

The Multichannel High Street

A NATION OF SHOPPERS – BUT IS IT A NATION OF SHOPKEEPERS?



FOREWORD



Squire Sanders acts for a number of household name retailers, both in the UK and internationally. We wanted to put our experience to good use and take a wider look at the challenges facing retailers.

Welcome to the first White Paper we have launched in conjunction with Kantar Retail and the Retail Trust, following our Survey of retailers, suppliers and customers on the state of the retail nation.

The retail landscape continues to evolve and we have seen a wide range of stories in the press about high street failures, the apparent lack of impetus in the Portas Pilot towns scheme and questioning how we reverse the trend of empty shops. The gloomy picture painted by many prompted us to present something new.

What is different about our story is that it is the first time anyone has taken a 360 view of the multichannel high street, what is happening and why. Consequently, there is real insight into the need for connection between retailers, customers and suppliers.

We are also grateful for the incisive views from Mamas & Papas. They clearly are a success story and much can be learnt from their approach.

Matthew Lewis, Head of Retail, Squire Sanders

The logo for Kantar Retail, consisting of the words "KANTAR RETAIL" in a bold, sans-serif font. "KANTAR" is in yellow and "RETAIL" is in blue. The text is set against a black rectangular background.

Shoppers are relentless in their search for value – both in terms of money and time. The proliferation of choice generated through multichannel, supermarkets and shopping centres, combined with the rampant promiscuity of shoppers in terms of retail repertoire, means that the high street is under unparalleled pressure. If changes – from both local and central government – are not forthcoming, then high street retail as we know it is facing a steady slide into oblivion.

Bryan Roberts, Director of Retail Insights, Kantar Retail

The challenge for the industry is how to address the issues collectively and individually as organisations, to retain the confidence and spending power of our chosen target audiences. Success or failure may well be shaped by subtle differences in approach. We will need significant sources of innovation to drive the imagination of the consumer and the wellbeing of our industry over the coming years. As the leading occupational charity in the sector, we at Retail Trust must align ourselves with the challenges and create innovative solutions to support the industry.

Richard Boland, Chief Executive, Retail Trust



KEY FINDINGS

1. Many retailers have addressed the basics of multichannel retailing but few are yet to exploit the potential of a truly integrated approach which will foster customer loyalty, improve the consumer's experience and generate return on investment.
2. The needs of shoppers are changing and retailers that customise offers and tailor experiences across a range of channels are much more likely to succeed in the multichannel environment. Shoppers nowadays often expect a high level of personalisation in their interactions with retailers and want a genuinely integrated shopping experience.
3. Retailers need to embrace showrooming rather than see it as an issue. Those that can make the shopping experience count – by employing educated staff that care about the brand, can interact with customers, close the sale and promote a relationship – are the ones that will still be 'open for business' in the next ten years.
4. Companies need to take advantage of mobile technologies in order to boost brand interaction with consumers and convert them from browsers to buyers.
5. The UK Government and private sector need to address the issues surrounding the cost of town centre parking if the UK is to have a truly multichannel high street where bricks-and-mortar, online and mobile can operate together.
6. Shoppers' attitudes to the high street are beginning to change with more supporting independent stores and 'Made in Britain' brands.

“This is the first time anyone has taken a 360° view of the multichannel high street, including listening to shoppers, retailers and suppliers”

INTRODUCTION

Multichannel: The Future of Retail?

As the internet continues to affect shopper, retailer and supplier trends in the market, there seems little doubt that multichannel retailing looks set to increasingly dominate the retail sector. Pure-play retailers are rapidly acknowledging the benefit of a physical presence (be that lockers, stores or other retailers' stores), store-based retailers are embracing the opportunity of selling online (through their own or third-party websites), and shoppers are increasingly researching, browsing and transacting across various channels as they complete their path to purchase.

As the retail market starts to show slight signs of recovery – although retail sales fell at their fastest rate in more than a year in May, according to the CBI's monthly Distributive Trades Survey, sales volumes are expected to rise in June and retailers are reporting a brighter outlook over the next quarter – now is the time for businesses to offer customers a genuine multichannel experience. It seems that investment intentions are now the weakest since the start of last year but retailers need to buck the trend of scaling back investment for the coming year if they want to stay ahead.

The State of the High Street

There can be no denying that the UK retail industry is undergoing a severe period of structural flux. While the current economic conditions (particularly in the non-food parts of the market) are responsible for much of this transformation, the eager adoption of multichannel retailing is also sparking a huge amount of change in the sector. These transformations have led to a plethora of administrations, insolvencies, store closures and job losses, while other segments of the market (such as supermarkets, discounters and online marketplaces) continue to show growth and commitment to further expansion.

Retail Failures, Store Closures and Impacted Jobs

	Companies Failing	Stores Affected	Employees Affected
2013 (to end April)	28	1,895	18,553
2012	54	3,951	48,142
2011	31	2,469	24,025
2010	26	944	10,930
2009	37	6,536	26,688
2008	54	5,793	74,539
2007	25	2,600	14,083

Source: Centre for Retail Research

Sales volumes are expected to rise and with retailers reporting a brighter outlook over the next quarter.

