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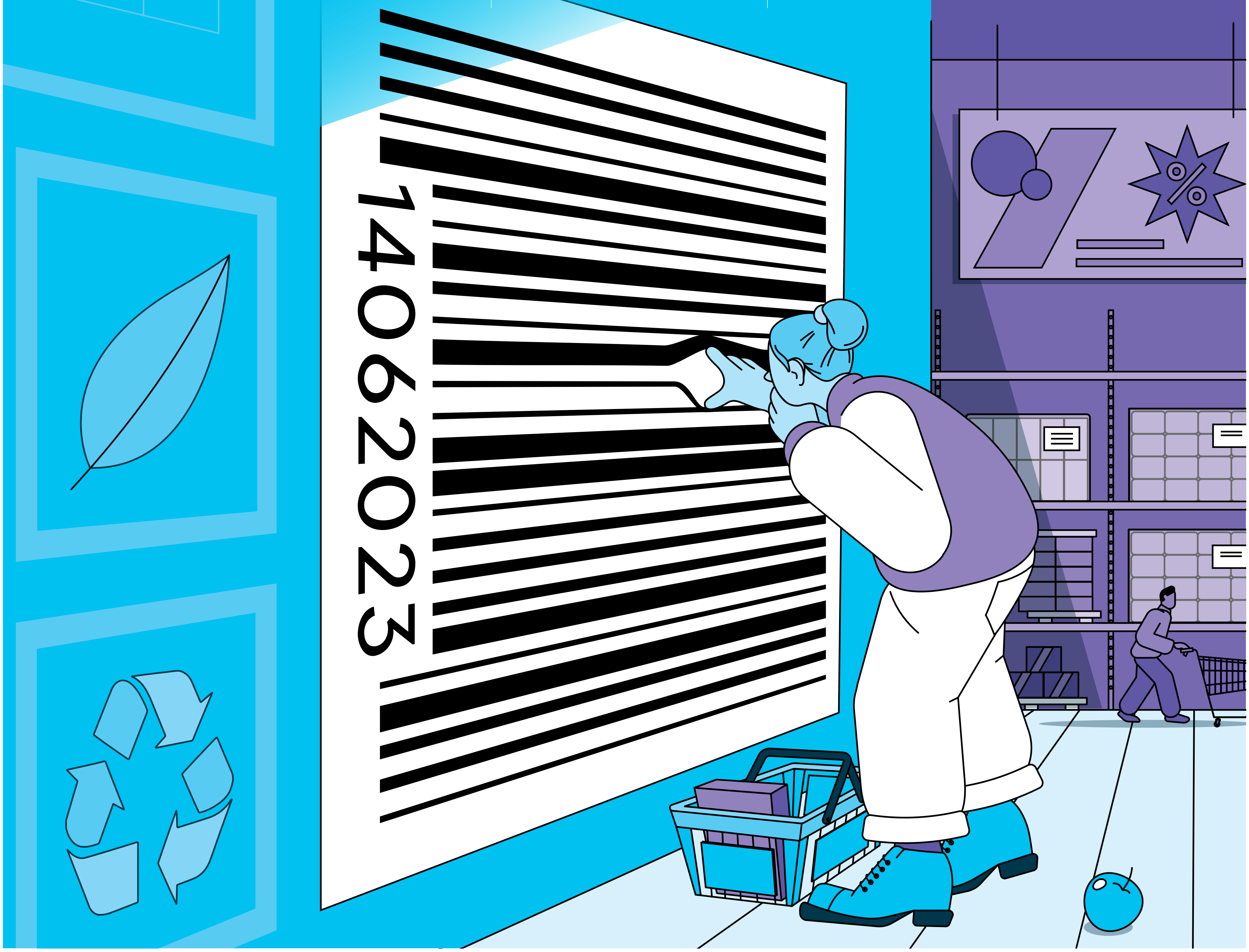
FUTURE OF RETAIL & ECOMMERCE



FUTURE OF RETAIL & ECOMMERCE

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GROWTH

What's the secret to luxury retail's success?

Since the end of the pandemic, sales of luxury items have surged. Not even the threat of recession has slowed the growth. So, what lessons does the luxury sector hold for retailers lower down the pricing scale?

Sam Forsdick

When asked why Harrods would continue to perform well despite the economic downturn, the luxury department store's managing director Michael Ward offered a simple answer: "The rich get richer in a recession."

