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Retail Week

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Future of the flagship

Has Covid changed the flagship store forever? Retail Week considers its role in the retail landscape of tomorrow p18

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EDITOR'S COMMENT

George MacDonald

Maybe, just maybe, M&S has turned a corner

As Marks & Spencer prepared to issue its full-year results (this week at the time of writing), maybe the worst is behind it as it promotes the people who delivered change. The 'worst' lasted a long time – pretty much since Stuart Rose left a decade ago after rescuing M&S Philip Green. Incumbent chief executive Steve Rowe and chair Archie Norman have been engaged in a turnaround throughout their tenures – some of the numbers likely to be revealed won't look as if their task is over.

However, as M&S promoted Katie Bickerstaffe and Stuart Machin to become joint chief operating officers, the language was striking: the management changes reflected the fact that the business was "now moving on from the 'fixing the basics' phase to reinvest in the brand and restore growth".

Think about that for a moment. Even the retailers delivering soaraway success over the last year, online stars such as Boohoo, have struck notes of caution even as sales and profits have climbed.

For M&S to definitively state that the longstanding fires have been put out, and its gaze is now fixed on ensuring the changes made and those to come deliver success rather than retrenchment, is quite a shift. No retailer would say such a thing unless there was confidence in an upward trajectory. A year ago, in its annual report, Norman quoted a line attributed to Churchill: "never let a good crisis go to waste".

> **To state that the fires are out and the focus is now on delivering success is quite the shift for M&S**

The mood music of these management changes indicates that M&S bosses are confident they have achieved that. Bickerstaffe and Machin have been crucial in setting M&S' new path and modernising the business. Bickerstaffe, a former Somerfield and Dixons Carphone director, has led the launch of MS2, the retailer's digital business with licence to think and act like a pureplay.

On the food front, M&S' creation of a joint venture with Ocado is proving invaluable as online grocery sales soared during lockdowns. Machin has re-established its price authority and changed shoppers' perceptions through in-store theatre that puts food front of stage and prompts reassessment of the range to position it as a place to do a weekly shop, rather than pick up a convenience meal.

There are signs that change is being noticed. Kantar fashion data cited by broker JP Morgan, for instance, is encouraging. The most recent figures showed, in a battered apparel market, that M&S "re-took 38bps of share" year on year. That may reflect the exit of competitors such as Debenhams, but also improvements at M&S. JP Morgan described M&S' showing as a "positive surprise".

As performance ticks up and promotions are made, thoughts inevitably turn to leadership succession – is Rowe preparing to hand over? No, is the message from M&S. Bickerstaffe and Machin's promotions will allow Rowe, alongside chief financial officer Eoin Tonge, to concentrate on creating a business ready for what tomorrow might bring.

As M&S emerges from the Covid crisis, succession is understood not to be top of the board's considerations. And why would Rowe want to go? His work is unfinished.

If the changes are starting to work, he would certainly want to stay so he could say he has made M&S relevant again and future-fit. If he does that, he will take his place in the retail pantheon.

Where M&S must be careful is to stamp down on any hint of complacency that may emerge – great that it has proved agile and adaptive, but others have, too. Retailers such as Amazon, Asos and Boohoo have grown during the pandemic, and for a younger generation they are the go-to brands. M&S' journey to recovery is unfinished.

Rowe once described his task as a marathon. That prompted his peers to quip: "Can you see the Cutty Sark yet?"

Maybe, finally, he can. That would be something worth celebrating after such a punishing year for the industry. **RW**

Read Luke's articles at **Retail-Week.com/George-MacDonald** **George.MacDonald@Retail-Week.com** **@GeorgeMacD**

DEEP DIVE

Understanding your new target shoppers

Where and how will the post-pandemic consumer want to shop? **Rosie Shepard** unpacks the data

The coronavirus pandemic has taken its toll on the mindset of the nation during the past year, ultimately overhauling life as we know it – including the world of retail. Store closures, an increased digital focus and economic concerns have all changed the way we shop. Using exclusive research from Walnut, Retail Week explores the impact of the pandemic on each customer demographic and looks at where – and how – they want to shop today.

18–24: THE HEDONISTS

SPENDING POWER: 22% of 16- to 29-year-olds believe now is the best time to make big purchases and 32% plan to spend more post-pandemic, according to GfK

FINANCES: 62% have experienced the loss of some or all income since March 2020, according to PwC

CONFIDENCE LEVELS: 54% believe they will be better off financially in 2021 than they were in 2020 and 16% believe they will be worse off, according to PwC

FAVOURITE RETAILERS: Amazon, Primark, Asos, JD Sports and Ikea

On paper, it would be understandable for the youngest demographic to be the most downtrodden about their post-pandemic prospects, given the impact of the past 12 months on their finances.

Figures from the Office for National Statistics show that, in the year to March 2021, more than half of the 813,000 workers who lost their job in the past year were aged 25 and under.

PwC's Consumer Sentiment Survey conducted in January found 62% of those aged 18 to 24 had lost some or all of their income since March 2020 – the worst of any age demographic.

Despite this, PwC found consumers aged 18 to 24 are more optimistic about their financial future than any other demographic, with 54% expecting to have greater disposable income this year than in 2020.

For this age category, there seems to be a train of thought that the only way is up. Compared with a year when many young people may have hit rock-bottom financially, returned to their parents' homes or suffered from furlough and job losses, a post-pandemic future looks more positive.

Consumer psychologist Dimitrios Tsivrikos says the impact of the pandemic on younger shoppers' wallets and social lives means they will be motivated by value, socialising and a healthy dose of hedonism as the world returns to a semblance of normality.

"These are the people that place high value on euphoric products – alcohol, fast fashion and so on. They will look for quick wins to perk themselves up and feel that they are back to normal," he says.

While young shoppers will be keen to get back to normal life, cost will come first, meaning small purchases will be more likely. This flight to value is reflected in research by Walnut carried out for Retail Week, which found that, after Amazon, Primark was this age category's favourite retailer.

JD Sports and Asos also featured high on the list, with TK Maxx not far behind. Fashion is clearly high on the list of priorities for young consumers looking to spend post-pandemic.

Walnut director Cristina de Balanzo notes that, more than older demographics, younger shoppers will have been "preparing" for the end of lockdown as a chance to return to socialising and going out.

> **They will look for quick wins to perk themselves up**
> **Dimitrios Tsivrikos, psychologist**

This preparation has already been seen by retailers. PrettyLittleThing recorded a 62% increase in searches for 'going-out dresses' since the announcement of the government roadmap out of lockdown.

Asos sold 13.3 million dresses during the six months to February 28 – an average of one per second – and has also recorded an increase in product searches for going-out dresses in recent weeks.

This sense of anticipation did not die down among younger shoppers as their favourite stores reopened.

Primark reported a surge in sales of going-out clothes as its England stores reopened on April 12 – a move away from the standard lockdown categories of loungewear and activewear.

Primark parent ABF's finance director John Bason says: "Fashion is back – it's come back and not by a little. [Shoppers] see the likelihood of going out. There seems to be a broader-based expectation that things are normalising."

JD Sports also saw a spike in demand from younger shoppers, who flocked to key branches in their droves for 6am openings on April 12 to be first in line to buy the latest trainers.

Boss Peter Cowgill says in-store demand was "at the upper end of expectations". He believes this will continue as younger shoppers visit stores for a chance to socialise, both in person and on social media platforms such as TikTok, as well as spend money.

When asked if in-store shopping is a priority for JD Sports consumers, typically in their teens and 20s, Cowgill says, "I really think that it is."

"First of all, they want to get a sense of the look, touch and feel of the product, and the social engagement of the experience in store cannot be replicated."

Retailers such as Adidas, Asos and Schuh have also recognised that young consumers may be looking to shop in a less binary way.

Schuh has launched a gender-neutral store, where products are displayed based on brand rather than gender, and is adding gender-neutral search terms to its website later this year. Marketing manager Alice Cleary says: "It is critical that the Schuh experience reflects how our 16- to 24-year-old target market wants to shop. We aim to deliver easy navigation with an inclusive approach, to ensure we support the consumer's shift in cultural attitudes to fashion and shopping."

A demonstrable awareness of cultural issues will go a long way with the younger demographic and may influence who they choose to shop with.

In the future, cultural considerations, such as diversity, equality and sustainability, may become more influential in their shopping habits. In the near term, however, value and hedonism come top of the list.

HOW TO APPEAL TO THIS CUSTOMER:

- **Have offers on fun, frivolous products to get them excited about going out again**
- **Create exciting in-store experiences, which go beyond simply buying products – consider using social media engagement in physical spaces**
- **Offer convenience and value for money**
- **Consider cultural and ethical influences**

25–34: THE HOME-MAKERS

FINANCES: 56% have experienced the loss of some or all income since March 2020, according to PwC

CONFIDENCE LEVELS: 41% believe they will be better off financially in 2021 than they were in 2020 and 18% believe they will be worse off, according to PwC

FAVOURITE RETAILERS: Amazon, Primark, Ikea, B&M and Boots

Although the financial impact of the pandemic was still felt by those aged 25 to 34, overall they have suffered less of an economic hit than younger shoppers.

According to PwC's Consumer Sentiment Survey, 44% say their finances have been unaffected or that they have been able to save more during the pandemic, compared with 37% of those aged 18 to 24.

With some savings in the bank, this demographic turned to home improvement during the past year as their flats and house-shares doubled up as offices and gyms – reallocating funds that may otherwise have been spent on travel to the office or socialising.

This shift is reflected in the demographic's favourite retailers.

Homeware and general merchandise brands such as Ikea, B&M, Home Bargains and Wilko all featured in the 25- to 34-year-olds' top 10 favourite retailers, according to Walnut.

Ikea UK boss Peter Jelkeby believes the broader shift to home working will mean homeware retailers continue to be popular for this demographic.

"The home is going to play a more important role, especially from a working perspective. We need to be relevant and we need to ensure that our range is developed accordingly," he said.