CBI Monthly Distributive Trades Survey

“... it is not the job of the government to sort out the problems of competition on the high street – consumers make their choices and there are consequences.”

Vince Cable

The Centre for Retail Research has recently published a bleak outlook for the high street, asserting nearly 62,000 stores could close over the next five years (a reduction of 22%), with 316,000 additional job losses.

Alternative research published by the Local Data Company and the Saïd Business School in June 2013 is less pessimistic, though it still highlights the troubles that remain in the high street retail sector. With chains shutting an average of 20 shops a day last year, the survey shows that town centre shopping streets have lost 5% of their stores in the last two years and suggests that high streets will shed another 13% of stores (5,000 outlets) by 2018 if the current rate of attrition continues.

Regardless of the number of impending store closures, both projections remind us of the severe structural, operational and economic stresses being placed on the retail sector. A telling observation from the Centre for Retail Research (and a point made by retailers over the past few years) is that the number of stores required for any given retailer to attain ‘national’ coverage has collapsed. In the pre-multichannel era, the number of stores required to adequately service the UK population was considered to be more than 250. Now, with consumers increasingly migrating to online services, this number is estimated to stand at just 70, leaving high streets with a large number of empty units.

While several high profile retail failures have been due to strategic or operational errors, it is important to remember that most have actually failed due to tangible and sustained shifts in shopper behaviour, with too many stores and too little multichannel focus to attract discerning consumers.

Consumers are increasingly changing their shopping behaviours, migrating to out-of-town centres, supermarkets and online. Online has gone from 0% to 12% of retail sales and the forecast is that it could be 30% by 2020. These changes in shopper behaviour are heavily responsible for the changing faces of the British high street. As the Business Secretary, Vince Cable, told the Financial Times following the HMV administration: “There is a problem amongst people losing their jobs but it is not the job of the government to sort out the problems of competition on the high street – consumers make their choices and there are consequences.”

The impact of closures is felt across the economic spectrum, with landlords likely to have lost more than £16 billion from recent insolvencies. It is also estimated that there is more than £125 million in unpaid VAT and PAYE taxes to the UK Government, with Comet alone accounting for more than £25 million in unpaid taxes.



Irrespective of consumer trends, successive central and local governments have not facilitated an environment in which retailers can thrive, with retailers (particularly independents and small chains) having to deal with several unfavourable factors:

- Parking becoming a lucrative revenue opportunity for local authorities and inadvertently leading to a decrease in shopper footfall.
- A lack of tax regulations and monitoring allowing many larger retailers to offshore various parts of their operations to pay proportionately less tax than independent retailers.
- Town centre management in locations throughout the UK is not being conducted correctly, further discouraging high street shoppers.
- Inflexible attitudes towards business rates for retailers.



Looking at the situation from a broad perspective, the demise of the high street and the retailers that inhabit it can be attributed to the following factors:

- Economic headwinds
- Shopper behaviour
- The evolution of multichannel retailing
- Competitive pressure from supermarkets and online retailers
- A lack of retail-friendly legislation and policymaking

The Multichannel High Street White Paper

With these factors in mind, Squire Sanders , Kantar Retail, and the Retail Trust have collaborated to evaluate the forces reshaping British retailing and to ask three core groups of participants – shoppers, retailers and suppliers – their views and opinions on what is happening in the retail sector and how their behaviours are driving this change.



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SECTION 1

VIEWS ON THE MULTICHANNEL HIGH STREET

Whether using the term 'multichannel' or 'omni-channel', it is clear that the advent of e-commerce has exerted a profound impact on the retail sector. There is no shortage of excellent pure-play e-commerce businesses already rapidly and profitably growing in the UK and beyond, but the future of the retail sector is set to be multichannel. Retailers are attempting to integrate a combination of physical stores, online and mobile to capture spending from shoppers who are increasingly connected and looking for a seamless experience across all retail channels.

This new consumer approach is highlighted by figures released by Argos, which revealed that even though multichannel now accounts for half of its revenues, around 90% of all their transactions involve the store at some point – whether ordering, purchase or collection. Multichannel offerings are becoming so important to the customer that even Amazon has realised that a physical presence is a necessity, opening collection lockers within third-party stores and with speculation also suggesting it intends to open its own stores.

Many retailers have been quick to react to this new reality of retailing: 57% of retailers that we surveyed claim to have established a genuinely multichannel capability, encompassing stores, online and mobile. Just 12% were pure-play online operators, leaving a number of retailers (31%) opting against a multichannel capability at this point in time. Are they slow off the mark or do they not see a need for other channels? It is worth remembering that not all retailers have a business model, shopper base or product assortment conducive to multichannel.

Multichannel development might be thoroughly inappropriate for some types of products or stores and might not generate sufficient return on investment. However, as multichannel becomes a fundamental expectation from shoppers, the development of multichannel skills will become more important. This is particularly true of retailers wishing to target certain groups of shoppers, with nearly 60% of retailers noting that they see significant disparities in terms of age and geographic location between their online and in-store retail activities.