His confidence is emblematic of the seemingly unstoppable growth in the premium retail market of late. Analysts at Bain & Company and Altagamma predict that 2023 will be another strong year for the luxury sector, with its €353bn (£286bn) of retail sales in 2022 expected to grow again by between 3% and 8% this year. Brands such as Richemont, Hermès and Moncler are likely to continue to lead the way, having seen in excess of 20% growth in their share prices over the past 12 months.

Topping the list of success stories is LVMH, owner of Louis Vuitton, Christian Dior and Moët & Chandon. In April, the French luxury group became the first European company to reach a market valuation of $500bn (£398bn), cementing its CEO Bernard Arnault's status as the richest person in the world.

But while the luxury retail market has seen consistent post-pandemic growth, the sellers of mid-market goods and essentials are struggling to navigate a challenging market. Rising prices for energy, materials and transportation have dented retailers' profits, and the cost-of-living crisis means 73.4% of UK consumers are planning to reduce retail spending this year, according to research by VoucherCodes.

How has the luxury sector been able to dodge the wider economy's woes, and what can other retailers learn from its success?

"Despite all the macroeconomic indicators worsening quarter after quarter, the personal luxury market is continuing to grow," says Federica Levato, a senior partner in Bain & Company's global fashion and luxury goods practice. "This market is over-resilient compared to the wider retail sector."

One of the reasons for that resilience is consumers having embraced a YOLO (you only live once) attitude, according to Luca Solca, a senior research analyst at private wealth management firm Bernstein. He claims that the pandemic made many wealthy consumers more aware of their mortality, adding that: "Everyone raced back from the pandemic in a mood to recapture time we feel has been lost."

The pandemic also had a secondary positive impact on the luxury market. Amid the lockdown restrictions, European consumers accumulated nearly €1tn in additional savings. Solca argues that the top brands in each category have capitalised on this pent-up spending power and leveraged their desirability to encourage customers to spend their savings on their products.

Many high-end brands were also pleased to see the Chinese market re-emerge from strict zero-Covid restrictions. "The return to normal social life brings a restocking of the wardrobe and purchases of accessories," says Levato. The impact of this alone could help the luxury market sustain another two years of "very comfortable growth", says Solca.

Although luxury brands have benefited greatly from the fact that their wealthy customers' finances remain relatively secure, even in a cost-of-living crisis, there is still much that other retailers can learn from their recent success. One method that retailers are turning to is premiumisation. Consumers may be spending less frequently when finances are tight but many are still willing to pay a higher price for products. Figures from the Office for National Statistics show that despite a decline in retail sales volumes, overall sales value has continued to climb.

"There's always someone in the room who thinks that consumers will turn to more value-oriented offerings when finances come under pressure," says Brian Perkins, CEO of Budweiser Brewing Group in the UK and Ireland and AB InBev's Western Europe president. "But it doesn't happen." AB InBev's latest financial report, for example, shows that sales of the brewer's premium products have helped to offset declining sales in its other categories.

Helen Brocklebank, CEO of Walpole, the official sector body for the British luxury market, thinks high-end brands are also seeing sales growth because they are "willing to go the extra mile" to create memorable experiences in-store and online.

Other retailers may wish to take inspiration from this. She points to Harrods, which recently welcomed Michelin-starred chef Björn Frantzén to its fifth-floor restaurant, and Alexander McQueen's tendency to sell certain products exclusively in stores, as good examples.

Elsewhere, Selfridges has set out an area within its store for customers to exchange or upcycle old clothing. Premium womenswear brand Rixo will allow visitors to its new west London flagship to enjoy coffee and pastries while they shop.

"Brands need to think about how they can make their experiences special and unrepeatable," Brocklebank says. "This takes imagination and, fortunately, that's one of luxury retail's big strengths."

Retailers can also learn from the way that luxury brands communicate with their customers. "It's a different kind of engagement, which encourages dialogue," Levato explains. "In some instances, they allow co-creation and personalisation of the message."

This type of storytelling, which translates well to mediums like Instagram and TikTok, has been effective in attracting younger consumers. Growth in the luxury market last year was primarily driven by gen Z and millennial consumers, with gen Z making their first luxury purchases three to five years earlier than their older millennial counterparts.

