIEW

We've had some of the supermarkets saying 'Actually, we think Pret would be quite good at this' or 'Consumers want this and there's a gap in the market'

Pano Christou, Pret a Manger

Pret launched its coffee subscription platform in September

McDonald's and do burgers and fries, we're not trying to replicate a Chinese restaurant. But with the strength of our brand, we have a licence to play and give it a go."

Fast-tracking new opportunities

No one can accuse Christou of not doing exactly that. Pret's dinner menu was initially due for launch in February 2021 but has been pulled forward three months.

The coffee subscription platform, which offers customers up to five hot drinks or frappes a day for £20 a month, grew from inception to launch in just six weeks.

Development of its retail ranges was also accelerated and have been a "huge" success on Amazon so far. Pret's CPG coffee ranges hit the shelves of 300 Waitrose stores earlier this month, it is in advanced discussions to sell on Ocado and Christou plans to partner with more supermarket retailers in 2021 – not just on its coffee ranges.

"We have some other categories up our sleeve that I'm not allowed to talk about or my food team will be upset with me," Christou grins. "But these are great products that we have been working on that provide a take on some of the categories we have within our stores.

"We've also had some of the supermarkets feeding into that saying 'actually, we think Pret would be quite good at this', or 'consumers want this and there's a gap in the market'."

Learning from stablemates

During what remains the infancy of Pret's CPG ambitions, Christou has taken inspiration from US-based Peet's Coffee, another company owned by Pret's parent JAB.

Peet's only operates stores on the West Coast of the US, predominantly in California, but has established a national presence and reputation through its retail ranges.

Being able to lean on other members of the JAB stable, which also includes the likes of Krispy Kreme, Panera Bread and Espresso House, for counsel, creativity and critique has proven invaluable for Christou during a turbulent year.

"I can have direct calls to any of the CEOs because everyone wants to work with each other's brands, everyone wants to learn from each other, everyone wants to understand if there are synergies to derive from each other's brands," he explains.

"If Pret was just a brand by itself it probably wouldn't be changing as quickly as it is. There ars amazing people not just in Pret but in the JAB brands that are changing and evolving through this pandemic."

The Pret family

But there's someone else keeping Christou on his toes – his wife, Vanessa. A former Pret employee herself, Vanessa only initially moved to London from Barcelona for six months to help improve her English but ended up "falling in love with Pret", Christou says.

She eventually became a store manager before working her way into central learning and development roles prior to her departure four years ago.

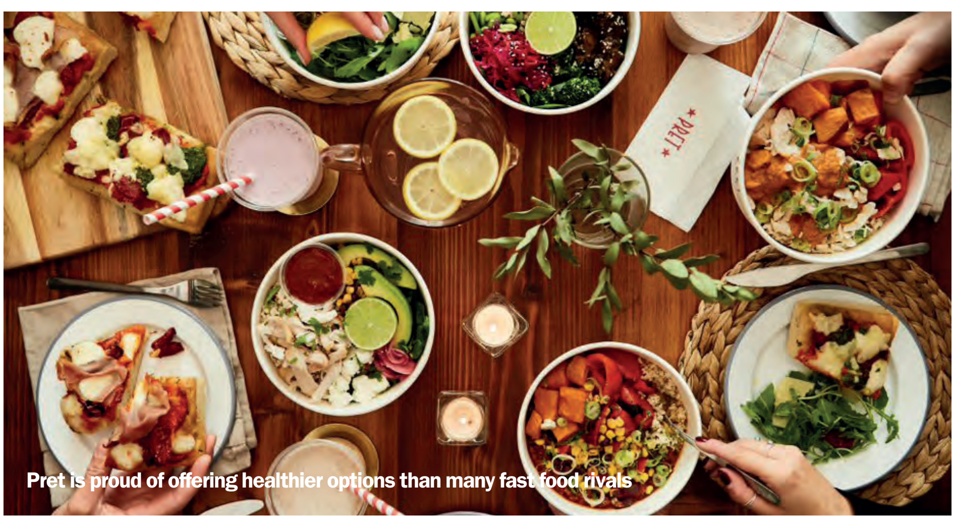
"She's definitely the biggest Pret critic in the world," Christou says. "Her heart is connected to the people. When you are making decisions about how to restructure the business, how to save costs around benefits, contracts – when you are taking those calls that impact thousands of people – they can save you a lot of money but it can be an absolute disaster if you push that too far.