Creating in-house capability in online merchandising can be expensive and complex and a number of retailers have chosen to utilise the credentials of specialists in order to establish an online route-to-market. A recent example is Morrisons choosing to exploit Ocado's intellectual property and systems through a partnership to establish its online grocery business.

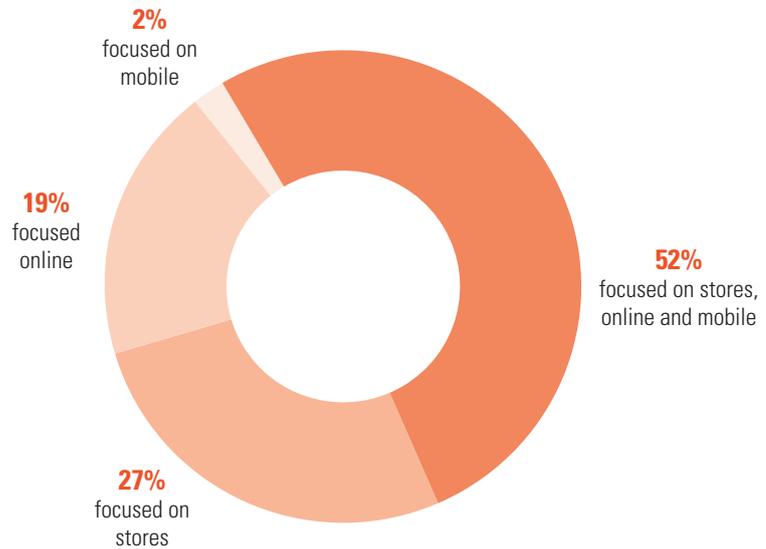
57%

of retailers claim to have a genuine
multichannel capability

“For books - Waterstones apart, there is little choice left on the High Street so for more specialist books I have to go online”

Retailer Views on Multichannel

As a consequence of the importance of multichannel, over half of retailers (52%) state that a combination of stores, online and mobile is a focal point for their investments, although a quarter of retailers are still focusing their investment efforts on stores alone. For 19% of retailers, online remains the primary focus of investment, with just 2% of retailers stating that their endeavours are focused on mobile.



Managing online as part of a broader multichannel business can be something of a challenge: 65% of multichannel retailers told us that they have invested in dedicated headcount for online retailing, with the remaining 35% managing their online business using a pre-existing structure and current personnel.

Even some major retailers have been slow to embrace full multichannel functionality. Major clothing chain Primark, for example, is being slightly more cautious than others when it comes to entering the world of multichannel.

They have recently signed a deal with online retailer ASOS and will be showcasing 20 of their pieces on the site, alongside other designers including Warehouse and Karen Millen. A spokesperson for Primark said in an interview with Reuters that “the trial will give the company some insight into online retailing.” Critics however are concerned that Primark’s foray into the online world could prevent shoppers venturing onto the high street to pick up that bargain dress.

The rising significance of multichannel is further reflected by the fact that nearly 70% of retailers believe that their strongest competition is from multichannel retailers, with only 12% stating that their biggest pressure is from pure-play e-commerce competitors. For 17% of retailers, their main competition is being applied by store-based rivals. Surprisingly, auction sites appear relatively unimportant in terms of competition, with just one single retailer noting that eBay and others were problematic competitors.

Shopper Views on Multichannel

Looking at the views of shoppers, it becomes clear that stores are set to remain a major part of the broader multichannel landscape, with 70% of shoppers indicating that shopping in stores allows them to gauge the look and feel of items prior to purchase. Other major drivers for in-store shopping include the breadth of assortment in-store, the ability to gather information, low prices, the convenience of in-store shopping versus online, and the fact that shopping is a social activity. Interestingly, few shoppers cited customer service as a compelling reason to shop in stores.

Focusing on online, consumers were motivated by convenience compared to the high street, competitive prices, wide assortments, the ability to compare prices across different retailers and the option to have products delivered to home or work. These opinions chimed with those of the supplier community, for whom convenience and home delivery were the key advantages that they saw for online retail within their particular product categories.

More than 60% of shoppers indicated that they preferred to shop with multichannel retailers (i.e. retailers with both stores and online) rather than pure-play e-commerce businesses, as “it is easier to return products. If something goes wrong you can go in and speak to someone.”

Supplier Views on Multichannel and its Effect

The evolution of multichannel retailing has exerted an impact on the composition of supplier routes-to-market, although the bulk of their trade is still through mainstream channels.

Unsurprisingly, the dominant routes to market for suppliers (this definition includes service-providers as well as providers of physical products) are major multiple grocery retailers and specialist non-food multiple retailers. Reassuringly, half of suppliers still assert that independent retailers comprise a sizeable chunk of their business. Only 17% of supplier respondents stated that pure-play e-commerce retailers are a major part of their customer base so far.

This channel importance is clearly shifting, however. When we asked suppliers which were their fastest-growing channels, respondents claimed the dominant sources of growth were the supermarkets, online retailers and specialist non-food chains – just 8% of suppliers noted that they were seeing significant growth through independent retailers.