Ikea has noted an uptick in purchases of items to improve the home. Searches for small desks and office chairs were up 322% and 136% respectively throughout the year.

Small purchases were also strong sellers throughout 2020 as shoppers looked to spruce up their homes during lockdowns. Candles and artificial plants both featured on Ikea's list of the five most popular products when stores reopened in June 2020.

Ikea also reported that the nation was looking to declutter and organise its homes, with storage solutions dominating bestseller lists – including a 1,407% uptick in sales of containers year on year.

The retailer has also set its sights on the urban millennial consumer – which falls directly within this age category – by opening smaller-format stores in more urban locations.

Tsivrikos says the longer-term shift to home working will have a broader impact on how this demographic spends going forward.

"If individuals are going to be working at home a lot more than they used to, then how they consume food, fitness and fashion will change," he says.

"When we stay at home we shop more for ourselves, so there will be a lot more self-serving purchases."

Asos boss Nick Beighton says this trend has been reflected in the shopping habits of its Premier Delivery members. Overall membership for its unlimited next-day delivery scheme dropped by 5% at the interim mark, with shoppers who did use the service favouring more casualwear and beauty products over occasion-led items.

Beighton says the "impulse for next-day that used to drive consumption isn't there to the same extent" for Premier shoppers, who typically comprise the upper end of Asos' 20-something customer base.

While this slowdown in next-day delivery will likely shift back, this age category may need more motivation to return to impulse shopping.

Economic concerns are also high on the list of priorities for those aged 25 to 34, according to GfK, with 18% placing "enough money to live right and pay the bills" as their biggest concern, over the pandemic itself – whereas those aged 35 and above were more concerned about the health crisis.

The home is going to play a more important role, especially from a working perspective
Peter Jelkeby, Ikea

DEEP DIVE

John Lewis is hoping to tap into this growing demographic of cash-conscious homebody consumers with the launch of its new value-led own-brand label Anyday. The range, which spans homewares, technology, baby care and baby clothing, has 20% lower prices than the department store's existing own-brand lines.

John Lewis' executive director Pippa Wicks says: "Coming out of the pandemic, we know people are going to be more careful with their money. We want to widen our appeal, and we felt our entry price points were too high."

Anyday was developed to appeal to "a slightly younger customer, in their 30s at the early-family stage, maybe somebody who only shopped online, but wants to pop into store a bit more".

PwC data shows the 'improving your home' trend is here to stay, with 56% of those surveyed across all ages saying they plan to spend more on this during the pandemic and 'when things get back to normal'.

HOW TO APPEAL TO THIS CUSTOMER:

- **Focus on home improvement and reorganising the home for multiple functions**
- **Ensure value and discounts to entice customers – small wins make them happy**
- **Open stores in urban locations**
- **Rethink loyalty schemes and membership clubs to bring back impulse shoppers**

35–44: THE SAVVY SHOPPERS

- **SPENDING POWER: 19% of 30- to 49-year-olds believe now is the best time to make big purchases and 22% plan on spending more post-pandemic, according to GfK**
- **FINANCES: 55% have experienced the loss of some or all income since March 2020, according to PwC**
- **CONFIDENCE LEVELS: 23% believe they will be better off financially in 2021 than they were in 2020 and 23% believe they will be worse off, according to PwC**
- **FAVOURITE RETAILERS: Amazon, Primark, Home Bargains, B&M and Next**

The stores will have to work twice as hard to entice them to buy something
Dimitrios Tsivrikos, psychologist

While consumers across all age groups have felt the pinch of the pandemic, Tsivrikos believes those aged 35 to 44 will have been most affected by the logistical and geographical restrictions it imposed.

Many in this demographic will have been caught at the short, sharp end of both home working and home schooling, spending much of the last 12 months juggling the impact of these disruptions on their time and finances.

More than half (55%) have suffered the loss of some or all of their income since March 2020, according to PwC, and they are split down the middle in terms of how their finances will fare post-pandemic, with 23% believing they'll be better and worse off respectively.

For this demographic of time-poor and cash-conscious shoppers, it's clear retailers that offer value for money, while allowing them to shop conveniently and across a variety of categories, are the order of the day.

Tsivrikos says this demographic is particularly adept at scouring the internet for the best deals, "so the stores will have to work twice as hard to entice [them] to buy something".

Primark has noticed this trend. While the retailer is still insistent on not selling online, it has recognised it may need to do more digitally to support its store estate and intends to invest heavily in this area in the coming year.

Finance boss Bason says that might include providing customers with an indication of product availability in stores and, for marketing, making the most of the strengths of particular platforms.

Savvy customers in this demographic may therefore be willing to make the trip to Primark's stores to purchase particular items if they know they'll be in stock in the right size, especially as value retailers reign supreme in Walnut's data relating to favourite shops.

Next, which counts shoppers in their 30s and 40s as its core demographic, recorded a 27% and 19% uplift in active online customer numbers across these age groups in the year to January 31, 2021, to 1.7 million and 1.6 million respectively.

Boss Lord Wolfson attributes this uplift to Next continuing "to increase the breadth of our offer" across fashion, design, beauty and home, with a keen focus on key growth categories including lingerie, childrenswear and sportswear, while focusing on "genuinely adding value" for its customers.

Wolfson says Next has also focused on expanding the range of products available on its third-party Label business online, as well as launching a range of in-store tie-ups with businesses ranging from Homebase to Waterstones and Laura Ashley to give busy shoppers the chance to tick off more items in a single visit.

Next has driven customer convenience as a key reason to visit its store estate in recent years. This is a trend Wolfson expects to continue now shops have reopened. He says pre-pandemic 50% of Next's online orders were collected in store while 80% of returns were processed in its shops.

Shopping more sustainably is increasingly important to this demographic, with 48% saying in a PwC survey that it factored into their Christmas shopping last year – ahead of just 29% of those aged 65 and above.

As a demographic with more disposable income than younger shoppers, who value environmental impact to a similar degree, Tsivrikos says this age group are the ones most likely to be "actually looking to change as consumers" in terms of their consumption levels and shopping habits post-pandemic.

However, he cautions price will still be a key component in driving this instinct.

This category therefore sees value for money as a key priority for post-pandemic spending, but will add sustainability into the mix for the right price.

HOW TO APPEAL TO THIS CUSTOMER:

- **Think about how to inject sustainability and environmentally friendly options into the mix – but keep in mind that value will come first**
- **Offer in-store services and added convenience such as click and collect or a broader range of categories in store to entice customers to return to physical retail**
- **Keep up with competitive pricing to lure savvy customers**

45–64: THE COMMUNITY-MINDED

- **SPENDING POWER: 13% of 50- to 64-year-olds believe now is the best time to make big purchases and 13% plan on spending more post-pandemic, according to GfK**
- **FINANCES: 46% have experienced the loss of some or all income since March 2020, according to PwC**
- **CONFIDENCE LEVELS: 21% believe they will be better off financially in 2021 than they were in 2020 and 29% believe they will be worse off, according to PwC**
- **FAVOURITE RETAILERS: Amazon, M&S, Home Bargains and Wilko**

In general, older consumers have been less affected financially by the pandemic, with more funds in savings and partners to lean on.

According to PwC, 32% of those aged 45 to 54 were unaffected financially, while 42% of those aged 55 to 64 also did not feel a financial hit.

Combined with those who also managed to save money during the pandemic, 21% and 15% respectively, more than half in these age groups have had a positive year financially.

Working from home, however, has affected how middle-aged consumers think about the shopping journey and their comfort levels in terms of returning to big retail destinations.

GfK data reveals 24% of shoppers aged between 45 and 54 say the pandemic is their biggest concern – ahead of fears around a recession and unemployment (12%) and having enough money to live (15%).

As these consumers have become used to visiting their local high streets while working from home, author of *The Participation Revolution* Neil Gibb predicts a resurgence of local shopping.

"I think middle-aged consumers will shift to local shopping," he says. "These people have been happier in lockdown in general as they've been in larger houses with gardens. Middle-aged people can buy online, but they're interested in the 20-minute shopping experience – being able to pop somewhere in 20 minutes and buy something.

"I think localisation will be a big trend and I think there's a massive opportunity there."

Retailers including Pets at Home, Homebase and Dobbies have picked up on this trend, opening smaller-format versions of their stores tailored to the local area, while John Lewis has also recognised a need for change.

Customer feedback indicated a lack of local stores was limiting the amount their core demographic was spending.

John Lewis has plans to increase its accessibility across the country – introducing more click and collect and shop-in-shops in Waitrose stores, as well as trialling smaller neighbourhood department stores later this year.

"There is an opportunity for really good high streets near people's homes, as well as destination high streets for a variety of retailers," says Wicks.

This trend is also reflected in middle-aged consumers' favourite retailers. While Amazon still holds the top spot, more high street-focused chains M&S and Wilko ranked second and third most popular for both 45- to 54- and 55- to 64-year-old shoppers.

Tsivrikos says "more mature customers [...] who still have a sizeable income" will be "looking for alternative ways to spend their money on purchases and products that will be good for their legacy, for the protection of their loved ones and for the planet".

"Pedigree and sustainability will be a key aspect of their purchasing."

Gibb echoes this view and says independent stores, for example zero-waste refill stores, are also likely to be popular for this demographic as they can both afford a more sustainable lifestyle and will be looking to prop up new ventures in their local area.

The middle-aged consumer is therefore more likely to emerge from the pandemic with a more positive purpose.

Having created an oasis in their homes, this age category will be more inclined to stay within their area, taking advantage of the 20-minute shopping journey and spending to boost their local economy.