"Sometimes, as a CEO operating at such pace to manage liquidity, to manage cash flow, even if you are a brand focused on people and doing the right thing, you can easily forget that when your feet are to the fire."

The words of support and advice from his wife clearly mean much to Christou. He recalls one conversation that resonates a decade on.

"About 10 years ago, she told me I could be Pret CEO. I said: 'You're absolutely crazy.' But lo and behold, it happened."

At times, you sense that even Christou himself still cannot quite believe that it did. But after a whirlwind first year at the helm, his appetite to lead Pret's transformation and emerge stronger from the pandemic appears greater than ever. RW



Pret is proud of offering healthier options than many fast food rivals

ANALYSIS

Is the five-year strategy dead?

It's difficult to know what's going to happen next week, never mind next year. In this environment, can retail leaders work to five-year plans? Grace Bowden investigates

If you were to play a game of 2020 buzzword bingo, the word 'unprecedented' would no doubt feature heavily. The retail sector has undergone an avalanche of change in just eight months, which has dealt a hammer blow to many retailers' well-laid plans.

Before the pandemic, businesses ranging from John Lewis to Boots were betting on in-store experiences and city-centre store overhauls to drive their resurgence – plans that now seem out of step with how people are shopping now.

There is currently no timeline for how long this Covid-19 will be around, how quickly a vaccine once found will be widely available and when – if ever – consumer behaviour will return to anything resembling normality.

Against this backdrop, creating a long-term strategy has fallen out of vogue with some retailers. Speaking at Ikea's full-year results last month, chief executive Jesper Brodin said: "We have speed learned-about omnichannel, online and agility this year.

"The days of long-term budgets and plans are gone. We work with scenario-planners and have a different perspective on how we develop towards the future going forward."

At at time when many retail bosses have talked about five years' worth of change happening in five months, does the five-year strategy still have relevance?

Superdry chair Peter Williams says the biggest challenge for retailers is not knowing what Covid-induced trends are here to stay.

"We have never ever lived through a time like this, and there is not a clear view of the future," he says.

"Pre-Covid, etail was increasing share, retail overall was not growing a lot, a lot of traditional high streets wouldn't survive or would need to be changed. There was a question mark over what retail parks would do, but big shopping malls were alright and there was a polarisation toward the big retail centres, urban or out of town.

"Now performance in big urban centres and out-of-town locations is difficult, but the local high street has had a bit of a resurgence. Online has had a step-change at the expense of stores.

"What is difficult is knowing how much longer this lasts. If you are planning for the next three years of your business, do you presume the current conditions will continue for one year, or more?"

ANALYSIS

The retailers creating five-year plans now

There are some retail bosses – both new to the sector and long established – who have thrown themselves behind long-term plans in these uncertain times.

Last month, John Lewis' chair Dame Sharon White unveiled her five-year vision for the business. The strategy hinges on diversifying the business offer while doubling down on areas of growth in retail.

By 2030, the partnership aims to generate 40% of profits from new areas, such as repurposed excess space – it is pushing ahead with plans to convert half of its Oxford Street flagship to office space – as well as expanding the housing it provides and extending its financial services offer.

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

Hotel Chocolat has recently created a new five-year plan that hinges on what boss Angus Thirlwell views as a further acceleration of the trends evident during the pandemic that were already in motion.

"We're probably more long-termist than the average retailer – we tend to think 10 years ahead, five years ahead and one week ahead, oscillating between those points," he says.

"It's perfectly possible to put the work in to plan five years ahead from where we are today.

Fundamentally, what has happened in consumer and retailer terms has just accelerated what would have happened anyway. From that point of view, it was more straightforward than expected to look at where we needed to focus our energy and investment."

Thirlwell says the brand is lasering in on digital through continued investment in its online systems and distribution network. The brand will also press ahead with store expansion in rapidly growing markets, such as the US and Japan, but put store openings in the UK on hold for the foreseeable future.