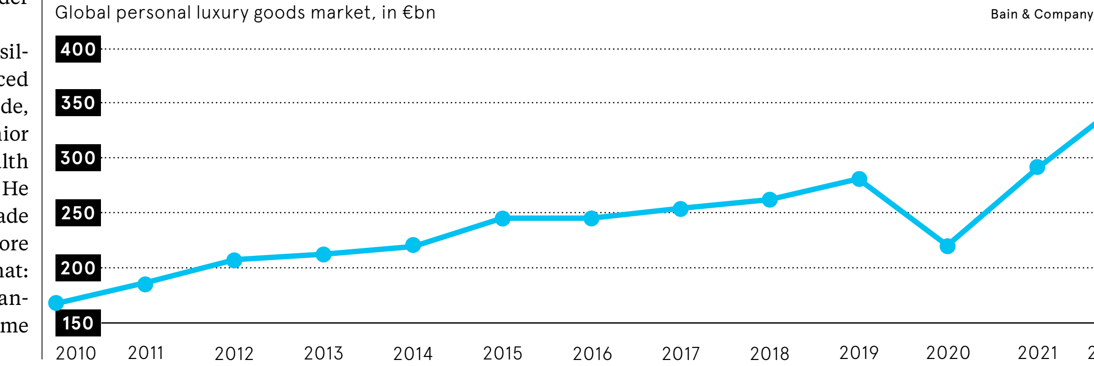
The luxury market's success in capturing this younger audience is another thing that retailers should look to emulate. "Gen Z influences the purchasing decisions of all the other generations," Levato adds.

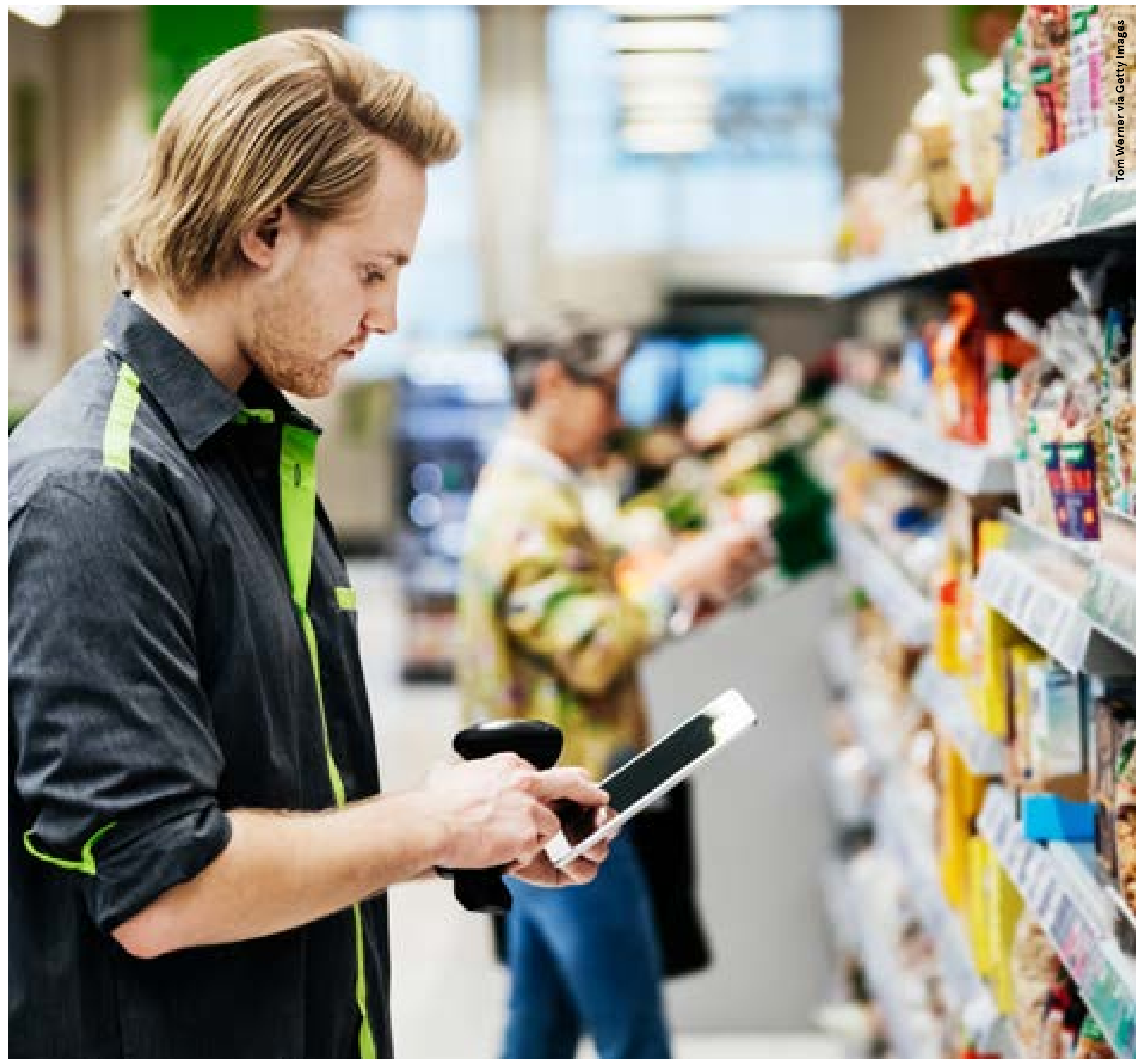
After all, Bain & Company is already revising its forecasts for the luxury market's 2023 growth. If that's anything to go by, retailers would do well to learn from some of the techniques deployed by their luxury counterparts. It's a strategy which might just offer them a way to weather the challenging economic headwinds out there.

