

Retail

Global Challenges Facing Retailers





The challenges facing the retail sector are constantly changing and subject to increasing economic, consumer, regulatory and compliance pressures. Retailers will also face particular challenges around the four C's of COVID-19, Corporate Purpose, Compliance and Consumer Experience and one B of Brexit.



COVID-19

Retailers are assessing the viability of current models of trading as the economy continues to “unlock” and adapt to the “new normal” and COVID-secure arrangements.

Future forecasting and planning over the coming months for retailers will no doubt focus on when the government’s financial support packages will come to an end, the cost of store openings with limited footfall and any changes in law or policy that may have an adverse impact on the sector.

Retailers need to identify “crunch” points that may impact the availability of finance, adversely affect cash flow and supply chains or create additional financial pressure.

Retailers have already made changes to their day-to-day operations, many of which will be permanent or will require further adaption to meet new government guidelines and market forces, including:

- Home deliveries and e-commerce
- Consumer analytics and choice
- Permanent changes to working practices
- Streamlining business operations and efficiency
- Ability to operate from a smaller footprint
- Use of technology and automation

Compliance

The increasingly complex regulatory regime has increased the exposure faced by retailers. This is particularly acute as the regime extends to actions of third parties acting on a retailer’s behalf, in particular within their supply chain.

The consequences for lack of robust compliance programmes are very real, including unlimited fines, loss of operating licences and damage to the retailer’s reputation. Retailers require a well-designed and well-implemented compliance programme to help mitigate substantial risk, which is also able to detect/address systemic weaknesses.

Governance is key and this cannot simply be delegated; it has to be a Boardroom issue.

Risk management must address all key business integrity risks, including:

- Anti-tax evasion (corporate tax offence)
- Bribery and corruption
- Data Privacy
- Modern slavery
- Money laundering
- Reputation
- Sanctions
- Sexual harassment (safeguarding)

Corporate Purpose

Reputation will be key, as will corporate purpose, as calls grow for retailers to play their part in solving the problems of people and planet. Retailers will increasingly need to adopt a long-term stakeholder approach to their business models if they want to stay relevant.

Incorporating non-financial considerations will become a mainstay of business planning and decision-making as more and more companies incorporate frameworks for environmental, social and governance (ESG) factors into their business models.

For retailers, this means not only demonstrating ESG credentials, but also establishing a clear purpose, which is in line with the UN Sustainable Development Goals.

In the UK, several hundred corporate signatories have written an open letter to the government calling for an economic recovery plan that “delivers a clean, just recovery, that creates quality employment and builds a more sustainable, inclusive and resilient UK economy for the future”.

Going forward, the call for greater corporate transparency on ESG issues will only amplify as ESG factors prove themselves not just to be non-financial considerations but material drivers of financial performance and business resilience.

Pressure will continue to come not just from legal compliance but also from shareholders, financiers, customers and contractors, as well as employees.



Consumer Experience

The retail experience economy is increasingly being delivered by digital transformation programmes, which are revolutionising the way retailers interact with their customers and suppliers.

Retailers need to ensure that they project manage and deliver their e-commerce platforms safely. They also need to securely and effectively manage the negotiation of procurement, supply and logistics contracts; the supply and acquisition of business critical systems; and outsourcing of core business functions, with the consumer experience driving all decisions underpinned by stringent data protection, e-privacy and cybersecurity technologies compliance.

The retailer brand and consumer experience have never been so aligned. Protecting the brand is paramount to reputation and, therefore, consumer experience and, in turn, revenue. Whether a media crisis is brewing or they are proactively seeking to manage, protect or exploit their reputation, retailers need to be poised to respond quickly and effectively.

In terms of brand protection, it is critical that retailers have effective trademark, copyright, registered and unregistered design protection and portfolio counselling.

Having robust controls of endorsement and sponsorship deals (such as with influencers) may also be key to the consumer experience.

Brexit

31 December 2020 will see the end of the Brexit transition period. Consequently, from 1 January 2021, both the UK and European Economic Area (EEA) countries will face new import and export rules.

In the event of a “no deal” Brexit, these new rules will mean an increase in tariff costs on a range of imports from the EU (including some important products for retailers such as meat, dairy, fish, clothing and ceramics) and a reduction in tariff costs on a much wider range of products from outside the EU.

A “no deal” Brexit will also mean a sharp end to the “free circulation” of goods inside the EU’s single market; goods traded between the EU and UK will be treated as “imports” and “exports”. There will be a complete reconfiguration of existing customs formalities carried out at EU and UK borders, with the introduction of import declarations, customs checks and – potentially – customs duties.

There will also be changes to immigration and employment rules, with further regulatory and technical compliance divergence on the horizon.

About Us

Our global Retail team has a proven track record in the sector, providing advice to fashion houses, department stores, supermarkets, on-line retailers, manufacturers, distributors, logistics operators, property developers and landlords.

We have a Retail team that spans all offices and all practice areas. The team meets regularly to discuss issues that are affecting our retail clients and to review what is on the horizon. In addition, we have worked with leading retail experts in the “thought leadership” arena to make sure we understand what matters to our clients.

- We know your core sector of retail.
- We have team members who have worked in-house in retail, who know what it is like to be in your shoes.
- We have an extensive presence in Europe retail capitals (London, Paris, Berlin, Madrid and Milan), US and have a strong Asia-Pacific presence with offices in Tokyo, Beijing, Hong Kong, Shanghai, Singapore and Sydney and Middle East including Dubai.
- We have more than 60 retail specialists who support international retail clients across the globe.
- We have local lawyers, which gives us keen insight into not only the legal landscape, but also broader local and regional issues that could potentially impact your business. For example, we have a team that is closely following the Brexit negotiations between the EU and the UK. Specifically, we have UK Retail Brexit Trade Service providing retailers and those involved in the retail supply chain with support to plan, prepare and effectively implement changes to be “Brexit ready.”



How We Support Retailers

We support retailers across all of their business needs, including:

- Advertising regulation, including promotions
- All aspects of real estate, including capital projects – project management and asset/portfolio management
- Brand protection, anti-counterfeiting and litigation, including in China
- Celebrity endorsements, social media and celebrity-branded products
- Data protection and cybersecurity, including global compliance and prevention programmes and dealing with data breaches
- Environmental, social governance
- Health and safety
- Exploitation of brands and intellectual property (IP) rights, through licensing, franchising, agency and distribution
- Import/export regulation
- M&A transactions, including buying out franchise partners
- Relationships with advertising agencies, media agencies and other marketing services providers
- Retail concessions and joint ventures
- Specialised regulatory and labelling advice
- Supply chain management
- Technology support for multichannel routes, such as retail, e-commerce and wholesale
- Workforce support on all aspects of the management of staff and business immigration

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