Physical stores still remain important for suppliers – they remain the vital environment in which their brands can interact with shoppers and consumers, providing an arena in which they can influence shopper decisions. The main advantages of store-based retail from a supplier viewpoint included the fact that their products were immediately available for shoppers, that shoppers could touch and feel products and that they could embark on shopper marketing and purchase activation initiatives.

60%

of shoppers prefer to shop with
multichannel retailers

“We achieve great success through in-store shopper marketing and promotions”

Other key attributes of store-based retailing for manufacturers are that they can create moments of impulse in an in-store environment and that stores are able to provide advice and product information through shop assistants.

That is not to say that all is well in-store from a supplier perspective. Nearly 90% of suppliers told us that poor in-store execution was a frequent frustration, with other major concerns including poor housekeeping and the levying of fees to secure prime or promotional shelf space.

Likewise, suppliers also noted that the key drawbacks of Internet selling can include sub-optimal displays of their products, a lack of adequate product or category information, unstable pricing and the assertion that online is a ‘zero impulse’ environment.

Conclusion

Internet retailing still remains the most dynamic retail channel across the UK and overseas, yet the inter-play between store-based retailers and online businesses is becoming more important as multichannel becomes a focused strategy for many.

UK companies such as John Lewis, Halfords and Marks & Spencer have all spoken about the importance of true multichannel retailing in setting them apart from competitors and our research findings support this, with respondents from all three groups indicating that they are in some way embracing multichannel – albeit at differing levels.

As our shopper research highlighted, the ability of stores to enable shoppers to touch and feel a product is a huge strength that many could do better to capitalise on. Likewise, the suppliers that contributed to this research were quick to point out that stores have a significant advantage when it comes to activating demand through shopper marketing and creating impulse.



SECTION 2

RETAIL TRENDS



The emergence of multichannel retailing is having a profound effect on shopping trends for both food and non-food items. More shoppers are turning to online sites for convenience and, in turn, retailers are improving their service delivery with many stores in the process of adapting their proposition to include online and Click & Collect. This section looks at the sector distinctions in relation to adoption of online and multichannel and considers which retailers are leaders of the pack for their specific sector.

Non-Food Retail

Focusing on non-food categories such as electronics, clothing and footwear, toys, books and music, Amazon emerges as a prime destination for shoppers, with 73% frequently looking to the pure-play retailer to satisfy their needs. Interestingly, 67% of shoppers claim to also use specialist chain retailers such as Currys, Argos, M&S, Toys R Us and Waterstones for non-food purchases, although the problems seen by HMV, Jessops and Comet suggests there may be a discrepancy between their survey responses and their actual behaviours. A third of shoppers say that they use independent retailers as part of their non-food shopping repertoire, with other destinations including supermarkets (38% of shoppers), supermarket websites (15%) and high street discounters such as B&M and Wilkinsons (14%).

Click & Collect

As evidenced by the popularity of Click & Collect for certain retailers, such as Tesco and Sainsbury's (both reporting Click & Collect accounted for two-thirds to three-quarters of their Christmas online sales of general merchandise), the ability to order online and collect in-store has become an incredibly important element for shoppers. Despite the increasing adoption of this shopping method, offering Click & Collect is not a high priority for many retailers (as this may well depend on volume), with only 36% of retailers surveyed offering this service for some or all of their product range.

Important Sector Distinctions

As previously noted, there is a substantial difference in how certain retail sectors have been affected by online. As evidenced by the on-going struggles at retailers such as HMV, GAME and Blockbuster, it is the entertainment sector that most retailers (nearly 75%) believe has most successfully moved to online. Other sectors that retailers believe have competently transitioned to multichannel include clothing and footwear, grocery and electronics. Those sectors that have not yet shifted to online retailing include, according to retailers, toys, stationery, jewellery, furniture, health and beauty, sports and DIY.

The Importance of Mobile for Retailers

Mobile retailing is now bridging the gap between bricks and clicks, allowing retailers to customise offers and tailor experiences.

According to recent research of the top 500 retailers, only 60% have a mobile consumer interface meaning that for the first time, the relationship between the consumer and retailer is being shaped in a world where 'the customer is ahead of the retailer'. Our own research mirrored these thoughts with many shoppers suggesting that retailers are still behind the times when it comes to mobile technologies. The shift is likely to be a slow one however as retailers attempt to successfully integrate mobile devices with their other multichannel offerings.

So what's ahead? Some retailers are setting the trend with mobile apps focusing on using our personal information to improve and personalise the in-store experience. Cosmetics brands such as No. 7 and Sephora have created skin scanners which give customers a personalised ID with information on their unique skin tone, allowing them to better match their make-up. Shoe shops are also looking at apps which will allow customers to check whether the correct sized shoes are in store before they arrive. These new technologies focus much more on improving the in-store experience rather than attracting customers with offers and discounts.

Grocery Trends

The domination of the grocery market by the big four supermarkets actually masks a more complex set of shopping behaviours. Important trends are reshaping grocery shopping, such as shoppers becoming more adept at exploiting different promotions across retailers and the fragmentation of grocery shopping trips into more frequent, lower-value baskets.