SALES OF LUXURY GOODS HAVE SURGED IN RECENT YEARS

Global personal luxury goods market, in €bn

Bain & Company, 2023

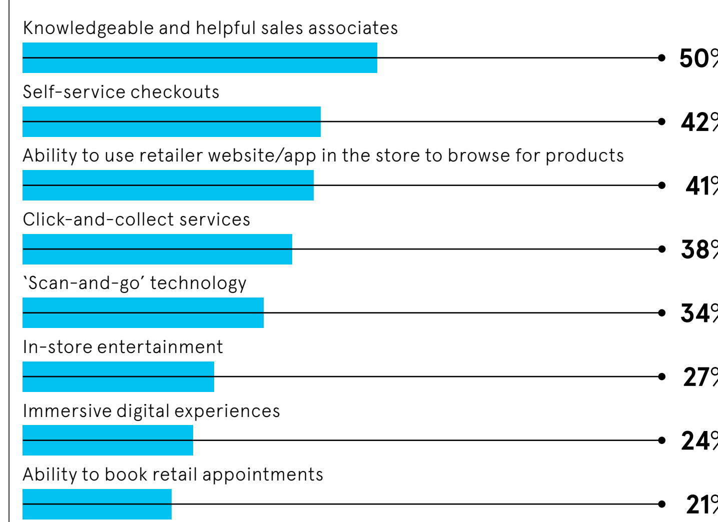




Tom Werner via Getty Images

WHEN IT COMES TO IN-STORE EXPERIENCES, CUSTOMERS APPRECIATE A MIX OF PHYSICAL AND DIGITAL

Share of consumers worldwide who find the following attributes of the in-store shopping experience appealing



PwC, 2023

TECHNOLOGY

Taking stock: how AI will transform retail

Digital transformation can be more complicated and expensive than anticipated. How can retailers use AI to make the process easier?

Tom Ritchie

In 2021, ecommerce accounted for 28.8% of retail sales in the UK; before the pandemic, it was 19.9%, according to the Office for National Statistics.

This surge in ecommerce led many retailers to accelerate their digital transformation plans. A survey of 300 marketing executives in the UK, US and Canada revealed that a third of their businesses had replaced their commerce technology in 2021 and 2022. Many of these retailers looked to adopt microservices-based architectures, where larger applications are broken down into constituent parts to separate functionality. "But the moment you have all these services, it can be challenging to make sense of all that data," says Gabriel Le Roux, co-founder of Primer, an automation platform for retail payments.

While much of the focus on the use of AI in retail has centred on customer-facing technology, such as chatbots, it also has the potential to ease administrative and operational processes for retailers. The growth potential is significant, with retail-focused AI-powered solutions expected to be worth $31.8bn (around £25.6bn) by 2028.

Sarita Runeberg is retail director at Reaktor, a Finnish digital agency that helped retail brands such as Adidas and Kesko with their digital transformations. She thinks that non-customer-facing AI will be a game changer for businesses.

"Businesses can use AI solutions to optimise their supply chains and logistics," she says. "And real-time optimisation is crucial for the expectations of modern shoppers." A 2022 survey of British consumers by delivery service ParcelHero bears this out: 56% of respondents said next-day delivery is important, up from 33% in 2020.