"The way our five-year strategy is different today is principally an acceleration of the opportunities and imperatives the pandemic has created," he says.

"We slingshotted ourselves into absolutely putting both arms and legs around digital growth and are getting a lot of momentum from that part of our business, so we'll be putting a lot of our focus and investment there.

"We are also in the fortunate position of having new markets, which are showing very good signs, and new business models like The Velvetiser [an own-brand hot-chocolate machine], which is a departure for us into selling and developing small machines. It's an accelerated and more ambitious plan."

Knowing your assumption was wrong is as important as the plan itself. What you don't want is to be complacent and not work through the consequences
Debbie Hewitt, The Restaurant Group and White Stuff

Former Co-op boss Richard Pennycook concurs: "When something as profound as Covid happens, it will trigger some fundamental changes, but in a lot of respects after the crisis human beings will revert to what they were doing before.

"We can probably speculate successfully that, in a post-Covid world, there will be less international business travel, for instance. People have become very comfortable with Zoom and Teams, so will be saying, 'why do I need to travel to LA five times a year'?

"What else? Are city centres dead? If they are going to revive themselves, how do they do that?

"The economics of city centres were driven by people coming to work five days a week. Businesses like Pret survive by being at the end of a tube line and people wanting coffee and breakfast five days a week. If people only do that two days a week, you turn the economics of Pret on its head. Figuring that out and making those judgement calls will be tough."

Strategy is more essential than ever

In the face of this level of uncertainty, abandoning a long-term strategy would be understandable. But The Restaurant Group and White Stuff chair Debbie Hewitt believes that developing such a strategy is more necessary now than ever – even if it does not end up being followed to the letter.

"When things happen that are cataclysmic it is easy to say you are being buffeted and do nothing, but even in the roughest seas you still have to adjust the sail," she says.

"A long-term strategy is important to galvanise a business. The biggest mistake is believing that for a five-year plan to be successful it has to be right.

"The value for a business lies in the board regularly thinking about scenarios, planning what is most likely, staying agile and changing with new data that tells them when an assumption was wholly wrong.

"Knowing your assumption was wrong is as important as the plan itself. What you don't want is to be complacent and not work through what the consequences are and what that means for your business going forward."

Williams agrees that having a long-term vision is important to keep your workforce motivated, but that regular strategy pivots based on the rapidly changing retail landscape will be necessary for the foreseeable future.

Boston Consulting Group partner Khaled Tawfik says that during crises such as coronavirus, a long-term plan can ensure larger investments are not forgotten in favour of short-term fixes.

"It is easy to fall into the trap of making a lot of short-term tactical decisions, which means you aren't investing in what is required for your long-term survival, which are things that will generally take longer than a year to deliver results.

"What retailers invest in tech and data now they do not get back overnight, and if you have a one-year horizon you will find things to get a faster turnaround. With how consumers are changing the retailer can't afford to miss these longer-term investments.

"There are companies that utilise crises to fundamentally create advantage. There will be some retailers that either don't have resources or bandwidth to go beyond managing status quo in terms of surviving, but there are many others that have gotten a handle on the immediate threats to their operations and are now spending focus and time on creating that advantage."

However, one industry boss told Retail Week that creating a five-year plan in the current climate was unrealistic. "It's extremely difficult to even form a 12-month strategy at the moment," he says.

"There is still so much that's unknown. Everyone is talking about the 'new normal', but the new normal is still being formed. How do you plan for that properly when the future is still so unclear?"

Building agility into your strategy

Hewitt points out that retailers do not need to plan in granular detail, particularly in today's environment when businesses do not know what's going to happen next week, let alone next year.

"The reason to bother planning is to make sure you have a north star and make proactive choices as a business. I don't think anyone says we don't bother planning because we can't guess, because inaction is a strategy in and of itself.

"I'm a great believer in understanding the strategic assumptions you are making, so that as life plays out you know to what extent to course-correct."

Tawfik agrees that a regimented five-year plan is not realistic in the current climate. He says businesses should instead look at their long-term view as a guiding set of principles, which are repeatedly stress tested and changed to ensure the board is thinking critically about whether the business is on the right course.

