



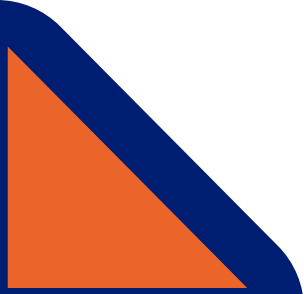
annus horribilis: long-term impacts on retail.

How the events of 2020 have
transformed the retail landscape.





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intro.

2020

annus horribilis: how the events of 2020 have transformed the retail landscape.



In March 2017, exactly three years before the UK first locked down to halt the spread of coronavirus, NASDAQ forecast that by 2040 some 95 per cent of retail sales would be facilitated by digital. The figure was estimated to be 18 per cent in 2018 and, while the direction of travel was clear, the events of 2020 necessitated the acceleration of this trend, at breakneck speed.

The latest Office for National Statistics data, published in January, show a 46 per cent year-on-year uplift in online sales to December 2020 – the highest annual growth reported since 2008. It is clear that retailers must evolve their offering to compete in the digital era.

This ebook informs readers about the annus horribilis that 2020 was for many in the retail industry, and highlights how last year's events transformed the landscape, catalysing a rapid reconfiguration of bricks-and-mortar shopping.

The ebook provides insights on the changing shape of retail and how consumer needs, behaviour and expectations have evolved during the pandemic

NASDAQ

Office for National Statistics

46%

1.



the key to retail success in 2021.



When COVID-19 hit the UK in early 2020, the impact on retail was felt immediately. Changes to consumer shopping habits accelerated rapidly by the broad societal impact of the pandemic and trends that may have taken five years to occur were pushed through in five months, estimated Dame Sharon White, chair of John Lewis Partnership. Retailers had to adapt and evolve quickly.



As McKinsey notes, the first half of 2020 saw an increase in online shopping equivalent to that of the previous decade. Retailers that were further along on their digital transformation journey at the start of 2020 have fared better than laggards.

In the wake of second waves and regional strains, the need for a digital-first approach has only become more apparent. Similarly, many large consumer good companies have wanted to pivot to B2C direct-to-customer channels, but only 60 per cent of consumer-goods companies say they are even moderately prepared to capture ecommerce growth opportunities.

While non-essential brick-and-mortar stores remain shuttered in many parts of the world, online has become – by default – the de facto way of doing business. Retailers have scrambled to re-engineer their operations so that they are digital at their core. However, the coronavirus crisis has exposed ageing infrastructure, legacy systems and limitations in business processes.


In 2021, the digital storefront will be key to retail success. Those businesses seeking to keep pace with this fundamental shift require the ability to iterate the online customer experience and also look at how to drive new omni-channel experiences as lockdown eases.

Those operators that adapt – evaluating their vertical, proposition, product and current digital and technology channels to fit an uncertain landscape and changing consumer trends – will thrive.

The following sections of this ebook explore in detail the need for retailers to accelerate and expand digital channel to offer new customer journeys. They will also address changing buying habits and the reorientation of consumer needs, providing retailers with essential tips on making the online shift while rethinking the physical shopping experience. Lastly, we will consider taking advantage of the growing importance of ethical brands in consumer choices.

2.

accelerating digital channels.



In 2020, consumers were forced to learn how to shop differently. They had no choice but to move away from brick-and-mortar experiences and use digital channels. No surprise ONS figures showed that non-store retailers reported year-on-year growth of 44 per cent. These behaviours are likely to continue. The implication is that brands that haven't figured out how to reach consumers in new ways had better catch up, or they will be left behind. Retailers must bring the shopping experience to the consumer – whether grocery, fashion or hospitality – and meet them where it is most convenient.

As the coronavirus pandemic began to impact the retail industry many operators pivoted quickly to enable new ways of purchasing goods. For example, last March, when the first UK lockdown began, Marks & Spencer, BP and Deliveroo joined forces to deliver a range of 60 grocery products directly to people to help give access to goods without leaving the home. “It is vital that we support those on whom we all depend, as well as the most vulnerable in our communities,” said BP chief executive Bernard Looney.



“It is vital that we support those on whom we all depend, as well as the most vulnerable in our communities”

Bernard Looney, CEO, BP



65%

Of UK households are signed up to regular subscription services

Source: Barclaycard, 2020



SUBSCRIBE



New delivery channels were initially implemented via manual business processes. However, many retailers quickly realised they needed to rapidly build integrated solutions to mitigate operational challenges and improve colleague and customer experiences. For example integrating the delivery partner solution with their Point of Sales (POS) reduced double key entry by staff and mitigated stock outs.