HOW TO APPEAL TO THIS CUSTOMER:

- **Target local high streets or more rural locations through store openings or partnerships with other retailers**
- **Offer sustainable products or those with a charitable/community-focused element**
- **Understand the family orientation of this demographic – offer goods for all the family**

Localisation will be a big trend and there's a massive opportunity there

Neil Gibb, author and consultant

65 AND OVER: THE ONLINE CONVERTS

- **SPENDING POWER: 20% believe now is the best time to make big purchases and 15% plan on spending more post-pandemic, according to GfK**
- **FINANCES: 17% have experienced the loss of some or all income since March 2020, according to PwC**
- **CONFIDENCE LEVELS: 27% believe they will be better off financially in 2021 than they were in 2020 and 16% believe they will be worse off, according to PwC**
- **FAVOURITE RETAILERS: Amazon, M&S, Boots, Wilko and B&M**

Of all the age groups, those aged 65 and over have been the least impacted financially by the pandemic.

Data from PwC found that just 17% of those surveyed in this demographic had experienced any kind of financial setback. While 55% were not affected, 28% had managed to save more – the highest proportion for all age groups.

By contrast, concerns about the impact of the pandemic on their health have been the most profound for these shoppers – GfK data found 34% of those aged 55 and over ranked this as their biggest concern, the highest of any age demographic.

With many shielding and unable to meet with friends or family, they have had to get online to shop for both essential and non-essential items.

Gibb says this demographic will register "the biggest shift of any" age group post-pandemic in terms of where they spend their money.

"You've got a group of people who are far more vulnerable, who now understand and trust ecommerce, and are going to be a lot more wary of going back into city centres," he says.

"A lot more are going to continue to shop online and do things online than they would before the pandemic."

Shoppers aged 65 and over ranked M&S as their favourite retailer far more than any other demographic, with 56% placing it in their top three.

M&S is keenly aware of the need to adapt its shopping experience post-pandemic for this demographic, in order to make in-store shopping feel safe and online seamless and hassle-free.

The retailer has launched new measures such as self-service checkouts in its clothing and home departments, as well as mobile-payment options, including scan-and-shop and on-the-spot payment, to put shoppers at ease.

Its relaunched Sparks loyalty scheme has reached 9 million members since last July, while downloads of its app were up 200% in 2020.

Stores director Helen Milford says the retailer's "customers are increasingly searching for a mixture of quick and easy digital store shopping options". She says M&S is "focused on establishing a seamless experience between M&S.com and our stores, so customers can shop however and whenever they choose".

Other retailers are also adapting to this trend of older consumers becoming increasingly adept at online shopping.

Data from Waitrose shows that more older customers are shopping online than ever before. The grocer revealed in its 2020 Food & Drink report that regular online shoppers in the over-55 age group have trebled since 2019.

"Last year, less than half of over-55s (47%) did some of their food shopping online," the report read. "Now 74% do and 48% of this age group say they will shop more often for groceries online post-lockdown, compared with 40% of the general population."

Similarly, Next has recorded a 49% boost of online customers aged 60 and over in 2020, which chief executive Lord Wolfson attributes to the retailer broadening its online product range.

"The interesting thing for this is that, during the pandemic, our customer base grew fastest at both the oldest and youngest end of the spectrum, which is a testament to the breadth of the offer that we have and that we're not overly reliant on one particular age demographic," says Wolfson.

"In addition, price architectures have been stretched to serve new customer types. Whether that be the introduction of £399 price-starter sofas-in-a-box or a top-of-the-range £160 men's parka, price extensions have served to increase our brand's potential audience."

While there may be a shift in how they shop post-pandemic, this demographic has also been the most fortunate financially – they are largely unaffected by furlough and job losses, and have savings and pensions to lean back on.

Despite this, Tsivrikos believes the older generation will be more restrained in their spending post-pandemic, reserving money saved for expenses such as holidays, rather than frivolous purchases.

This outlook is reflected by GfK data, which found that just 15% of shoppers in this age bracket planned to spend more post-pandemic – making them the second most cash-conservative age group after those aged 50-64.

"Older consumers will be a lot more rational," says Tsivrikos. "There will be more stockpiling of products they actually use. The other key component is those taking a gamble on whether to plan holidays or not.

"The younger generation may not be able to afford it, but older people with families may wish to. I think we may see more alternatives, staying in the UK."

Gibb agrees: "The bounce for a lot of people is going to be to travel. There's such a desire to get away somewhere, whether Scarborough or the Seychelles."

The older demographic are therefore the wealthiest, but often the most overlooked. While the transition into normal life may take longer, retailers who focus on seamless shopping between online and offline will be able to take advantage of their extra spend.

HOW TO APPEAL TO THIS CUSTOMER:

- **Create seamless experiences, both online and offline**
- **Offer extra services that make online shopping easier, such as video consultations and product demos**
- **Ensure stores feel safe to return to**

The coronavirus pandemic has created a new world of consumers, who in some cases have dramatically different priorities from those they had before.

Retailers will need to keep up with how their target demographics wish to shop – whether that's online, offline or a combination of both – and create experiences that resonate in the new normal. RW

THE BIG INTERVIEW

Why Made is sitting comfortably

As Made.com gears up for a £1bn London float, boss Philippe Chainieux talks expansion, sustainability and reaping the benefits of 2020's shift to online. By **Rosie Shepard**

Lounging on a grey sofa in the back of his London showroom, Made.com chief executive Philippe Chainieux looks as comfortable as if it were his own living room.

The showroom, which is home to a green marble bar as well as a range of tables and comfortable seating in Made's signature velvet, is set to become the retailer's designated cafe and bar in a bid to be a "destination, rather than a store".

With Made's offices just next door, Chainieux also hopes it will be a space for the retailer's colleagues to relax and mingle after work.

He joined Made, which was founded 10 years ago, as chief operating officer in 2013. Taking on the top job in 2016, he has led the business ever since.

In its most recent results, the retailer raked in revenues of £211.8m in the year to December 31, 2019, and it has made great gains during 2020.

The London showroom on Charing Cross Road is one of seven across Europe: two in the UK, two in France, two in Germany and one in the Netherlands.

"The less we look like a store, the better," Chainieux says boldly. Its living room feel suggests his efforts have paid off.

No showrooms have any stock to sell. Instead, they act as inspiration stations where customers can discuss options with colleagues.

Notably, all seven branches feature the same front window displays, coordinated by head of showrooms Jamie Bennett to match Made's website homepage.

This exemplifies how the furniture brand is integrating online and offline; Chainieux thinks of the showroom as simply part of the shopping journey.

"As a pureplay, the showrooms are part of a touchpoint on the online journey – our consumer journey starts and ends online," he explains.

"We have a very limited number in cultural capitals in Europe – they're more a brand proposition than a retail proposition."

Digital elements are incorporated into the showroom without being overbearing. A video screen, for instance, displays content from Made's website and social media channels.

There is also an ordering station and a large display allowing customers to search a whole catalogue of products.

Once customers have created a wishlist on screen, they can then scan a QR code to populate their online basket or press a button to call a staff member over to advise.

They can also print postcards of their favourite items – I am given one of a pink velvet sofa to match my pink dress – and staff are able to put together mood boards to email to clients.

During the pandemic, when stores were permitted to reopen, the showroom began offering one-on-one appointments and demand has soared.

The 20 employees in London, along with 55 more across Europe, are all trained interior designers whose focus is to properly advise customers on their style choices, rather than sell Made's products.

> **We have been at the crossroads of two trends: the rise of ecommerce and consumers spending more disposable income on their homes**

Online demand

While Made's physical proposition is important, online is where the action happens and the pandemic has proven fruitful for growing its reach.

"It's been emotional," Chainieux says when asked about the past year, on both a business and personal level.

"Overall, I think every single digital business has seen their traffic and demand growing meaningfully, but we've been through different stages.

"Early on in the pandemic, nobody knew what the future would be, so that was quite stressful – reorganising the business, explaining to the staff what we were going to do, shutting our store operations. At the very start of it, we were jumping into the unknown.

"But we've seen one thing: the demand growing very, fast online, to a point nobody would have expected.

"We have been extremely fortunate to be at the crossroads of two trends: the rise of ecommerce and the channel shift, and the fact that consumers spent more of their disposable income on their home for obvious reasons."

Made.com is hoping to capitalise on its success during the pandemic with the launch of a London IPO, which could see the business valued at £1bn.

Like other home and DIY retailers, Made has benefited from the working-from-home trend that was part and parcel of lockdown restrictions. Demand for furniture such as desks and chairs has risen 600% year on year.

Chainieux says there has been increased demand across all categories, however, as people invest in their home as a space for comfort and conducting daily life. Made's popularity has soared beyond its target audience of young, affluent urbanites.

"I really believe that more will be spent in the home category and I'm confident it will stay for a long time," he says. "In regard to the shift online, this specific category associated with big-ticket has been historically late to transition. If you compare it to other categories, such as fashion or electronics, the pandemic has created the trigger to real acceleration.

"I think we are seeing the same kind of inflection point and this means we have seen many more first buyers at Made, coming from a broader base in terms of geography and demographic."

The showrooms are part of a touchpoint on the online journey. They're more a brand proposition than a retail proposition

THE BIG INTERVIEW

Made.com's showrooms act as 'inspiration stations' rather than stores

Target market

In keeping with its showroom locations, Made's target market is young professionals in capitals such as London, Paris, Berlin and Amsterdam. But different demographics, from a wider range of regions, began shopping with them as spend shifted online and towards the home.

"You don't have two occasions to make a good first impression, so we continue to develop our range and service," says Chainieux when asked how Made ensures new buyers stay loyal.

Made works with independent designers and has direct oversight when it comes to the production of its furniture, from concept to manufacture to delivery to the customer.

The retailer also has control over the source materials for its factories. It buys 1 million metres of its best-selling velvet per year and, with ambitions to be more sustainable, has mandated that factories buy recycled polyester velvet from specified sources.

Sustainability push

Recycled materials are just the beginning of Made's sustainability push, according to Chainieux.

This month, the retailer unveiled a partnership with reuse platform Geev. Made customers are prompted to list their unwanted homewares on the Geev app to avoid items ending up in landfill. In return, Made will make a donation amounting to 10% of the customer's new purchase to one of five designated charities.