"The key element here is agility and adaptability. The fundamentals of where you play and how you win should be clear and not vary massively, but how you get there and the initiatives should," he says.

"You need to be constantly scanning for weak signals in your strategy based on your competitors, consumers and other markets to keep refining what you are doing. Otherwise you run the risk of building something that doesn't mean anything in five years' time."

Ann Summers boss Jacqueline Gold says having a broad strategy in place while being agile enough to divert resource and investment as needed has served the business well through the pandemic.

The lingerie and sex toy retailer developed a new three-year strategy at the start of the year after a difficult 2019.

Some elements of the retailer's strategy have changed over the course of the pandemic, such as giving increased resource to its burgeoning direct-selling division, which has tripled in size since March.

"Our party-plan business has gone through the roof and evolved from old-fashioned Tupperware-style parties to social selling and virtual parties," says Gold.

"We saw our number of sellers grow from 4,000 to 23,000 in a three-month period as women uncertain about their futures flocked to supplement family income.

"We had to step up as a business to support

The key element here is agility and adaptability. The fundamentals of where you play and how you win should be clear and not vary massively, but how you get there and the initiatives should
Khaled Tawfik, Boston Consulting Group

this trajectory – investing in our core systems, building micro-sites for ambassadors, which aligned with our brand values, and making sure sellers had access to exclusive products with regular drops."

The business has also upped its investment in customer data insight amid the online surge. But Gold stresses that other parts of the retailer's strategy, which were put in place pre-Covid, have held true and helped the brand weather the pandemic, such as its commitment to investing in the brand's reach and perception, particularly with younger shoppers.

She says: "We had a difficult year last year, so we were already on the journey of re-evaluating and making great progress, so to be hit with Covid just when you are making progress seemed like it would be soul destroying.

"But, looking back, what it meant was we looked at our strategy and what needed to change and what we needed to do quickly. Fundamentally, the strategy today is the same but priorities have changed, and having that vision in place allowed us to

bring forward key projects in line with new demands."

The Very Group has also adapted its investment priorities since the coronavirus outbreak. Chief executive Henry Birch says: "The last 12 months have had so many twists and turns, so we will be looking internally into where we are headed, and some of that has changed based on Covid.

"Had you spoken to us a year ago, we would very much be talking about a focus on our core, highly engaged customers who shop across multiple categories and use our credit offer.

"That focus is still there, but we have loads of new people shopping with us and not using our credit offer, using us a pure retailer. Frankly, happy days.

"We welcome those customers, we are making money and growing from those customers as well, so making sure we are continuing to appeal to them is a priority alongside our core customer base."

Keeping investors happy

One banking expert said that having a robust long-term strategy in place was crucial for listed retailers to secure investment.

"As a public company, you need to be talking around that language of five-year plans because you won't be able to access any liquidity without one," he says.

"Borrowing from a debt or equity perspective both work on five-year cycles, so any business that wants investment needs to have a strategy in place that runs the length of that proposed investment."

Indeed, Thirlwell says that investors have given greater scrutiny to the retailer's long-term strategy since coronavirus took hold.

"What we see from investors is a harder view on what type of businesses will be worth backing and supporting in the long term, because they are looking for those that are on the right trajectory to benefit from shifts in consumer behaviour.

"Being able to demonstrate how you are and will remain a strong brand with differentiated product is more important than ever."

By contrast, Birch says that, as a private business, the etailer's long-term vision is not under as intense a gaze from its bondholders.

"We talk to our bondholders about our strategy, but while Plc and equity-holders tend to be more interested in long-term strategy, bondholders are a little bit more focused on where cash is coming from in the next 12 months."

Having a clear strategic vision continues to be vital for securing liquidity, but retailers and investors alike appreciate that being agile and responding to the rapidly changing retail landscape is more important than doggedly following a predetermined path.

The five-year strategy is still part of the retail playbook – but making one seems to be more important than sticking to it in the current climate. RW

ANALYSIS

Betting on a sustainable post-pandemic future

Over the last few months, retailers have made pledges and launched initiatives to become more sustainable. But is in the middle of a global pandemic the right time to be making these bold claims? Rosie Shepard reports

Retailers have had many challenges to deal with during the coronavirus pandemic, but it's heartening to see that sustainability has not slipped far down the agenda.

