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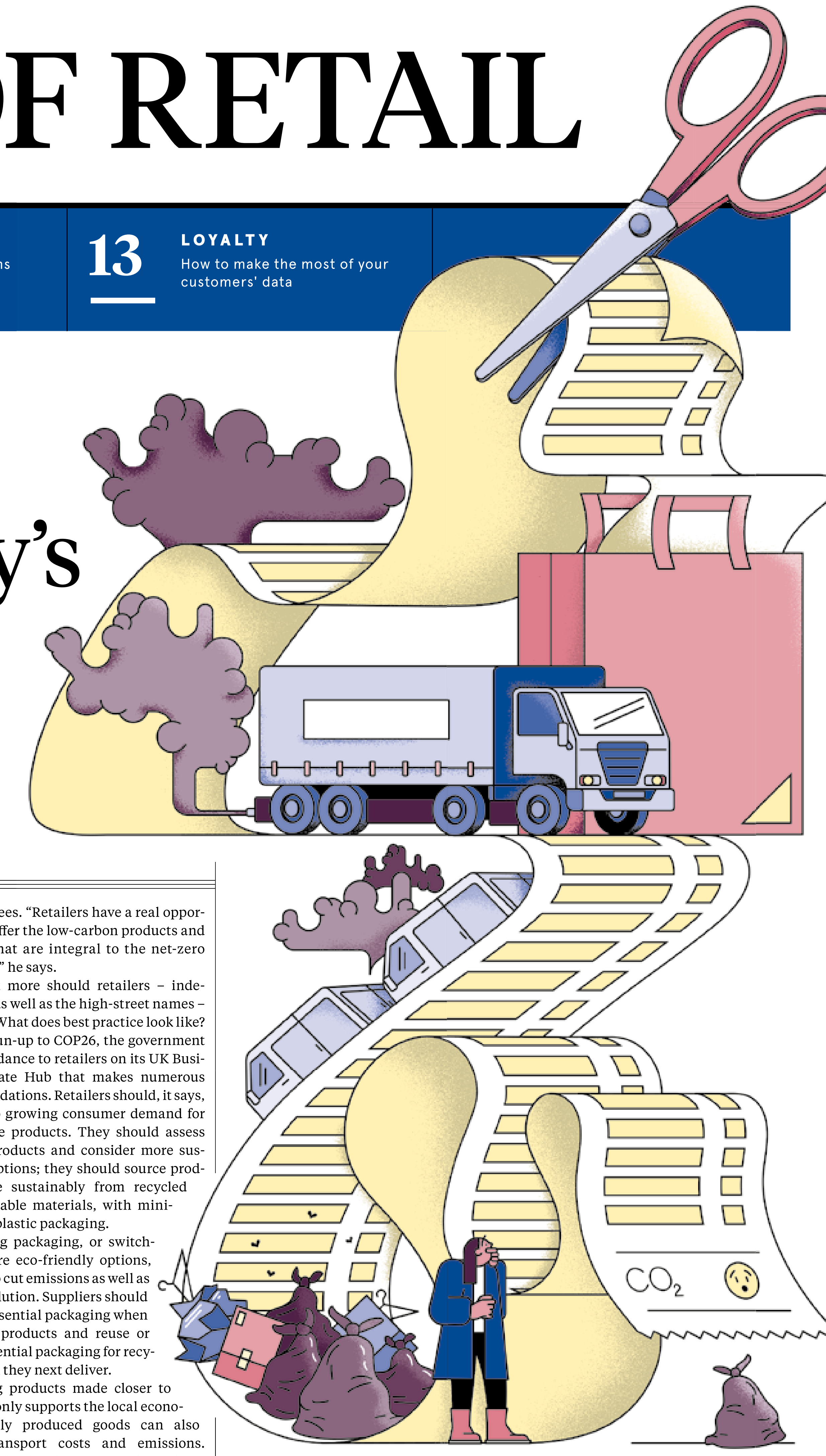
FUTURE OF RETAIL



CLIMATE CHANGE

Emission critical: the retail industry's race against time

The net-zero challenge looks particularly daunting for a sector with such a large carbon footprint. But there are ways it can make a big difference – and quickly

Peter Archer

The retail industry is among the UK's biggest contributors to global warming. The British Retail Consortium (BRC) has acknowledged that the sector's annual greenhouse gas emissions are 80% higher than those of all road traffic in the country.

The industry imposes its hefty carbon footprint throughout the value chain, from the upstream emissions of farms and factories all the way down to the energy used by customers to power their purchases.

Everyone relies on retailers to supply them with the essentials of life and more, and the sector is a huge employer and contributor to GDP. But the United Nations' COP26 climate summit last month reinforced the need, if it were not already clear, for urgent action to keep global warming to 1.5C below pre-industrial levels to stand a chance of saving humankind from the worst effects of climate change.

It's not as though the retail industry has been sitting on its hands – far from it. For instance, more than 70 leading retailers have committed themselves to following the BRC *Climate Action Roadmap*. This aims to bring the CO2 emissions of the industry and its supply chains down to net zero by 2040. The plan has three key decarbonisation milestones: stores by 2030, deliveries by 2035 and products by 2040.

In addition, the CEOs of five of the biggest supermarket chains – Waitrose, the Co-op, Marks & Spencer, Sainsbury's and Tesco – have signed up to the World Wide Fund for Nature (WWF) *Retailers' Commitment for Nature*. They are working closely with the WWF to reduce the environmental impact of their operations by half before 2030, focusing on aspects such as agricultural methods, food waste and packaging.

But more major retailers need to "come on board, so consumers can be confident that they are not inadvertently fuelling the destruction of nature or the climate crisis when they shop", says Dr Mike Barrett, the executive director of science and conservation at the WWF.

> Retailers have a real opportunity to offer the low-carbon products and services that are integral to the net-zero transition

Chris Stark, CEO of the Climate Change Committee, the independent expert group that advises the government on emissions policy, agrees. "Retailers have a real opportunity to offer the low-carbon products and services that are integral to the net-zero transition," he says.

So what more should retailers – independents as well as the high-street names – be doing? What does best practice look like?

In the run-up to COP26, the government issued guidance to retailers on its UK Business Climate Hub that makes numerous recommendations. Retailers should, it says, respond to growing consumer demand for sustainable products. They should assess existing products and consider more sustainable options; they should source products made sustainably from recycled and recyclable materials, with minimal or no plastic packaging.

Reducing packaging, or switching to more eco-friendly options, will help to cut emissions as well as plastic pollution. Suppliers should cut non-essential packaging when they ship products and reuse or collect essential packaging for recycling when they next deliver.

Stocking products made closer to home not only supports the local economy. Locally produced goods can also reduce transport costs and emissions. Retailers should think beyond products and consider how they can source locally for other items, such as shop fittings. And, crucially, stores should be powered by renewable energy.

Additionally, shop staff should ask customers before printing receipts. It's estimated that more than 11.2 billion receipts are printed in the UK annually. Most of these use thermal paper, which should not be recycled because the process would release excessive amounts of an environmentally harmful chemical called bisphenol A into the air. Till providers should enable receipts to be emailed.

The UK needs to shift away from its throwaway consumer culture and adopt a circular economy. This requires retailers and manufacturers to put more thought into designing products that are made to last, alongside redesigning retail systems to enable customers to exchange, repair and reuse goods.

The recent Ecodesign for Energy-Related Products and Energy Information Regulations 2021 require manufacturers to make spare parts for products available to consumers, aiming to extend the lifespan of goods by up to a decade. Retailers could also run swap-shops or collection points for items that are no longer wanted. Initiatives such as the John Lewis Partnership's furniture rental scheme need to become the norm, with products made to last.

Retail organisations and environmental campaign groups are united in calling for greater state assistance to help retailers reach net-zero carbon emissions as quickly as possible.

The BRC's director of food and sustainability, Andrew Opie, says: "Our roadmap is already helping the retail industry on its journey to net zero by 2040, but we need government support and cooperation."

Given that the effects of climate change are already hitting hard, 2040 is not soon enough for Friends of the Earth. The environmental pressure group's senior sustainability analyst, Clare Oxborrow, wants retailers in the UK to make an ethical and sustainable transition to net-zero emissions by 2030.

"The government needs to facilitate this by implementing the right policies and incentives to make it happen," she says. "By creating new standards to make businesses operate in line with nature's limits, including legally binding regulations to drive down carbon emissions, the government can ensure that retailers are doing all they can to meet that all-important 2030 target."

Legislation requiring all retailers to act should ensure that no business would be at a competitive disadvantage and therefore deterred from adopting a more sustainable operating model, Oxborrow argues. Retail businesses, large and small, would then be more inclined to cooperate and take concerted action.

No one is suggesting that achieving net zero in retail will be easy, but industry leaders and politicians have to be bold. The transition will be a massive operation that requires retailers, manufacturers, logistics providers, consumers and government to all work together. ●

A ROADMAP TO GREENER RETAIL

British Retail Consortium, 2021

The British Retail Consortium's Climate Action Roadmap details how UK retailers can work towards net zero throughout their supply chain

Five pathways	2020-2025	2025-2030	2030-2035	2035-2040
Placing greenhouse gas (GHG) data at the core of business decisions	• Retailer GHG measurement and public reporting • Top suppliers committed to net zero and/or science based targets	Internal carbon price adopted		
Operating efficient sites powered by renewable energy	• 100% LEDs in all new buildings • Only low-impact refrigerant gases for all new installations	Sourcing 100% renewable electricity	All sites powered by renewable energy	
Moving to low-carbon logistics	• Advanced fuel efficiency programmes for retailer fleet and drivers • Collection of GHG performance data from logistics providers	100% zero carbon light commercial vehicles	100% zero carbon heavy goods vehicles	
Sourcing sustainably	• Reporting by retailers on their progress to tackle supply chain deforestation • Support for regenerative agriculture and GHG mitigation on farms	Zero deforestation from major commodities	Circular feedstocks widely used	Net-zero agricultural production from UK farms
Helping employees and customers live low-carbon lifestyles	• Employee engagement programmes on climate • Increasing proportion of plant-based food sales	Providing product climate information to customers	Widespread retailing of circular products	Retailing of net-zero products

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Contributors

Peter Archer
Journalist, former Press Association staffer and NBC consultant.

Sophie Benson
Journalist writing on sustainable fashion and consumerism.

Simon Brooke
Journalist covering finance and the luxury sector.

Katie Byrne
Journalist covering business and careers.

Nick Easen
Award-winning writer covering tech and business.

Sam Haddad
Journalist specialising in travel.

Rich McEachran
Journalist covering the intersection of business and technology.

Sue Omar
Journalist covering fashion and finance.

Emily Seares
Award-winning editor and business journalist.

Rebecca Stewart
Trends editor at The Drum, specialising in marketing.

Megan Tatum
Award-winning journalist, covering business and tecnology.

Emma Woollacott
Experienced journalist writing on business and technology.

raconteur reports

Campaign Director
Emma Ludditt

Managing editor
Sarah Vizard

Deputy editor
Francesca Cassidy

Reports editor
Ian Deering

Sub-editors
Neil Cole
Gerrard Cowan

Head of production
Justyna O'Connell

Design and production assistant
Louis Nassé

Design
Pip Burrows
Kellie Jerrard
Colm McDermott
Samuele Motta
Nita Saroglou
Jack Woolrich
Sean Wyatt-Livesley

Illustration
Sara Gelfgren
Celina Lucey

Art director
Joanna Bird

Design director
Tim Whitlock

/raconteur.net
@raconteur
@raconteur_london

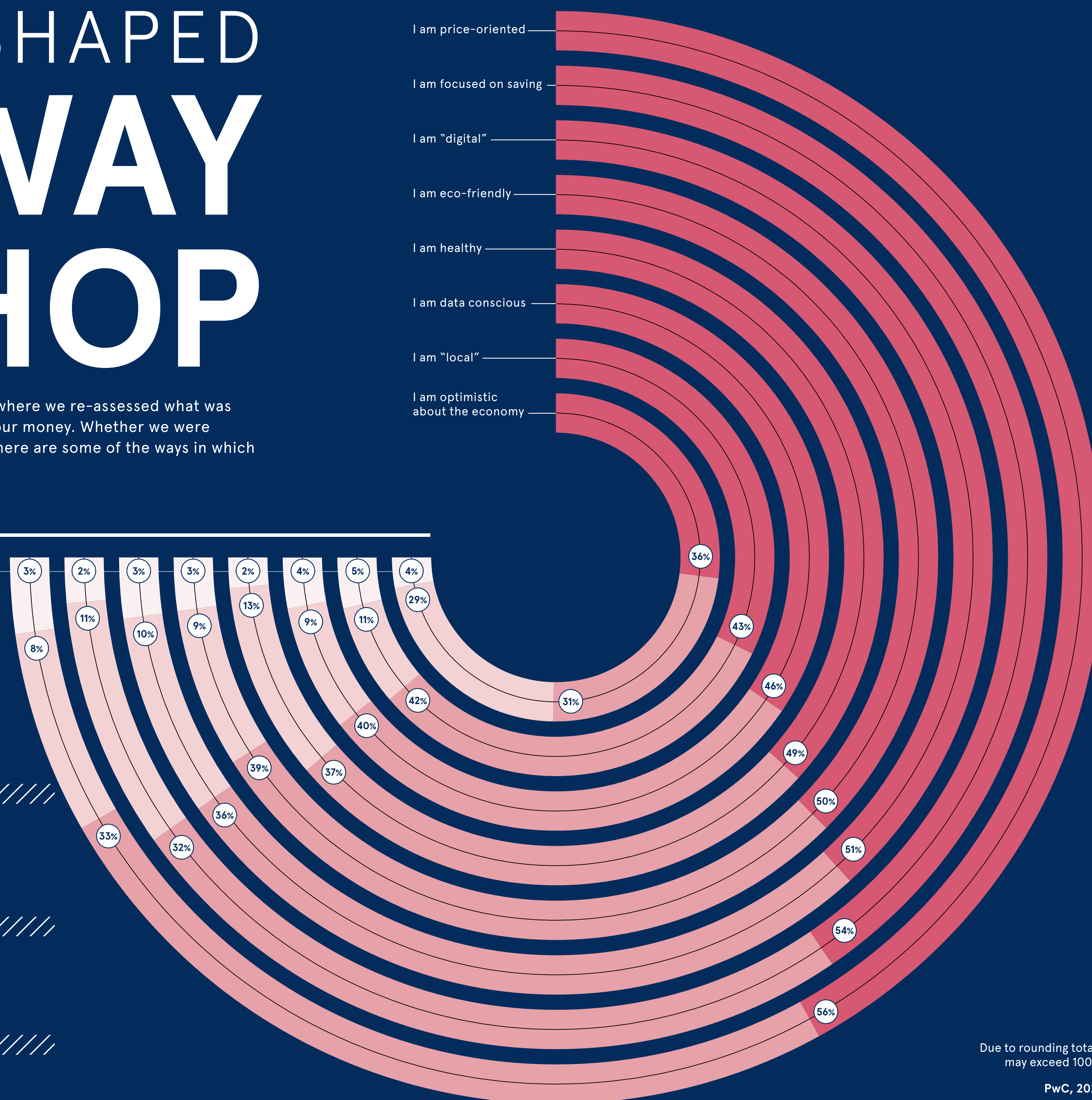
raconteur.net /future-retail-2021

HOW 2021 SHAPED THE WAY WE SHOP

If 2020 was the year everything changed, 2021 was the year where we re-assessed what was really important to us - not least when it came to spending our money. Whether we were investing in home comforts or supporting local businesses, here are some of the ways in which customer behaviour changed in 2021

HOW CUSTOMERS THINK 2021 HAS CHANGED THEM

Percentage of global consumers who say they have evolved in the following ways as a shopper between October 2020 and March 2021



PwC, 2021

39% of global consumers are spending more on goods (versus experiences)

46% are spending more to enjoy today

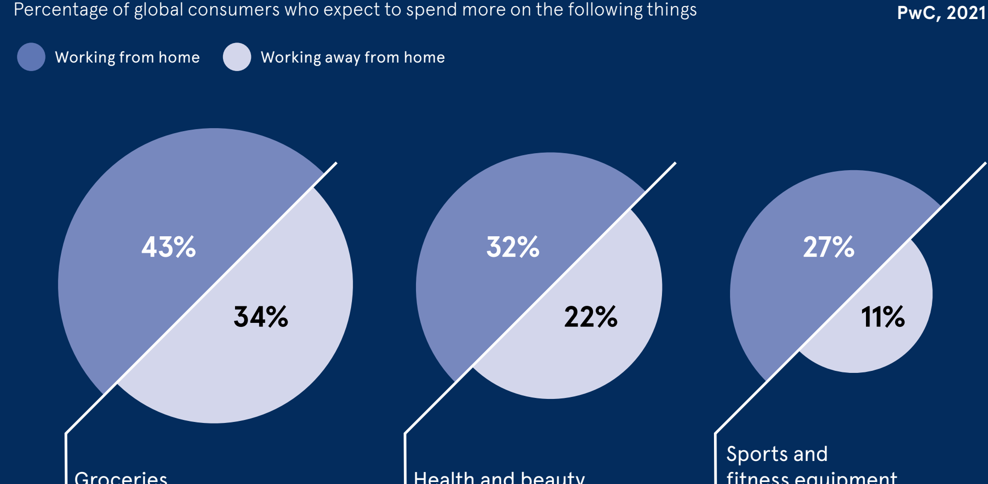
12% are not concerned about inflation

Deloitte, 2021

HOW WORKING FROM HOME HAS CHANGED CONSUMER CHOICES

Percentage of global consumers who expect to spend more on the following things

PwC, 2021



FOOD REMAINS TOP OF THE CHARTS FOR SHOPPERS

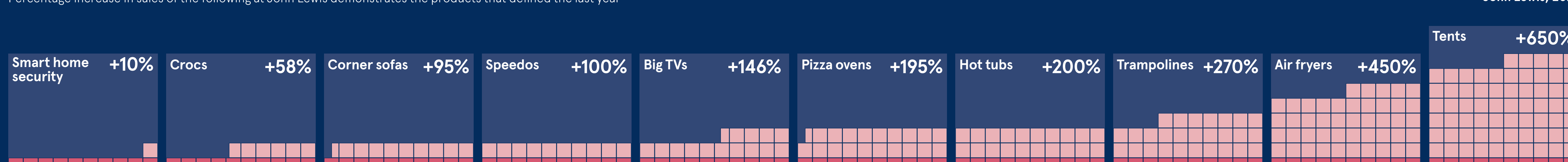
Percentage of global consumers who said they expected to spend more on the following categories over the next six months

PwC, 2021

WHAT WE BOUGHT IN 2021

Percentage increase in sales of the following at John Lewis demonstrates the products that defined the last year

John Lewis, 2021



Smart home security: Spending more time and money on our homes meant an increased need to keep them safe

Crocs: An increased love of sartorial comfort brought Crocs back, with a little help from the Love Island contestants

Corner sofas: 2021 was all about making our homes cosier, comfier and more efficient. Enter the corner sofa

Speedos: The trend for wild swimming, coupled with Tom Daley's Olympic performance, brought the speedo back

Big TVs: Ofcom found Brits spent ⅓ of their time watching TV in 2020, so naturally a bigger set was needed

Pizza ovens: For those who gained a taste for outdoor dining, these were a widely enjoyed addition to Britain's gardens

Hot tubs: A new line for John Lewis in Christmas 2020 has proved popular as people add a little luxury to home

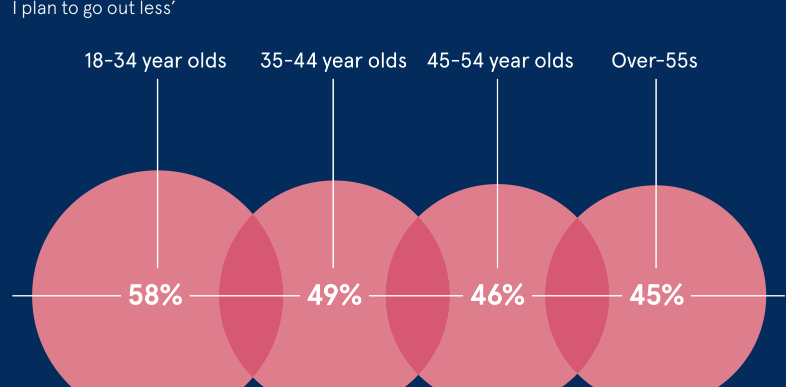
Trampolines: Be it a new fitness trend or just a way to keep the kids entertained, sales of outdoor trampolines bounced

Air fryers: As Brits embraced home cooking, these gadgets offer the taste of a takeaway without the litres of boiling oil

Tents: A ban on travel meant a boom in "staycations" as UK shoppers made the most of the British countryside

SHOPPERS SPENDING MORE TIME WORKING AND ENTERTAINING AT HOME

Percentage of UK shoppers who agree with the statement: 'Although lockdown is over, I plan to go out less'