"Consumers expect faster, even same-day, deliveries, so the right product has to be available close to the right customer. That can be achieved using data and AI-based models to allocate the products to the right warehouses," she explains. But before leveraging solutions that can create these efficiencies, retailers need to create a coherent data strategy. Data management is another area that promises to be bolstered by using AI.

> Non-customer-facing AI will be a game changer for businesses

Marks & Spencer started its digital transformation four years ago. The first step in the process was to implement its data and AI plan, with the aim to become "the most data-driven retailer in the industry," says Russell Johnson, Marks & Spencer's chief data scientist.

The project had four key pillars: centralise data into a unified cloud platform; improve data quality to increase colleague understanding; grow data capability to develop and attract talent; and deliver business value via scaling data science and AI. Marks & Spencer recruited a data science team that, with consultancy Databricks, has built AI and machine learning-powered capability which can benefit its in-store staff, and shoppers in both their physical and online stores.

The company's Intelligent Sales Probe is a machine learning tool that Marks & Spencer developed internally, and can recommend in-store activities for store colleagues, says Johnson. "The strategic goal of this programme is to increase efficiencies within our business by leveraging data to predict the needs of customers, in turn increasing sales and reducing waste."

Marks & Spencer also uses machine learning-powered technology to designate returned items to the store where it is most likely to be resold, and to set the optimal price for reduced items across clothing, homeware and food.

Could, then, the use of AI lead to lower prices for customers across the board?

"Maybe, longer term," says Le Roux. "But cost isn't the only factor in a purchase." A McKinsey survey found 76% of shoppers are frustrated if they don't receive personalised experiences. Le Roux thinks the primary benefit of AI is to improve personalisation. "What sort of experiences could I create to give a set of customers the products and services they want to use?" Le Roux adds.

At Marks & Spencer, hyper-personalised offers are delivered via Sparks, its digital loyalty scheme that "means reduced costs for customers on products they care about the most", says Johnson. The scheme had 16 million members as of October 2022 and app downloads have increased by 200% over the past year.

While there are benefits to adopting this technology, retailers are prioritising spending because of the economic headwinds and rising costs in other areas.

"AI should be a focus for retail," says Johnson. "It's rare that the same technology can be so broadly applied to both cost-reduction and use cases that improve customer satisfaction. Building expertise in AI is a double-edged sword."

But Johnson thinks the short-term return on investment more than justifies any associated costs. Securing longer-term returns will rely on retailers' ability to "find the talent that can leverage the latest technology in this rapidly evolving field," he adds.

Runeberg agrees that there are operational costs which can be reduced. But he thinks that the increased customer satisfaction which comes with slicker checkouts is a greater driver of ROI.

"Using AI can indeed reduce costs, hypothetically freeing up human resources for different tasks. But the main benefit is from the increased efficiencies which trickle down to a more seamless experience for customers," says Runeberg. This can have a positive impact on brand reputation and customer loyalty.

For this reason, Runeberg thinks the primary role of AI in retail lies within the back office. "AI can do the heavy lifting behind the scenes while retaining a human exterior to engage with customers if they need help," he adds.

While much has been said about AI's potential to replace jobs in customer service, generative AI could be better suited to creating product descriptions or supporting content, rather than in customer-facing areas such as chatbots, which many consumers find frustrating. Retailers must look beyond the hype when trying to find the best business cases to leverage this new technology because they could find a greater return on investment in the process.

Commercial feature

Pockets of growth: finding and retaining new customers

With ecommerce growth slowing, companies must explore new revenue opportunities like cross-border sales and ensure they're prepared for peak periods

Ecommerce growth in 2023 is unlikely to match the record-breaking levels of the past few years. Several factors are driving this softer growth, including the cost-of-living crisis, ongoing supply chain disruptions and the return of in-store shopping.

However, ecommerce growth is still expected to be positive in 2023, following on from slightly negative growth in 2022. And steady growth in ecommerce is predicted over the next few years, with an expected increase of more than $1.8tn by 2026. It's a good time for ecommerce companies to find new pockets of revenue and areas of expansion.

Cross-border opportunities

Cross-border sales are one option that more firms should explore. "When you're starving for revenue, cross-border ecommerce is really a good place to start looking [for it]," says Chris Hodge, ecommerce marketing manager at FedEx Express. "The shopping cart values are higher, as people are usually willing to pay more for each product and they buy more of them. Usually, they are also somewhat willing to pay a slightly higher shipping cost or accept a higher free shipping threshold."