From the retailer perspective, the out-of-town hypermarket is struggling as a concept, as shoppers' demand for non-food products wanes and issues such as time constraints and petrol prices mean that proximity has become a key attribute for retailers. Tesco, for example, has already signalled that its out-of-town push has now ceased, with its focus shifting towards smaller convenience stores and dark stores to support its online execution. As Philip Clarke told the World Retail Congress in 2013, "in the future, we won't simply grow by buying more real estate, but instead changing the way we engage with our customers and embracing digital retailing. As I say to my teams: it's really rather simple. In the future, app development is going to be just as important as property development."

Despite the new challenges for supermarkets, they remain the most popular destination for groceries, with nearly 90% of shoppers stating that they frequent supermarkets on a regular basis. In what could be seen as good news for the high street, around 40% of shoppers say that they frequently shop at smaller convenience stores such as SPAR or Tesco Express, with a similar proportion also claiming to support independent food retailers such as butchers, bakers and fishmongers. Both limited assortment grocery discounters (e.g. Aldi) and high street discounters (e.g. Poundland) are becoming increasingly important grocery destinations, with drugstores and online specialists, like Ocado and Amazon, also being cited as places where shoppers frequently go to fulfil their grocery shopping requirements.

Of the top 500 retailers, only
60%
have a mobile consumer interface

CONCLUSION

“I generally only shop in store if I need or want something immediately”

Don't Rely on Shoppers to be Sentimental

One of the reasons that the high street is floundering is that shoppers have proven to be remarkably promiscuous and disloyal. In the quest for value (which includes factors such as time, quality, service and convenience; not just price), shoppers initially migrated their footfall and spending away from the high street and towards supermarkets and out-of-town retail. Latterly, this spending is increasingly being directed online and to mobile devices.

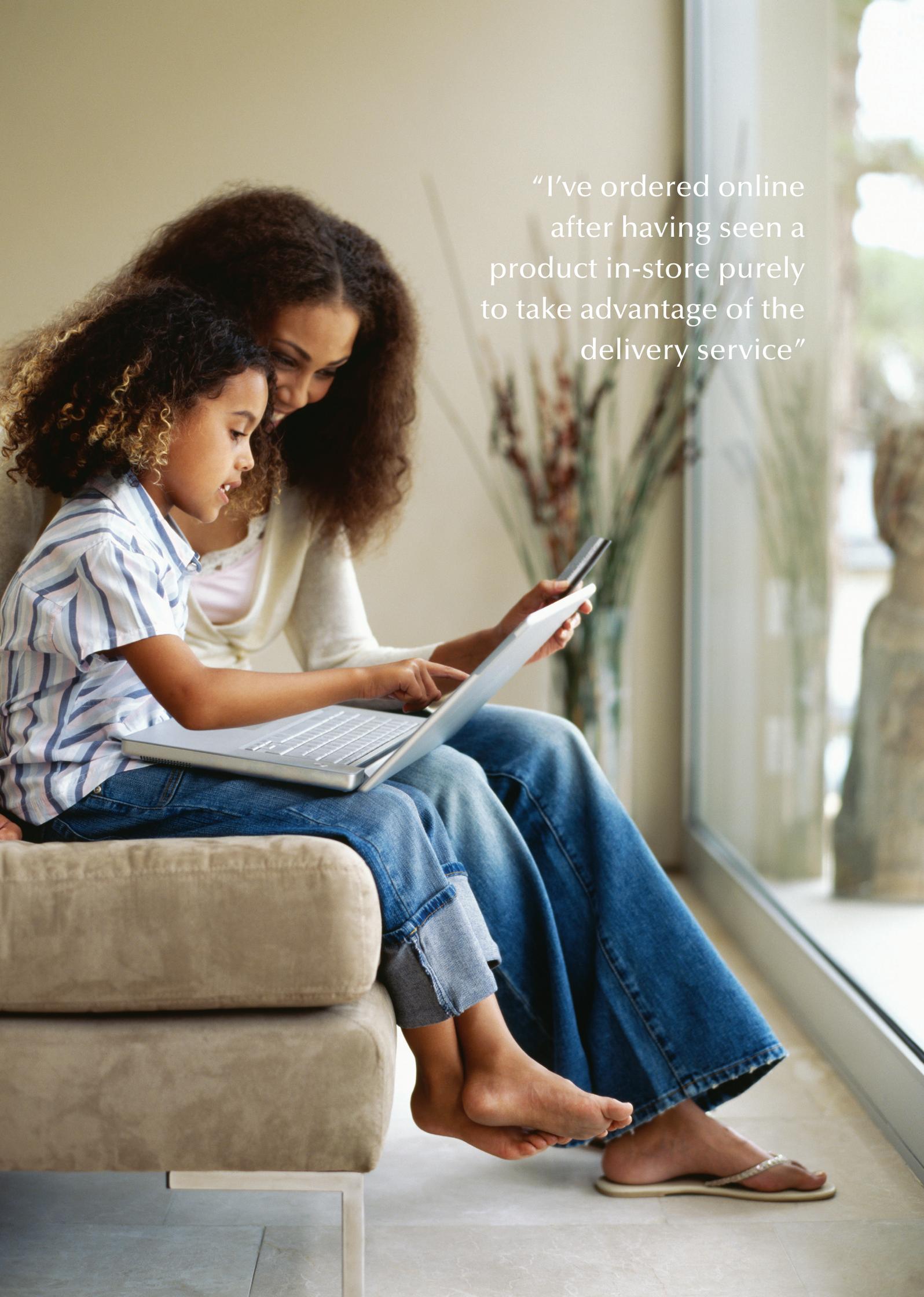
Speaking at Squire Sanders' 2012 Retail Debate, David Ciancio, a retail loyalty expert from Dunnhumby, claims that customers do not believe that the high street is dead, but that it is “increasingly irrelevant”.