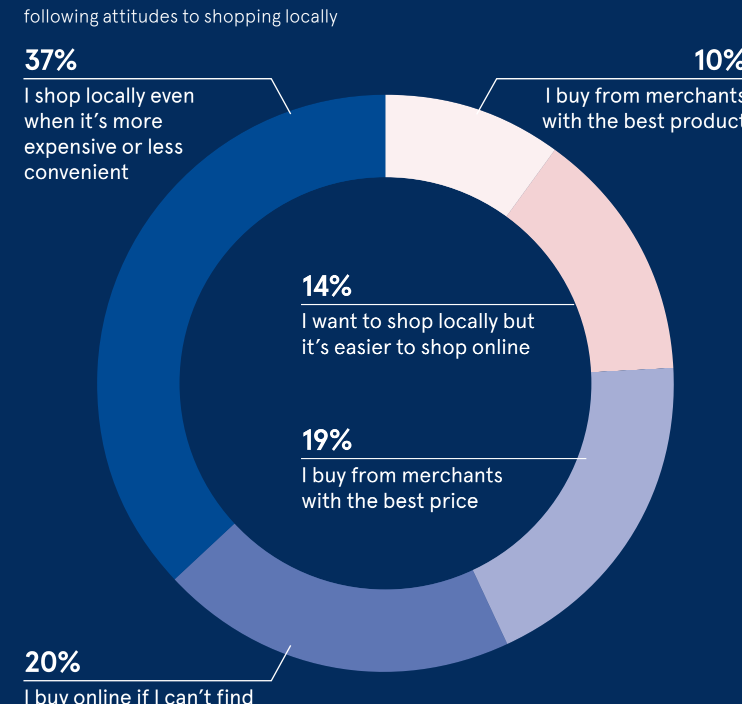
53% of British shoppers enjoy spending time at home more than they used to

41% agree food is more important to them than it was pre-pandemic

Waitrose, 2021

SHOPPERS SAY THEY BUY LOCALLY WHEREVER THEY CAN

Percentage of shoppers in Germany, France, the US and the UK who said they have the following attitudes to shopping locally



Uberall, 2021

NEVERTHELESS, AMAZON'S REIGN LOOKS SET TO CONTINUE

Percentage of UK shoppers in February 2021 who say they expected their shopping habits (not including groceries) to change in the following ways in 2021 compared to previous years

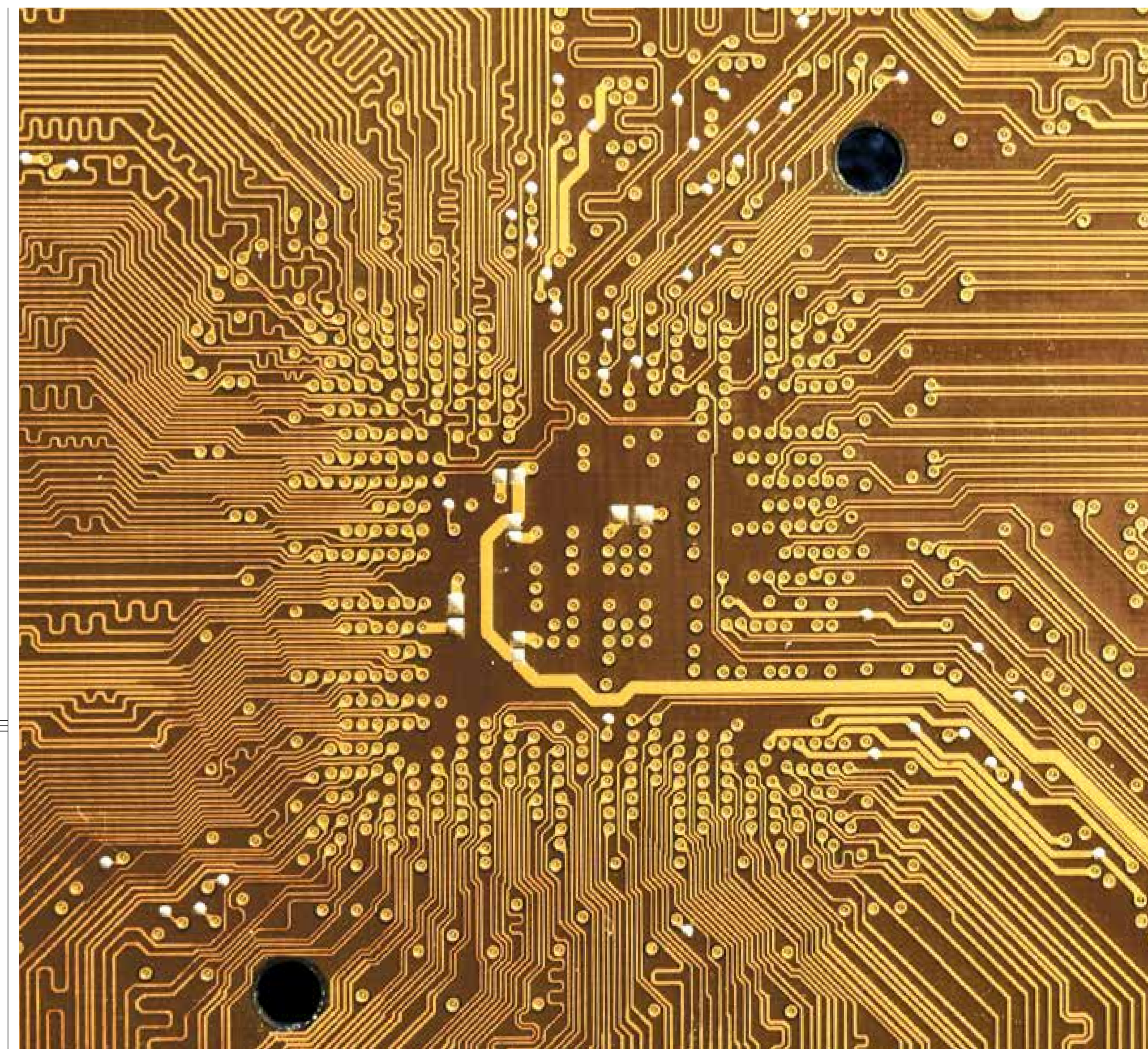
Pattern, 2021

SEMICONDUCTORS

The chip shortage: a nightmare before Christmas?

A chip crisis is impacting electronics from smart fridges to consoles, restricting supply ahead of Christmas. But it's not all doom and gloom

Rich McEachran


Manuel Jota via Unsplash

Santa's sleigh may be skidding to a halt this Christmas. Thanks to the global chip shortage, coupled with a lack of HGV drivers, gaps on shelves and items out of stock have become a common sight in the lead up to the festive period.

Chips are the brains behind products such as electric toothbrushes, smart fridges and games consoles, so the shortage has led to a supply squeeze in sectors from electronics to white goods to toys. The situation is made worse by competition for the limited supply between auto makers and electronics manufacturers.

"This is having some impact on retailers in terms of the overall range of offers," says Emile Naus, partner at BearingPoint, a management and technology consultancy.

"We've seen this with the reduced supply appearing to limit traditional Black Friday offers to older products and models."

Sainsbury's, which now owns Argos, was forced to delay its pre-Christmas toy sale by a week due to such problems. CEO Simon Roberts admitted to reporters in November that customers will be seeing fewer electronics products on offer than usual in the weeks before Christmas.

Shoppers usually hunt for bargains at this time of year, but a number of electronics manufacturers have even been hinting at price rises for consumers since the early part of 2021.

Laptop and TV maker Asus said on an earnings call in March that a components shortage would mean "price hikes further upstream". In September, Apple warned of "noticeable" price rises for its products. Sony, meanwhile expects the PlayStation 5 to be in short supply through 2022 as production problems continue to bite.

Toy manufacturers will likely be at the back of the queue when it comes to sourcing chips, with foundries focused on supplying the technology giants first because they are long-term clients that can afford to pay the rising prices. The world's biggest chipmaker – Taiwan Semiconductor Manufacturing Company – has prioritised Apple and cars.

According to Naus, manufacturers in all industries are facing long lead times. It's entirely possible that some lower priority products are being modified to remove chips and certain smart features just to ensure there is at least some stock available, he says.

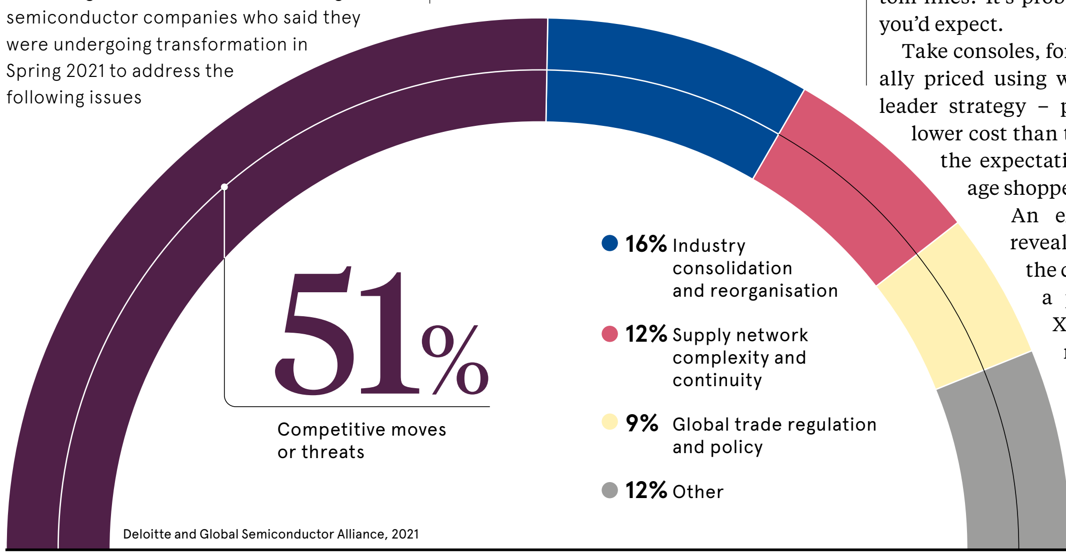
As demand for chips outstrips supply, what impact is the shortage having on bottom lines? It's probably not as negative as you'd expect.

Take consoles, for example. They're usually priced using what's known as a loss leader strategy – products are sold at a lower cost than they were bought for in the expectation that it will encourage shoppers to spend more.

An executive at Microsoft revealed earlier this year that the company does not make a profit on sales of the Xbox itself. Instead, it makes money through sales of digital and physical copies of games, which have a significantly higher mark-up, as well as paid subscriptions and games passes.

TOP CHALLENGES FOR CHIP PROVIDERS

Percentage of senior executives from global semiconductor companies who said they were undergoing transformation in Spring 2021 to address the following issues



Deloitte and Global Semiconductor Alliance, 2021

> Hardware is like gold dust and the big stores have empty shelves – customers are prepared to pay the recommended retail price

For retailers, that means consoles are usually low margin items. They can even afford to sell the hardware at a discount because they expect to recoup any loss easily, including through sales of higher margin product lines.

"Some of the biggest retailers have always come to cosy arrangements with Nintendo and Sony, selling each unit at a loss and recouping the money via marketing deals," says Ian Finch, who is the founder of Click Europe, a UK seller and distributor of toys, games and gadgets.

Unlike the big retailers, smaller specialist sellers are rarely in a position to cut the price of consoles. But the current shortage can actually benefit these smaller players, as Finch explains.

"Under normal circumstances, these large chains never run out of stock and will always outprice us," he says.

"But these days, when hardware is like gold dust and the big stores have empty shelves, customers are prepared to pay the recommended retail price. This obviously works in our favour."

In general, Click Europe does not stock many of the latest generation console units, because "they represent a high layout for their relatively small profit margin." The company does sell plenty of games for old generation consoles. This too can work in its favour, especially if some of these titles are no longer offered by the big retailers.

"Those customers that cannot get hold of the Playstation 5 or Xbox Series X are choosing instead to buy games for their existing systems [the Playstation 4 or Xbox One]," says Finch. "We are able to offer attractive prices on these because with games we have a decent margin to play with."

While Finch doesn't go into specifics on how the chip shortage is impacting Click Europe's pre-Christmas sales, he's keen to point out that there's been an "upside to the disruption in the market".

The shortages that have been blighting the retail industry are set to continue beyond the festive period, with no guarantees on when the chip crisis will end.

"Based on the typical cycles in the chip industry – and the planned new [production] capacity coming online – it's likely that the situation will get better through 2022," says Naus. However, he doesn't expect the industry to return to oversupply until 2023 or 2024.

What this means for retailers depends on the products they sell and how much of a priority they are for chip manufacturers.

While some retailers may not be enjoying the usual seasonal boost in sales of consoles and toys given the lack of availability and products on offer, consumer appetite for these products is unlikely to wane longer term and pent-up demand will be high.

Shoppers will be eager to get their hands on a bargain once stock levels return to some level of normality.

TRENDS

Future focus: the retail trends coming in 2022

From digital bricks to artificial intelligence, the new year will be an exciting time for retail. Even space commerce is on the cards

Katie Byrne

The retail sector has spent the past 12 months dealing with the impact of Covid-19. However, 2022 looks set to be a year of fast-moving innovation.

Bricks-and-mortar retailers spent Q1 2021 in lockdown. However, the rest of the year felt decidedly more promising – and the stats back it up. In October 2021, the UK's retail spending was up by 6.3% compared to the same period in 2019.

"2021 has been a real mixed bag for retailers across the board," says Wizz Selvey, founder of retail consultancy Wizz & Co. "There have been many new openings but a lot of closures, too. Next year will continue to see a lot of change. Everything has accelerated, and we'll continue to see the evolution of retailers who have taken on the challenge of the past 18 months and reacted quickly to change."

Kate Orwin, the UK leasing director at Unibail-Rodamco-Westfield, the shopping centre operator, is also feeling optimistic. Since reopening in April 2021, URW has welcomed more than 40 million visitors to Westfield London and Westfield Stratford City, she notes.

"What's more, when people visit physical retail stores, they're coming with a real intention to spend. Online will continue to lead the way but offline will be even more important for brands, including digitally native brands, that are wanting to really engage with consumers."

The retail sector is heading full steam towards the future. However, elements such as customer experience, brand loyalty and the need to encourage post-pandemic footfall will be as crucial as ever. Here are some of the most exciting retail trends for 2022.

Business buddies

The past year has witnessed a stream of US businesses partner up, with one retailer incorporating another into its stores for an exclusive customer opportunity. Target is a prime example. In the past year alone, it has brought micro-shops from Disney, Apple and Ulta Beauty into many of its stores and extended existing partnerships with Lego and Levi's.

There can be many benefits to 'buddying up' and playing host to another carefully chosen business, not least because there is the opportunity to expand potential footfall by attracting a whole new customer base. In 2022, UK retailers should consider how they can tap into the trend and think about potential partners.

"This is a huge opportunity for retailers if the right partnership can be found," says Selvey. "Both brands will be focused on creating engaging content, so a collaboration provides an opportunity to co-create and educate customers."

But retailers should be careful which businesses they approach. It could boost sales but only "if the collaboration is made with a company that has similar values and sits in a non-competitive category", Selvey notes.

This trend will be particularly important for department stores. "They'll want to be increasing dwell time by adding exclusive services and hosting brand collaborations or pop-ups," predicts Selvey. "These can all act as change-makers within big department stores and create reasons for shoppers to return."

Digital bricks

'Digital bricks' refers to physical stores with technology at their core. Orwin thinks this retail trend will rapidly grow in 2022, with URW research indicating that 89% of customers are interested in using more technology in-store.

"We expect to see brands that have traditionally lived offline investing more than ever in new and exciting technologies to encourage consumers to visit their spaces," she says. "A retailer's shop window is incredibly powerful in driving awareness and loyalty when compared to the cluttered online marketplace."

More online brands are set to take the leap through the screen, Orwin predicts, with the likes of Netflix and TikTok both opening physical stores in URW shopping centres in 2021. Amazon's 4-Star store recently opened at Westfield London, offering shoppers a range of products that are either best sellers, trending on the website or boast a high customer rating.

"Retailers need to think about their physical and their online presence as one, rather than as two separate entities," says Orwin. "The line between the two is increasingly blurred in the minds of the end consumer. Retailers should also consider the power, from a marketing perspective, that a physical store can offer."

Commercial feature

Capitalising on the radical engagement from brand loyalty and customer referrals

Marketers have new opportunities to deliver long-term, loyal consumer relationships through the excellent customer experience baked into referral marketing

Brittany Golob

Marketers have an unending panoply of tools at their disposal when it comes to getting their brands in front of customers. But, the challenge they still face is in translating views and sales into long-term, meaningful relationships with brand advocates.

At a recent roundtable, sponsored by 'Referral Engineering' company Mention Me, C-suite marketers from Boots, Currys, Just Eat and Made discussed their strategies around loyalty and referrals as vehicles for delivering acquisition, engagement and a transformed customer experience.

While brand remains at the heart of marketing strategy, attendees agreed, digital and data have presented new opportunities for marketers. "We have to flex brands in a different way now," says Mention Me's marketing director Mark Choueke. "We've come through an era where it was all about broadcast messaging to an era where everybody was focused on customer experience. Now, customer experience is moving to customer participation." Allowing customers to participate with brands facilitates a stronger relationship as people begin to identify with the brands they like and refer, he says.

To achieve that, though, companies have to ensure they remain relevant to modern consumers' lives. Pete Markey, CMO of Boots, says corporate culture, communications, products and services, and the channels used all play a role in uniting brands with consumers. "With the example of Boots, when you walk into a store, when you go online, when you use the app, they should all equally be screaming, 'This is what we're about,'" he says.

That sense of authenticity is true of digital-native and of 150 year-plus heritage brands, alike. Made COO Nicola Thompson adds: "Authenticity has to be built into every single part of the service proposition. You can't just produce a beautiful ad campaign for furniture and then not deliver against the quality, the speed and the price people expect." To do this, Made has a strong sense of its own brand, but also puts a huge amount of energy into understanding its audience.

> **People are talking about our brands anyway, that's going on all the time. The challenge is making sure that we're delivering those customer experiences that enable them to have that positive conversation**

In the pandemic, it had to listen to the needs of not only customers, but employees. In-store staff, Thompson says, did not want to go on furlough, rather they wanted to put their skills to use in support of the business. Made delivered a digital appointment service that enabled sales staff to meet with people virtually. This deepened the customer experience, but also enriched the relationship between the brand and its advocates, as customers invited Made into their homes through the screen.

Dan Rubel, brand & marketing director at Currys, agrees: "Our colleagues are one of the things that make us special. Often you'll see the big brand campaigns talking about our real-life human experts." He says bringing the message back to the in-store experience, through the technical expertise of staff, can help Currys differentiate itself and build its brand authentically.

Participatory engagement is facilitating more personal, deeper relationships between brands and customers, thereby providing a richer landscape for referrals to grow. Great brand experiences typically lead to discussions with family members, friends or colleagues in which consumers become brand advocates, Choueke says. "You literally shout loudly and identify yourself with a brand and say, 'I'm willing to put my reputation on the line to share this with you.' After that, the beauty is that you post-rationally love that brand even more because you just heard yourself say you did."

Facilitating this, however, is not just about changing marketing strategies. The change also has to come from within. At Made, for one, Thompson also oversees supply and procurement and operations. Boots is starting its own in-house media agency. At Currys, the customer experience function is part of the marketing team. Integrating different elements of a business' operations with marketing allows the marketer to better understand the company and better position it to customers and potential customers.

Building a team that can better reach consumers will help companies build loyal followings. "It's creating those moments that are truly shareable," says Just Eat's marketing director Matt Bushby. "That gives us something really meaningful that our customers can say about us." But even beyond sharing and loyalty, engaging with the customer can help brands deliver new campaigns and products based on data and research. During the pandemic, Just Eat noticed that more people were ordering breakfast than they had in the past. The company ramped up its breakfast offer, bringing new restaurants on board and communicating the change, resulting in a breakfast trade up by 200% in a year.

By improving loyalty and building powerful referral programmes, companies can glean a huge amount of first-party data – the gold standard – and in turn, better understand customers' needs. Markey says: "Your brand can quickly move from being relevant to less relevant. The need to continually engage has created this cycle where we have to be, if we weren't already, [connecting with customers] as custodians of our brands, to create that longer term connection and to drive value." He adds that these opportunities weren't always open to marketers, but digital transformation has enabled companies to become more sophisticated with their use and analysis of consumer data.

Rubel agrees that loyalty is essential to crafting a better customer experience. He says: "I don't think there's anything new in brand advocacy being important conceptually. But the tactics we use to create it have dialled up. The key piece for loyalty schemes is value; creating real value for customers, that's something special." That, he says, leads to the creation of "sticky relationships with customers."

And now, the opportunity to reap the rewards of customer loyalty and referrals is golden. Once an intangible, referrals and advocacy are now measurable.

"There is no better recommendation that comes for a brand than from somebody you trust," Thompson says. "I think the challenge is making sure that you can engineer that in a way that is just as genuine as when it happens in a purely organic way." She points to data and technology as a means to this end, but also the difference that can be made by simply delivering on the customer promise.

Others agree that experience is crucial to creating a brand advocate and engendering those all-important referrals. Bushby says: "People are talking about our brands anyway, that's going on all the time. Those conversations are organic and they're always happening. The challenge is making sure that we're delivering those customer experiences that enable them to have that positive conversation. Without those positive experiences customers have with our brand, none of this works."

It's a loyalty loop. Referral drives acquisition. Customers are acquired, then engaged, creating loyalty; memorable experiences are delivered and customers become advocates, then referees. Achieving this means prioritising data and insights, but so marketers must also listen to their employees and implement their creativity to achieve excellent customer experiences.