Convenience and direct-to-home shopping will continue to be a priority for consumers in 2021, and there will be new market entries. For example, The Financial Times reports how the Turkish start up Getir has recently opened mini dark stores in London, promising rapid, 10-minute delivery windows.

Furthermore, new Gartner research suggests 77 per cent of consumers are no longer comfortable to socialise in the way they did pre-pandemic. Kate Muhl, vice president analyst in the Gartner Marketing practice, urged retailers to “take note of the key shifts in consumer values over the last year and what those shifts mean for their decision-making in 2021”. She added: “This realignment of life isn’t going away anytime soon, so brands need to find ways to meet consumers where they are. Now is the time for marketers to lean into the aspects of their brand values that support consumers’ self-protective instincts.”

Some smart retailers have found a way to combat unreliable revenue streams by introducing reoccurring revenue models, or subscription models that possess high levels of customer stickiness. Such a shift is no coincidence given the coronavirus crisis has created what Barclaycard Payments labels a “subscription society”, driven by firms such as HelloFresh and Mindful Chef and many more. Barclaycard Payments data indicates two-thirds (65 per cent) of UK homes are signed up to regular subscription services, and Brits are now spending an average of £552 annually on sign-up services.

Financial Times

Gartner

Barclaycard Payments 1

Barclaycard Payments 2

accelerating digital channels.

In September Pret a Manger launched a £20 monthly subscription service for unlimited coffee and over 16,500 people signed on the first day. Chief Executive Pano Christou said he hoped it would lure customers back to his shops. “We need to move fast, we need to evolve, we need to innovate, and we need to take some risks,” he told The Guardian. “If we sit and wait for things to change, that is a bigger risk than going out there and being bold.”

Others sought to take the shopping experience to the consumer by creating digital experiences. Concerts, sports and more have shifted online, and retailers have the opportunity to provide, for example, personal shoppers in fashion, DIY instructors in home improvement, at-home spa days in hospitality.

John Lewis’ 3D Christmas tour of the flagship Oxford Street store, enabling customers to “walk” through the shop virtually, and buy products also proved popular. Similarly, make-up artist Charlotte Tilbury has set up a virtual store where customers can interact with a hologram of her, pay for a virtual style consultation while trying on different items and offset this against the cost of the final purchase.

Importantly, up to 17.2 million UK consumers are expected to make permanent changes to their shopping habits in the wake of the COVID-19 pandemic, according to Retail Economics research. So whereas retailers would previously have experimented with small transient innovations, new ways to shops are likely to be more permanent.

The Guardian

Retail Economics



accelerating digital channels.

3.

addressing changing buying habits.

Consumers have not only changed how they buy but also what they buy, as time spent at home has increased and priorities have evolved. Overall, consumers are spending less as uncertainty still looms around economic outlook, but they are putting their hands in their pockets to spend on health, home entertainment and groceries.

Figures from Deloitte's Global Consumer Tracker suggest that around 10 per cent of European consumers now shop online for food, and this figure rises to almost 30 per cent in the UK. Meanwhile, in July, Yahoo reported that price-comparison site Idealo found that home gym equipment sales in the UK had skyrocketed 5,813 per cent since lockdown. Casual wear, bread-makers, gardening equipment and home-working technology all enjoyed sale spikes, too.

percentage of consumers shopping online for food:



Deloitte, 2020

Deloitte

Yahoo



In May, M&S chief executive Steve Rowe said the coronavirus crisis had changed shopping habits “for ever”. He added: “On conference calls I haven’t seen anyone in a suit yet. We are barely selling any suits and the number of ties I could probably count on one hand.”

What does this data mean for retailers? It means that both survival and success depend on diversifying product offerings, imagining and delivering new operational capabilities that enable the retailer to pivot to follow new consumer trends. By collecting key customer touchpoint data and streamlining the supply chain, retailers can quickly shift to introducing new product lines.

A further trend is the re-emergence of localisation. Consumers are becoming more interested in supporting local businesses, while retailers look to localise supply chains while global third-party partners are compromised by both pandemic lockdowns and new tariffs. This looks likely to persist, reports Talking Retail, citing Lumina Intelligence’s Future of Convenience Report 2021. The study indicates that 42 per cent of consumers plan to continue shopping locally in the future and 78 per cent respondents answered it’s either “important” or “very important” to buy from local suppliers and retailers.


The Guardian

Talking Retail

addressing changing buying habits.

4.

the blended shopping experience.