While that tackles some issues with waste, in the longer term Chainieux hopes to follow in the footsteps of homeware competitor Ikea by introducing a buy-back scheme.

"As we have an end-to-end model, we already operate returns, meaning we have the capacity to take the products back from our customers, repair, restitch and rebox them – doing everything to avoid landfilling," he says.

"For that operation, we will step-by-step open this up for our old products to come back to us. If we can repair them, they will be sold second-hand online. If we can't repair them, we will find a way to recycle the raw materials."

In general, the home and DIY sector is behind others on the journey to become fully circular, according to Chainieux, but he is ultimately looking to set his business on that path,

We have expanded the same offering, price point and brand narrative to the same target group, and that's worked

investing in more sustainable raw materials, such as timber and cotton, as well as packaging.

Expansion plans

Looking to the future, Chainieux has set his sights on expansion across the continent.

"As a brand, we are focusing on the new generation," he says. "We have demonstrated that we can expand on our proposition in many geographies. We are already in eight countries. Continental Europe represents 50% of the total revenues and is growing faster than the UK.

"What we have done is simply expand the same offering, the same price point, the same brand narrative to the same target group, and that's worked so far."

He notes that very few companies are able to succeed in the three core European markets – UK, France and Germany – at the same time, but Made has done so with a unique proposition where all its showrooms are in sync while appealing to different nationalities and consumer types.

The online shift has also been more pronounced in Made's mainland markets because ecommerce was not as popular there pre-pandemic. That means there is plenty of opportunity.

"The future for us is to continue to grow our proposition, grow our service and grow our footprint across continental Europe," Chainieux concludes.

Made's signature style and flair has clearly resonated with many different types of consumer over the past year. With a new warehouse in the works, as well as its sustainability goals, the retailer aims to reach new heights in the years to come. RW

OPINION

Retailers must make decisions now to future-proof tomorrow

As the end of lockdown and social distancing measures loom into sight, retailers should feel optimistic, says Alvarez & Marsal's **Erin Brookes**, but tough choices still need to be made

There is significant pent-up demand, reopened hospitality venues should support footfall and the vaccine programme continues to roll out at pace. The truth is, however, that we cannot predict how long these factors will buoy the market. The long-term impacts of the pandemic are still relatively unknown and whatever the 'new normal' looks like, it will be remarkably different to 2019.

The last 12 months have polarised the retail industry, accelerating the shift to online faster and with more force than many would have expected. For businesses with a strong online presence – we typically classify this as those with more than 30% penetration – it has been a year of relative success.

On the flipside, we've seen a shakeout of weaker players with outdated ecommerce capabilities through M&A and restructuring. For those still standing, the approaching end to the furlough scheme (currently supporting over 530,000 retail employees) and the moratorium on eviction bans mean the months ahead will present fresh challenges. We expect a renewed spike in restructurings.

Location is still key

Though the market is still very much in a state of flux, retailers have difficult decisions to make now to future-proof their businesses. And a key priority must be considering what blend of physical and online is right for their brand, business and customers.

This includes a close look at store portfolios to call time on those that are no longer profitable or are in decline. Store location will be an important factor in these plans and we can expect to see a streamlining of estates, with retailers focusing on flagship or major branches in vibrant areas with the socio-economic surroundings to support them. We expect this smaller base of stores to become a key platform for retail businesses to demonstrate brand value, build loyalty and capture the imaginations of prospective customers.

Selfridges has long championed its Oxford Street store and its recent acquisition of a wedding licence shows how stores are evolving to be destinations in themselves, while beauty brand Lush has created a number of 'Naked Shops' in response to consumer concerns about plastic waste, offering refill stations and kitted out with artificial intelligence.

But while there will always be some consumer demand for physical spaces, there can be no dispute that the shift to online will not be reversed. Health and safety concerns will also linger for some time after social distancing measures end, preventing some consumers from returning to in-store shopping at scale.

As a result, successful retailers are and have been steadily adapting their customer journeys to become more digitally led – something that must continue as a priority. Some have moved towards more of a hybrid model, blending their online and physical offerings as closely as possible so one complements the other. Here, we've seen retailers give shoppers the option to order clothes online and have them delivered to a store of their choice, free of charge. This offers the convenience of online shopping without the hassle of postal returns and provides further in-store sales opportunities for retailers.

Erin Brookes
Managing director and head of retail and consumer for Europe, Alvarez & Marsal

While there will always be some consumer demand for physical spaces, the shift to online will not be reversed

Others have capitalised on the trend towards fashion subscription services, while at a much bigger scale major retailers such as John Lewis and Next are also leading the way in creating multi-brand platforms. Showcasing competitor products is hugely effective in increasing their online presence and creates a one-stop-shop for both existing and new customers, driving web traffic and sales volume.

A changed landscape

As consumer demand continues to evolve, behind the scenes retailers also need to carefully evaluate where stock is sitting across their supply chains to ensure they can respond and react effectively. There may be improvements to be made to distribution networks and retailers could consider maximising efficiency by using stores as additional warehouses, a model that is taking off in the grocery sector.

It will take a while for the market to normalise, but significant changes are afoot for retailers to ensure they are best positioned when it does.

Ultimately, the evolution of the industry is good news for the consumer, who will benefit from a better store and online experience, whatever their preference. For retailers that can keep up, there are opportunities to be had. RW

OPINION

It's time to give retail workers the protection they deserve

As the UK seeks to rebuild after the coronavirus pandemic, the government must act now to increase protections for shopworkers, who face a rising tide of abuse, says the Co-op's **Jo Whitfield**

Without doubt, there is a period of opportunity to address the challenges we face from the devastating impacts of the coronavirus pandemic.

It is clear the priority has to be on helping the UK recover. Yet, Parliament also has an opportunity to acknowledge the vital role that shopworkers have played in supporting communities, particularly the vulnerable, during the crisis. As we think about positive change to build on the learnings of the past 12 months, there is an opportunity to legislate to protect these key workers.

We all recognise that retail is a competitive industry, but we have collaborated throughout the pandemic in ways we would previously have not thought possible. While competition remains stiff, we are all united by the same wish – to care for our colleagues.

The Co-op has joined forces with other supermarkets, unions and retail associations to champion the cause of colleague safety against a rising tide of abuse against shopworkers. For too long, retail crime has been talked about as a crime with a monetary cost, but it is violence and aggression against an individual – someone's son, daughter, mother or father. We can always replace stock, but it's not as easy to repair the impact on a colleague – and the true cost is the devastating impact on retail workers' mental health.

The abuse has led to instances of post-traumatic stress disorder, as well as physical injuries that violent offences can cause – all of which is also impacting the sector's ability to retain talent. And the pandemic has seen an alarming increase in abuse, threats and actual violence towards colleagues.

Information shared from my own business shows that in the first quarter of 2021, the Co-op has been subject to almost 400 incidents where weapons have been used against shopworkers, with more than half involving sharp implements, such as a syringe, knife or a bottle. Last year, Co-op saw a 76% increase in physical attacks and a 9% increase in antisocial behaviour and verbal abuse compared with 2019. That equates to almost 120 incidents a day.

We know this is a pattern at other retailers, too. In the latest Crime Survey issued by the Association of Convenience Stores (ACS), the trade body reported that almost nine in ten (89%) of those working in local shops had experienced some kind of abuse.

Frontline retail workers should be given greater protection, enshrining in law that it is morally and socially unacceptable to abuse, or worse threaten or harm, a shopworker.

While the retail sector is competitive, we are all united in the need for action to be taken by those in Westminster.

From alcohol and cigarettes to knives and acid, the sale of more than 50 types of products is restricted. The biggest instance of attacks is when shopworkers enforce these laws by challenging the age of those buying age-restricted products or refusing to sell alcohol to customers

Jo Whitfield
Chief executive, Co-op Food

Last year, Co-op saw a 76% increase in physical attacks and a 9% increase in antisocial behaviour compared with 2019

who are drunk. Nobody should face violence at work and we have a responsibility to protect those who put themselves on the line to enforce the law.

Together, we want to secure stronger protections for shopworkers and support tougher penalties against those who assault or threaten them. Offenders should be liable to a longer prison sentence, reflecting the fact that their victim was acting in the public interest. It is a protection that already applies to many NHS and emergency workers.

The majority of the British public feel the same way. The ACS research reveals that four out of five of those surveyed agree with the need for greater sentences for offenders.

I was delighted to see the Scottish Parliament pass Daniel Johnson MSP's bill, which now provides greater protection for shopworkers in Scotland. However, we must continue to press for change across the rest of the UK.

Stiffer sentencing will send out a clear message that criminal behaviour in our communities will not be tolerated by society, and importantly lets shopworkers – who have gone to amazing lengths to serve and care for communities throughout the unprecedented challenges of the pandemic – know that they are being listened to and taken seriously.

Assaults and abuse should not be part of the job. I truly hope MPs listen to their constituents and act to protect them and bring about change. RW

Stores still have a central role – it's just alongside online

Reports of the death of the store have been greatly exaggerated, says Currys chief executive **Alex Baldock**. The future of physical retail lies in a symbiotic relationship with ecommerce, with each having their part to play

Everyone knows that one effect of the pandemic will be a dramatic and enduring shift away from stores to online, right? Not quite.

Sure, more people are buying stuff online. At Currys, we've seen our online business thrive through the various lockdowns with online sales more than doubling to over £4.5bn in the past year. Twice as many of our customers, two in five, now prefer to shop online and we expect that to stick.

Nor is this changed behaviour restricted to shopping. The pandemic has opened many people's eyes to the benefits that digital can bring to their lives and they won't now let go of its reach, immediacy and convenience.

My GP intends to keep doing half her consultations on Zoom; my 86-year-old dad will keep FaceTiming his grandchildren; my son will keep half his social life on gaming platforms and half his learning has been remote.

But people are also yearning for human contact. We're social beings, after all. You see it in the joy on people's faces as they've piled back into pub gardens. And, yes, back into shops.