> **A retailer's shop window is incredibly powerful in driving awareness and loyalty**

Upgrading the customer experience

Giving careful thought to a customer's in-store experience will be crucial in 2022. Lockdown made shoppers long to be out of the house and back in stores: research conducted by Mood Media found 45% of consumers admitted to missing touching and trying on products. Be sure to craft the experience they deserve.

"After going through a prolonged period where the luxury of physical contact was limited, meaningful experiences have never been more important," says Daljit Singh, founder of design agency isinstore.

"Driven by the idea of discovery and surprise and a need for a moment away from the real world, retail brands are reigniting excitement through meaningful escapism and stimulating environments. Appealing to our childlike curiosity, immersive installations and sensorial displays will provide a sense of wonderment and joy."

Retailers should also consider how they can invite shoppers to actively participate and be part of brand experiences, with the screen-savvy Gen Z influencing a new era of creative communications. According to research from digital payments company Square, 35% of consumers are interested in seeing virtual reality incorporated into their shopping experiences, while 26% want live-streamed experiences.

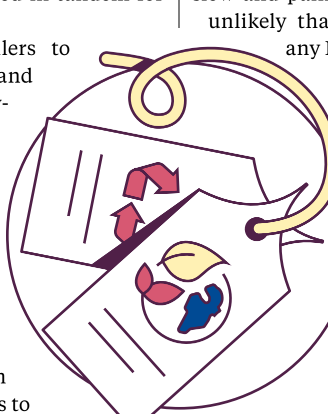
Retailers can make their customers part of the creative process, Singh notes. "Within this, we'll see brands exploring how live-streaming and broadcasting can be built into the physical store experience to encourage footfall and boost brand-customer connection."

AI goes next level

For retailers, AI offers a fantastic opportunity to understand and improve a customer's experience. Cyrus Gilbert-Rolfe, chief revenue officer at software company EVRYTHNG, is excited about the potential. He points to the use of life-size holographic people in stores and shopping centres, an example of AI that's been around for a while but was too expensive to deploy at scale until now. Such holograms can respond to questions or even take payments.

"Can you imagine holding your credit card inside a hologram of [Star Wars character] R2-D2 at the Disney Store? Shoppers will crowd into a shop to interact with a hologram, delivering footfall and dwell time."

AI can also provide retailers with insights into what their customers want, with AI and machine learning used in tandem for predictive analytics.



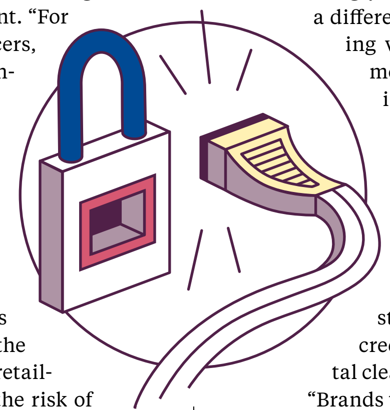
"This will allow retailers to identify trends, clusters and patterns in data, improving decision-making and automating some of the decision points," says Thomas Staven, chief product officer, Extenda Retail. "This can contribute towards retaining end customers and staff.

"These technologies can also provide opportunities to streamline processes and make them more efficient, which should have a positive impact on retailers' ever-pressing profit margins."

Staven anticipates that AI and machine learning will be used by retailers to monitor in-store behaviour and provide real-time insights on improving the customer experience. He also predicts that computer vision will be widely incorporated, allowing for image and video recognition.

"This will mean, for example, automated recognition of non-barcoded items to provide a seamless checkout experience."

Smart robotics will recognise on-shelf availability, Staven adds, allowing for automated replenishment. "For supermarkets and grocers, analysis of product freshness will be accessible using this technology, enabling more dynamic pricing options."

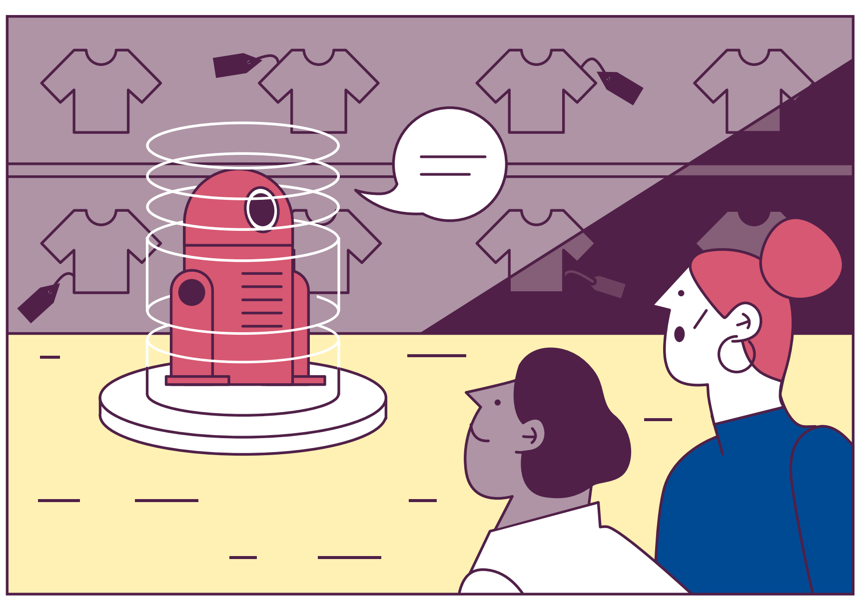


Tackling ransomware

As technology becomes more complex, so too do the cyber threats. In 2022, retailers should be aware of the risk of ransomware and ensure they take appropriate and proportionate measures to protect their businesses from cybercrime.

"Ransomware is now a business," says AJ Thompson, chief commercial officer at IT consultancy Northdoor. "It's a constant threat and businesses have to accept that, at some point, they will likely be breached."

Criminal tactics include efforts to access staff credentials through social media or convincing spoof emails, with the goal of accessing a company's network. The criminal can then either resell company data or hold it to ransom. This could result in a fine from the regulator for a GDPR failure, not to mention the damage such a security breach could cause the business itself.



So how can retailers tackle this threat in 2022? Investment and awareness are key.

"Under GDPR legislation, organisations are responsible for the cyber resilience of their supply chain," says Thompson. This has traditionally meant sending a series of questions to a supplier and asking for feedback, he says. This is a manual and biannual process that is all too often "inaccurate, slow and painfully one-sided. It is highly unlikely that your suppliers confess to any IT security issues."

Some businesses are looking to automate this process, he says, allowing them to run continual external assessments of the web domains of their suppliers. "This should provide more accurate assessments, which then, in turn, improves security."

Air gap back-ups, also known as immutable back-ups, provide an original copy of data for recovery. These are becoming increasingly essential, Thomspons says, allowing for recovery in the event of a security breach.

Effectively read-only, immutable back-ups can never be edited, overwritten or altered in any way, so they can't be affected by ransomware code.

Some organisations might already be able to create immutable back-ups as part of their solution, he says. "Most, however, will need to implement a new set of technologies," he suggests.

> **Retailers need to think about their physical and their online presence as one, rather than as two separate entities**

Sustainability focus

With all eyes recently on COP26, customers will be closely watching how their favourite brands respond to environmental issues. For retailers, it's time to make their stance clearer than ever.

"Transparency is key," says Orwin. "Consumers don't want pledges or targets. They want action. The more brands can show that they are taking real, tangible steps, the better."

Customers also say they want to shop with brands that act with integrity and purpose. Increasingly, they feel they can make a difference by carefully choosing where they spend their money. Brands can tap into this by considering how they present their products. This can be through informative and useful window displays, detail-rich labels or online copy that makes the origin story and sustainability credentials of an item crystal clear.

"Brands that demonstrate transparency within the store experience will be rewarded with greater affinity and engagement," suggests Singh. "We will see more brands initiate take-back schemes, open repair stores and consider modular store formats to accompany the move towards a more regenerative future."

> **Brands that can demonstrate transparency within the store experience will be rewarded with greater affinity and engagement**

Space commerce

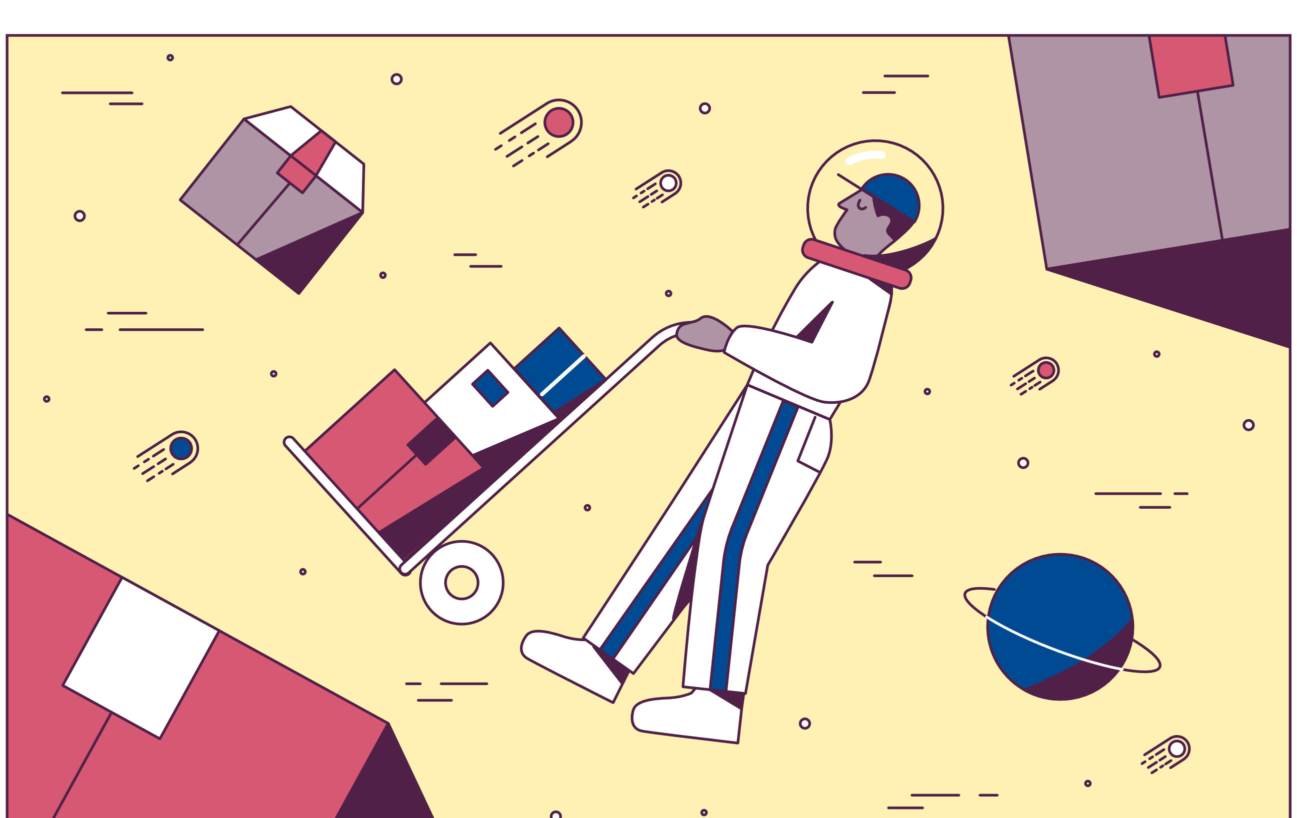
For one of next year's most exciting retail prospects, look to the stars – quite literally.

Space commerce might once have sounded like a whacky premise straight from a science fiction movie, but it is edging ever closer to lift-off. It involves the use of space for the benefit of business, "creating infrastructure for the production, warehousing and delivery of products and services in orbit", explains Hugh Fletcher, who is the global head of consultancy and innovation at Wunderman Thompson Commerce, the ecommerce agency.

With the likes of Elon Musk, Jeff Bezos and Richard Branson pushing the boundaries of what we consider 'normal' for space travel, the new year will be the perfect opportunity to watch how space commerce begins to develop, says Fletcher.

"Retail leaders should use 2022 to model what their businesses could look like in a future where it plays a key role," he says, adding that the most adventurous or forward-thinking businesses should begin to engage with space agencies and commercial space explorers to see if they can become involved in testing future products and services.

"While Bezos and Musk increasingly ramp up their investment in the sector, it's vital that governments, non-governmental organisations and business leaders understand what is happening in orbit, to prepare for a future where it is humankind, and not billionaires, who benefit from space." ●



Commercial feature

Electronic shelf labels provide the foundation for retail digitisation

While retailers continue to invest in in-store technology, in the past 18 months there has been a noticeable shift towards technology that promotes a more omnichannel experience

To keep pace with consumers who are shopping seamlessly across physical and digital channels, retailers have increasingly focused on using technology that narrows the gap between offline and online over the last 18 months.

The future is arriving faster than ever. Take international grocery giant Carrefour. Alexandre Bompard, its chairman and CEO, has stated his vision to transform Carrefour into a digital retail company to unleash the full potential of omnichannel.

This is a business that is already advanced in technology usage. Crucially, it uses electronic shelf-edge labels (ESLs) to communicate dynamically with its customers on products, price and promotions, and to give staff and suppliers instant visibility of the status of the shelf to improve availability, store staff effectiveness and shelf execution.

"These are not your grandparents' ESLs," says Duncan Potter, chief marketing officer at leading ESL provider Pricer. "Even though the technology has been around for some 30 years, there is a constant stream of innovation. Yesterday they were used only for quick price changes. Today the electronic shelf is an effective platform for a raft of innovations that is being rapidly adopted, and showing a very fast ROI, as a result of a more demanding customer and their accelerated shift to online ordering."

Research undertaken by Pricer in 2021, among 18,000 people across Europe, revealed that 64% of consumers want more access to product information at the shelf edge, rather than just pricing – a demand that cannot be met using traditional paper labels. ESLs, by contrast, can attractively display price, promotion, key ingredients and allergens, as well as the barcode for scanning or product location direction, providing a breadth of information for consumers who now ask about product sourcing, worker as well as animal welfare, and sustainability, in addition to price.

> **The electronic shelf is an effective platform for a raft of innovations and shows a very fast ROI**

ESLs also confront the reality of rising labour costs, as they can be instantly made to display stock-taking information and use flash technology to show anomalies, stripping hours off the traditional stock-take and removing errors in manual processing. Pick-to-light systems, based on ESLs, are also now available with flash, so staff picking online orders can instantly identify products on their picking schedule.

Live examples in European supermarkets show that the time to pick each item can be cut by between five and 10 seconds, which translates into hard cash. As a comparison, Bain published figures in 2020 to show that hand-picking online orders – done with pen and paper, from a physical store, delivering it and charging no customer fees – typically result in an operating margin of minus 15%.

The same system works in reverse for rapid replenishment. Using labels with flash and location mapping, staff can find the correct place to restock much more easily. The time saved on each SKU replenished is between three and six seconds, while at a sell-through rate of 20,000 items per day in batches of 10 items, time saved per SKU is four seconds. At £17.25 hourly cost, this adds up to a saving of more than €13,800 per annum and potentially much higher with temp or seasonal staff.

Going even further, ShelfVision involves cameras mounted on the opposite side of the aisle to ensure planogram compliance and gap detection, improving on-shelf availability and maximising rebates.

While it seems the action is happening at the shelf, the data derived from these activities, managed from an integrated platform in the cloud for stability and reliability, can be used to drive greater efficiencies across the entire supply chain. This will ultimately help retailers realise the full potential of omnichannel, including improving availability of the products customers want, reducing waste from overstocking, and cutting labour costs while freeing people up to focus on higher-value tasks.

For more information, visit pricer.com

PRICER

CONSUMER TRENDS

Is homeware the future of the high street?

The high street is changing, with the global pandemic fuelling the transformation. As Ikea replaces Topshop, we explore what's next for bricks and mortar

Sue Omar

Hollie Adams/Bloomberg via Getty Images

The British high street has undergone a major makeover, with many fashion giants shifting online and furniture and homeware names expanding their presence. With so much change underway, what does the future hold?

The high street has been on a slow decline for years. Before the pandemic, various reports recorded falling footfall and growing store closures. The survivors were predominantly non-independent and often sold fashion and beauty products.

But since the first lockdown in the UK in March 2020, even these firms have felt the pinch. Large numbers of fashion stores, including Debenhams, Oasis, Warehouse and Gap, have left the high street to move online. According to the UK Ecommerce Forecast 2021 report by market research firm eMarketer, ecommerce will account for more than a third (38.6%) of total retail sales in the UK by 2025.

Digital-first retailers are coming to the fore in huge sections of the marketplace. Earlier this year, online fashion and beauty retailer Asos acquired leading British brands including Topshop from Sir Philip Green's Arcadia empire in a £330m deal. The move followed the closure of Topshop's iconic Oxford Street store.

But not every retailer is staying away from the high street. As Topshop exited Oxford Street, Swedish homewares brand Ikea moved into the flagship store, signalling a major shift for high street retail.

"We see a huge opportunity to reach many more people in London and this investment marks part of a long-term plan to transform our retail business, bringing Ikea closer to customers with a new format store," says a spokesman for Ikea.

With Ikea thought to have invested close to half a million pounds to replace Topshop, homeware retail is becoming just as essential as high street fashion.

> Amazon is now starting to open shops on the high street... physical retail is here to stay

"Oxford Circus is a central shopping environment, with excellent public transport links, where people already work, live, and play and is an iconic hub that Ikea is eager to be a part of," says the Ikea spokesman.

He adds: "In spite of the store closures witnessed over the past few months, we continue to see unprecedented demand for products that enable our customers to live a better life at home, and firmly believe that physical retail will continue to be an essential part of our business and the shopping experience for customers, as centres for inspiration and expertise, as well as community and engagement."

What's behind this change? Successive lockdowns, coupled with the rise of remote working, mean we're spending more time in our homes. That's had a massive impact on consumer spending and shopping habits, with many prioritising what they need over what they'd like to purchase.

"More time spent at home has given people time to sit back and re-evaluate what they're looking for in their living space, which has led to an increase in demand for homeware retail," says Mick Quinn, Raft Furniture's co-founder and co-director.

"Since the reopening of retail, we have seen a 60% increase on our pre-pandemic sales, as well as more footfall from customers than ever before."

Despite the difficulties, fashion is not in full retreat. Elsewhere on the high street, fast fashion is still standing. Retailers like Primark bounced back as pandemic restrictions eased, with the retailer enjoying sales of £1.6bn for its third quarter in 2021. This success could be down to the retailer's affordability. It also remains exclusive to the high street, despite the digital transformation of most other retail brands.

Even so, there is still almost 13 million square feet of space available on the high street, as reported by property advisors at the Altus Group. With such large spaces to fill, left behind by the retreat of Debenhams and closures at John Lewis, it's no wonder that some furniture and homeware retailers see the high street as an exciting new opportunity to reach customers.

"Homeware is much more of an investment for people than fast fashion, which is why the high street is a prime location for browsing before you buy and making considered purchases that will ultimately stand the test of time," says Charlie Bowes, director of high street homeware retailer Original BTC.

Beyond homeware, we may see empty spaces on the high street snapped up by discount outlets such as Home Bargains. They could also be repurposed into restaurants, cafes, business complexes and even homes.

"The future high street needs to be a mixture of retail stores and other outlets, not just homeware," says Quinn.

Without a rich diversity of places to visit, he says, the high street will cease to be the all-encompassing experience that consumers crave post-lockdown.

As retailers recover from the pandemic, there's no doubt the high street will continue to transform. It will need to serve brands that want a physical presence to better connect with loyal customers as well as reach wider audiences. Pop-up stores and short-term letting might be pursued by big brand retailers that want to promote products on a seasonal basis or partner with smaller brands with an ethical message.

650%

increase in searches for 'sustainable home' on John Lewis' website

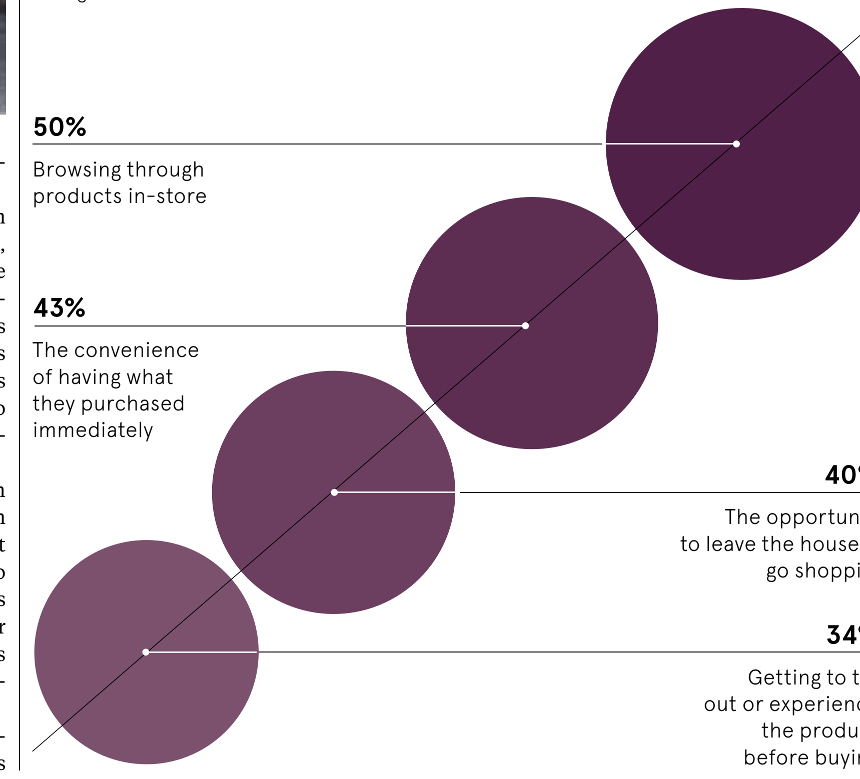
John Lewis, 2021

However, they may still rely on online sales as their main source of income.