The likes of H&M, Levi's, Tesco, Asda and even Amazon have all recently unveiled new initiatives committing to more sustainable practices in a bid to switch customer behaviours at a time when so much change is already afoot.

"Pandemic or no pandemic, customers still want to be more sustainable," says Asda chief executive Roger Burnley. But with a difficult trading environment to navigate, a balance between investment and self-preservation needs to be found.

What the consumer wants

Times may be tough, but that doesn't mean consumers have forgotten about sustainability. In fact, with more time spent indoors, many consumers have become more aware of their own consumption habits.

According to Kantar's Covid-19 Barometer, 51% of people think environmental issues remain important, while an additional 22% think they are more critical than ever.

Kantar research reveals that pollution and waste reduction are the most concerning factors for consumers, followed closely by product sustainability and local production.

However, many are at a loss for where to start or simply view a more sustainable lifestyle as one they cannot afford or achieve.

This is where retailers need to do the legwork – making it simpler, easier and, importantly, cheaper to choose to shop sustainably.

In fact, 63% of consumers believe it's up to retailers to become more sustainable on their behalf, according to a GlobalData survey carried out earlier this year.

"There's been an issue for a long time in the UK," explains former Tesco boss Dave Lewis.

"When you ask customers about environmental issues and other responsible things, they will tell you that they are important and very high up on their list, but when it comes to their actual behaviour it doesn't always follow that concern."

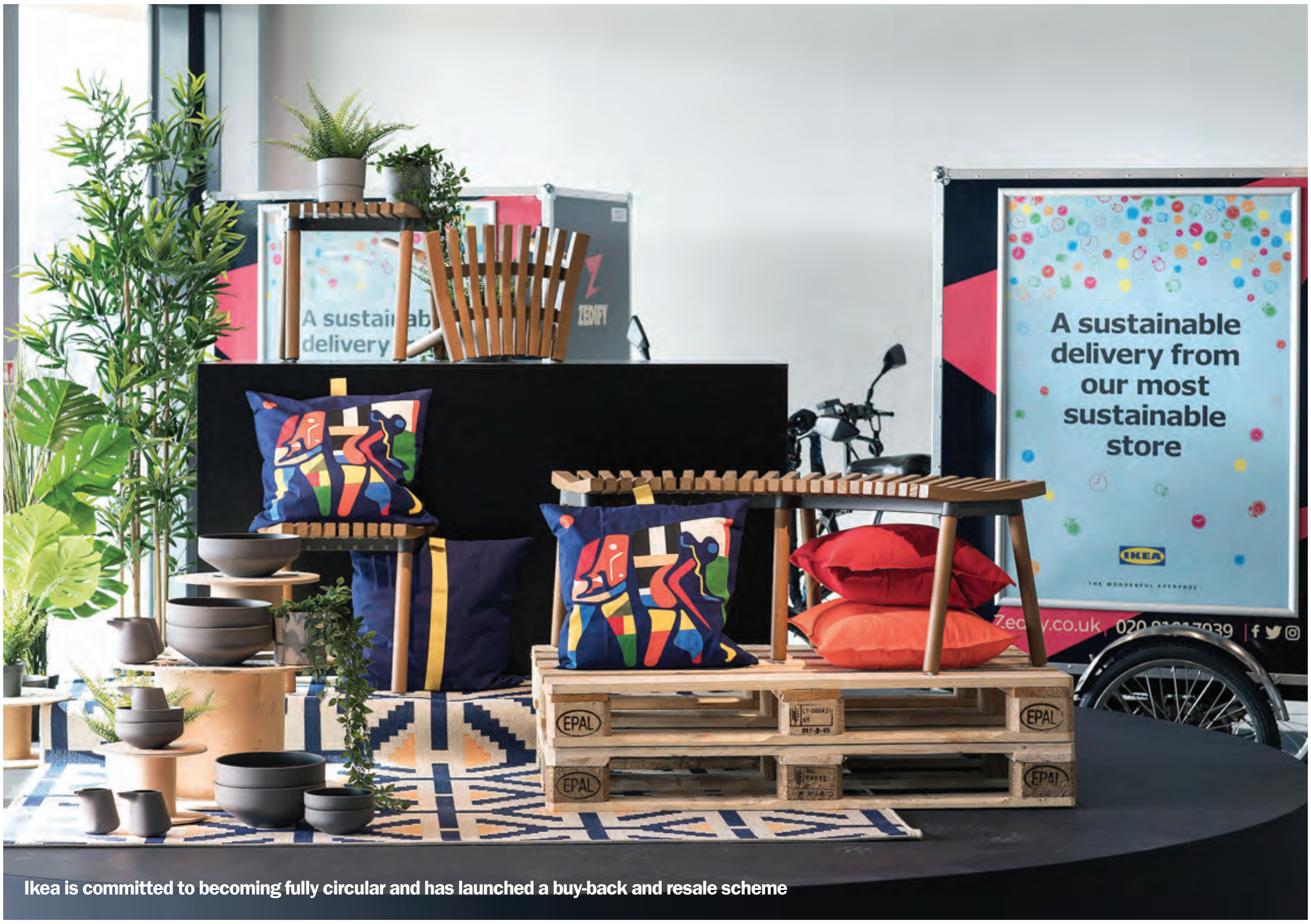
"Time, convenience, value, other things come in, so you actually see behaviour that is different from what people say. That's the dilemma for all of us."