While ecommerce surges, it can be hard to see a way back for ailing brick-and-mortar businesses. Yet, the shift to online does not render physical buildings useless, though – far from it. Now there is a unique opportunity to rethink these assets. As businesses look to operate in a more limited, localised ecosystem, we are seeing the rise of dark stores, or buildings turned into facilities that enable drive-through or click-and-collect services, while also accommodating the health concerns of shoppers, such as sanitisation and social distancing, and so on).

For many retailers the optimal shopping experience will be blended, a meshing of online and offline. The process now involves more touchpoints with the buyer than ever. As such there has to be a channel set up to account for these expected touchpoints. Augmented reality, virtual assistants and chatbots are on the up as well. Customers are more used to interacting with them, and the technology is improving all the time.

Social media plays an increasingly critical role for retailers. Analysis commissioned by Visa, which studied shopping habits over the six months to October 2020, found that one in four online purchases in the UK is now made due to interacting with a social media platform. Instagram live or Facebook videos, and so on, are inexpensive ways to connect with potential customers and build a community.

Government has a role to play in the reinvigoration of the high street and physical retail. The long standing call to reform business rates has picked up even more momentum with many large retailers demanding permanent change and a model where online pure play retailers pay their fair share. The recent purchase of the Arcadia and Debenhams by ASOS and BooHoo provide further impetus behind calls for this change and the 2021 budget in March is eagerly awaited across the sector.



**Click &
Collect**

Visa

The Guardian

5.

the growing importance of doing good.

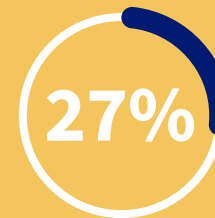
The turbulence of 2020 prompted consumers to reevaluate their relationship with brands, leading to customer prioritisation of those seen to be “doing good” or “being helpful” in the pandemic context. In October, Google reported that 65 per cent of people in the UK “say that a brand’s response to the pandemic will hugely impact their likelihood to buy its products, and there is a strong sentiment that businesses have a big part to play in helping society recover”.

Certainly, consumers have become more aware of the range of systematic inequalities in society and have reacted through shopping behaviours. The Ethical Consumer Markets Report 2020 revealed that almost a third (27 per cent) of consumers in the UK bought Fair Trade certificate goods since COVID-19, up from 15 per cent before the pandemic. This trend is likely to continue: the Co-operative predicts that 32 per cent of shoppers will be buying ethically sourced products in 2021.

percentage of UK consumers buying Fair Trade certificate goods.



Pre-pandemic



Post-pandemic

Google

Ethical Consumer

Co-operative

Ethical Consumer Markets Report, 2020



While sustainability and ethically sourced goods have become key buying criteria for consumers, inspiring stories showing brands “doing good” tend to gain greater traction than they might have done 12 months ago. REPL’s Really Remarkable News campaign for Christmas 2020 highlights times that retailers went out of their way to make a difference last year.

It’s more than generating good content, though. In 2021, the push for net zero means that environmental, social, and governance (ESG) considerations are vital. Climate risk is business risk, and companies that implement ESG goals typically perform 4.8 per cent better than those that don’t, according to a Harvard Business School study. Employees, stakeholders and consumers alike are more engaged with such organisations.

REPL

Harvard Business School

the growing importance of doing good.

conclusion.

what is next?