"Amazon, one of the most successful online retailers, is starting to open shops on the high street, which shows that physical retail is here to stay," says Linda Ralph, senior vice-president of Mood Media. "The high street stores of the future will evolve to become brand destinations providing unique customer experiences, ultimately blending the advantages of both online and offline to create a bigger impact." ●

WHAT DO SHOPPERS LIKE ABOUT THE HIGH STREET?

Percentage of UK consumers who said they missed the following aspects of in-person shopping during lockdown



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OPINION

'Despite the turbulence of the past 18 months, it is possible to predict some trends that will follow us into 2022'

If there is anything the past 18 months have taught us, it is that nothing is certain; everything can change in a heartbeat. Despite this turbulence, it is possible to predict some of the trends that will follow us into 2022. Here are three of the big ones.

First, over the past decade, consumers have become increasingly digitally savvy, with the proportion of purchases made online rising steadily. In February 2020, online purchases of non-food were around 30% of retail sales. At the height of the third lockdown, this figure had more than doubled, before settling back to around 40%. This is five years' growth at previous trajectories in just 18 months.

While it is unlikely the double-digit growth in online sales will continue, the pandemic has cemented existing gains and is accelerating changes in consumer behaviour. This, in turn, is changing the role of stores and high streets, which must find new ways of drawing in customers.

Meanwhile, many retailers invested hugely in expanding their online capacity and digital connectivity for their customers, meaning the shift to digital is likely to stick.

Experiential retail, which was in hibernation during the pandemic, is coming back, with greater use of pop-ups, shows and entertainment. Likewise, the integration of online and in-store retail will continue. Every time a customer browses online and buys in-store, or browses in-store before purchasing on their phone, they prove the importance of all channels – and the way they knit together.

COP26 may have been and gone, but the sustainability agenda is here to stay. It is being taken on by governments, businesses and, most importantly, customers. Almost four in five of us say we are changing our purchase preferences based on the sustainability of products we buy.

Many of us are drawn to products without plastic packaging, sourced using sustainable materials, or containing recycled content. This is an important step towards net zero, but the best choices are still being held back by a lack of information and transparency surrounding the origin or contents of many products.

Businesses and governments have a fantastic opportunity to fi ll this information void, as well as a duty to help nudge us all into making better choices. The BRC's Climate Action Roadmap initiative, supported by more than 75 retailers and brands, aims to help build momentum on improving the information available to customers, as well as driving a wider move to more sustainable business practices.

While the rise of digitalisation and drive towards green business and consumerism represent positive changes in the convenience and sustainability of retail, the third trend - towards rising prices - has no winners.

From seasonal farm workers to HGV drivers to warehouse staff , the whole supply chain is being stretched by labour shortages, leading to rising wage bills. The HGV driver shortage alone has seen drivers receive sign-on and retention bonuses of thousands of pounds, pushing up the cost of getting goods to where they need to be.

There are other pressures on prices; 2021 saw energy prices soar, forcing many energy companies out of business. Imports are more expensive. Retailers are navigating new checks and paperwork as a result of the UK's departure from the EU.

Global shipping costs have also been rising steadily for more than a year, meaning the cost of moving a single container from Asia to the UK might be 10 times what it was in 2019.

Ultimately it is customers who will pick up the tab. Retailers have seen margins squeezed and are simply unable to absorb all these new costs.

I hope that, despite the backdrop of that inflation, consumers and retailers can work together to drive the decisions necessary to create the positive change we all want and need to see at an even faster pace. ●

Helen Dickinson
Chief executive,
British Retail Consortium

Leon Neal via Getty Images

SUPERMARKETS

From queues to QRs: the ins and outs of till-free shopping

Technologies such as Amazon's Just Walk Out promise supreme convenience. But do consumers have a strong enough appetite for checkout-less retail to justify its high implementation costs?

Emma Woollacott

Back in 2019, Sainsbury's became the first UK retailer to trial checkout-free grocery shopping. Customers used a proprietary app to scan and purchase items at its Holborn Circus convenience store in London.

The pilot was not, however, a great success. Shoppers found the QR codes difficult to use, resulting in long queues at the customer service desk. Although the scan-and-go facility remained in place, checkouts were soon reinstalled.

"Take-up was as we had expected – at peak times, better than we'd expected – but it's clear that not all customers are ready for a totally till-free store," the company said at the time. "Some preferred to pay with cash and card, which sometimes meant that they were queuing to use the help desk."

Now, though, Sainsbury's is trying again with what it describes as an "upgraded version of the system" from a third-party supplier, which is thought to be Amazon. Other retailers are also starting to follow suit. So what has changed?

The most significant development in checkout-free shopping is the advent of Amazon's proprietary Just Walk Out technology, which means that customers don't need to scan purchases. Instead, weight sensors on the shelves detect when an item has been removed, while hundreds of cameras track people's movements around the store. The company claims that its innovation has received "fantastic" feedback.

Other retailers seem to believe that this is a technology whose time has come. In recent weeks, both Aldi and Tesco have opened trial checkout-less branches.

Meanwhile, it has been widely reported that Amazon is planning to open another 260 till-free stores across the UK, although the company has declined to comment on what it calls "rumours and speculation".

The Retail Banking Research (RBR) consultancy estimates that there are around 32,000 store locations globally offering mobile self-scanning (using either the shopper's own smartphone or a store-supplied device). There are 75 completely till-free outlets, most operated by Amazon.

"Aside from Amazon's stores, similar checkout-free concepts are popping up in countries including Brazil, Canada, China, Poland and Singapore," reports Alan Burt, an RBR associate. "These tend to be individual stores, rather than a retailer rolling out the concept to its whole network, because the technology is still being piloted."

Just as there were during the introduction of self-service tills, there are concerns about the staffing levels required in checkout-less outlets. A lack of employees on the shop floor could have a detrimental effect on security, for instance.

"Instinct suggests that it could result in fewer jobs, but we're waiting and seeing," says a spokesman for the Union of Shop, Distributive and Allied Workers (Usdaw). "When I looked at Amazon's promotional video, I could see two members of staff on duty, but that's the same number you'd expect in a normal convenience store."

He adds that, whereas the Co-op has introduced body-cams for staff linked to a central control system, he has "not seen anything yet to suggest that this kind of support is available in till-less stores".

There are also concerns that the introduction of checkout-free stores fundamentally changes the shopping experience. It may even be exclusionary for a significant proportion of consumers.

Caroline Abrahams, who is charity director at Age UK, warns retailers of the "need to account for the fact that, while new ways of shopping will be convenient for some, nearly half of over-65s in this country don't use a smartphone and may struggle with new technology. In addition, many older people lack companionship and therefore enjoy the personal interactions that come from shopping."

Moreover, the Financial Conduct Authority's Financial Lives 2020 Survey revealed in February that about 20% of the UK's over-65s – approximately 2.4 million people – still use cash for almost all payments.

"While innovation can be a good thing, it's important to remember that many people depend on cash to purchase essential goods and services and could be frozen out if these changes are introduced too rapidly and/or made wholesale," Abrahams says. "Cash may no longer be king, but it will be around for many years to come, so it's essential that businesses in all sectors enable all of their customers to pay using a mechanism that suits their needs."

It's hard to envisage that checkout-free stores could ever take over from conventional shops altogether. While the supermarkets are reluctant to discuss the level of investment involved, such technology clearly doesn't come cheap.

> **Retailers should be investing in staff rather than being dazzled by all this new technology**

Burt notes that most checkout-less outlets to date have "mainly been small-format convenience style stores. This makes sense, as the technology only has to track a relatively small area. It works well in places where customers are popping in for a basket of items, rather than doing their weekly shop with a trolley. Scaling up to a supermarket would obviously be more expensive, as you'd need more cameras and sensors."

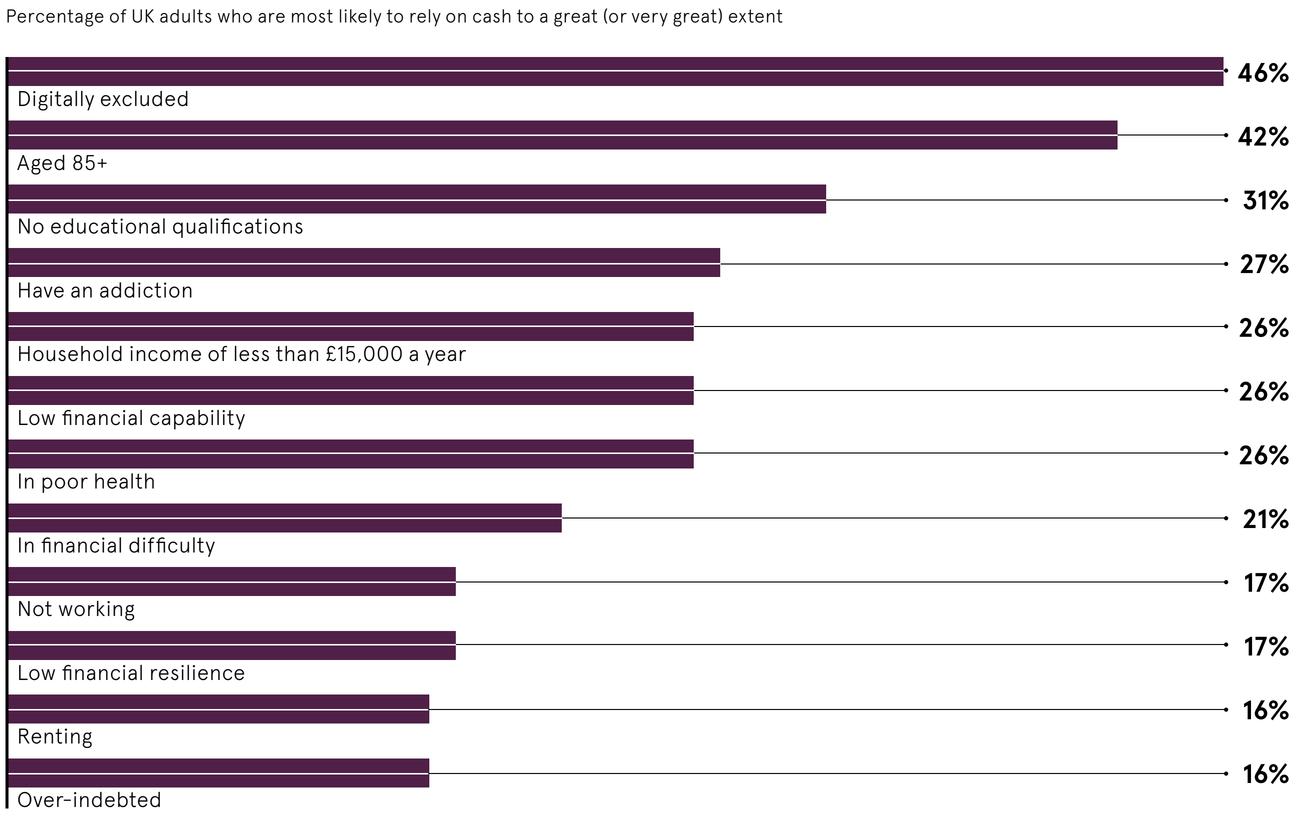
Juniper Research forecasts that the total value of transactions processed by smart checkout technology will increase rapidly from £1.5bn in 2020 to $290bn in 2025. Despite this, it believes that till-free shopping is likely to remain confined to convenience stores and larger outlets that may find the investment required easier to justify.

"We think retailers should be investing in their staff rather than getting dazzled by all this new technology," says Usdaw's spokesman. "We're not sure what problem they're trying to solve – and it must be costing them a fortune." ●

WHO COULD BE LEFT BEHIND BY CHECKOUT-FREE STORES?

Financial Conduct Authority, 2020

Percentage of UK adults who are most likely to rely on cash to a great (or very great) extent



Commercial feature

Why retailers now need agile content creation

Taking months to launch a creative content campaign no longer works in today's fast-moving consumer landscape, so brands must starting looking for better ways to operate

For retailers, creating digital experiences that cut through is tough. Many more businesses, spurred on by the pandemic, are building ecommerce channels to generate sales. At the same time shopper expectations have risen. This has created a much greater need for digital content that helps shoppers make better choices about the products they want, at the time they want it.

Retailers are struggling to keep up with the demand for content to support the complex requirements of smartphone-enabled, omnichannel shoppers. "If they don't get the right content at the right time to support their shopping mission, then they'll go elsewhere," explains Nick Sibley, product marketing manager at Amplience, a global leader in digital experience management solutions for retail.

"Presently, many retailers input a huge number of resources just to keep catalogue pages, social feeds and product details updated on multiple channels. Things need to change if they are to capitalise on rapidly evolving consumer trends."

Shoppers now expect retailers to deliver a more personalised experience. However, while the technology is capable of delivering unique experiences at scale, the reality is that content, the fuel for personalisation, is in short supply.

The fact is retail content production is often an inefficient process, based on a 'waterfall' methodology, where content jobs cascade from one stage to the next, sequentially. Each stage requires specialist tools and skills resulting in large piles of 'work-in-progress'. And because the full content production cycle takes weeks or longer, it requires multiple reviews and governance cycles, adding yet more overheads and complexity.

"This makes for horribly inefficient content production. We've seen retailers take as long as six weeks, from brief to go-live! And while the clock is ticking on completing a retail campaign, consumers are onto the next trend, buying the latest go-to look on today's Instagram feed," details Sibley from Amplience, which works with over 350 of the world's leading retail players.

"If larger brands don't move at a quicker pace to exploit these opportunities, then smaller, more nimble startups will do so even faster. Brands need to take a leaf out of advances in product development, and get 'lean'."

By taking a lean approach to content production, which involves limiting the number of jobs in progress, where each is completed before the team moves to another, retailers can get things done much faster, in hours not weeks. This frees up the team to capitalise on where and when the shopper is now, not where they think they'll be in three months' time.

"You can act and react in real time. With the right type of lean processes in place content teams can deliver up to five times the output," states Sibley.

Forward-looking brands are now building 'content experience operations teams,' which are cross-functional and made up of subject matter experts. They utilise agile principles - people over process - with a lean structure, using agile tools to manage workflows. These teams focus on completing production briefs start-to-finish. This approach can reduce content generation processes from months to days, and in some cases to just a few hours.

"The idea is to produce consistent, quality output at scale. This agile content generation also makes the most of new, best-of-breed technology platforms that retail brands are now using, particularly MACH (microservices-based, API-first, cloud-native, and headless) architecture like Amplience's very own. These new technologies empower agile content creation, retailers that don't harness the new efficiencies will simply be left behind," points out Sibley.

> **If larger brands don't move at a quicker pace to exploit these opportunities, then smaller, more nimble startups will do so even faster**

"By bringing together cross-functional content teams with a lean process, you can create, publish, learn and iterate at speed, while simultaneously reducing waste and improving content reuse. Lean processes simplify governance and process overheads, allowing the talent to spend more time on high-quality creative output. And by bringing together a diverse set of roles together, the organisation is better aligned and more focused, improving employee morale and driving output. Isn't it clear that getting lean is a no-brainer?"

For more go to amplience.com

Amplience

OPINION

'What role should the physical store play in an increasingly connected commerce environment?'

Last year brought uncertainty about the future of retail, as the UK was plunged into a series of lockdowns, causing shoppers to become acclimatised to the many conveniences of online shopping.

The omens for the high street were not good. Popular opinion claimed that for ecommerce to grow, physical retail would have to suffer. Now, returning to this hybrid style of shopping, we're seeing a new environment in which integration between stores and online marketplaces can flourish. But let's be clear: ecommerce is driving this change.

During the Covid pandemic, we witnessed a huge boom in online sales, as retailers had no choice but to move their businesses online. Due to national lockdowns, customers and businesses alike adapted to online shopping. The industry saw a growth rate of more than 35% in 2020, up four-fold on the previous year.

Multichannel retailers (which sell both online and through stores) experienced exceptionally high growth in online sales as in-store demand was redirected online. Fears that those exceptional sales volumes would be lost back to the high street as footfall returned have not happened.

Looking at 2021 compared with 2019 shows that numbers are still nearly 50% up. Conversely, online-only retailers increased by only 9%, so multichannel retailers are in an especially strong position to drive their digital transformation strategies forward.

Ecommerce, rather than physical retail, has redefined the service levels and convenience we, as customers, expect when we shop. This includes fast and free delivery or click and collect, hassle-free returns or even returns collected from our homes, one-click payments, and the convenience to shop how, when and where we want.

Ecommerce continues to drive service innovation with technological advances such as virtual reality bringing the shopping experience into the customer's home. Examples of this include digitally viewing furniture in your home, finding that perfect fit on your digital avatar, or expert advice offered live from the comfort of your home.

Does service like this spell even more trouble for the high street? It certainly doesn't have to. But it is important to determine what role the store should play in this increasingly connected commerce environment that aims to deliver what the customer wants and needs as conveniently as possible. Far from continuing a one-dimensional attempt to compete with the convenience of shopping online as a sales channel, stores have the opportunity to play an increasingly pivotal role as a marketing and fulfilment channel.

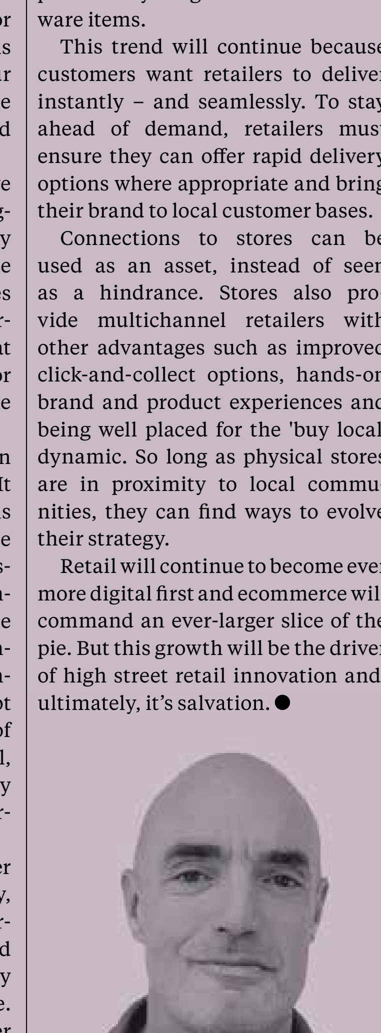
Customer demand for ever faster delivery, even immediate delivery, shows little sign of abating. In a survey about home delivery, we asked 1,000 respondents how long they expect 'standard delivery' to take. Between 2020 and 2021, the number of customers who expected same-day delivery increased seven-fold, and those expecting next-day arrival almost tripled, from 6.3% to 17.4%.

We also observed a rise in the popularity of ship-from-store options, particularly for groceries and homeware items.

This trend will continue because customers want retailers to deliver instantly – and seamlessly. To stay ahead of demand, retailers must ensure they can offer rapid delivery options where appropriate and bring their brand to local customer bases.

Connections to stores can be used as an asset, instead of seen as a hindrance. Stores also provide multichannel retailers with other advantages such as improved click-and-collect options, hands-on brand and product experiences and being well placed for the 'buy local' dynamic. So long as physical stores are in proximity to local communities, they can find ways to evolve their strategy.

Retail will continue to become ever more digital first and ecommerce will command an ever-larger slice of the pie. But this growth will be the driver of high street retail innovation and, ultimately, it's salvation. ●



Justin Opie
Chief executive,
IMRG

CUSTOMER SATISFACTION

Why retailers still don't understand consumers

Customers' expectations are on the rise – and so are their complaints. Retailers therefore need to understand and strengthen their own propositions to keep shoppers happy


Luis Alvarez via Getty Images

Customer contribution: the benefits of co-creation


Lewis Tse Pui Lung via Shutterstock

Co-creation has become a key strategy for brands looking to engage their audience on a new level, inviting the consumer into the design process.

While some brands take to Instagram, Slack and WhatsApp to elicit consumer feedback on initial concepts and samples, others – from South Korean beauty startup Woohwaman to toy giant Lego – invite customers to submit original ideas via dedicated online platforms.

Of 554 senior executives surveyed across Europe for a recent Hitachi Social Innovation report, 51% said that co-creation had improved their firms' financial performance. But is this process anything new, or is it simply market research rebranded?

Sophie Slater is co-founder and CEO of ethical fashion brand Birdsong. She thinks the public-facing nature of co-creation is key. "Our customers feel closer to the brand. It builds excitement and, most crucially, it ensures that we're making things people love and want," she says. It's a waste to create stock that no one wants to buy."