Today almost half of EU shoppers buy cross-border. In fact, one recent study found that cross-border ecommerce in Europe was worth €179.4bn in 2022 – an increase of 4.8% compared to a year earlier. Tapping into this huge market may be easier than many ecommerce firms realise, especially given the number of partners that can help them expand internationally.

Companies like BigCommerce, Zonos, eShopWorld and ZigZag – as well as FedEx itself – help ecommerce firms with everything from calculating customs duties to handling international deliveries and returns. Indeed, given all the help that's available, Hodge advises online businesses to decide on a few different countries they want to target initially and just "activate a few markets, monitor performance and learn as you go."

FedEx, which delivers to over 220 countries and territories, has the global network, local presence and shipping expertise to support the kind of fast international deliveries that cross-border customers want today. "Buyers get really nervous when it [shipping] goes beyond two or three days," Hodge explains. "Beyond that, they start to think their goods aren't going to show up."

FedEx enables its customers to ship from nearly anywhere in Europe to US East Coast business centres next day, which could help UK ecommerce firms to tap into US cross-border sales. Free-of-charge tools like FedEx Electronic Trade Documents (ETD) also allow ecommerce firms to transmit customs documentation electronically for international shipments. This can save time and minimise the risk of customs delays thanks to early notification of potential errors, helping to turn one-time customers into repeat ones.

> Customers expect tracking – it's just table stakes. What you layer over that is better delivery time windows

Adapting to different markets

Despite the wealth of help available, ecommerce firms still need to take a strategic approach to cross-border expansion. They should think carefully about which sales channels are best suited to the new market they're targeting, and craft their marketing efforts around them. For example, rising smartphone ownership is fuelling ecommerce growth in emerging markets. Furthermore, some markets are more familiar with ecommerce marketplaces or social commerce platforms, whereas others are more traditional, with retailers and brands largely selling through their own websites.

There is plenty of easily accessible data that ecommerce firms can tap into to support their search for pockets of growth. "If you're in the UK, a lot of the traffic coming to your website is probably already cross-border traffic," says Hodge. "There are free services you can use to see where it's coming from."

UK firms may find it easier to move into English-speaking markets initially, as the shared language reduces the effort involved in establishing cross-border commerce. "If you're a UK seller, you don't have to worry about the localisation of product descriptions," Hodge explains.

Cross-border sales to non-English speaking markets are slightly more complicated to engineer, but it can be worth the effort. Indeed, some of the fastest-growing ecommerce markets are large emerging ones such as Brazil, India and Turkey.

Regardless of which country or region ecommerce firms want to expand into, they'll need to adapt their processes to market norms to maximise the chances of significant growth. For example, there may also be local payment methods in different markets that retailers need to provide. "In Belgium, Bancontact [a Belgian payments company] is really a must-have. In the US it might be American Express," says Hodge.

78%

of consumers might dismiss a brand after a negative delivery experience

Metapack, 2023

Impressing new customers

Wherever businesses operate, flexible delivery options are a consistent driver of conversion. New research from Metapack found that 84% of consumers are likely to abandon their cart due to a lack of delivery options at checkout. "Customers expect tracking – it's just table stakes. What you layer over that is better delivery time windows," says Hodge. "We use big data to predict exactly when throughout the day the package is going to arrive. That way, if you're not home, you can use FedEx Delivery Manager and take an action, such as pick up from a retail point or delivery the next day."

Features such as free shipping above a certain threshold and an openly communicated and easy-to-use returns process are also vital for attracting new customers, both cross-border and domestic. In fact, a great returns process can keep them coming back to a store time and time again. FedEx has recently partnered with ZigZag to help organisations manage returns efficiently without compromising customer experience.

Many customers check return policies before making a purchase and may abandon their basket if they don't like what they see, so it's crucial businesses clearly communicate their policy and ensure it meets customer expectations. "If the returns process looks easy, they're probably going to go ahead and buy. If it doesn't look easy they won't, because they can probably find it [the item] somewhere else," says Hodge.

During peak seasons, such as the upcoming summer sales and back-to-school period, customers often make purchases with the intent to return some of them. Maintaining a smooth delivery and returns experience during these busy times can help to convert a one-off sale into a long-term customer. Metapack's research found that 78% of consumers might dismiss a brand after a negative delivery experience. It's therefore vital that ecommerce firms prepare for these peaks in advance – for instance, by ensuring they have a shipping and logistics partner that can handle spikes in deliveries and returns.