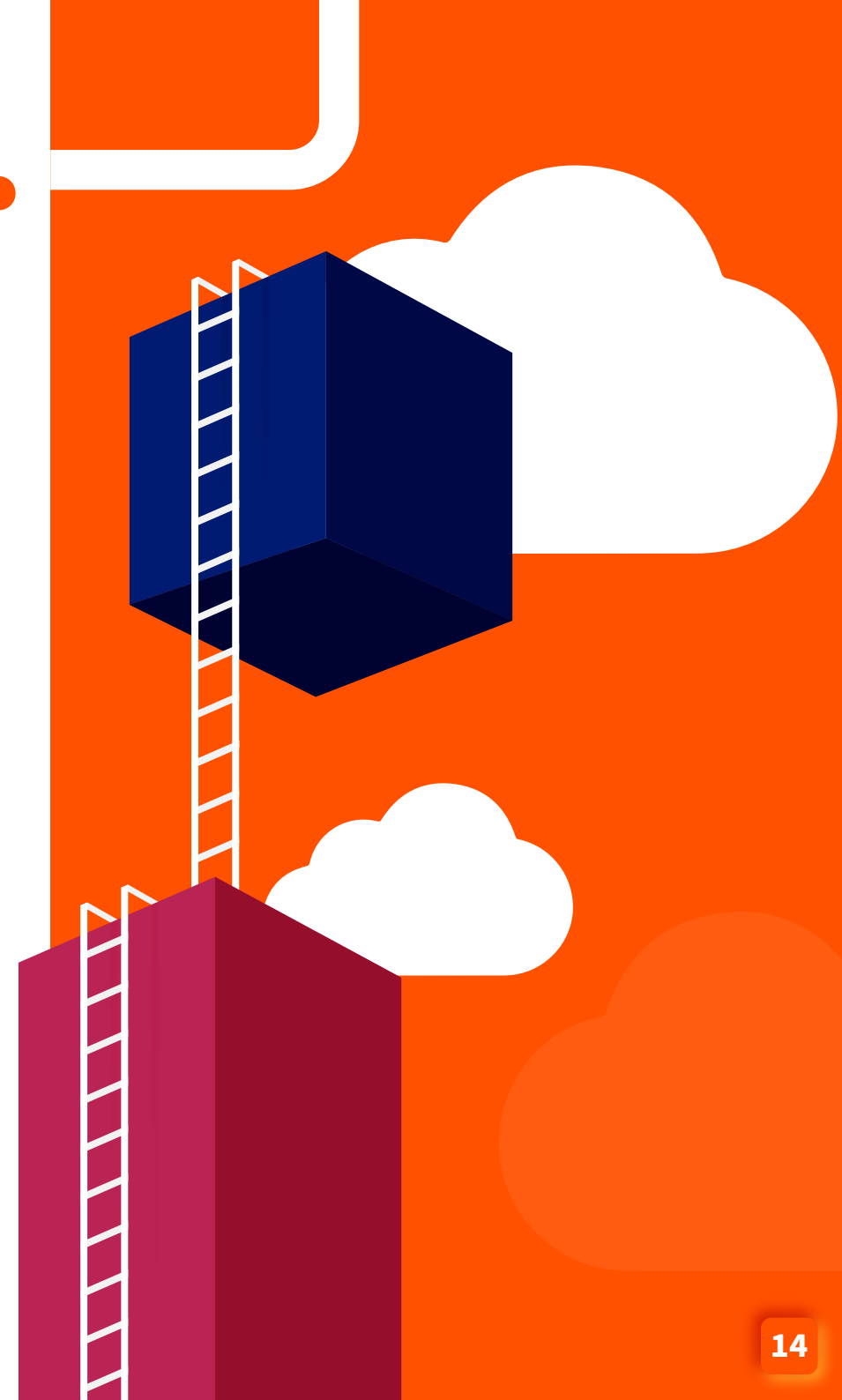
The coronavirus crisis has accelerated trends and intensified retailers' need to speed up their digital transformation journey. The retail landscape has been irreversibly changed by the events of 2020, and businesses must alter their approaches and update their online and omni-channel offerings to thrive – or even survive – in the coming years.

While various studies suggest that home working is here to stay, and the convenience of online is increasingly irresistible, some retail trends will inevitably soften. As lockdown lifts and people are vaccinated, consumers will return to hospitality and retail. Humans are social creatures but they will only be attracted to the high street for materially different experiences from that they can receive online. Physical retail will become even more about experiences, squeezing out those retailers and brands who only do just enough.

While it may be hard to predict which consumer habits will stick for sure, it is apparent that for retailers to compete in 2021 and beyond it is paramount to be operating in the digital space. A blended omni-channel customer experience will reap the most significant rewards for those retailers with a store estate.

The impact on retailers of the coronavirus pandemic fallout will depend on their vertical, proposition, product and current digital and technology channels. What 2020 proved, though, was that the need to be agile and pivot at pace is business-critical.

Retailers that embrace the possibilities of an ethically focused, omni-channel and digital-first business model to meet changing consumer behaviours stand the best chance of an annus mirabilis in the years to come.





REPL Group is a world-leading consultancy and technology group specialising in workforce management, supply chain, customer experience and enterprise systems.

Since its beginnings in 2007, the UK headquartered firm, formed by a specialist team with highly successful retail careers, has enjoyed year-on-year growth and global expansion into new markets and has since been recognised in the 2019 Queen's Awards for International Trade as a result. Part of the London Stock Exchange Group's 1000 companies to Inspire Britain 2019 report, REPL Group draws on its experience and expertise to deliver visionary professional services and unique solutions that transform business operations, with its products also listed on the Digital Marketplace.



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