If someone's contributions are embodied in a co-created product, they're likely to be especially keen to buy it. Co-creators are rewarded tangibly for their contributions either by a product that encapsulates their preferences or, in some cases, a percentage of sales revenue. An element of ownership is at play. That's the essential difference: while market research takes, co-creation gives back.

Sophie Benson

A chasm has opened up between customers' expectations and their retail experience. While consumers tolerated slower delivery times and other service problems in the early days of the Covid crisis, their patience is waning. Retailers must adapt – and fast.

As customers' desires evolve and loyalties shift, omnichannel retailers are missing the mark on even the most fundamental elements, such as returns and payment options. Many simply don't understand what consumers expect. In the UK, complaints about poor service in the six months to July 2021 were at their highest level since 2009.

Clare Bailey is founder of the Retail Champion consultancy. She observes that customers' initial expectations are built by retailers. "When a brand puts its positioning out there, it is selling a vision of what it would be like to be their consumer," she says. "Customer experience means living up to that."

> When a brand puts its positioning out there, it is selling a vision of what it would be like to be its consumer

Customer experience is often conflated with events and activations, but it's much broader, covering everything from the in-store returns process to a website's livechat function. The smaller building blocks of the wider consumer experience are crucial touchpoints, which should be placed at the heart of any retailer's strategy.

The problems start when retailers don't understand themselves and so fail to articulate a concrete offering. If you're unsure whether your brand offers value, luxury or convenience, your customers cannot build their expectations around your positioning in the market.

For example, Ikea gives a great customer experience "because they do what they say they will do well", Bailey says. "You know you're not going to get luxury service but that's OK, because you're getting quality and value for money."

The *Edelman Trust Barometer 2021* reveals that trust is "critical" or "important" for 88% of consumers in 14 markets when deciding which brands to buy. For 68%, it's more important to be able to trust a brand than it was in the past. With these considerations in mind, it's vital that retailers develop a clear brand proposition that they can then deliver consistently.

Only once a retailer thoroughly understands its own proposition can it start to understand its audience. However, it's no longer simply about segmenting by age or disposable income.

Kate Nightingale, consumer psychologist and founder of the Style Psychology consultancy, believes that self-congruence theory is the key to identifying and understanding consumers. This suggests that people respond more positively to brands whose values align with their own.

"This is basically a personality match between the customer and the brand," she says. "But I haven't seen personality identification of that type in almost any customer profiles."

Research by Klarna has found that 40% of consumers seek out brand values they can align with, while 35% seek human engagement. But a third of omnichannel retailers are held back by outdated tech, which could be a vital tool for delivering the experiences that customers crave.

"As tech-enabled interactions become increasingly personalised, localised and mission-led, more meaningful customer relationships can be forged," says Amy Lee, senior trends and insights manager for apparel at Avery Dennison, a materials science company that designs and manufactures functional materials and labels such as RFID tags. Yet retailers need to be consistent across all platforms for this approach to work.

Avery Dennison's recent *Digital Consumer Behaviour* report found that shoppers across China, the US and Europe gravitate towards a mixed physical and online experience. Breaking these channels into separate silos harms the customer experience. For example, it can be jarring to go from a frictionless online payment to queuing at a checkout. Nightingale suggests enlisting a "brand guardian" to ensure that a singular brand voice permeates all channels.

Personal care and beauty product specialist Sephora has successfully pursued such an approach. In 2017, it merged its digital and retail teams to create a unified experience, bringing them together under one roof with customer service. If a customer receives a makeover, say, the brand's beauty advisers scan the items used, which are then added to the customer's app. The app can then alert the user when wish-list products are in stock at a nearby store.

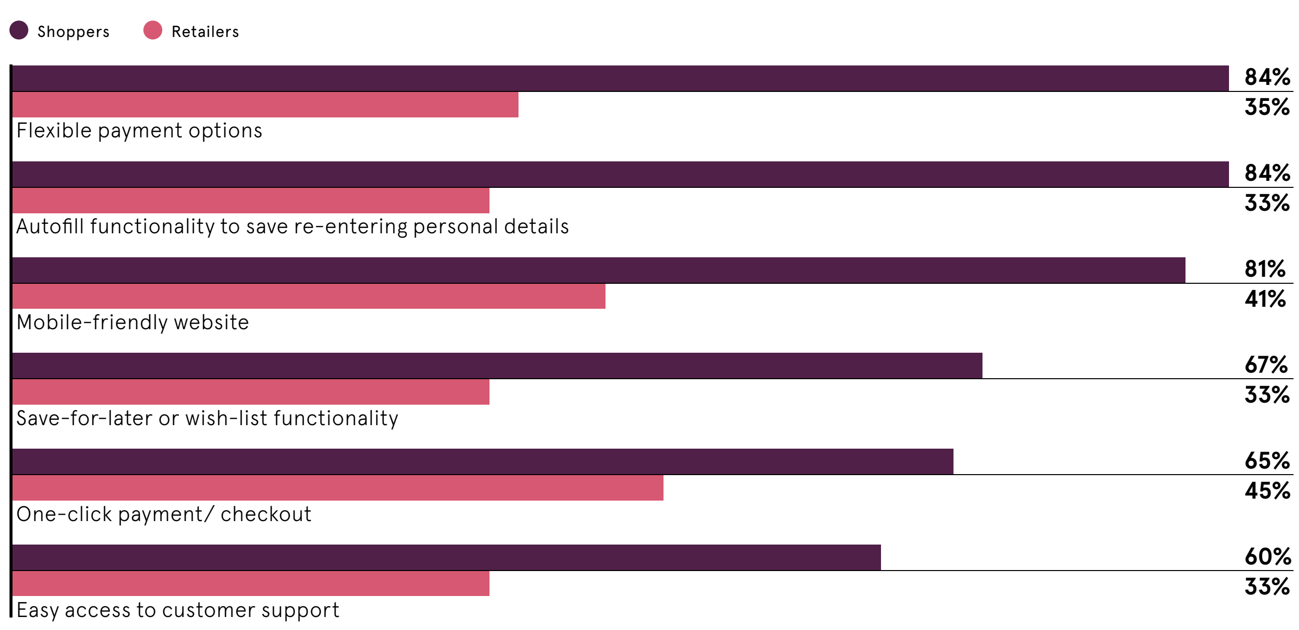
Topping the 2020 *Hitting the Mark* report published by online marketing company Dotdigital, retailer MatchesFashion maintains a high-level luxury service across all platforms, personalising email recommendations, enabling its staff to use purchase histories to tailor personal shopping experiences and providing 24-hour digital access to the personal shopping team. Such strategies help retailers to "embrace the blur", mixing service with experiential and personal factors, notes Steve Dennis, author of *Remarkable Retail: how to win and keep customers in the age of digital disruption*.

There's no quick fix for understanding the consumer. Success lies in the fundamentals. While personalisation and technology are parts of the puzzle, a company must first go back to basics, ensuring that it understands itself and its offering fully.

THE GAP BETWEEN SHOPPERS' AND BRANDS' VIEWS

Klarna, 2021

Percentage of UK retailers and Klarna shoppers who believe the following factors add value to the online shopping experience



Commercial feature

How printing innovations can drive climate action

With environmental sustainability increasingly becoming a major focus for many organisations over 2021, Richard Wells, head of office print sales for Epson, reflects on how the print giant has adapted around this key issue

It's been a busy year for the Epson community. And while we continue to ride the waves of the pandemic, together with our resellers, the biggest threat to our planet is still quietly and consistently maturing in plain sight.

For Epson, our responsibility to ensure we are adapting with growing environmental demands has never been clearer and the last year has been a testament to this. In February, Yoshiro Nagafusa was announced as the new president for Epson Europe B.V. and this was shortly followed by the introduction of Epson 25 Renewed, our new global corporate vision outlining initiatives for solving societal issues in the new normal. This coincided with Epson's renewed Environmental Vision 2050, committing Epson to reducing carbon emissions in line with the 1.5°C scenario by 2030, committing to 100% renewable electricity by 2023, and investing 100 billion yen (approx. £650m) on decarbonisation before 2030, to name a few.

In May this year we announced a new partnership with National Geographic to promote the importance of heat-free technologies as a preventative measure to permafrost thawing and the subsequent implications this has on climate change. Those unfamiliar with printing technology need only check the warmth of the paper after it's been printed to recognise how a heat-free alternative is a kinder solution for the environment.

Later in the year we also announced a new European-wide partnership with iconic athlete Usain Bolt, who is helping us to educate a wider audience on the energy and waste-saving benefits of cartridge-free printing.

In June, Epson was selected for inclusion in the FTSE4Good Index Series for the 18th consecutive year, and in October Epson received its second consecutive platinum rating by independent assessors EcoVadis, placing us in the top 1% of companies in the industry for sustainability.

€152m

in energy costs could be saved if companies switched from high-energy laser to Epson's heat-free business inkjet technology

410million

kilograms of CO2 emissions could also be prevented

More recently, Epson was named as the most sustainable company in Japan by Forbes Japan magazine and, at the beginning of November, Epson became the first company in the Japanese manufacturing industry to convert to 100% renewable electricity for all its domestic sites .

But commenting on the highlights is nothing if we're unable to provide more tangible information on how we're progressing against our greater commitments, including our science-based targets, which is why Epson Europe has just launched its latest Green Choice report.

A global spotlight on Glasgow

We had the privilege of being in Glasgow for COP26 where we met with partners, as well as members of the education and public sectors, to understand the trajectory of environmental sustainability in Scottish education, and how technology can help. Key takeaways from this were clear. Firstly, education should be further optimised to teach students how to make practical considerations around climate change, and the technology sector has an open invitation to play its part in supporting this. Secondly, environmental sustainability should play a more critical role in the buying criteria from public sector organisations and the environmental implications of technology should be made clearer to those that are using them.

Polls we ran on social media ahead of COP26 revealed that 46% of people believe manufacturers should be taking the most responsibility for Scotland's fight against climate change, while a separate 46% believed this should be the public sector. The majority (55%) said more renewable energy was the biggest improvement needed in Scotland to tackle climate change, while only a quarter (25%) said they were reducing their energy consumption in order to address the crisis. For me, this only reinforced our responsibility as a vendor to drive awareness around energy-efficient solutions and the fact that we should never stop challenging the status quo for what more we, as both businesses and individuals, can do to tackle climate change.

Making incremental changes

What's been clear over the last two years is that the technology industry, including those of us in the print world, has made dramatic changes to overcome the challenges that were imminently thrown at us with the Covid-19 pandemic. But for many, it's clear it will take another Covid-sized event to realise similar change for the environment.

At COP26 we came across numerous technological solutions designed out of necessity for tackling the climate crisis. Clever inventions specifically designed to help get us out of this mess. But, for the vast majority of the industry, we have to adopt rather than redefine our solutions in order to ensure legacy technologies that people still need can continue their place in the world without compromising the environment. And despite my passion for what I do, I know that printers aren't going to save us from climate change. But what we can do is offer a solution that provides an incremental benefit to the environment which also performs as well - if not better - on cost and productivity. The higher the volume of incremental changes that businesses make across different industries, particularly technology, the more collective success we can harness in reducing our carbon footprint.

A key example is Epson's business inkjet technology. The characteristics that make this a disruptive innovation are the same characteristics that make it kinder to the environment. Compared with its industry alternative - laser printing - business inkjet has longer-lasting, higher ink yields that reduce the costs from customers spent on ink, but also the frequency and emissions from the recycling process. It requires fewer components to assemble it and therefore there are fewer things that can go wrong, meaning less intervention for the customer and a reduced carbon footprint from sending engineers across different businesses to fix the hardware.

Business inkjet also consumes up to 83% less energy than laser, reducing energy costs for the end-user and the level of CO2 emissions released. If all businesses across Europe switched from high-energy laser to Epson's heat-free business inkjet technology, they could save enough energy annually to power 800,000 electric cars for a year, cut €152m in energy costs and lower CO2 emissions by 410 million kilograms, an amount it would typically take 19 million trees a year to absorb.

But how can a 'printing company' be environmentally sustainable? Like every good organisation should, we relish the challenge of how to better adapt around the changing needs of the environment. The role of paper, as just one example, still has a very important role in the future workplace. Through our printers, we established that the proprietary Dry Fibre technology we created to develop the porous pads used in our printer maintenance boxes can also be used to recycle the everyday office paper into new paper. With this, we created PaperLab, the world's first in-office paper making machine. PaperLab is now being sold across Europe and is a testament that, with the right innovation, manufacturers needn't compromise their value proposition for customers, but rather integrate sustainable solutions into it.

The application of our Dry Fibre technology has further potential in packaging materials, and also for producing the nutrients to cultivate the microalgae Euglena to produce bioplastics. The opportunities for how we then put this into practice are endless, and all stemmed from an innovative approach to the printed paper.

Final thoughts

As we look forward to a new year and to overcoming any final challenges thrown at us from the pandemic (and beyond), my message to decision-makers is to advocate change. The climate crisis is becoming increasingly personal to some, yet remains a fleeting consideration to others. But, by and large, employees want to be proud of their organisations and to know that we're addressing a crisis that will only continue to outweigh the threats of the Covid-19 pandemic. Environmental sustainability won't magically appear on the paradigm of customer-buying incentives. But if every working professional put even half the energy and consideration they do into reducing costs and time for their organisation, just think what they could all achieve for reducing CO2 emissions, waste, and contributing to a greener planet.

For more information please visit epson.co.uk/heat-free

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Dan Kitwood/Staff via GettyImages

TAX

Retail sector weighs up Westminster's rates review

The government's new *Business Rates Review* aims to save the high street. But, for many in the industry, it doesn't go far enough

Sam Haddad

Government published its long-awaited *Business Rates Review: final report* alongside its autumn budget and spending review in October. Retailers had anticipated its conclusions for the better part of a decade, but many were disappointed by what they read.

Successive chancellors, from George Osborne to Rishi Sunak, had pledged such a review. But, while it asks the right questions about the nature of the rates system, its answers don't represent anything like the fundamental change the industry had hoped for to reduce the tax burden, says Dominic Curran, property policy adviser at the British Retail Consortium.

The centrepiece of the review is a reduction in the revaluation period from five to three years, he notes. While that is better, it's a policy that Sunak was already taking through Parliament in 2019 as the local government minister, until it "was dropped because of the coronavirus", Curran notes.

Many senior figures in retail, such as James Daunt, MD of Waterstones, had hoped for the introduction of an online sales tax. Estimating that more than 80 of his bookstores are at risk of closure over the next few years, he says: "Once you've closed a shop, you're not going to reopen it. Politically, if they believe in levelling up – and they do talk a lot about it – this is a massive tool for helping with that."

But the government says that it will "consider the arguments for and against" such a tax, with a view to the possibility of using it to fund future rate reductions.

Reforms to business rates are long overdue, Curran argues. Since their introduction in England and Wales in 1990, "they have risen substantially", he says. "The effective tax rate has gone from about 35p in the pound in that first year to 51p now. In the past decade there was a 25% increase. If you did that to any other tax, you'd find taxpayers raising concerns about it."

Curran had been hoping for a meaningful reduction in the tax burden – "a return to the original sum of 35p in the pound. I think people feel that paying a third of your rent again in tax feels about right."

British business rates are also notably higher in proportion to revenue than elsewhere, according to Dr Martin Simmler, research fellow in the Centre for Business Taxation at the University of Oxford's Saïd Business School.

"The tax burden on commercial properties in the UK is almost double what you'd see in other countries," he says, pointing out that the amount of revenue raised from taxing properties in the UK is 4% of total revenue, compared with between 1% and 2% in other countries.

In theory, business rates are supposed to be tethered to how well you are doing as a business. But they are very much a lagging indicator in practice, with property valuations conducted well before the point at which businesses start paying the tax, Curran observes.

"A valuation that was done in 2015 that took effect in 2017 is still the basis for what you pay until April 2023," he says. "You have not only a high tax rate, but a high tax rate based on a very historic and unrepresentative assessment of the value of the property you're paying tax on."

It's a system that "reinforces booms and recessions on a local level" says Simmler, who doesn't believe that it's responsible for hollowing out the high street – a problem he attributes mainly to shifting consumer preferences. But he does think that the business rate system makes the fallout from the move to online retail even more severe for bricks-and-mortar players.

> "The effective tax rate has gone from about 35p in the pound in that first year to 51p... If you did that to any other tax, you'd find taxpayers raising concerns about it

Daunt agrees. "Business rates place a significant tax burden on physical stores that simply doesn't exist in online operations," he says. "If you take a business that has both, such as Waterstones, the system encourages us to favour our online operation over our store operation."

Simmler advocates a more substantial move towards a shorter annual or biannual revaluation period, and a greater focus on location-specific reliefs and exemptions. In July 2021, he co-wrote a paper on the benefits of small business rate relief.

The problem with reforming business rates is that the Treasury sees them as a "good tax", Curran argues. "They bring in £25bn a year and they're efficient because it's hard to hide a building, so there is a low level of avoidance."

Daunt rejects the notion that the tax should be preserved because it's efficient. "We're not in 1948," he says, noting that "we have all got extremely sophisticated systems for monitoring our cash flows. It's not as though we're all inside some flickering black-and-white TV sitcom, where a taxman with his bowler hat is saying: 'Don't diddle your taxes. As long as I can see the building, I can get them.'"

Another concern is the potential loss of council revenue. Simmler notes. Local authorities have retained a portion of business rate revenue collected since 2013.

"Whereas central government has other tax instruments, business rates raise substantial revenues for local government," he says. "It's therefore difficult to enact substantial reforms because this would create a lot of uncertainty for local government."

For Curran, there's a big contradiction between the money Westminster is spending on saving high streets and the high tax burden imposed by business rates. The government has a whole series of funds to "level up" communities, he notes, many of which have location-specific regeneration funding. He struggles to see the point in spending this money when rates reform could help to generate economic value, jobs and a sense of place, along with improved services, by saving high streets.

Daunt returns to the potential for an online sales tax. "Big retailers such as Waterstones would end up with a roughly equivalent tax bill if we were taxed on our online operations and our business rates were to be wiped," he says. "We aren't calling for anyone to save us tax. We're saying: 'Allow us to keep our shops open and continue employing people.' Update the system for the way the world is."

UNDERSTANDING THE *BUSINESS RATES REVIEW*

HM Treasury, 2021

The final report of the UK government's *Business Rates Review* states that the conclusion of the review meets the government's commitments by doing the following eight things:

1. Providing a tax cut worth almost £1.7bn for eligible retail, hospitality and leisure properties.
2. Freezing the business-rate multiplier for 2022 to 2023, saving business £4.6bn over the next five years.
3. Introducing a new relief designed to support investments in property improvement.
4. Introducing new measures to support green investment and the decarbonisation of non-domestic buildings.
5. Making the system fairer by moving to three-yearly revaluations from 2023.
6. Investing in rates systems to ensure fundamental change by providing £500m for the Valuation Office Agency.
7. Providing stability before the 2023 revaluation by extending transitional relief and the Supporting Small Business scheme.
8. Considering the arguments for and against an online sales tax that, if introduced, would raise revenue to fund rate reductions.

Commercial feature

Shift in consumer rights landscape increases risk for retailers

Expanded consumer rights coupled with an increased risk of class action suits mean retailers need to keep on top of compliance

UK retailers have long had to navigate the maze of consumer protection legislation to avoid loss of market share or regulatory censure. However, the expansion of the consumer protection landscape, combined with developments in legal redress, mean the chances for retailers to fall foul of regulators, consumers or a class action are higher than ever.

GDPR is a key part of this new environment for retailers. Under the GDPR, regulators can impose fines of up to up to €20m (£17.5m) or 4% of the business' worldwide annual revenue from the preceding financial year, whichever amount is higher. In the three-and-a-half years since GDPR came into force, retailers have incurred fines in the region of €20 to 30m for individual failures such as data security breaches, excessive staff monitoring and unlawful marketing.

Aside from the risk of regulatory enforcement, the strengthening of consumer legislation is giving consumers a raft of further rights. In the EU, the Enforcement and Modernisation Directive 2019/2161, more commonly known as the Omnibus Directive, updates rights in a variety of ways, including transparency for online marketplaces, clearer conditions around consumer reviews and clarity on how prices are personalised. In addition to introducing GDPR-style fines for breaches, the directive also provides consumers with compensation rights when they are affected by unfair commercial practices.

"Retailers need to review their understanding of trade laws," says Jon Bartley, a retail and ecommerce specialist at leading law firm RPC. "The recent developments in the UK and EU mean retailers are liable to be caught out by the sheer variety of new rules or the potential consequences of breach. If errors are made, there are new risks of fines and new avenues for consumer redress. It's not just regulators enforcing the law. We are seeing a new era for class action lawsuits as consumers seek compensation directly."

> "Any company trading with the EU needs to be aware of the expansion of consumer rights and the enhanced ability of consumers to launch class action suits

Until recently class action lawsuits were rare in the UK and EU. That is changing. "The government and regulators are clear that they support more class action cases," says Lambros Kilaniotis, head of RPC's competition practice. "Whilst we won't quite match the United States for frequency of cases, retailers need to understand that the new legislation here, and in the EU, means we'll see a growing appetite for action."

Kilaniotis explains that the key change in the UK came with the Consumer Rights Act 2015 and the switch from an exclusively opt-in regime for claims based on competition law infringements to a system that additionally enables opt-out collective claims (where claimants are included in a class unless they opt out) as the previous regime was not considered effective.