Ikea UK country sustainability manager Hege Sæbjørnsen agrees: "There's a perception that being sustainable is a luxury as it's the expensive option, so we really want to make sure that we play an active role in the affordability of sustainability, making sure that this lifestyle becomes the mainstream, go-to choice for the many."

Asda has done just with its sustainable store, which launched in Middleton, Leeds, last month. The shop features refill stations for a variety of own-brand and branded products, such as pasta, rice, cereal, tea bags, laundry detergent, shampoo and conditioner.

Key to the initiative is the 'Greener at Asda Price' promise, which guarantees that

Tesco has partnered with food waste app Olio



Ikea is committed to becoming fully circular and has launched a buy-back and resale scheme

Do I think customers will drive past other stores to get to Asda if we can give them both great value and do the right thing? Definitely
Susan Thomas, Asda

loose products will not cost more than their packaged counterparts.

"We don't see [sustainability] as a choice; we see it as absolutely necessary to so many of our customers," says Asda senior director of sustainable commercial activity Susan Thomas.

"Right now, there's a lot on their minds, but this is why we feel the 'Greener at Asda Price' promise is exactly right for now, because they need us to make it easy. As we enter recession, price is even higher up the list of things our customers care about.

"That remains at the front of our priorities, but it's not the only thing our customers care about and it's clear that, more than ever, customers want to buy from businesses they trust to do the right thing and they want help to play their part.

Thomas thinks this will move with attract customers: "Do I think customers will drive past other stores to get to Asda if we can give them both great value and do the right thing? Definitely."

Sæbjørnsen agrees: "We see the importance of purpose and choosing the brands you feel aligned with as a consumer, so it's not just mitigating the climate risks, but also safeguarding the business for the future.

"That's where we really see our role – to be a proactive partner in finding the solutions for the people."

Ikea has launched a 'Buy Back' initiative, for example, encouraging customers to sell unwanted Ikea products back to the retailer in return for store credit.

The retailer will then recycle the returned items and sell them again through its second-hand business.

The scheme is just one element of Ikea's aim to become fully circular.

The Swedish retailer has redesigned its manufacturing principles with four circular loops in mind – reuse, refurbishment, re-manufacturing and recycling – including switching up the materials it uses.

Why now?

While demand may have grown for sustainable products from a consumer perspective, shoppers and businesses alike have been tightening their belts to deal with the impacts of the pandemic.

Retailers have had to make some tough decisions, including swathes of redundancies, over the past few months. So why should businesses choose now as the time to act, when many may be preoccupied with pure survival tactics?

However, Lewis says it's not about choosing sustainability or survival.

"We shouldn't be thinking about whether we do one or the other. How do we actually intrinsically weave into the way that we think about sourcing a sustainable, environmentally sound set of practices?

"If we in our minds think that there's a trade-off between responsible and sustainable and the ability for it to be economically sound, I think we're in a very difficult place."