With a number of shoppers now wishing for a return to a more nostalgic high street, it is their previous behaviour that has contributed to the high street's on-going demise. With this in mind, we shouldn't expect shoppers to boycott certain online retailers because of question marks over their tax minimisation strategies. As long as these retailers continue to offer compelling prices and service, the levels of shopper defection will be minimal.

It is clear that if retailers want to improve and even thrive they need to manage customer loyalty, particularly since retaining customers is cheaper than recruiting new ones. For many years, retailers have funded customer insight and loyalty programmes but a variety of factors are now challenging these traditional approaches.

The current economic climate means that customers are now evaluating their choices more than before, in part thanks to the rise of price comparison sites and new mobile technology. Loyalty programmes are no longer enough to entice customers. Most schemes are focused on sales rather than rewarding other types of behaviour such as advocacy or recommendations. Those retailers that are able to offer incentives and loyalty programmes across a range of channels are the ones that are ensuring customers purchase their products. Future loyalty programmes need to be far more targeted and tailored to the individual needs of that customer.

For example, certain supermarkets are integrating a mobile strategy into their traditional loyalty scheme by allowing customers to search more information through in-store scanning to get prices, recipes and reviews.

A woman with long, curly brown hair and a young girl with curly brown hair are sitting on a light-colored sofa. The woman is wearing a white cardigan over a pink top and blue jeans. The girl is wearing a blue and white striped shirt and blue jeans. They are both looking at a silver laptop on the woman's lap. The woman is also holding a tablet in her left hand. The background is a bright, modern interior with a large window and some decorative plants.

“I’ve ordered online
after having seen a
product in-store purely
to take advantage of the
delivery service”

SECTION 3

EMBRACING MULTICHANNEL

“I’d shop online more if there were free returns on clothes and shoes. I would buy more on the basis I can try things on and send them back for free if I don’t like them.”

Although it remains the fastest-growing part of retailing, online can be a complicated medium to execute correctly, with shoppers, retailers and suppliers all noting that there is still a long way to go before the online experience is as efficient as it can be.

Improvements Required in Online Retailing

From a retailer perspective, the most important improvements they believe will optimise the online shopping experience include improving their websites and online merchandising, offering free or cheaper deliveries, providing local pick-up points such as lockers or third-party retail schemes such as Collect+ and creating better returns policies for unwanted or faulty items. Other improvements would include more reliable delivery mechanisms, better product information, enhanced online assortments and the launch of apps.

Shoppers are unequivocal in what would improve online retailing for them: nearly three quarters of shoppers told us that free or cheaper deliveries would see them shop and spend more online. The provision of collection and returns services were important features for fewer than half the shoppers surveyed.

Showrooming?

“The staff at Jessops would like to thank you for shopping at Amazon”, read a sign in a Jessops shop window shortly after the retail chain went into administration.

Much has been made by both retailers and the media over the phenomenon known as ‘showrooming’: where shoppers evaluate the merits of a product in a retail store before ordering the item online from another retailer. A frequent complaint from retailers is that they act as showrooms before losing out on the purchase to online retailers who are able to offer the product at a lower price.

This issue is confirmed by our research, with around 90% of shoppers confessing to having participated in showrooming. Price is the main driver of this behaviour, with 76% of showrooming shoppers defecting online for lower prices. Another 64% of showrooming shoppers admit that they like to examine products before buying online. Additionally, research by design agency Foolproof found that 24% of shoppers showroomed whilst doing their Christmas shopping and that 40% of them took their business elsewhere.

An alternative way to look at the issue of showrooming is to suggest that some retailers are not providing enough customer interaction to complete a sale. Price is often viewed as only one part of offering value to shoppers, with quality and service the two other main components.

76%

of showrooming shoppers are defecting online for lower prices

So, Who's Doing a Good Job Online?

All three focus groups surveyed – retailer, shopper and supplier – appeared to agree on the specific retailers conducting themselves well online. For retailers, the three most respected of their peers for providing a good online experience and strategy were John Lewis, Amazon and ASOS.

For shoppers, the most popular retailer was Amazon with 60% of respondents stating that the retailer was one of their online favourites. Other popular online retailers included John Lewis, M&S and Tesco.

Suppliers concurred with the retailers' verdict of Amazon representing best practice. Around 60% of supplier participants cited Amazon as an online retailer that they respected, despite some of the misgivings over the impact that it might be exerting. Other popular online retailers among suppliers included Tesco, John Lewis and Waitrose, and it is worth noting that online-only specialists ASOS and Ocado also received praise among suppliers and service providers.