At a stroke, it became simpler to launch a class action suit to cover those affected. "The new system took time to find its feet," says Kilaniotis, "but now we are seeing a steady rise in cases. There are three cases that have been certified on an opt-out basis and 10 more waiting in the wings."

The EU is also making class actions easier. The Representative Actions Directive demands member states enable class actions to enforce consumer rights. Whether member states offer an opt-in or opt-out mechanism is up to them. Nevertheless, the new directive will enable class actions for breaches of a huge raft of consumer and data laws.

"Retailers need to understand that the trading environment has changed," says RPC's Jeremy Drew. "Any company trading in the EU and UK needs to be aware of the expansion of consumer rights and the enhanced ability of consumers to launch class action suits. Regulators will also be enforcing the new legislation with much greater powers to fine companies that infringe the rules. Retailers need to ensure that they have these developments on their radar and adapt as necessary to avoid costly mistakes."

Jeremy Drew
co-head of retail, +44 20 3060 6125

Jon Bartley
partner, +44 20 3060 6394

Lambros Kilaniotis
partner, +44 20 3060 6033

For more information, visit rpc.co.uk/retail

RPC


xavierarnau via GettyImages

VIRTUAL RETAIL

Will shopping be better with meta?

Since Mark Zuckerberg promoted the concept of the metaverse – a 3D sequel to the internet – everyone's been trying to envisage what it might look like. Now it's retail's turn

Nick Easen

I have just had a busy day undergoing retail therapy. Still unsure about which electric vehicle to buy after experiencing how Hyundai's latest Ioniq model looks and feels, I popped over to the skate park to try on some Vans trainers. Then I headed along to the Gucci Garden, where I was almost more interested in the exhibition and the butterflies flying around my avatar's head than in checking out the new fashion collection.

This is the future of retail – today. You can already shop till you drop in the metaverse, albeit on a video-gaming platform such as Roblox, a system that more than 40 million people worldwide are familiar with. You can spend real money on virtual goods, fuelled by the likes of bitcoin, blockchain and non-fungible tokens (NFTs), where authenticity and currency are preserved in our virtual worlds.

This is just the start of so-called Web 3.0 and how it will transform our shopping habits, according to Luke Weston, brand experience strategy director at design agency Household.

"The metaverse could have a profound impact on the way that we shop," he predicts. "Retail in this digital space will not be confined by channel, device or medium. It will be all around us, serving as a multilayered, extended reality in which the world becomes interactive, connected and shoppable."

Virtual video-gaming worlds already have metaverse ambitions. They give us a glimpse of what the future might look like for retail before the likes of Facebook – or, rather, Meta – start investing huge sums in the field. That's because three-quarters of the industry's revenue comes from games that enable the sale of virtual products, according to market research firm Newzoo.

Virtual shopping malls already exist, as do digitised retail products on these platforms. You can now buy all sorts of clothing and even angel wings to make your avatar stand out from the crowd. A digital copy of a real Gucci handbag was recently resold for more than £3,000. Pop star Zara Larsson has even made a seven-figure sum selling merchandise on Roblox. Simulated Ferraris can now be test-driven. Burberry operates a digital twin of its Tokyo store, while Tumi and Dermalogica have immersive online retail fronts. The metaverse has even spawned virtual flagship stores from Lancôme and Fendi.

"Reflecting what a physical store looks like is one approach that many retailers are taking," observes Emma Chiu, global director at Wunderman Thompson Intelligence. "But some brands are maximising the creative idea that digital should defy gravity and matter in retail."

And therein lies the future. Bricks and mortar once defined how we shopped – physically hanging out at a shopping mall was as good as it got. Immersive fictional worlds accessed through virtual reality headsets in the comfort of your living room know no boundaries. Storytelling and new forms of engagement will become the norm. Some experts are calling this 360-degree retail.

Envisage hopping around the world to visit different virtual stores, test-driving the digital twin of a new car or trying on an item of virtual clothing, where feedback updated in real time determines what products are released, and when, in both the metaverse and the real world.

One of the benefits of virtual retail is that it should be more sustainable and contribute less than real-world items do to climate change. Retail brands will increasingly make that point: consume more virtually, less materially.

"Also imagine if researching a purchase were to no longer involve trawling the pages of an ecommerce site, scanning online reviews or watching ads on social media," Weston says. "Imagine if the shopping journey were in the metaverse instead, with the product in context, in an immersive virtual environment, shared with friends and guided by the brand's 'avatar ambassadors'. We also now foresee increasing value placed on virtual identities and possessions."

Expect new collections to be revealed in the metaverse first. Real-world brands will also recruit for creative and technical talent to help enhance their metaverse capabilities. Brands could generate value through scarcity by creating rare digital assets, verified by NFTs and purchased with cryptocurrencies.

One concern for retailers in this brave new world is that, if the internet is the great leveller, then so is the metaverse. Anyone can set up a store front here.

"This raises the question of how you distinguish your offering from everyone else's," says Nick Cooper, global executive director, insights and analytics, at brand consultancy Landor & Fitch. "Distribution, location and availability issues are largely removed, while the footprint of every retail 'estate' is the same. This will make it impossible for you to stand out without a clear brand proposition."

But he adds: "Equally, in removing physical constraints, the metaverse provides users with opportunities to create the ultimate brand experience."

> **"Retail in this digital space will not be confined by channel, device or medium. It will be all around us**

Where the metaverse of retail gets interesting is how it starts to interact and merge with, as well as influence, the real world. The augmented experience will spawn new forms of consumerism and brand engagement, especially with new virtual, augmented and mixed-reality technologies aided by 5G connectivity.

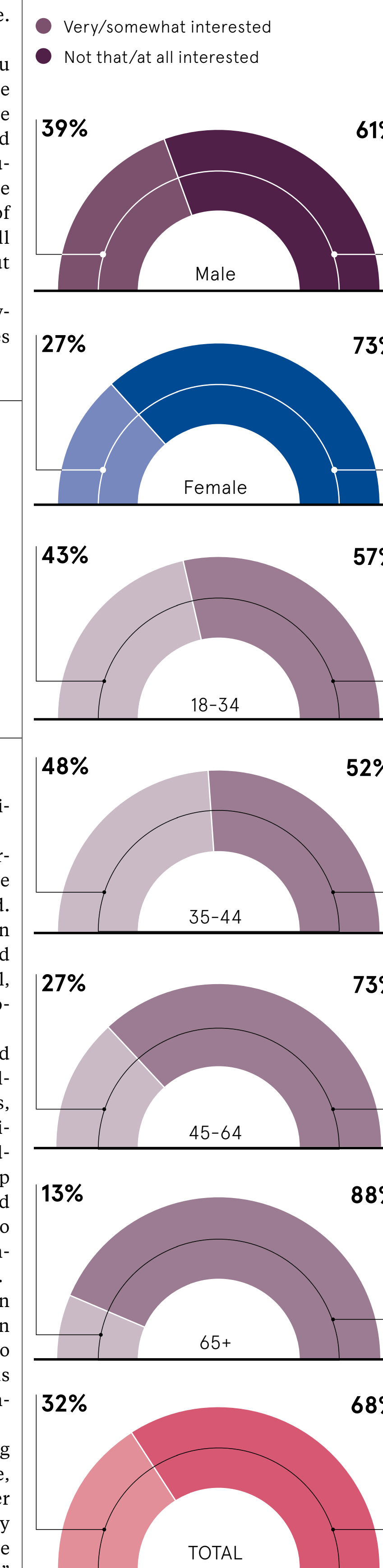
Loyalty points in the virtual world could be redeemed at real stores. Retailers can democratise advisory services, since meeting big-name designers is easier when it's done virtually. Expect blended-reality showrooms – Selfridges' tie-up with clothing brand Charli Cohen and Pokémon is giving a taste of what's to come using immersive digital experiences in store, accessible via a smartphone.

"Also take a look at Nike, which is on a mission to get kids moving," Weston says. "It's using virtual experiences to help achieve this. We expect more brands to use the metaverse as a means of connecting across realities."

And, should a brand be wondering whether it should invest in the metaverse, just think of the opportunities, Cooper adds. "If everyone has an avatar that they want to clothe, beautify and house, the buying public essentially doubles in size," he says. "So the future for retail is very bright indeed." ●

WHO'S INTERESTED IN SHOPPING IN THE METAVERSE?

Percentage of adults in the US who are interested in Meta's new virtual reality project, known as the metaverse, as of November 2021



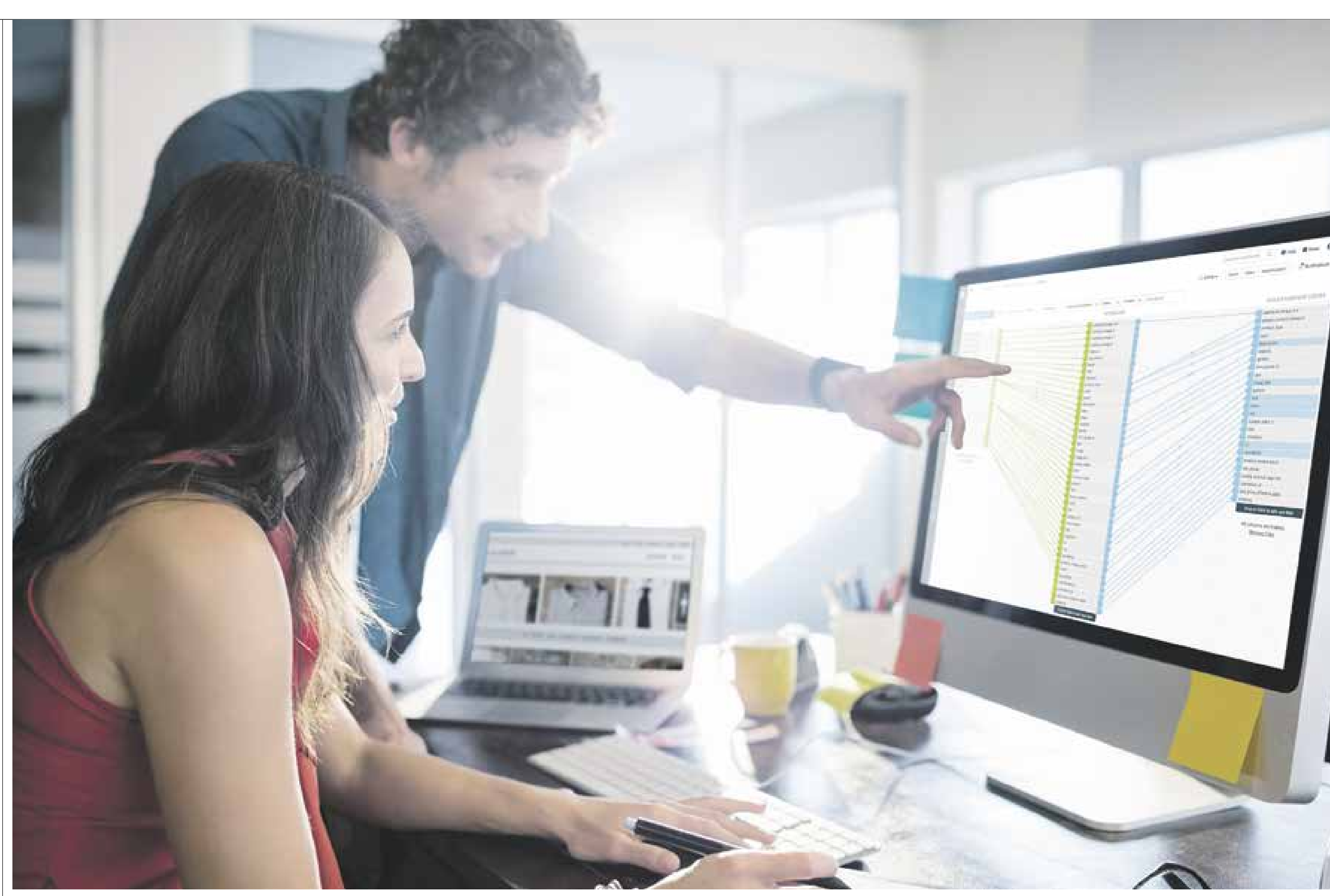
(Percentages may not add up to 100 owing to rounding)

Morning Consult, 2021

Commercial feature

B2B and B2C are dead – the future of retail is P2C

Traditional models like business-to-business, business-to-consumer and direct-to-consumer are no longer relevant. Rather than optimising their route to customers across multiple systems, organisations must now rethink their entire strategy around a new, singular model: product-to-consumer



The rise of ecommerce over the past two decades has been as formidable as it has been rapid, with global online sales set to hit $4.2tn this year, according to Adobe. Digital commerce now powers much of the retail world, enabling consumers to tap into global supply and receive items in their homes in days or even hours. The user experience, in theory, is totally seamless.

Yet while the vast majority of retail businesses have expanded online, many are struggling to live up to that user experience and maximise the potential of their ecommerce platforms. The growth of digital commerce has not only brought with it higher customer expectations, but also ever-growing complexities and overheads to ensure the many moving parts of the ecommerce ecosystem, including systems, feeds, channels and marketplaces, can work together effectively.

As digital businesses have acquired tools, solutions, and data to help deal with these challenges and serve different digital channels, new problems have emerged through the many silos which have formed. Despite their intentions for a seamless customer experience, in the daily grapple to manage the vast array of tasks and complex omnichannel processes between providers and consumers, organisations are seeing their consumer relationships become divided and diverted.

As a result, companies are "losing the connection" with their consumers, notes Dion Hinchcliffe, vice-president and principal analyst at Constellation Research, in a recent report by the company. "One primary issue is that these organisations are not taking a system-level view or looking at the problem holistically," he adds. "What we mostly find is a series of tactical responses, one operational silo or issue at a time. The reasons are clear: it's easier to seek to address pain points or shifts one at a time, trying to piece together business responses by using traditional IT solutions, legacy information feeds, and automation that is more task-focused than outcome-focused."

> **"With a P2C platform, companies can eliminate 50 different categories of applications inside their organisation and gain control over the experience they deliver to customers**

Amid these issues, it is becoming increasingly clear that the traditional B2B, B2C and even D2C models of the past are not working in the digital age. In a recent Forrester report, 62% of companies said they are planning to update or entirely replace their commerce platform system, showing many current solutions aren't solving today's commerce problems. This calls for a new product category altogether – a new high-level abstraction for how a digital commerce ecosystem functions – called product-to-consumer (P2C), according to Constellation Research.

A P2C platform enables companies to streamline the path their products or services take to reach consumers. This path is known as the product information value chain, and P2C helps companies manage the flow of digital information within it.

For instance, product data – such as the price of a jacket – typically starts with a supplier and is routed through various channels – like Google Shopping or Pinterest – before it reaches the consumer. Within the product information value chain, the jacket's product data needs to be adjusted to meet the requirements and specifications for each channel. Instead of manually managing the flow of product data across hundreds of channels, a P2C platform allows companies to manage the entire lifecycle of product data in one platform.

"Technology is supposed to make our lives easier but when companies adapted their tech stack for the evolving ecommerce landscape, they ended up with a Frankenstein model of solutions, creating a tech stack that isn't scalable on a global level," says Vincent Peters, CEO of Productsup. "How and where you reach your customers changes every day, and it's become a lost cause for marketers to keep up manually. With a P2C platform, companies can eliminate 50 different categories of applications inside their organisation and gain control over the experience they deliver to customers."

Looking at P2C management as a whole, it offers several key strategic functions: expanded consumer reach through real-time syndication to thousands of marketing and selling channels; cross-platform operations across a wide range of providers; and finally, a holistic product data ecosystem through large-scale integrations of various sources. Through these functions, a P2C platform has enormous potential to transform business efficiency, accelerate go-to-market strategy, and build customer loyalty.

The Productsup P2C platform is the only global, strategic, scalable platform managing all P2C information value chains across any platform, channel and technology, and processes over two trillion products a month. The platform automates manually intensive labour through advanced AI and ML capabilities, offers personalisation to adapt to the individual needs of each commerce business, eliminates the need for IT support through an easy-to-learn interface, and improves visibility of the product information value chain with a 360-degree view management system. Productsup's market-leading position in the new P2C category helps free brands, retailers, service providers and marketplaces from their digital commerce anarchy.

"P2C is an opportunity to erase the patchwork of solutions created over the last few decades since the birth of ecommerce, and it all starts with following consumers' experiences" adds Peters. "Shoppers don't care what channels you're in; they care about what channels you're not in. If you don't have a consistent presence at every customer touchpoint, you've already failed to meet the bare minimum expectations. P2C management empowers companies to anticipate those experiences and react in real-time."

For more information, download Constellation Research's P2C Management Market Overview: productsup.com/guides/constellation-p2c-product-to-consumer-overview

Productsup

CUSTOMER RETENTION

Into the bargain: making the seasonal sales more 'sticky'

A handful of periods each year are vital money-spinners in retail, but they are fleeting. How can firms convert these spikes in shopping activity into plateaus?

Megan Tatum

Richard Baker / In Pictures via Getty Images

British consumers may have been in the midst of another lockdown in November 2020, but that didn't deter them from splashing out roughly £2m per minute on Black Friday deals.

In total, about £6bn was spent during this annual festival of consumption, as household brands slashed prices on items ranging from cosmetics to electronic goods. This year, the figure could be closer to £9bn, according to PwC.

Black Friday – which arrived on these shores from the US in 2010 – is one of a small number of key seasonal events that retailers rely on to boost sales and attract new customers. During December, the average UK household spends 29% more than it would in a typical month, thanks to gift-buying and extravagant grocery purchases for Christmas, according to the Bank of England, while research by Barclaycard has found that Valentine's Day generates an extra £36 of retail expenditure per person in the UK.

But, while these temporary upticks are welcome, how can brands and retailers capitalise on the interest generated in the longer term? After all, continuing to offer the discounts that have made Black Friday so alluring to bargain-hunting shoppers is hardly a sustainable ploy.

"Big shopping events such as Valentine's Day and Mothering Sunday can naturally create a sudden influx of new customers, which is brilliant for boosting sales," says Neil Debenham, an entrepreneur, investor and business troubleshooter. "But too many businesses focus purely on getting new customers through the door at these times and overlook the importance of building a strategy for retaining them. This can often result in excessive costs for customer acquisition and a lack of loyalty from arguably 'expensive' customers."

According to research by ecommerce software company LoyaltyLion, 64% of retailers report that shoppers who were attracted to them during big seasonal events have a much lower customer lifetime value (CLV) to their business than those acquired at other times of the year. There is only a 27% chance that a customer acquired during these periods will make a second purchase.

"Offering otherwise unattainable deals to get customers through the door is a good tactic," Debenham says. "But, if you don't have a retention plan, the likelihood is that these shoppers will resign themselves to a one-off purchase and become part of a rapid churn cycle."

Wellbeing brand Neom Organics operates five stores in the UK and is also stocked at John Lewis, Selfridges and Space NK. Its co-founder and CEO, Oliver Mennell, says that the Black Friday sales are an "important time of year for customer acquisition", but he stresses that his company is well aware of the importance of converting this increase in interest into customer loyalty.

"Our strategy for acquiring customers during Black Friday is focused on product discovery and trial. For example, all of our offers include gifts with purchases, so that newcomers can experience more of what we have," he says. "This means that we can introduce them not only to our products but also to our unique holistic approach to wellbeing. This encourages them to take a longer-term view, adding manageable steps into their daily routines beyond the peak buying periods."

Discount shoppers who sign up for online updates will receive content such as wellbeing advice and invitations to exclusive brand events. To ensure that it doesn't alienate its existing customers, Neom uses social media and email to keep them informed of any major customer acquisition activity before it happens.

Online consumer goods retailer Buy it Direct goes to great lengths to ensure that the right authorisations are sought to ensure ongoing communications with customers after a seasonal shopping event has passed.

"During the period itself, it's important to have a visible email sign-up facility, ideally tested and optimised beforehand," says the company's head of retention, Laura Robertson. "You need to ensure that permissions are sought for marketing communications, along with any other relevant data-capture activities."

Once these consents are obtained, a retailer can take a new customer on that crucial post-purchase journey towards long-term loyalty.

"At this point, it's important to engage customers with your wider offering and demonstrate why they should keep coming back," Robertson advises. "It might be appropriate to offer a discount on a second purchase, but it would be wise to showcase a full-price offering. This could be a bestseller or part of a new range, for instance, or another item that tells the brand's story. This 'welcome journey' is also a good opportunity to introduce new communication channels, such as a social media platform or an app."

Data analytics and artificial intelligence systems can support this effort, she adds, by using behavioural data to offer customers personalised marketing communications and identify the most profitable cross-selling opportunities.

"For even more insight, consider actually asking customers for more information about the type and frequency of communications and offers they're most interested in receiving," Robertson recommends.

Debenham suggests that retailers could also consider using a major shopping event as an opportunity to persuade new customers to sign up to a loyalty scheme. "This could be a programme that encourages them to spend a certain amount in exchange for further discounts," he says. "Or you could reward loyalty by offering a discount every three or six months, say, so that shoppers feel valued. Such tactics will not only increase your CLV; they will also dissuade recurring shoppers from visiting your competitors."

It's also important to take as much stress as possible out of these big seasonal events, Debenham advises, by tweaking all post-sale communications, offering a great delivery service and "ensuring that shoppers will be wowed by both the product and its packaging when it arrives on their doorsteps".