Thomas says that the coronavirus pandemic is not an excuse not to act. "The pandemic has not slowed climate change.

ANALYSIS

Asda's sustainable store in Middleton, Leeds

Although, on the whole, people were not prepared for this crisis, we have no such excuse when it comes to climate change – we know its coming and I think the effects are more and more visible. It's never been clearer that change is necessary."

GlobalData retail analyst Emily Salter believes that, rather than putting businesses off taking action on sustainability, coronavirus is actually creating an impetus to act now.

"I think that's why we're getting so many initiatives announced now," she says. "Retailers have had time to react to the pandemic and are now regrouping and realising that they need to change the way they work – not only with sustainability, but also with their online capabilities.

"If a retailer is now rethinking their strategy, it makes sense to consider sustainability too, and the retailers that act first will definitely reap the benefits more."

Playing the long game

Lewis insists that doing the right thing will pay off in the end, in terms of increasing customer numbers and loyalty.

Tessa Clarke, chief executive and co-founder of food-sharing app Olio, which works with retailers including Tesco, Sainsbury's and Pret to redistribute surplus food to charities and local communities, agrees. "We have recently uncovered some data which really reinforces that implementing sustainability is not just about doing the right thing, it's about doing the profitable thing," she says.

Olio conducted a survey with 4,000 consumers following the roll-out of its Food Waste Heroes programme to Tesco's 2,700 UK stores a few weeks ago.

The research revealed that 59% were more likely to shop at the supermarket now they know it is zero waste, and 12% would definitely do so – showing that customers are willing to vote with their wallets.

Clarke also thinks retailers risk being viewed as laggards if they don't follow the sustainable path many big businesses are taking.

"In the next 12 to 24 months, we're going to see the results of retailers' two, three, four-year planning cycles actually coming out into the market – so, if you are not working on sustainability seriously right now, then you are very quickly at risk of being left behind," she says.

"We're undergoing a massive consumer mindset shift right now, and whenever a change takes place it creates new opportunities. I really believes that those organisations that recognise the new consumer mindset and really embed sustainability into their DNA will be the ones that are most profitable."

Look at Unilever, for example. The FMCG giant revealed last year that its Sustainable Living Brands grew 69% faster than the rest of the business and deliver 75% of its growth.

Superdry chief executive Julian Dunkerton believes being more sustainable will make for a more attractive opportunity for investors.

The fashion retailer, which recently launched a sustainable range including a line of vegan trainers, has ambitions to be one of the most sustainable listed fashion brands in the world.

"I think the interesting thing is going to be the relationship between share price and sustainability, and how the two will go hand in hand," says Dunkerton.

"The amount of investors who want to invest in ethical shares will outstrip the number available in my opinion. By doing the right thing, therefore, economically we'll be moving to a better place as well."

With consumers and investors both valuing ethical businesses more than ever, now could be the time for retailers to place their bets on sustainability. As we all strive to recover from the damaging effects of the pandemic, a green recovery could be the best route for businesses to take. RW

> **If a retailer is now rethinking their strategy, it makes sense to consider sustainability too, and the retailers that act first will definitely reap the benefits more**
> **Emily Salter, GlobalData**

DATA

The retailers expanding and retreating from high streets

New data compiled by the Local Data Company (LDC) charts both the toll the coronavirus crisis has taken on many UK retailers, but also highlights the categories that are proving more resilient.

Research by LDC has found that in the first half of 2020, 7,834 shops, pubs, restaurants and leisure sites (units) across the UK closed down. This was a 115% increase on store closures in the first half of 2019, which saw 3,647 closures.

In terms of openings, there was an uptick across the UK in the first half of 2020 at 23,305, up from 22,115 last year.

However, the data shows this uptick was not enough to outstrip the rate of high street closures, which increased by 5,377 compared with 2019 – a 21% increase in the total number of closures as businesses struggled to survive in the face of the Covid-19 pandemic.

LDC's head of retail and strategic partnerships Lucy Stainton said these figures were just from the first few weeks of the last lockdown and predicted they would only be "compounded" by a second national lockdown.