Life in the Amazon

On a European level, as has happened in the US, Amazon is causing disruption for both suppliers and rival retailers as it continues on its seemingly unstoppable progress towards becoming the second-largest retailer in the world. While only a quarter of suppliers told us that they currently sell into Amazon, there is no doubt that the threat of Amazon's market dominance looms large over the UK retail sector and supplier community.

All suppliers that participated in our research were of the opinion that, within the next decade, they could see a time when Amazon would become one of their top five customers – a reflection of the market share that Amazon is gaining across an increasing array of product categories as well as the mechanisms that it is implementing (e.g. Subscribe & Save) to engender shopper loyalty.

The rapid growth that Amazon can offer suppliers may be a positive, but there is little doubt that its encroachment is causing ripples around other retailers, with three quarters of suppliers noting that Amazon's impact on pricing is causing problems for their other major retail customers.

“Amazon, once you subscribe to Prime, seems to be cheaper and faster than most other online retailers, whilst also offering a wide selection of products.”



CONCLUSION

Heading off the Showrooming Threat

Shoppers appear to be progressively showing a lack of loyalty towards the high street, using one retailer's store as a showroom before heading online to purchase the product elsewhere: either motivated by lower prices or the perception of superior service.

Counteracting the showrooming threat is no easy task, but there are some basic fundamentals that can be put in place – for example, sensibly using selective price-matching to attract customers. Claiming to be “as cheap as the Internet” (something previously attempted by some European retailers) is likely to be a foolhardy approach and one that is undesirable in terms of practicality and profitability. Selecting a number of prominent competitors to price-match is a more sensible policy, and the communication of this intention is often a reassurance to shoppers.

As previously mentioned, shoppers like to touch or feel a product and enjoy the theatre of retail. Retailers need to play to this strength, offering greater interactivity, theatre, product trialling and sampling – allowing customers to interact with the product in a way online retailers cannot. It might be time to reappraise stores as a fantastic opportunity to interact with, and delight, shoppers. Combined with sharper pricing and/or selective price-matching, the threat of showrooming can be quelled by becoming better able to close a sale.

One question for retailers is how do they encourage engagement for their staff with the new technologies that will drive sales and revenues. Staff have to be the customer interface. As discussed at Squire Sanders' Retail Debate in 2012, an engaged workforce is vital and good employers are moving away from a “tell” attitude, towards “involvement”; those who feel involved and who live and breath the brand (such as Apple employees) are happier in their roles and deliver exceptional customer service. This was reiterated by Dunnhumbly's customer research of 11.5 million customers that say they expect price to be fair but for people to be great.



CASE STUDY

Although heralded as the panacea to the ails of the high street, true multichannel retail is a challenging pursuit.

From an operational perspective, the fulfilment efficiencies of traditional bricks and mortar retailers where warehouse pick-faces are visited less frequently to pick higher quantities and then shipped in bulk to one store location far outweigh those of direct to customer, home delivered orders in which a pick-face is visited more frequently, to pick a single unit that requires bespoke packaging and that will bear a higher carriage cost per unit than shipping in bulk to store. It is also easy to turn on multiple channels to a customer – e.g. a website, a mobile optimised a site, a tablet site, apps, an in store kiosk etc. – however if the proposition of these channels is not considered, you can simply be deflecting sales from what would have otherwise been a traditional web or store sale.

These are some of the challenges of multichannel retailing and this is where the benefits must outweigh the considerable costs to stay relevant in an area where technology is advancing rapidly. And it is here that we are focusing.

Ensuring that through a 'single view of stock' every store has full access to the entire range, be it through in store kiosks or the epos, so that a customer is not penalised for living near a store with a small footprint. Ensuring that through a 'single view of customer' we are able to identify a customer in any channel in which they touch us and service them – be it through the device or a store colleague – with relevant, personalised information based on what they have done or purchased in any of our channels of contact.

We also now receive significantly more traffic to our online channels per week than we do our stores (in fact, we have more people coming to us on mobile and tablet devices each week than we do to our stores), and if we can encourage a click and collect purchase, we are;

- Driving more online traffic to the high street
- Able to upsell by 10% in store when they collect
- Addressing the operational challenge outlined earlier as the cost to fulfil that item is far reduced – particularly if it is from store stock.

Ultimately to achieve true multichannel comes down to data management, however customers don't care about technology or gadgets, they care about our products and service and we must present a unified brand experience across the plethora of devices that are now a part of our daily lives. And business success from multichannel will come not from chasing the latest gadget or fad, but considering how it creates value to a customer, better serving them, making shopping omnipresent, and creating operational efficiencies.

Rob Jennings, e-Commerce Director, Mamas & Papas





SECTION 4

CAN MULTICHANNEL SAVE THE HIGH STREET?