The overriding message to the retail sector, then, is to treat these peak shopping events as a starting point from which to engage with newly acquired customers and, ultimately, form far more lasting – and lucrative – relationships. ●

£9bn

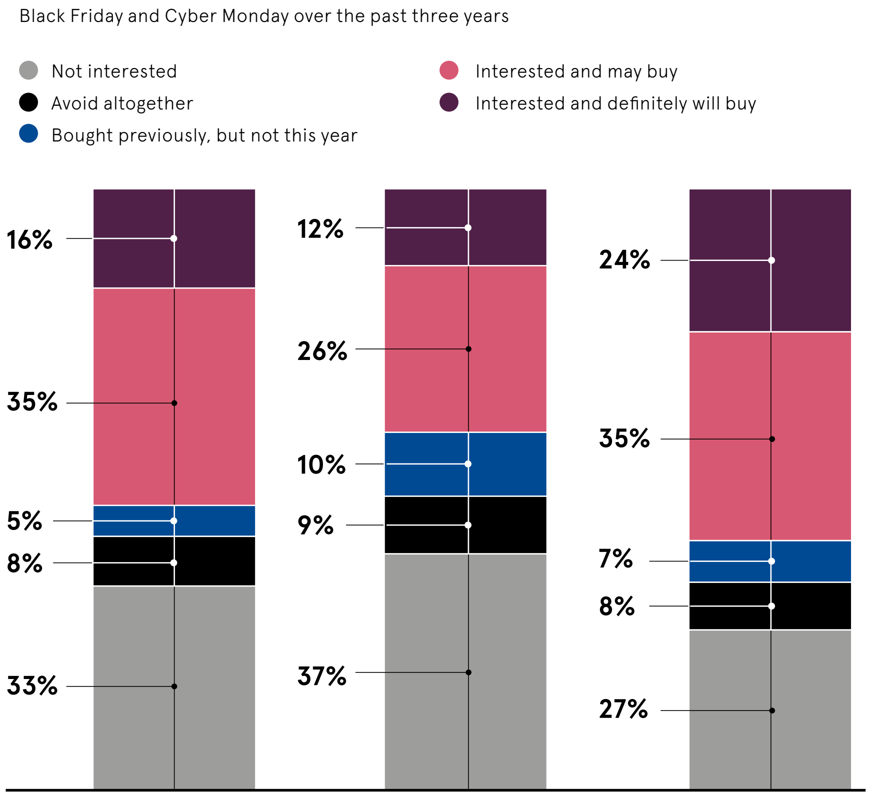
Predicted UK consumer expenditure on Black Friday in 2021

PwC, 2021

> "Too many businesses focus purely on getting new customers through the door and overlook the importance of building a strategy for retaining them

HOW INTEREST IN THE BLACK FRIDAY SALES SEASON IS FLUCTUATING

Percentage of UK consumers who say they have had the following levels of interest in Black Friday and Cyber Monday over the past three years



(Percentages may not add up to 100 owing to rounding)

PwC, 2021

Flexible checkout finance tailored to all merchant needs

The pandemic led to an explosion in online shopping, but brands still need to find ways to decrease high cart abandonment rates

Over the past eighteen months, the retail industry has experienced the most profound period of change since the emergence of department stores transformed the shopping landscape over a hundred years ago. The move from in-store to online is now irreversible, and the trend has been accelerated by an estimated five years due to the explosion in ecommerce during the pandemic. However, one feature of this switch has cast a shadow: an increase in cart abandonment. This needs to be addressed and, increasingly, analysts believe the answer lies in payment innovation that improves consumer experiences at checkout.

Flexible payment options offer a solution

41% of UK consumers have abandoned a transaction during online checkout, compared to just 24% of shoppers who have walked away from a purchase in physical stores. The range of checkout payment solutions offered to online customers is often not varied or accessible enough to turn browsing into sales. Recent research shows, for example, that close to ten million Britons have avoided buying from merchants which don't offer alternative payment methods at checkout. This represents a considerable loss of potential sales for merchants who do not offer flexible payment options.

In response, there has been increasing innovation in buy-now-pay-later (BNPL) and checkout finance and this is accelerating with rising demand for more simple, convenient, and seamless purchasing experiences. Early BNPL checkout offerings used straightforward products and a one-size-fits-all model, but increasingly it's clear that a more sophisticated approach is needed. Specifically, product flexibility tailored in line with business needs is crucial, and the next step in payments innovation is being driven by a need to achieve higher lender acceptance (and therefore conversion) rates.

Role of multi-lender BNPL in the future of retail

Despite soaring online retail sales figures, turning website visitors into paying customers can be a challenge as rising cart abandonment suggests. Therefore, making purchases more affordable for potential consumers is key. To ensure they don't miss out on sales, businesses need to offer a wide range of payment solutions that maximise the chances of customers completing their purchases at checkout.

The future lies in moving away from rigid products and further optimising the underlying lender acceptance rate. Platforms such as Deko's, which is multi-product and multi-lender, are boosting flexibility and coverage of financial products to address different consumers and basket sizes. They are also accelerating integration capability, broadening sector reach, and ensuring everything is available through a single platform, giving customers the best chance of purchasing the things they need.

The flexibility and range of lenders included in Deko's offer allow the firm to help merchants provide unique flexibility for their customers. This is because Deko aggregates market participants across short-term BNPL and higher value and longer-term instalment finance, prime and near-prime lenders, as well as credit providers with different sector risk appetites.

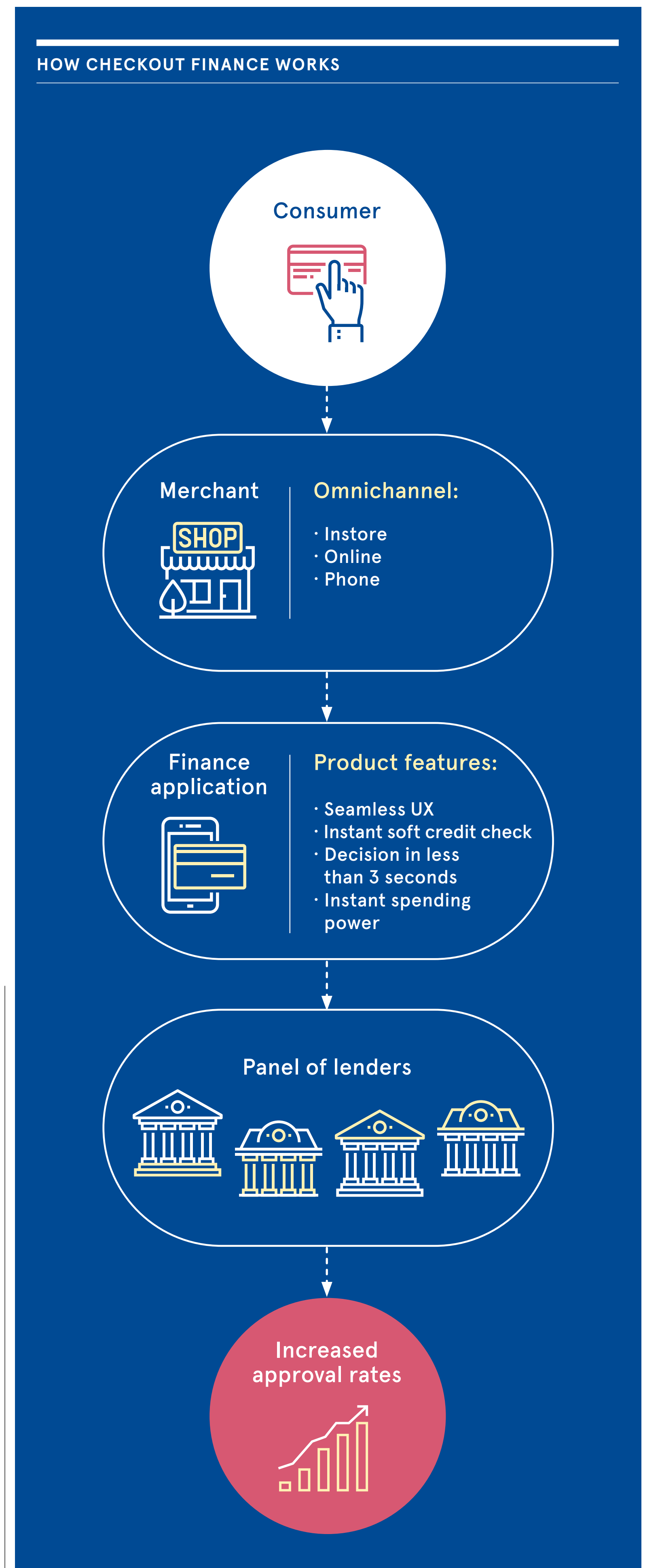
This means conversion isn't simply bound by a single lender or its customer experience and there is a payment solution for any basket, anytime, anywhere – all at the speed of a click. By automatically guaranteeing the best match between consumers, merchants and lenders, our merchant partners gain an average increase in sales of almost 30%.

Deko's multi-product, multi-lender platform includes a breadth of financial payment products merchants can offer while ensuring they get the right solution for their business needs. Nevertheless, the process of integrating flexible payment finance into an online or physical store can potentially be complex and disruptive. That is why Deko has ensured that its products can be easily integrated into existing business operations. Its nimble solutions can be plugged into any existing infrastructure rapidly and seamlessly, meaning Deko can be integrated with new businesses in just 24 hours.

A seamless payment experience to match new retail trends

Where merchants had been expecting to gradually establish an online presence to supplement in-store shopping, the sudden end to physical retail prompted by the pandemic forced businesses to seriously invest in their wider digital offering. Certainly, the upward trend in online retail is accelerating, with nearly 22% of all retail sales worldwide forecast to take place online by 2024. There is a more marked picture in the UK, as the national ecommerce market is projected to grow by 37% until 2024.

These new retail habits deserve new payment options. Innovative platforms such as Deko are optimising not only the customer experience but coverage and acceptance too, reducing the higher basket abandonment rates that have accompanied the shift from in-store to online. Deko's multi-product, multi-lender solution caters to businesses of all sizes and sectors, helping merchants offer flexible checkout finance tailored to all their needs. The future of retail is here.



41%

of UK consumers have abandoned a transaction during online checkout, compared to just 24% of shoppers who have walked away from a purchase in physical stores

22%

of all retail sales worldwide forecast to take place online by 2024

37%

growth expected within the UK ecommerce market until 2024

Finextra, 2021

> "By automatically guaranteeing the best match between consumers, merchants and lenders, our merchant partners gain an average increase in sales of 30%

For more information, visit dekopay.com

DEKO

LUXURY

Five ways to sell luxury to the future consumer

For the next generation of luxury consumers, the customer experience is crucial. High-end brands are turning to digital technology to boost their sales

Emily Seares

The pandemic has accelerated the luxury retail sector's online shift. As they seek new ways to connect with consumers in this digital world, one priority is clear: the customer experience.

Poised to reshape the industry, generation Z is the new frontier of tomorrow's luxury market. By 2035, gen Z could make up 40% of all global personal luxury goods purchases, up from only 4% today, according to analyst Bain & Company.

To engage with these customers of the future, brands are experimenting with digital tech. Some are using augmented reality to enhance real-life experiences. Other are entering the metaverse with gaming, digital avatars and virtual goods enabled by non-fungible tokens (NFTs).

With 90% of gen Zers classifying themselves as gamers, it's no wonder that luxury brands are looking to digital tech as a way to connect with an audience that possesses big spending power. Seeking a seamless and personalised online and offline retail journey, the new generation of luxury consumers are focused on experience.

"The boundaries that may have once divided our online and offline worlds are rapidly blurring and in turn, consumers are moving seamlessly between this idea of one's digital self and their physical lives," says Rachel Waller, Burberry's global VP of channel innovation. "They're actively investing in their digital lifestyle, not only through traditional gaming, but also through new spaces such as NFTs. This presents an exciting opportunity for us to engage and inspire communities in a way that we couldn't via other channels."

Here are five important technology trends that are set to shape the luxury retail sector in 2022 and beyond.


Browns Brook Street

1 Non-fungible tokens

Have you come across the virtual sneaker that made more than $3m (£2.3m) in sales in five minutes, or the NFT artwork that fetched $69m in an online auction at Christie's? Welcome to the world of NFTs, one of this year's big successes.

NFTs are virtual products that are stored on blockchain and auctioned off. Each is one of a kind, creating a sense of exclusivity that aligns perfectly with the luxury brand experience.

"As 'luxury goods' become more ubiquitous and easier to access, consumers are turning to unique, non-reproducible experiences to fulfil a desire for the exclusive," notes Scott Clarke, head of luxury retail at digital consultancy Publicis Sapient.

The NFT market is growing fast, with its market cap increasing by 1,785% in the first three months of 2021 alone.

In the summer, Burberry launched an NFT collection in digital multiplayer game *Blankos Block Party*, in partnership with Mythical Games. The digital collection marked the first time that customers could own something from the brand that wasn't physical, Waller says.

Burberry has been pleased with the response. Its digital vinyl toy, Sharky B, sold out in a record time of less than 30 seconds, while a Burberry jetpack sold out in under two minutes. The brand also saw positive community engagement, with high volumes of online conversations about the partnership, as well as large numbers of reposts, shares and likes.

"This reinforces just how impactful it is to 'lean in' to cultural moments and show up for our customers in the spaces they love," Waller says.

Catherine Hope is executive VP of creative and entertainment at Sunshine, a brand consultancy with clients including Balmain, Harrods and Jimmy Choo. She notes that NFTs, "beyond generating new revenue streams for luxury retailers, open the door to the fundamental hallmarks of customer experience: a story and a meaningful relationship".


Burberry's Blankos Block Party

2 Gaming

Becoming an important marketing opportunity for luxury brands over the past 12 months, gaming offers a fast-growing channel through which to engage with younger, international, digitally native consumers. The trend is expected to continue into 2022 and beyond, with several big fashion houses leading the way.

"It's clear that luxury brands that once thrived purely on a feeling of exclusivity are making a conscious effort to become more accessible and relevant to today's consumers," says Rosh Singh, MD at Unit9, a brand innovation consultancy that has worked on emerging tech marketing projects with the likes of Burberry, Hugo Boss and Porsche.

Research firm SuperData forecasts that spending on digital gaming will reach $129bn this year, up from $62bn in 2015.

Forms of gaming both inside and outside the metaverse offer luxury brands the chance to adopt a more playful attitude. In September, for instance, Balenciaga announced a creative partnership with Epic Games centring on the latter's hugely popular online game, *Fortnite*. Within the game, virtual Balenciaga 'skins', or outfits, are available to buy via a digital store. Balenciaga also designed a limited-edition series of physical products, available both online and in stores – a nod to the growing trend for matching real-life purchases with a digital twin.

According to shopping platform Lyst, 24 hours after the release of the physical capsule Balenciaga-*Fortnite* collection, the number of web searches for 'Balenciaga x *Fortnite*' increased by 72%.

This follows the fashion house's groundbreaking video game launch to showcase its fall 2021 collection in December 2020, where it presented its new apparel within *Afterworld: the Age of Tomorrow*, a game designed especially for the season by developer Unreal Engine.

Epic Games/Balenciaga

3 Augmented reality

AR technology enables brands to superimpose digital content over a real environment. For multichannel luxury retailers, it's a great way to help bridge the gap between the digital and physical, elevating the shopping experience.

In-store gadgets such as smart mirrors allow shoppers to interact with goods and find information about them, for instance.

This year, luxury ecommerce platform Farfetch opened Browns Brook Street, a flagship Mayfair boutique that, it says, "blends exceptional service with technology to create a seamless and connected customer journey". Used in conjunction with the Browns app, interactive mirrors in the shop's dressing rooms can offer styling guidance and suggest complementary products to the ones being tried on.

Sandrine Deveaux, Farfetch's executive VP, future retail, says that AR is crucial in the physical store. "It is one of the technologies that will allow the store to serve as a media outlet for the brand. It gives customers a reason to visit and immerse themselves in brand experiences."

Snapchat, the largest AR platform, has introduced shoppable AR, a new way to invite customers to try on products from the comfort of their own homes. It says that more than 80% of its 265 million active users engage with AR daily.

AR portals on Snapchat are a way for luxury brands to unlock exclusive content and extend the VIP treatment to younger customers. "Ralph Lauren's virtual flagship store is a great example of this," Singh says. "It has allowed fans of Chance the Rapper to be transported behind the scenes before a performance."

4 Artificial intelligence

The ultimate luxury experience is completely tailored to the individual consumer. Arguably, there's no better way to do this than by using AI.

Intelligent, data-driven innovation will enable luxury consumers to feel seen and heard, Singh explains. For example, AI could pair a shopper with their perfect product, or use so-called deepfake methods to create personalised messages, opening a direct dialogue with consumers.

Chinese etail giant Alibaba is a leader in AI. "In a country of mobile-first consumers, luxury customers demand the same tailored experience and sense of exclusivity online as they would in a physical retail environment," says Janet Wang, head of Alibaba's luxury division.

She adds that her company has been using AI to improve the overall experience for consumers by applying the technology to livestream online broadcasts, enabling the real-time translation of product demonstrations into 214 languages.

"Innovative technologies are constantly helping to provide consumers with differentiated and unique experiences that deepen their connection with luxury brands," Wang says. "It's less of a direct sales process. Instead, consumers get rich content and enriching experiences."

5 Cryptocurrencies

Luxury brands are beginning to offer new cryptocurrency payment systems, such as bitcoin, ethereum and litecoin. It's part of an effort to satisfy the wishes of young international shoppers.

Ricardo Guadalupe, CEO of Swiss watchmaker Hublot, considers virtual currencies to be "the future". The brand dipped its toes into digital currency with the launch of the Big Bang Meca-10 P2P, a limited-edition collection of watches that could only be bought using bitcoin. Hublot is looking to accept payments in a range of cryptocurrencies online next year.

Bologna-based leather goods brand The Outlierman specialises in driving accessories. This year it unveiled a new system providing what it calls a convenient alternative payment method for customers who prefer to deal in cryptocurrencies.

In addition to offering new payment methods, cryptocurrencies can be used to contact and reward fan communities. The payment options are also trickling down to the high street. In November, womenswear retailer LK Bennett announced a payment partnership with LSE-listed fintech firm Mode, which will enable customers to make instant payments online and earn loyalty rewards in bitcoin.

The new wave of luxury shoppers – including gen Zers, Henrys (high-earners, not rich yet) and millennials – aren't confined to the luxury sector. But luxury is leading the way in responding to these consumers, using tech experimentation and innovation in a way that resonates with this audience.

"The luxury sector has proved that it's not afraid to take a risk by using this technology to become one of the first out there to create new, exciting experiences that consumers haven't seen before," Singh says. "These trends are likely to trickle down through other sectors as they look to emulate luxury's pioneering success."

LOYALTY

How smart retailers turn customer data into gold dust

From Dixons to the Co-op, a number of digital-savvy retailers are transforming big data into smart data. Their secret? Skilful customer relationship management

Rebecca Stewart

MoMo Productions via Getty Images

After several turbulent, loss-making years, Dixons Carphone announced in June that it was out of the red. While the company has been benefiting from the pandemic-induced boom in spending on tech, another factor was key to its success: the smart use of customer data.

The electricals retailer – now known as Currys – posted a pre-tax profit of £33m after a loss of £140m in 2020. Talking to investors, CEO Alex Baldock highlighted "exciting advances" in data and customer relationship management (CRM) as key to the recovery.

The brand is among a new school of retailers using customer data to offer unique experiences, improve loyalty and boost sales. These firms aren't blinkered by the pursuit of new customers. Instead, they're making the most of their existing ones.

This is a growing trend, according to Ol Janus, global head of data at Havas CX, which works with Starbucks and Lacoste.

"The burgeoning amount of data and marketing technology at retailers' fingertips represents an opportunity to create a stronger, more relevant and more meaningful relationship between a brand and a consumer than at any previous point," Janus says.

When combined with the growing shift online throughout the pandemic, this means that customer engagement is no longer merely "nice to have", he adds. "If you're not doing this well, your competitors will be."

Janus is right. In the past year, Sainsbury's has launched a personalised pricing programme for its 19 million Nectar Card users. CEO Simon Roberts is optimistic about the early accomplishments of Nectar 360. The data platform gives 700 partner brands such as eBay and Sky better insights into consumers' preferences, while offering shoppers tailored discounts and rewards.

Elsewhere, M&S has been investing heavily in CRM to reach its 8.6 million Sparks card holders through regular emails. These are proving effective, with 'open rates' of 60%, referring to the proportion of logged-in customers who open the emails.

The Co-op has retooled its membership offering over the past 18 months to introduce more tailored engagement with those who sign up. Since the start of 2020 it's garnered 2 million app downloads and a 400% increase in engagement across its participation channels, which cover everything from bereavement support groups to wine-tasting events.

All of these retailers have noted a jump in sales over the past year. Their successes are testament to the power of effective CRM.

"Gathering high-quality data from customers is the only way you can make timely personalised offers to them. It's also the only way you can ensure that every piece of engagement is as relevant and meaningful as possible," Janus says. Without it, you're probably just spamming them."

The value of adopting a data-driven approach to customer engagement is clear, but many still face challenges in implementing such strategies. Charlene Charity, head of strategy at ad agency Digitas UK, says it's because they don't know where to start. "Brands face a labyrinth. Their data is in a mess and their ways of working don't support an easy path through it," she suggests.