Three in five of our customers still prefer to shop through a mix of stores and online. Everything I see reinforces my conviction that stores still have a central role to play in the future of retail – alongside online, not supplanted by it.

Stores and online together, joined up by digital innovation, have not only sustained our performance but will continue to drive it.

Stronger together

How best to join up online and stores to be stronger together will depend on the category and the customer.

Currys sells technology, which customers often find confusing and expensive. They value advice in making the right choice of laptop, TV, washing machine or mobile phone, especially face-to-face advice from someone they

Alex Baldock
Chief executive, Currys

trust and who knows what they're talking about. That's best provided by an in-store colleague. If you put that expert in front of a customer online, through the likes of ShopLive (Currys' 24/7 live video shopping service), you're giving the best of stores to a customer online – omnichannel in action.

Live video shopping is a striking example of how online and stores can be stronger together, for everyone's benefit. The customer gets expert advice they cannot get from unassisted online competitors without leaving their sofa.

> **Everyone's a winner with omnichannel retail – this hybrid of the physical and the digital that goes with the grain of broader trends**

The colleague can keep selling, even when the store is quieter, which is good for their earning power and sustains the viability of their store. The colleague can also build skills in a way that would be out of reach if they only served customers walking in off the street.

Benjamin, a gaming specialist in Currys Stevenage, spent half his time last year helping customers shopping in other categories. But now Benjamin's spending half his time on ShopLive, with his reach expanded to customers anywhere in the country, he can spend all his time on gaming. He can give bang-on specialist advice and he is following his passion, which adds more spring to his step coming into work.

The finance director can crack a smile. Customers using ShopLive are four times more likely to buy something, spend 50% more, express double-digit higher satisfaction and are more likely to stick with us than an unassisted online customer. Plus, we've already paid for most of the costs of the ShopLive colleagues producing these extra benefits and all of the costs of the stores that serve as stage sets for the calls.

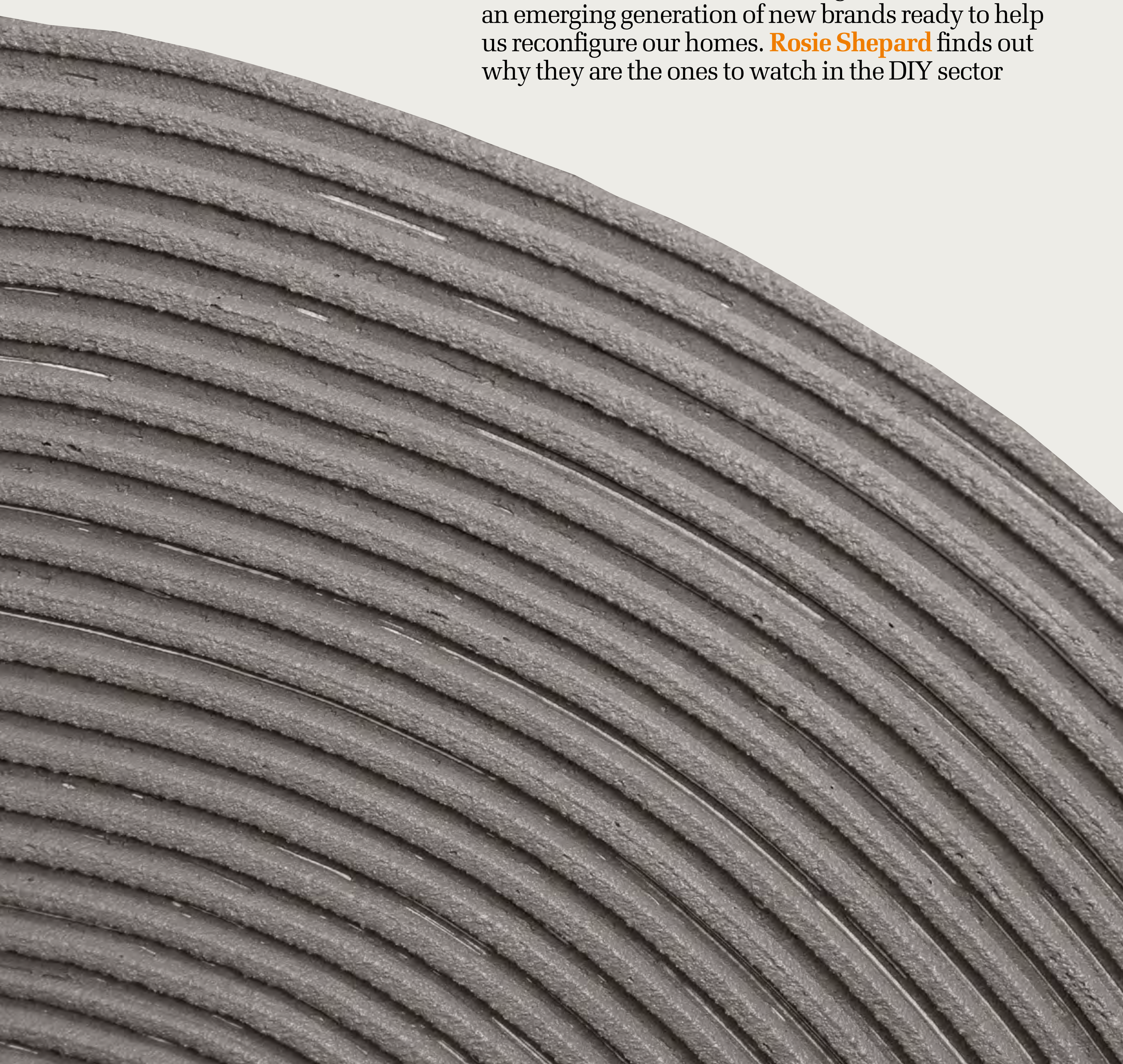
The bigger ShopLive gets, the better it gets. The more customers and colleagues on it, the more often customers are connected with the right expert, the better the service, the higher the extra sales, the less spare capacity among store colleagues and the more profitable it is. No wonder the finance director is smiling. Everyone's a winner with omnichannel retail – this hybrid of the physical and the digital that goes with the grain of broader trends.

Just as the future of shopping is hybrid, so is the future of work: we're all preparing for a mix of remote working and face-to-face collaboration. My GP will still do half her appointments in person, my dad still wants to have lunch with his grandchildren and my son has gone back to school. We like digital. But we're still human. RW

THE DISRUPTORS

Making imprints in DIY

In the past year, with people forced to work, relax, home-school and exercise all under one roof, home improvement is a hot topic. While the likes of B&Q and Homebase are often still the go-to stores, there's an emerging generation of new brands ready to help us reconfigure our homes. **Rosie Shepard** finds out why they are the ones to watch in the DIY sector



Chasing Paper

Founded in the US in 2013, direct-to-consumer wallpaper brand Chasing Paper's mission is to "create innovative wallcoverings for the modern home".

Initially launching with a range of peel-and-stick fabric wallpapers, the etailer has expanded its offering to include art prints and, most recently, peel-and-stick floorings. Such products are perfect for renters or homeowners who like to change their decor more often.

Chasing Paper has developed its range to work with emerging artists and designers, meaning all its prints are one-of-a-kind and printed to order, eliminating waste.

Although the business began in the US, it delivers worldwide and also has a VIP section for trade partners, who can receive deals and discounts on bulk orders and sneak previews of new collections. It has also launched ranges with third-party retailers including Farfetch and Bloomingdales.

As the home improvement sector flourished during lockdown, the business recorded a year of growth, with momentum continuing into 2021. Co-founder Elizabeth Rees says that there has been "very steady, organic growth year on year, growing by double digits each year".

Rees is now looking to grow the business "beyond the wall", adding more SKUs in flooring after being "blown away by the response" to its move into that category.

She adds: "We have lots of plans for this year and beyond. A big priority this year was to be more thoughtful about showing diversity in our content creation and representation in our collaborations. While this is something that does not happen overnight, it is something that we are working towards and we are really excited about what's to come."

YouGarden

Online and catalogue gardening specialist YouGarden is currently mulling a London IPO after a stellar year of sales.

The business, which sells plants and garden furniture, is considering a listing on the London Stock Exchange that could value the business at as much as £200mn.

YouGarden founder and managing director Peter McDermott created the business a decade ago with seed funding from current owner Kester Capital, which backed a management buyout in 2019.

While traditional rivals like B&Q have been grappling with how to safely transport plants and flowers without damaging them, YouGarden has established a system to transport such products nursery-fresh – it even watches the weather forecast.

Its growth and potential listing will have registered on the radars of the likes of B&Q and Homebase, both of whom have benefited from surging sales in the garden category during national lockdowns.

YouGarden's sales are currently modest by comparison – it reached a record £30m turnover in 2020 as spending switched online. The business also offers a guarantee whereby if a plant fails to thrive it will be replaced free of charge.

THE DISRUPTORS

Coat Paint

Coat Paint was created by friends "the two Robs" – Rob Abrahams and Rob Green – in June 2020, having spotted an opportunity to improve the "seriously flawed" customer experience involved in buying paint.

"Multiple trips to stores, complex product and colour ranges, wasteful and expensive tester pots and tons of plastic and waste. It's time-consuming, slow and environmentally damaging – not fit for a millennial audience and their buying expectations," co-founder Abrahams suggests.

Coat Paint carries a range of 36 colours, three high-grade paint finishes and eco-friendly supplies, all delivered for free the next day. Since its inception, the business has at least doubled its revenues month-on-month, attracted 250,000 shoppers to its website and delivered more than 20,000 customer orders to date. With sustainability at the heart of the business, Coat

has created peel-and-stick colour swatches, which are 95% less wasteful than tester pots, while its supplies are sustainably made from bamboo and recycled materials.

What's more, once customers are finished with their paint job, they can either give their leftover paint back to Coat for recycling or use Coat's social media community to pass it on to fellow customers.

To further appeal to millennial shoppers, Coat launches a new limited-edition colour to its on-trend palette every month and has also created an exclusive range for Urban Outfitters.