"Work with a provider you can trust and who's not going to overheat if you do have success," Hodge advises. "You don't want to have to go back and retool your supply chain because your provider can't handle things."

To find out more, visit fedex.com/en-gb/shipping/industry-solutions/ecommerce.html

INSIGHT

‘The cost of not getting customer insights is simply too high’

To understand what consumers want, retailers need a strategy uniting many touchpoints, says eCommerce Expo’s **Lily Tokmantseva**

The ecommerce market has experienced some significant transformations in recent years. We’ve had a global economic crisis, a war, changing consumer behaviours and of course Covid-19. Some of that may seem like old news, but it’s what has served as the catalyst for everything happening in ecommerce today.

For instance, Covid affected retailers in various ways. Some iconic high street brands, like Debenhams and Topshop, were unable to adapt to the digital environment and never recovered. Other companies, such as food delivery services and online marketplaces, experienced a surge in demand.

Overall, the ecommerce sector thrived during this period. That’s partly because online purchases became the only way for consumers to access certain products and services, and partly because the pandemic fostered a profound faith in all things digital. Concepts like the metaverse, and the rise of virtual brand collaborations, created a belief that the world was on the verge of a complete shift to online.

But when the big return to the offline world finally happened, some ecommerce players, like JD Williams-owner N Brown Group, couldn’t adapt. Despite an extensive digital presence, the fashion group announced huge losses this year.

As the world returned to ‘normal’, those retailers with a physical presence who had managed to make it through Covid seemed to have won the lottery. But in reality, they’ve simply had to deal with a whole new set of challenges, such as a global recession and a cost-of-living crisis, which have dented consumers’ spending power. Retailers are now faced with the task of pleasing customers who are willing to spend less, but who still demand the same immersive in-person interactions and premium customer experiences. Naturally, these come at a price.

The recent spike in retail mergers and acquisitions (M&A) activity is the industry’s attempt to adapt to the ‘new normal’ and mitigate the risks associated with fully online or fully in-store models. Whereas the economic pressures of the pandemic prompted many businesses to reassess their portfolios and divest non-core assets, the focus of many of these recent acquisitions has been diversifying brands’ offerings to harness the best of both worlds – selling online and in physical stores.