The final figures were likely to be much worse, Stainton pointed out, highlighting that 23% of all non-essential stores that closed in the first lockdown had remained closed, even after such stores were allowed to reopen their doors from June.

The LDC data also showed that in the first half of the year, independent high street businesses and retailers proved more resilient than the national chains.

In the first half of the year, 1,833 independent occupiers closed stores, compared with 6,001 sites previously occupied by national chains.

Stainton said: "The latest figures on the GB retail and leisure market tell the story of an immensely challenging few months for the retail and hospitality sector. While the independent market has fared much better than chains, it is still in decline and combined, these two sectors total the biggest decline seen in an H1 period since our records began.

"The independent market has fared better as these businesses have been able to be more agile, bringing in new product lines and offering food deliveries, have a smaller cost base to cover during periods of little or no trade and have been able to take advantage of government support schemes."

Top 10 growing categories

Perhaps unsurprisingly given their designation as 'essential' during the first lockdown in the spring, so exempt from closure, the biggest growing retail category in terms of new stores in the first half of the year was in food retailing.

Supermarkets and grocers opened 84 new stores in the first half of the year between them, according to the LDC data.

More broadly, LDC found that convenience stores (including food retailers and off-licences) were the only high street category to see "an improvement in net decline" compared with the same period in 2019 – with a net loss of 768 in 2020 compared to 787 the previous year.

However, as LDC notes, essential retailers "faced their fair share of challenges, with stockpiling placing pressure on supply chains and an overwhelming surge in demand for delivery services".

In terms of high street businesses more widely, the category taking the most physical space in the first half of the year was barbershops for the third year in a row.

These were followed by beauty and nail salons and then fast-food and pizza takeaways.

Occupiers dropping out of the top 20 in 2020 included pubs and bars, alternative and complementary medicine providers and mobile phone shops.

Top 10 growing categories ↑

Retail category	Units net change
Barbers	430
Beauty salons	308
Nail salons	129
Fast-food takeaway	116
Pizza takeaway	68
Coffee shops	60
Travel agents	51
Restaurants and bars	48
Supermarkets	44
Grocers	40

Top 10 declining categories ↓

Retail category	Units net change
Bookmakers	-867
Mobile phone shops	-586
Fashion	-371
Estate agents	-326
Electricals	-322
Clothes (women)	-232
Newsagents	-214
Chemists/toiletries	-207
Recruitment agencies	-206
Charity shops	-186

Top 10 declining categories

The data confirms that in the first half of 2020, the retail categories hardest hit by the lockdown measures were in fashion, footwear, books and homeware.

LDC said that retailers in these "comparison goods" categories accounted for 64% of all lost units during the period – a net loss of 4,975 stores across the UK.

This net closure figure was more than double the figure from the first half of 2019 and was the highest number of closures since at least 2014.

LDC said it "reflects the vast increase in online sales which had been rising since April 2017 but jumped in April as a result of lockdown".

Figures released by the ONS showed ecommerce sales across categories this year peaked at 33% in May, compared with a peak of 20% in August in 2019.

While high street retailers have been hit hard, the LDC data showed hospitality and leisure businesses have suffered as well, losing a net 1,263 units in the period, compared with just 354 in the first half of 2019 – a 259% increase.

In terms of all occupier categories, LDC found that betting shops had been the worst affected, followed by once-ubiquitous mobile phone shops.

In terms of all categories, fashion stores were the third worst hit and the worst of any retail category with womenswear brands, in particular, bearing the brunt of closures.

Electrical goods retailers also struggled in the first half of the year, as did chemists and charity shops.

These figures were compiled before the government's announcement that England would again be plunged into a second lockdown, with all non-essential retailers and high street businesses being forced to close for at least a month from November 5.

Stainton said the announcement would come as a "huge blow to many retailers" and would likely again have a "significant" impact on the high street.

LDC's predictions for the second half of 2020 paint a historically grim picture. By the end of the second half of this year, Stainton predicts that more than 18,000 net stores will close due to the second lockdown.

"There's no ignoring the realities that the pandemic has accelerated the velocity of changes being seen prior," Stainton said.

"The record number of closures show just how devastating this pandemic has already been and could continue to be on our industry given how quickly we've seen these closures filtering through". RW