Abrahams says: "Because we sit in the premium space, we're attractive to interior design professionals, so we plan to continue to deliver the high-quality products and on-trend colours they want.

"We'll grow internationally, too, and continue to launch brand partnerships with relevant companies where there's mutual benefit, like Urban Outfitters.

Leroy Merlin

It might be a long-established business – its 100th birthday is now only a couple of years away – but DIY giant Leroy Merlin is not resting on its laurels. The French group, which operates stores across Europe, Asia, South America and Africa, is launching new innovations, including DIY classes and tool rental, to prevent customers from seeking such services elsewhere.

"We hold DIY workshops to educate and empower our customers in the exciting field of DIY, creating a community of like-minded individuals with Leroy Merlin at the heart," chief executive Cédric Sennepin says.

Its customers in South Africa can book classes online, including 'How to make a bench' and 'How to fix a roof leak', for between £5 and £10 depending on the tools required.

Leroy Merlin has also partnered with local small businesses to provide a tool rental service for big tools, such as circular saws or tile cutters, which may only be needed for one job.

"This is convenient for customers who may only need to hire a tool for a short-term project. Our aim is to offer our clients a full solution, and we won't let a lack of tools keep them from being a DIY enthusiast," Sennepin says.

With price as a consideration when taking on bigger projects, tool rental makes sense for new DIYers who may not be ready to take the plunge and purchase expensive products themselves. It is a trend that could disrupt the established DIY order significantly if such retailers opt not to follow in the footsteps of Leroy Merlin and start offering such services themselves.

Ren Studios

Ikea's iconic and affordable designs are found in houses all over the world, but what if you could customise those to your taste? Ren Studios is an Australian company that allows consumers to do just that.

Launched in 2019 by two interior designers, the Brisbane-based company recognised a gap in the market between custom joinery and simple flatpack furniture.

"We love the functionality of Ikea's joinery products, but were after a completely different aesthetic than was on offer," co-founder Sarah de Bruyn explains.

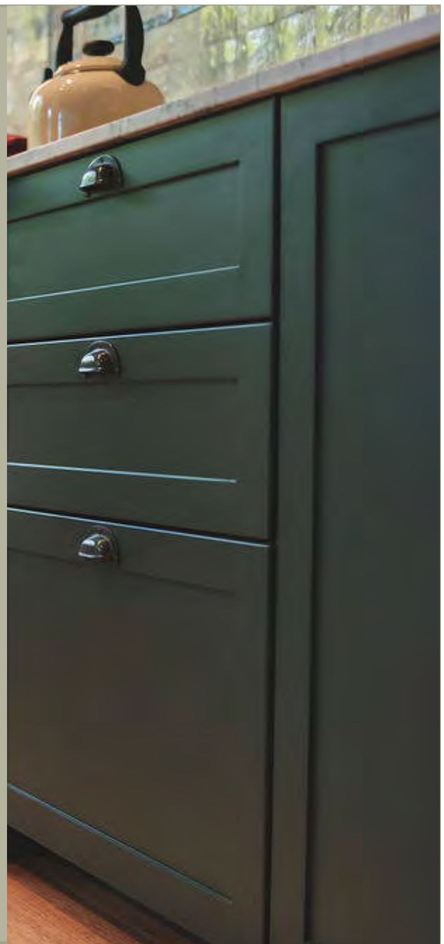
"We are the bridge between those options giving renovators with mid-range budgets a lot more choice than has been available to them."

The ecommerce business uses Ikea base cabinets, but stocks its own collection of doors, drawer fronts, cover panels, shelving and handles to create unique pieces at a lower price than other bespoke furniture.

Customers are advised to design their kitchen, wardrobe or living room unit using Ikea's software and then find corresponding doors, drawers and panels on Ren Studios' site that match up with the Ikea bases.

The products can then be ordered, with a lead time of six weeks, and assembled using Ikea's nuts and bolts.

Ren Studios is one of a number of companies in this space seeking to innovate the ubiquitous designs of Ikea furniture – others include selections of graphic stickers, cushion and sofa covers in unique fabrics, and table pegs and legs to bring a more personal touch to Ikea's ranges.



Need Help

French business Need Help was founded in 2014, but is set to make its UK debut imminently following its acquisition by DIY giant Kingfisher in 2020.

Need Help is a services directory that helps customers find the right person to complete their home improvement job – be it plumbing, painting or plastering. But founder and chief executive Guillaume de Kergariou has plans to expand beyond that and become an online services marketplace for DIY retailers globally.

Need Help is currently featured in more than 1,000 home and DIY stores across Europe across six countries, and de Kergariou hopes the business can grow further with the boost from Kingfisher.

Rather than just acting as a directory, Need Help focuses on specialist skills and ensuring a premium service.

"We offer an end-to-end platform to manage bookings, payments and disputes, with vetted tradespeople and skilled experts so customers are sure of results," de Kergariou explains.

"We check everything from a jobber's ID, insurance, VAT number, their skills, response times and ratings. Only the best can work on the platform."

Although Need Help is an online marketplace, it relies on retailers' brand awareness, customer base and footfall to drive traffic to its site. Kingfisher's acquisition of the company will help it build on its success in France – it will be rolled out across B&Q and Screwfix stores and online in the UK this year. Despite being part of the Kingfisher stable, it will continue to operate as an independent company, meaning opportunities to extend its business into the rest of the home improvement sector, both in the UK and abroad, are likely to be explored.

ANALYSIS

The purpose of the flagship in a post-Covid world

Has the flagship store changed for good? **Luke Tugby** considers its role in the retail landscape of tomorrow

Selfridges on Oxford Street. Galeries Lafayette on the Champs-Élysées. Nike's House of Innovation on Fifth Avenue. Iconic flagship stores on all four corners of the globe have for decades held a magnetic appeal, showcasing the world's biggest brands at their brilliant best and wooing domestic and tourist spend alike.

Yet, after a year in which the coronavirus pandemic has sparked a boom in online shopping, slashed footfall to prime city-centre destinations and given a new lease of life to smaller regional locations, the necessity, purpose and viability of such flagships has perhaps never faced such existential questions.

While Eataly, Nespresso and Swarovski are opening flagships across Europe, the likes of Marks & Spencer, House of Fraser and Habitat are closing and downsizing London stores.

But what is the right approach for retailers in a post-Covid world? Where will the flagships of the future be located and how will they remain relevant to the modern consumer?

"Post-Covid, flagships are more important to us than ever," insists Frasers Group head of elevation Michael Murray.

Mike Ashley's Frasers Group has invested millions in a 60,000 sq ft site in Wolverhampton's Mander Centre – housing its Frasers, Flannels and Sports Direct fascias – and a new Cruise flagship in Glasgow, which both opened once restrictions on 'non-essential' retail were lifted.

Murray suggests Frasers will continue to invest in less glamorous regional locations such as Wolverhampton in order to give shoppers "access to aspirational brands", like Ralph Lauren, Calvin Klein and Hugo Boss, while providing those brands with "a platform in areas they are unlikely to open a standalone store".

Although there is logic in that strategy, CBRE's Graham Barr says Frasers' approach, seeking out locations where it can establish itself as "the only player" in a particular market, "flies in the face of what a lot of other people do with flagship retail". Barr believes, even post-Covid, that the majority of retailers will still look to key cities such as London, Manchester and Birmingham to open flagship sites as they bank on the eventual return of commuters and tourists.

> **Post-Covid, flagships are more important to us than ever**
> **Michael Murray, Frasers Group**

"There are retailers that wouldn't have opened stores outside the top 50 markets in the UK – and I still don't think they will post-Covid," he says. "I think it will just polarise the way that, in the world of flagship retail, you have very strong and possibly larger stores than you did previously in the very best markets."

Key cities

Rapha is among the businesses maintaining its focus on key cities. The cycling clothing and accessories brand almost doubled the size of its Rapha Clubhouse in London's Soho last month.

Chief executive Simon Mottram insists that England's capital, and other major cities, will bounce back in the coming years despite the battering footfall has taken during the pandemic.

"The current climate isn't going to last forever," he insists. "It may be like this for two years, but our horizon is five to 10 years. We're not doing this for a two-year business plan; this is a commitment for the future. I am really confident that the West End will come back."

The list of businesses like Rapha that are seeking bricks and mortar in prime locations

could even be longer than it was prior to Covid. The boss of one Asian department store chain suggests that mid-market or value businesses that were priced out of key cities or shopping centres pre-pandemic – or kept at arm's length by landlords eager to attract higher-end tenants – could spot chances to spread their wings.

"Some malls that might have turned their noses up at a mid-market player like us in the past will be more accessible because of the economic necessity and the reality check Covid has given those landlords," he argues.

He suggests there could be a "12-month window of opportunity" in which landlords across the globe "will be more willing to play ball" with retailers to fill vacant units.

"Previously, 'flagship' meant the best corner of town, the most strategic location, the most elite location. Now it just means the most comprehensive offer that you can have, at an affordable cost, in relatively good company."

Previously 'flagship' meant the most elite location. Now it just means the most comprehensive offer
Chief executive of Asian department store chain

Beyond transactions

But what does a "comprehensive offer" mean in a post-pandemic world? Will the appetite for in-store experiences remain or will convenience become the order of the day as shoppers seek to get in and out quickly and safely?

Rapha's Mottram insists that flagship retail must dial up the attention given to elements above and beyond the transactional. The brand's new Soho flagship, for instance, offers a wider product range, personal shopping, a larger cafe area and experiential spaces.

"Our proposition is pretty different from that of a traditional retailer. Our retail concept has always been a combination of hospitality through food and beverage, storytelling through events and retail," Mottram says. "The future of retail lies in giving people places they want to go to spend time, not just to pick up product."