Some organisations have millions of fragmented data records scattered across different platforms with mismatched fields, Charity explains. "Their current marketing technology stacks are mismatched with legacy platforms, systems and processes that have left them hamstrung."

So how are the trailblazers overcoming these challenges? They're investing in the tools to ensure effective data capture in areas such as research, transactions, sentiment and behaviour. Companies such as Currys have also armed themselves with the talent to understand these insights, enabling them to measure their success against operational and strategic objectives. They offer customers a value exchange and recognise that data is a currency.

Currys started moving away from offering discount-heavy promotions and adopted a more customer-centred strategy in late 2018, poaching Saul Lopes from Virgin Holidays to lead its CRM work. Simple early changes included the use of AI to draft email subject lines and copy to customers, which led to an immediate uptick in open rates.

Lopes also introduced a tool to improve personalisation and content automation. In the 12 months to May 2021, Currys tripled its number of active and contactable customers from 3.5 million to 9.6 million.

The Co-op has taking a slightly different approach to unlock the power of its customer data. The retail group relaunched its membership proposition with a focus on value for members and giving back to local communities. Under the scheme, 2p for every £1 spent goes back into the individual's Co-op membership account. The same amount is then gifted to community organisations and local worthy causes. Customers will also receive tailored offers in stores and on services such as insurance and funeral planning.

"We recognised the need to modernise our proposition, make it more data-driven and digitally enabled. This resulted in the launch of an app and digital card through which each member gets a personal experience," explains the Co-op's director of data, loyalty and digital products, Charlotte Lock.

Members are the Co-op's "most valuable customers", with greater commercial and emotional loyalty to the brand, she says. Spending per member across the Co-op's food arm is four times that of non-registered customers. Members also spend more often.

In this post-cookie GDPR-governed era, it's vital that retailers try to understand and manage consent, earning permission to contact customers across channels, Lock says. It's also important to invest in the underpinning data platform, ensuring that contact is informed by consent and a single analytical view of member preferences.

"Doing this has let us get the right message to the right audience through the right channels at the right moment," she says. "It's a more efficient approach to marketing investment, too."

The organisation does realise that no brand can truly own a customer. After all, it's competing with a host of retailers, while customers have a choice of funeral providers and a plethora of options in insurance and legal services. But the Co-op has found that a renewed focus on its loyal customers has proved the most "efficient way to drive engagement and value", rather than chasing new shoppers via first-time discounts only for them never to return, Lock says.

> Gathering high-quality data from customers is the only way you can make timely personalised offers to them... Without it, you're probably just spamming them

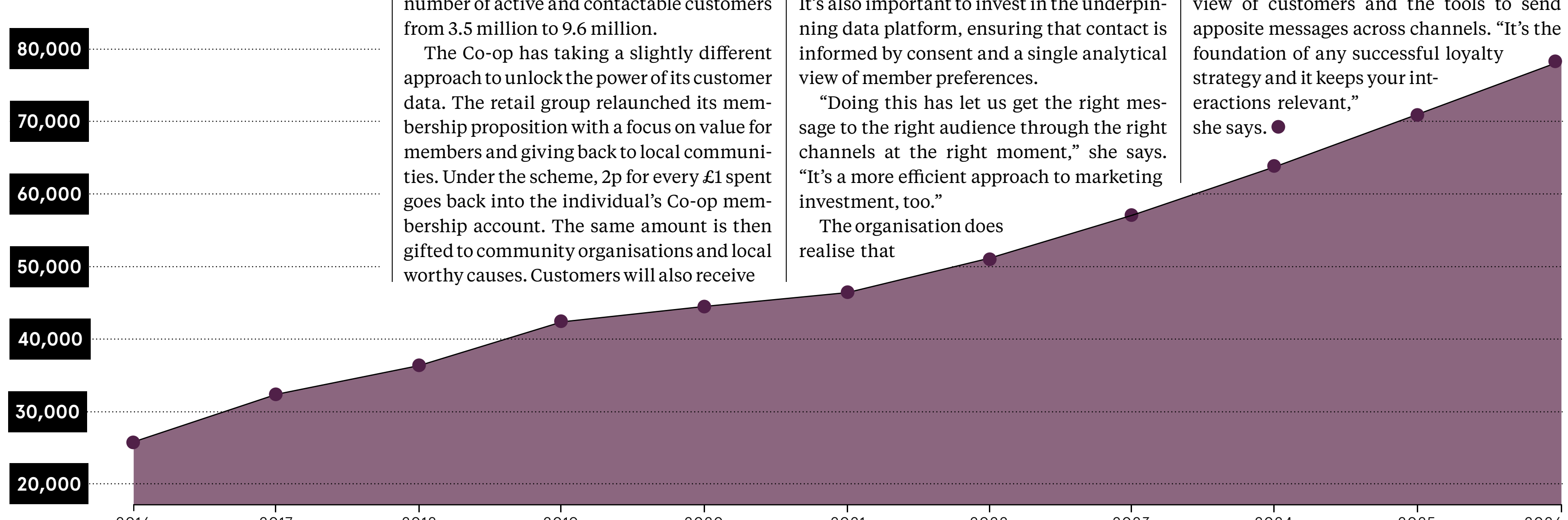
Janus advises firms starting out on this path to clarify how success will be defined and measured. They should set key performance indicators, define metrics and source and organise the data needed so as to measure it accurately. "This is not all about sales," he says. "This is about pushing consumers through the 'engagement funnel'. Each step of that requires focus and investment."

For Lock, understanding and successfully applying consumer data also informs key decisions on products, pricing and promotions. "The real value exchange is in understanding preferences through purchases and designing products, services and experiences that exceed expectations and solve real problems," she says. "Do that, and customers are happy and will stick with you."

What is Lock's advice for retailers that want to emulate the success of brands such as the Co-op? Invest in a strong data platform, a single analytical and operational view of customers and the tools to send apposite messages across channels. "It's the foundation of any successful loyalty strategy and it keeps your interactions relevant," she says. ●

WHAT THE CRM MARKET IS WORTH

Past and forecast combined revenue of customer relationship management software companies worldwide (£m)



Commercial feature

How personalisation is helping brands transform 'analysis paralysis' into clever communications

The Very Group, Hotel Chocolat and Lovehoney have upped their data game, and are ready to reap the rewards

MaryLou Costa

Retailers competing to get the best out of peak shopping seasons are sharpening their personalisation strategies to create more nuanced and effective customer communications.

Yet according to the Retail Roadblocks report by customer engagement platform Emarsys, which surveyed 500 marketers from global retail brands, 30% say they are lacking the ability to segment by behaviour and purchases. 42% are devoting more time to preparing and segmenting data than doing anything else, with 67% committing more time to improving personalised product recommendations.

> We have so much information, we could easily drown in it. So, the first step really was about organising it. The second stage...is humanising that data, to understand what else is going on in their lives and why they make the choices they make

Brands like the Very Group (which operates Very.co.uk), Hotel Chocolat and Lovehoney are following this path. They're investing significant amounts of time and resources into optimising not just the customer data they have, but how they access, interpret and act on it on a regular basis. Three senior company leaders shared their experiences at the latest Raconteur roundtable on 'The power of personalisation,' sponsored by Emarsys.

Hotel Chocolat: using data for myth-busting

Hotel Chocolat has seen "hugely better conversion rates" after transitioning from a mass email approach to one that is highly targeted. It has just recruited a director of customer insight and analytics to help "join the dots," as chief marketing officer Lysa Hardy described it, even doing some crucial "myth-busting" ahead of developing the company's next three-year business strategy.

"We've been able to identify opportunities that I hadn't even thought about, or in things that I thought might be an opportunity, the data is telling me that it's not what I thought it was, and that we should tackle that in a different way. So it's really interesting to see how it's all connecting," Hardy says.

"Unlocking that insight allows us to join it together quickly, so we can be more nimble and confident, because we've got that data behind us to take more decisive actions. We've seen some real evidence of that in some of the campaigns that we've been working on."

Hardy gave the example of the Velvetiser hot chocolate machine and the company's ability to personalise with greater detail. Hotel Chocolat now looks at consumption rates by customer type, sending individual reminders to repurchase and resupply, while also suggesting new flavours. "Customers really appreciated that because it felt like it was easy to replenish their system. We saw a better repurchase and higher consumption rate," says Hardy. "That was a neat way of how we started to glue together some of the various bits that were working in silos into one programme targeted at a specific product and group of customers."

The Very Group: ready to act on 20,000 personalisation possibilities

The Very Group's chief marketing officer Carly O'Brien described the company's chief data officer as one of her "most important internal relationships." Together they have aligned not just the marketing and data teams, but the strategy and digital customer experience teams over the past 18 months to resegment customer data and "get under the skin of which insights are most important for us to look at," particularly as customer behaviours evolved during the pandemic.

"We track more than 100 million tags on our website daily. We have so much information, we could easily drown in it. So, the first step really was about organising it. The second stage of it was then what I would call humanising that data, to understand what else is going on in their lives and why they make the choices they make," says O'Brien.

She adds: "Our whole customer base is split into seven segments that are clustered together by the way they behave, and the way we believe they think about their shopping experiences with us and the way that they make their decisions. The insights give us good direction on what might be the next best action. If you've got a segment who are shopping for a household versus a segment who like to have the latest tech first, the way we would bring our proposition to life to those two segments would be very different."

Now, O'Brien says, it's time for the Very Group to deploy personalisation variations against its organised data, of which she estimated there are around 20,000 possibilities and described as "super exciting."

Lovehoney: managing 'analysis paralysis'

Lovehoney's chief commercial officer Debbie Bond believes the brand has reinterpreted its approach to personalisation. No longer does it simply add a customer's name to an email, instead it personalises the experience across the whole website using behavioural segmentation.

"We're able to inject real-time content based on whether a customer came from an email or a Google search, and their purchasing history. We're also able to help if we see people getting stuck. For example, they might need live chat support, so we can interject in a way we could never have done before," says Bond.

She adds: "Customisation also means we won't frighten off a customer who is new to our category and just interested to have a look around, versus a regular that's coming in to see what cool new thing they can add to their toolbox at home.

Understanding customers at that level is critical to getting the right message and the right product at the right point of their shopping experience."

However, Bond noted that personalisation, when done incorrectly, can lead to "unnecessary complexity."

"It creates an enormous amount of work, with very little payback. One of my biggest challenges with the team is managing 'analysis paralysis,' and knowing when to stop because you've got enough information to make a quality decision," says Bond.

Emarsys chief executive Joanna Milliken acknowledged how the "massive amounts of data" marketers are working with is "a blessing and a curse," feeling like "a never-ending game."

She adds: "The more solutions and channels we have, the more data they create, and we need to consume. We're just in this perpetual cycle of how we manage and balance that, using just the right amount of data to act in the right way."

Milliken concludes: "The principle of marketing hasn't changed. The intrinsic value of what we're doing is to constantly improve how we meet customer expectations. I see a lot of progressive thinking within this group."

For more information please visit emarsys.com

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EMERGING MARKETS

Watch and learn

UK retailers would do well to monitor industry developments in the Global South, where innovative counterparts in several emerging markets have surpassed them in several respects

Simon Brooke

When is an emerging market not an emerging market? The answer is: when it's leading the way in retail. China, for instance, is innovating more effectively than its rivals in the developed world, especially in ecommerce.

The Economist Intelligence Unit expects the country to account for about a quarter of all retail sales income generated by the world's 60 largest markets. Boosted by the Covid crisis, China's fast-growing ecommerce sector has attracted 1 billion shoppers, according to consultancy eShopworld.

"Ecommerce retailing is generally considered far more advanced and widely adopted in China than in the rest of the world," says Zaki Hassan, general manager in Asia Pacific for US-based software firm Aptos Retail. "As modern retail in China is a comparatively recent development, starting only in the 1990s, it doesn't have the burden of legacy processes, infrastructure and perceptions."

With their rapid adoption of technology such as artificial intelligence, retailers in cities including Shanghai, Guangzhou and Shenzhen have more sophisticated offerings than their equivalents in many Western countries can muster. Regional tax incentives are likely to aid further innovation.

The Chinese luxury sector is another focus of interest for analysts. The country's share of the global high-end goods market was 32% last year and is on track to surpass that of the US in the next five years, according to Euromonitor International.

Pandemic-enforced travel restrictions preventing Chinese citizens from visiting the shopping capitals of the US and Europe over the past 20 months have prompted wealthy consumers to spend their money online instead. If you're not allowed to visit a five-star hotel in Paris, say, you can still find solace in a Louis Vuitton handbag. The ecommerce and luxury sectors are converging, with 150 global luxury brands now available on Tmall, part of Alibaba.

President Xi Jinping's "common prosperity" drive, designed to spread the country's wealth more widely, doesn't seem to have spooked retailers. Rather, they're taking a pragmatic approach, with Alibaba recently committing approximately £11.4bn to promote Beijing's levelling-up initiatives.

Ecommerce is the key field in which developed nations can learn from emerging markets, according to Professor Stefan Stein, president of the Gisma Business School in Hannover, Germany.

"The West dwells on data privacy. There is nothing wrong with this in and of itself, but in implementation it's often absurd and user-unfriendly," he argues. "Meanwhile, Asian shopping portals are using next-generation recommender systems whose algorithms are better trained because of the larger volumes of data and the greater numbers of buyers and transactions. The recommender systems of the future are emerging in the Asian retail markets and are operating on mobile platforms."

India, particularly hard hit by Covid-19, has also seen rapid growth in ecommerce. The country's online etail sector was worth about £45bn last year and is expected to reach £55bn by 2022, according to Statista.

The Indian government has encouraged foreign direct investment in its digital infrastructure, while the growth of affordable mobile internet providers such as Reliance Jio Infocomm has powered the development of mobile commerce. Meanwhile, fears of Covid infection have driven shoppers to go online to buy everyday essentials as well as luxuries.

> **As modern retail in China is a comparatively recent development, it doesn't have the burden of legacy processes, infrastructure and perceptions**

The so-called phygital world is also developing fast in India, with Amazon collaborating with existing physical retail networks to provide services such as in-store pick-ups. In March, it began working with 50,000 kiranas, small, family-run shops that cater to local customers. Many of these managed to keep going when supply-chain disruptions arising from Covid lockdown restrictions caused ecommerce operators to hit the buffers.

"India is the place for a huge ecommerce battle between Amazon and Walmart, with local involvement becoming greater," predicts Charles Allen, global retail research analyst at Bloomberg Intelligence.

And, despite its turbulent political situation, Brazil is also attracting the attention of retailers in the developed world. Fitch Solutions believes that household spending in the country will grow by 4% in real terms next year. An online/physical hybrid form of cash-and-carry food retailing that's been popular in Brazil for some time is being exported to Europe and Africa.

Sustainability is another field in which some retailers in emerging markets are leading their equivalents in the developed world, driven partly by a surge in consumer demand. A survey published last year by IBM found that 62% of shoppers in emerging markets were willing to change their buying habits to reduce their environmental impact, compared with 54% of their counterparts in mature markets.

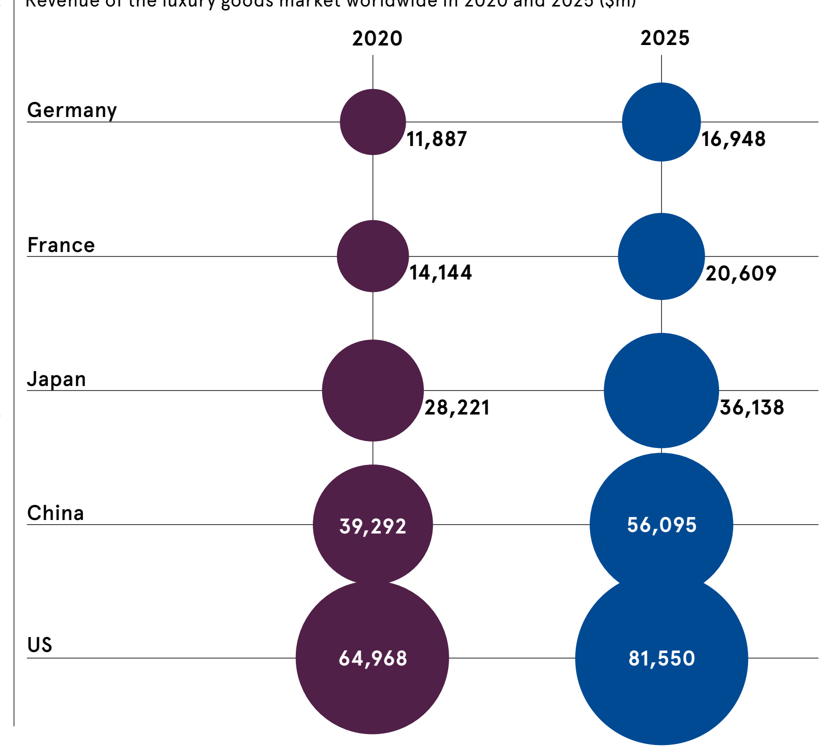
An international poll by Avery Dennison found even more striking differences: 74% of Chinese respondents agreed with the statement "I try to buy environmentally friendly fashion products", compared with 50% in Europe and only 43% in the US.

Allen has been impressed with the progress achieved by numerous innovative companies in other emerging markets, including South Africa, which has "highly developed retail businesses with potential to grow across the continent". He adds that Poland is also home to several dynamic retailers, such as clothing company LPP and supermarket chain Dino Polska. Russia has some interesting retailers too, especially toy company Detsky Mir and M.video, the nation's largest consumer electronics chain by revenue.

In retail more than any other industry, it's impossible to lump emerging markets together in one category. Perhaps the only element that members of this dynamic and diverse sector have in common is that almost all can offer lessons to retailers in the developed world.

CHINA IS GAINING ON US LUXURY MARKET SHARE

Statista, 2021



Commercial feature

The battleground for retail is product discovery

In a world of increasing choice, it is up to retailers to make sure every customer can find exactly what they are looking for with ease

Right now, choice paralysis is a real concern for both consumers and retailers. The endless aisles and vast product catalogues are pervasive online. Countless Covid-induced lockdowns around the globe have pushed brands to invest heavily in their web presence. Helping consumers make sense of the dizzying array of items available is now crucial. It's why product discovery is the new battleground.

"Every brand is vying for the consumer's attention. The competition is as fierce at any point in history. It's not just among online stores, it occurs on different platforms as well, particularly social media, whether it's on Instagram or TikTok, marketplaces like Amazon or Farfetch," explains Mark Adams, CEO of Attraqt, a global leader in product discovery, search, merchandising, and personalisation solutions for omnichannel retailers and brands.

"At the same time the ecommerce shopping environment is utterly unforgiving. If a brand doesn't serve up a product that is hyper-relevant instantly and conveniently to a customer on their preferred channel, the opportunity will vanish. They will go elsewhere. You are a click away from irrelevance."

The world of retail has shifted rapidly in the last 19 months. Legacy brands have upped their game in the digital space. Many more hyper-local, small businesses have launched online and are patronised by loyal customers. At the same time costs are rising, with constrained supply chains and staff shortages. Shopping behaviour is increasingly unpredictable, while the market is hyper-competitive.

"During the height of the pandemic consumers shifted completely to online. New habits were formed that haven't gone away. In the process, many customers have new and heightened expectations when they hit a retailer's website," states the CEO of AIM-listed Attraqt, which works with some of the biggest names in retail from Asos to Waitrose, JD Sports to Missguided.

"Search queries that end with no results, because an item isn't in stock can mean a lost sale. That can be the end of the customer experience. There is nothing that is going to annoy a customer more at a time when every conversion matters."

> **For every 100 shoppers who visit you online, 70 of them will leave without purchasing. It's time to address product discovery**

Brands are increasingly turning to AI-powered search, where algorithms offer up alternatives to those products that are out of stock. Making sense of every search query and offering up products based on machine learning is vital if retailers don't want to lose business.

"Search relevancy has become crucial, people don't have time to browse vast product catalogues. When they enter a query, they want highly accurate results at lightning speed. This can now be achieved. We can also eliminate zero results for searches. This offers more opportunity for sales and conversions," details Adams from Attraqt, which works with 300 high-growth retail brands around the world.

The latest frontier for product discovery is social selling. With many more items shared on Twitter, Pinterest or TikTok, consumers need to be able to access products posted by influencers and celebrities in an instant, otherwise opportunities are lost.

"Being able to support the product discovery journey with enriched data that retailers can send to social channels in a dependable way and provide a consistent brand experience wherever the consumer is browsing is vital. This is really the future of where retail is heading, and where we are investing in," says Adams.

Personalisation is increasingly important. If retail brands know more about you, they can tailor products to individual customers, based on your browsing history and recent purchases, matching this with product and customer data.

"Many retailers misunderstand the opportunity with personalisation because they often just group customers' behaviour into segments and offer up relevant products based on your segment. But understanding the uniqueness of an individual consumer and creating that relevant relationship with them on a one-to-one basis, this is where personalisation is going," highlights Adams.

"This will drive more engagement with consumers and ultimately drive better results for retailers. One-to-one personalisation is going to be big, that's what we're focused on with our technology."

The growth engine for product discovery is at attraqt.com

Attraqt
Exceptional Shopping Experiences