“I would visit the high street more often if there were more independent stores that offer something a little different”

A lot of resources, time and effort have been expended to evaluate the British high street and highlight some potential remedies for the malaise currently suffered by many town centres. A combination of multichannel competition, supermarket competition, poor town centre management, retailers running into financial difficulty, an inflexible business rates regime, the opening of large enclosed shopping centres and issues around parking have meant that many high streets have become shadows of their former selves.

What were once vibrant town centres replete with a mix of independent and multiple retailers have become run-down and desolate locations, featuring many empty stores. To the consternation of many residents and observers, empty space has been taken up by charity stores, bookmakers, payday loan units, pawnbrokers, fast food outlets and discount stores. While the disapproval of certain tenants is highly subjective, it is fair to suggest that UK shoppers appear pessimistic over the direction that their high streets are heading in.

While the decline of the high street is bad news for many retailers themselves, the supplier community is also suffering as a result. Around 10% of suppliers noted that the declining fortunes of the high street affect their business, a significant proportion of their sales being impacted by the plight of independent retailers. 40% of suppliers also agree that a declining high street is bad for business in general terms.

In the eyes of retailers, the single most important contribution towards rejuvenating the high street would be free or cheaper parking. Nearly 80% of retailers we spoke to indicated that such a move would encourage shoppers to visit their local high street more frequently. Other factors that retailers believed would help the high street include offering more exciting and engaging stores themselves as well as the high street offering a better mix of tenants. Another common plea from retailers was for an improvement to facilities such as seating, lighting and public conveniences, with around one third of retailer respondents stating that such provisions would help the fortunes of their high street.

Retailers' opinions on the role of government and landlords in the decline of the high street are starkly unanimous: all retailers surveyed believed that the government or landlords were not doing all that they could to create an environment that was more favourable for retailers to thrive. Less than a third of the retailers we consulted believed that the Portas Review, intended to turn around the fortunes of the high street, would be successful.

“I research online to find the type of product I want, then search online for where I can get it. If I can't find a physical store I'll buy online”

Significantly, however, 93% of retailers assert that the business rates levied on them are unfair and believe that a more generous recalibration of the business rates regime would be good for the high street. Certainly, the huge differential in business rates per square metre paid by a high street store compared to what Amazon, for example, pays for its distribution centres suggests that there may be a substantial disparity between rates.

Shopper views mirrored those of the retailer in reference to parking, with over 60% of shoppers stating that free or cheaper parking would encourage them to spend more money in their local town centre. A better range of stores (with a number of shoppers specifically referencing independent retailers) and more entertaining stores would also drive improved high street foot fall. As with retailers, few shoppers believed that better policing or more street art/entertainment would enhance the high street shopping experience, with improved facilities and cheaper stores cited as factors that would be more important.

There are retailers who see the benefit of the high street and by embracing multichannel this drives greater footfall and sales. Simply abandoning the high street is not the answer. As a result we will see an increased number of smaller and more focused shops that allow customers to collect their online orders in store and this, in turn, will encourage them to make additional purchases in store, as is highlighted in the infographic below.

Focus: Marks & Spencer



Customers are worth 8 x more if they shop in store, online and through mobile



40% of M&S' online sales are collected in store



When customers click & collect, they typically spend an extra £40 in store when collecting.



By 2014 mobile internet usage will surpass PC usage for the first time.

CONCLUSIONS

Treat Parking as an Incentive, Not a Punishment

One problem that shoppers and retailers appear to agree on is that the parking regimes in place around the country are acting as a substantial disincentive for shoppers to patronise their local retailers. With supermarkets and many out of town shopping centres offering free parking, shoppers are actually being penalised in many locations where they may wish to support local traders.

While we understand the persuasive revenue-generation logic behind the sometimes lucrative parking regimes enacted by local authorities, it is becoming obvious that parking charges are a key component of the problems faced by the high street. Parking charges rely on the high street representing a vibrant destination for shoppers, however they are one of the main reasons why this is not the case. Is it time for local authorities to look at creating a long-term solution to parking?

The removal or reduction of parking fees may lose revenue in the short term, but the revival of a high street, with retailers paying increased business rates and shoppers contributing to the local economy, is likely to generate more income for the local authority over the long term.

With 80% of retailers and 60% of shoppers earmarking parking charges as a key factor behind the decline of the high street, surely the time has now come for free, cheap, subsidised or flexible parking regimes that act as a reward for supporting local businesses rather than a punitive disincentive?

Close Loopholes

With regards to taxation, 70% of retailers told us that online retailers are exploiting unfair tax loopholes to give themselves an unfair advantage over their high street competitors.

While one can sympathise with that viewpoint, shoppers seem less concerned, with over half of shoppers telling us that they did not really care about online retailers exploiting the tax system; they were more concerned about securing the lowest prices and most convenient shopping experience. Less than a third of shoppers told us that they would prefer to shop with retailers that they knew were paying appropriate taxes. In light of resumed anger directed towards Amazon (reports in May 2013 suggested that the retailer paid taxes of US\$3.7 million on its 2012 income, despite group UK sales of US\$6.5 billion), it might be the case that some shoppers will reappraise their opinions, but it seems likely that the assortment, pricing and convenience offered by the retailer will win out over any tax-related reservations.

“The government should close down the loopholes!”

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