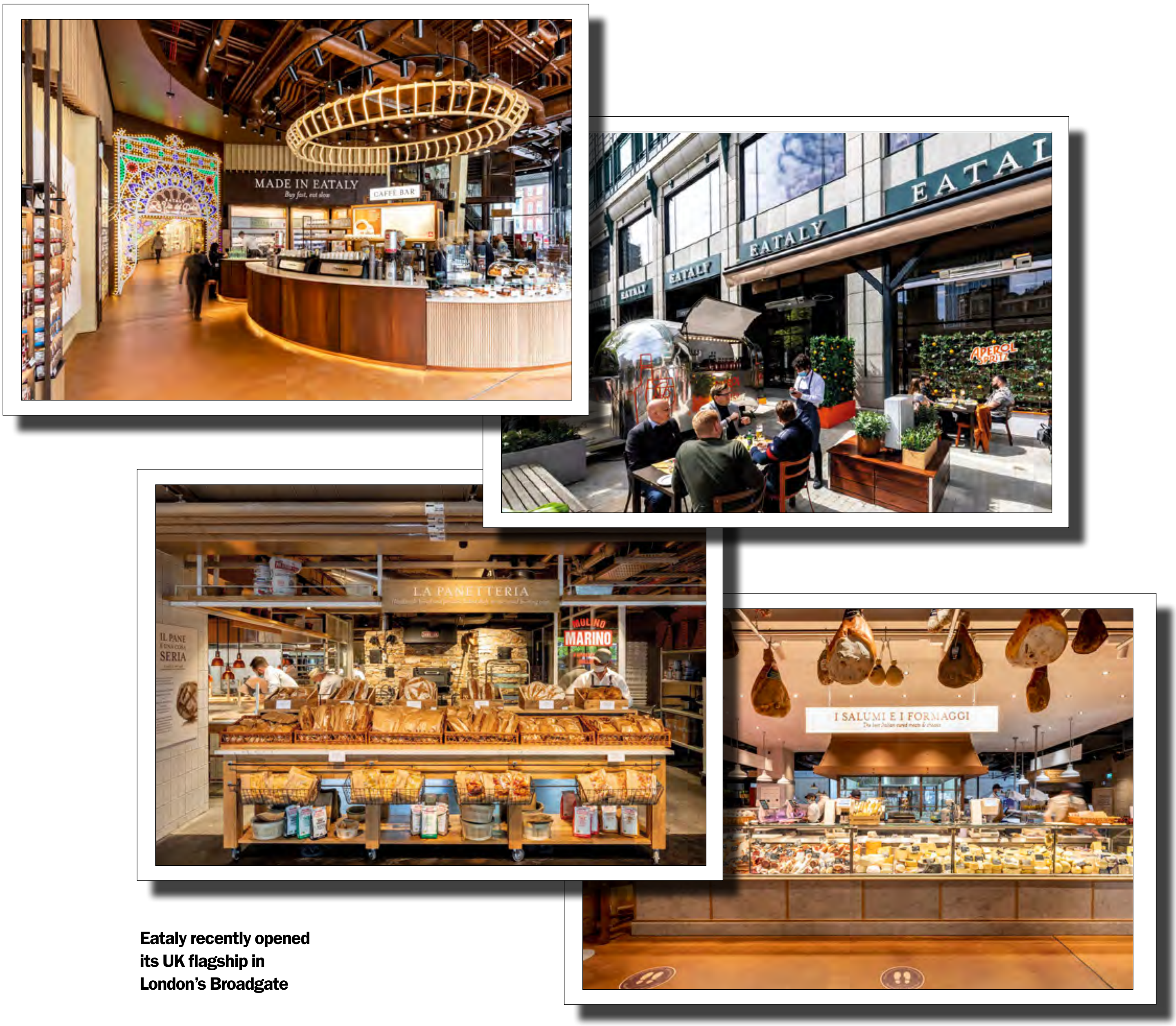
Mottram says that, because 80% of Rapha's sales are made online, its stores "have to offer something that is really experiential and adds value to the customer".

Frasers is also investing in experiences. Murray suggests those elements of a retailer's proposition will become even more crucial post-pandemic if businesses are to lure shoppers off their digital devices.

"In the flagship stores, we're focusing on the experiential aspect of retail to produce a shopping destination incomparable to anything online," he says.

"For example, in Sports Direct flagships we'll have personalisation on football boots

ANALYSIS



Eataly recently opened its UK flagship in London's Broadgate

and shirts and esports gaming arenas. The Flannels flagships will open with beauty bars for brands to take over with masterclasses that customers can watch or take part in."

Simon Morris, managing partner at town centre property consultancy GCW, echoes the view that flagship stores will have to offer "something more to keep people coming back".

He says such shops must act as "the hero of the brand – creating interest, increasing dwell time and making people excited and buzzing" about going shopping again.

Morris points to the success of Nike and Adidas as examples of what can be achieved by offering services such as 3D printing, product personalisation and trainer cleaning.

Similarly, Lush's revamped store on Oxford Street, which opened at the start of this month, features its first ever vegan coffee shop, an in-store florist and four Lush Spa rooms.

However, Gensler strategy director Lara Marrero cautions that retailers must carefully balance such experiences with convenience in flagship locations. She says the dual strategies of "attract and defence" – defending the loyalty of existing customers, while educating new ones – must play out in harmony.

"Just because a customer is out shopping, it doesn't mean they want the razzle-dazzle experience the whole time," Marrero says. "Pre-pandemic, 49% of the time people were out shopping in convenience mode, yet spaces are often designed for experience. So, for those shoppers, it makes buying things more difficult.

"You need to think about the layout and forge a pathway so people can get in and out quickly. Your visual merchandising then attracts people at the right point in that journey so they can stop and interact if they want to, but if they are in 'chore' mode, they can get in and out quickly."

[Flagships must act as] the hero of the brand – creating interest, increasing dwell time and making people excited
Simon Morris, GCW

Rapha's new-look Soho flagship offers a wider product range, as well as a personal shopping service and experiential spaces

The key for Marrero comes in a localised approach and carefully considering how retailers can best connect to a given catchment.

Nike, for example, has launched very different flagships in major cities across the globe, with its propositions varying to meet the needs, wants and cultural interests of the local shopper. In New York it focused on personal shopping and product customisation. In Shanghai it highlighted technology and innovation. And in Paris it brought its sustainability credentials firmly to the fore.

"Each of these locations have to be different," Marrero warns. "You have to develop your stores based on the story you want to tell, and that will change depending on your location.

"Brands have to have that flexibility to meet the needs of their customer based on where that customer is. That's a big shift a lot of retailers will have to make."

Return on flagship investment

Another major mindset shift will have to come, too, in the way that retailers assess the return on their flagship investment.

If flagship stores can no longer afford to focus primarily on selling products, but instead on offering experiences, driving loyalty and creating genuine customer connections, then the success of such stores cannot be judged solely on revenue.

Barr believes the vast majority of retailers still apply a "four-wall profit test" to their stores – measuring success solely on sales taken through the till – but should be looking at their flagship locations more holistically.

John Lewis, for instance, has made a raft of closures during the past 12 months because a number of its stores failed to turn a profit. However, what impact could that have on its online sales and customer loyalty in cities such as Sheffield and York?

The likes of Microsoft and Foot Locker, attribute some of the cost of running their central London flagships to their marketing budgets, owing to the way those locations interact with shoppers and drive online sales.

As GCW's Morris says: "If the be-all and end-all is to drive sales through the till, it becomes more difficult to justify a big store. A flagship has to drive so much more than that."

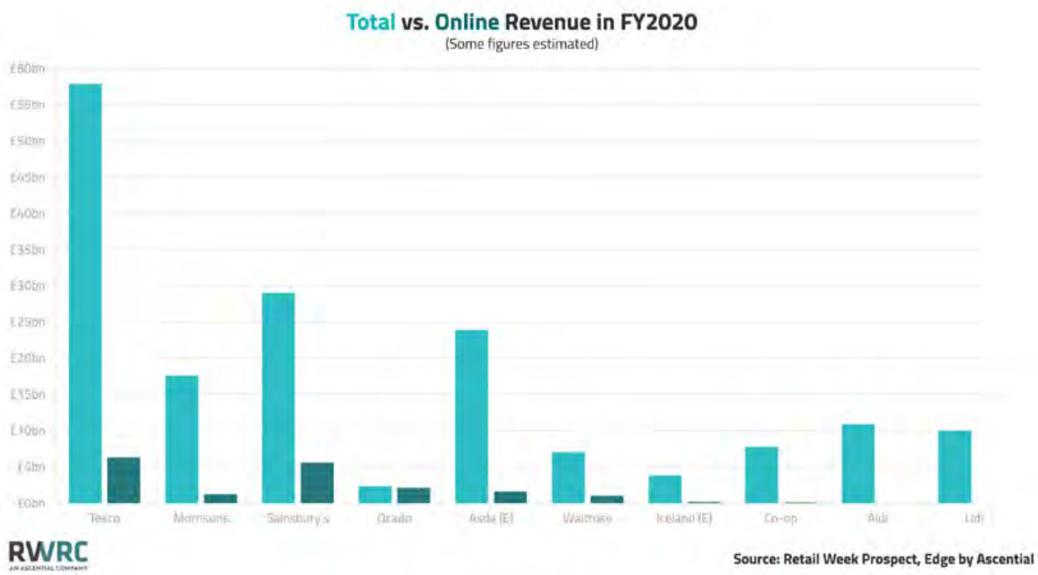
Flagship retailing remains as relevant as ever in a post-pandemic world, but it will need to evolve. Securing the right locations at the right price, striking the balance between convenience and experience, and establishing a holistic view of the value of such stores will underpin the success of flagships in the future.

For those who achieve it, the magnetic appeal of flagship stores will prove more than a match for ecommerce, even in a post-pandemic world. RW

DATA

Grocery's pandemic year: how Covid has shaped the results

Now that most supermarket chains have issued their full-year results, Retail Week crunches the numbers on a year marked by the pandemic that supercharged food retailing



Sainsbury's recent annual update completed the results from the grocers – with the exception of Asda – covering the pandemic year in food retail. The results, along with other data such as Kantar market share figures, show how the pandemic has fundamentally changed the sector.

While grocers have delivered record sales over the year, the crisis has not affected them all equally and leaves them in different shapes strategically, ahead of a year of tough comparables and greater competition for customer spend as restrictions unwind.

The bottom line

The data shows that, over this past year, all of the grocers generated increased sales – but the same cannot be said for profits. Kantar found that over the year to March 2021 customers spent an extra £15.2bn on groceries than in the comparable period before the pandemic.

Tesco and Morrisons delivered the largest increases among the big four's overall sales, both up 8.6%. Sainsbury's generated a 7.8% uplift in grocery for the period. The Co-op's food business reported an eighth straight year of growth as revenues rose 3.5% to £7.8bn Aldi reported an 8.3% sales growth to £12.3bn and Ocado's revenues surged 35% year on year to £2.2bn.

Despite record sales surges, underlying profitability was broadly hampered by Covid costs: Tesco's pre-tax profits slipped 20% to £825m, Morrisons' were sliced in half to £201m, and Sainsbury's slipped a whopping 39% to £356m.

Even those that increased underlying profits for the period, such as the Co-op, reported only "modest" gains once all costs had been factored in.

Only discounter Aldi reported relatively unfettered profit growth for the year, with pre-tax profits up 49% to £271.5m to December 31, 2020.

Covid-related costs spurred from implementing social distancing measures, acquiring PPE for staff, covering staff absences, hiring temporary staff and growing online availability during the period.

However, controversy erupted over government support measures unveiled at the beginning of the crisis, particularly those affecting business rates relief and furloughing staff.

In December, Tesco announced that it would be returning more than £525m in business rates relief. The other big four supermarkets and discounters followed suit.

However, Co-op revealed it was keeping £66.5m received in business rates relief, despite having kept stores open throughout. Waitrose owner John Lewis Partnership and Iceland have also refused to return any government support. While these decisions have been met with opprobrium on newspaper business sections and even from some members of Parliament, it remains unclear whether they will feel any backlash from customers.

Market share

The most recent Kantar market share data update showed relative stability over the year.

The biggest growth was from Ocado, which increased its share 0.3 percentage points to 1.8%. Tesco had the second-largest increase, up 0.2 percentage points to 27%, and frozen food specialist Iceland was third with a 0.1 percentage point increase to 2.3%.

All other grocers' shares either remained static or fell during the period. Aldi in particular suffered as it was unable to meet the surge in online. But as the vaccination programme continues, the shift to online appears to have stalled and Aldi notched up its first market share gain since the start of the pandemic.

The Co-op finished the year static at 9%, despite a 1.2 percentage point increase in market share in April 2020 as housebound customers began shopping increasingly at local c-stores. However, in March, its market share shrank as more customers began returning to supermarkets.

The growth of online

Sainsbury's chief executive Simon Roberts says the growth in online shopping during the pandemic "represented the biggest shift in grocery in 20 years".

In February this year, in the midst of a third national lockdown, Kantar reported that online penetration hit a record 15.4%, up from 8.7% pre-pandemic. As of April, online accounted for 13.9% of total sales.

The grocers best able to meet this surging demand over the pandemic have seen online sales skyrocket.

Tesco reported 77% growth in online grocery sales to £6.3bn, while Sainsbury's reported 120% growth and Morrisons said online food sales tripled for the period.

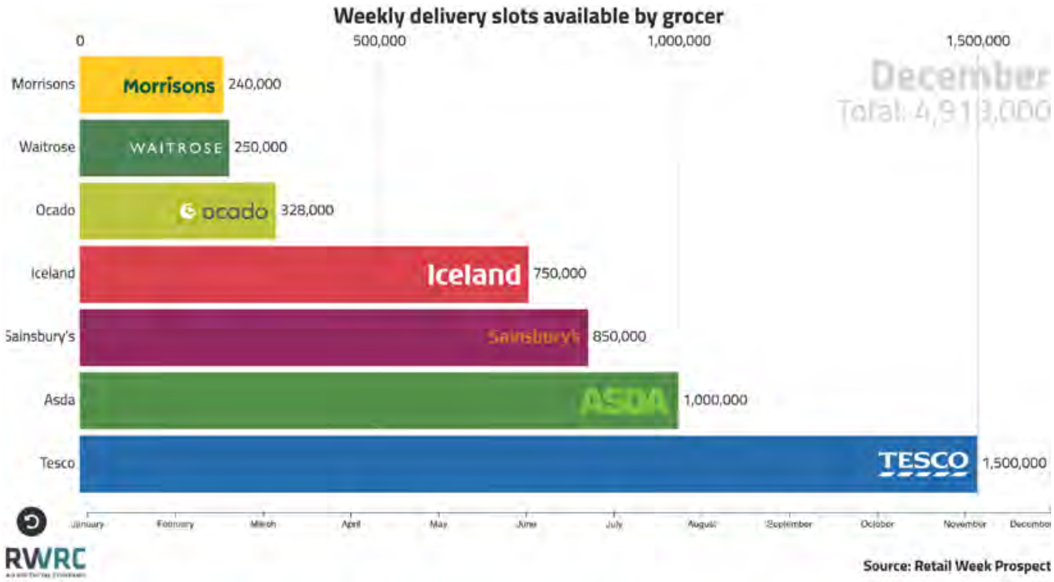
These numbers have been achieved by the big four in particular,as they ramped up delivery capacity.

Tesco now offers more than 1.5 million delivery slots a week, having more than doubled capacity since last March. Asda now has a million online slots, Sainsbury's has 850,000 and Morrisons has expanded capacity fivefold to 240,000, on top of its partnerships with Ocado and Amazon.

The big four have been able to rapidly grow capacity by predominantly bulking up their pick-at-store models. Ocado, meanwhile, with its patented automated customer fulfilment centres, struggled to add capacity.

Many grocers have now teamed up with on-demand delivery businesses such as Deliveroo and Uber Eats. This surge in demand, combined with increases in capacity, means that for the first time online is seen as a profitable channel.

Roberts says: "Profit contribution from online has grown fourfold year on year, and we've doubled the online profit margin compared to a year ago."



Looking forward

The big questions remaining are: how long-lasting is the shift to online going to be once restrictions ease and what effect is competition from sectors that have been shut, such as hospitality, going to have on grocery?

Roberts believes the pandemic has led to a "permanent shift, in the fact that more customers will shop online", despite Kantar data over the past two months showing more vaccinated customers in the over-65 age group returning to supermarkets.

"There will be some reduction in online," he says, "but even if that falls back to the low to mid-teens, it's still a big increase on pre-pandemic levels."

If that is the case, the big four are in prime position to capitalise, having built availability and acquired new customers at the expense of the discounters, which have either been late to online, like Aldi, or have not invested in it at all, like Lidl.

Although behind in the online race, the discounters can take heart from shoppers returning to stores. Both have lofty targets of opening more than 1,000 stores apiece by 2023. And, regardless of the work being done on price by the big four, the discounters will also hope to lure customers away from rivals once the effects of the anticipated recession begin to bite.

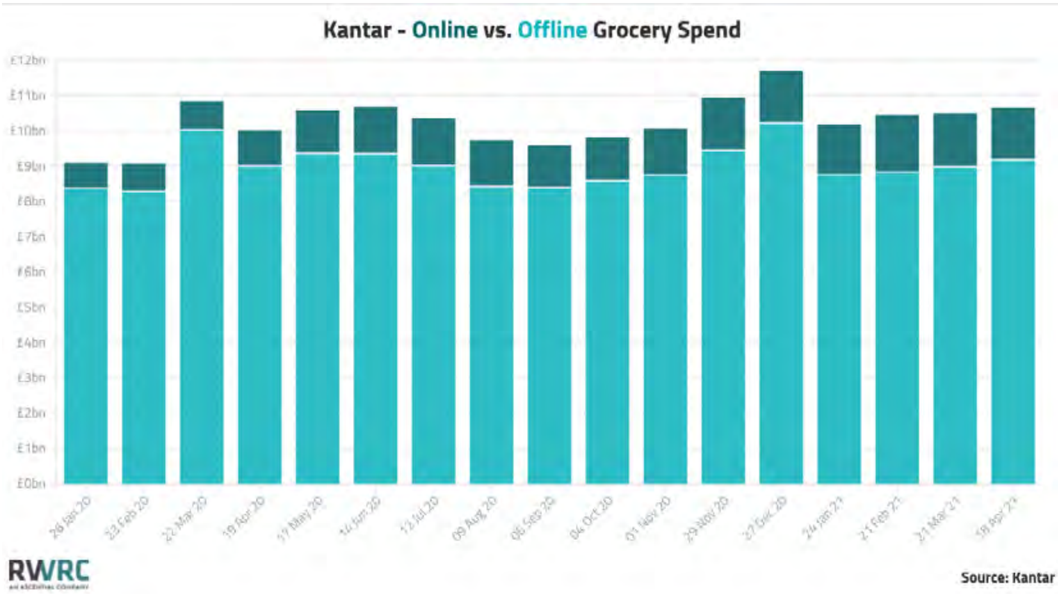
Despite being hamstrung by availability issues last year, Ocado still grew the fastest. The etailer is planning to add three new fulfilment centres by the end of the year, which will help it add customers and grow sales, and has hailed the success of its switch from Waitrose to Marks & Spencer products, with customer basket sizes increasing as a result.

The Co-op and Iceland have both added online capacity and increased store estates as an each-way bet on post-pandemic customer behaviour.

The odd one out at the moment is Waitrose, which was left scrambling for online capacity after the Ocado switch, and which may struggle in a customer flight to value amid recessionary conditions.

What is clear, from both the data and the grocers themselves, is that the overall food retail market has grown during the pandemic. The crisis caused extraordinary trading conditions which lifted nearly all grocers. As we start to return to normal, the battle will be to keep hold of gains made.

While comparables this year will be tough, as long as the grocers come out ahead of 2019, notions of winners and losers may ultimately be semantic. **RW**

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