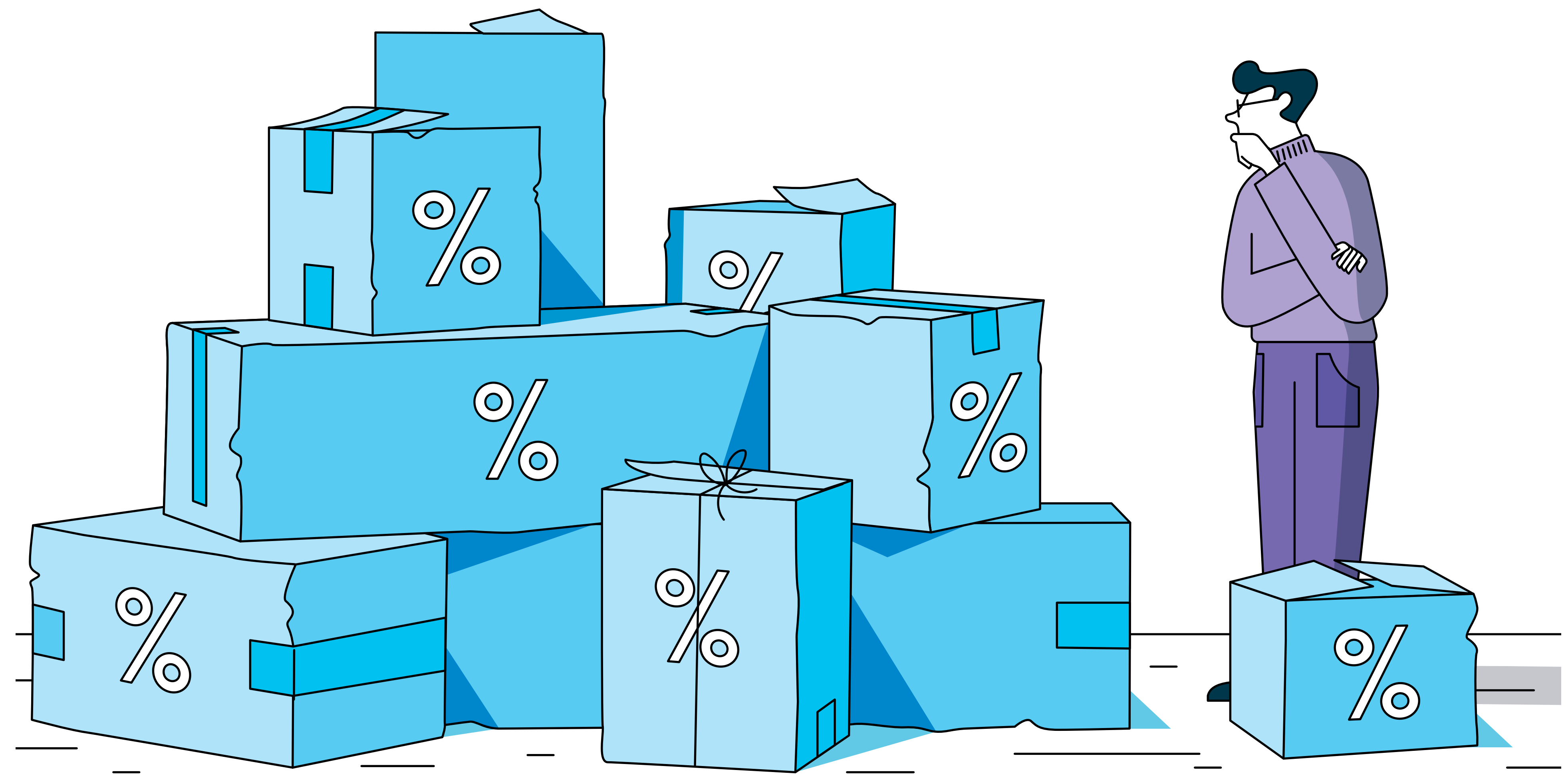
Going omnichannel, then, has emerged as a powerful strategy, allowing businesses to leverage the strengths of both digital and physical channels and ultimately de-risk their businesses at a time of high customer expectations and significant budget cuts. That’s why it should come as no surprise that the majority of last year’s M&A deals in the retail world involved omnichannel retailers.

Of course, one of the key advantages of selling online and in physical stores is the ability to engage customers through multiple touchpoints. Iconic brands like Nike and Adidas are known for using their online brand presence to drive audiences to the high street. On the other hand, rising players like Gymshark have successfully implemented the opposite approach, having established impressive stores in central London, which then drive shoppers to explore their online offering. The emerging trend of browsing in-store and then making purchases online simply underscores the importance of this omnichannel approach.

Realistically though, the true power of the omnichannel approach lies in the valuable insights it offers into customer behaviour. Digital tools alone may provide comprehensive analytics, but it is important to note that for certain industries, such as fashion, in-store interactions remain a vital source of customer data and can help to drive enrolment in loyalty programmes.

The cost of not getting customer insights – and ultimately not catering to their preferred shopping habits – is simply too high. Just look at what happened to the fast fashion brands when sustainable fashion came along; the likes of Forever 21 and Topshop were decimated. It’s the kind of mistake few retailers today will be keen to repeat. ●

Lily Tokmantseva
Head of marketing, eCommerce Expo



PRICING

Bargain debasement

Boohoo is the latest retailer to be accused of issuing fake discounts to customers. The ensuing settlement could cost it $197m, but will the deceptive trend be even more costly for the retail sector as a whole?

Megan Tatum

In May this year, Boohoo made headlines for agreeing to pay $197m (£159m) to settle a lawsuit accusing the retailer of using “deceptive” discounts across its fashion brands.

The California class-action lawsuit alleged that UK-based Boohoo used “fake and inflated comparison reference prices” to boost the depth of discounts offered on its sites, which include PrettyLittleThing, Nasty Gal and boohooMAN. This practice deceived customers into thinking they were bagging items at a deeply discounted price, argued those bringing the claim.

Boohoo strongly denies the allegation and insists it has only agreed to settle the lawsuit “to avoid the uncertainties and expenses associated with ongoing litigation”. Nevertheless, it’s thought that some 9.4 million people in the US could be eligible to receive payouts following the settlement.

But although it was Boohoo in the spotlight on that particular occasion, the trend of ‘deceptive discounts’ or artificial inflation is of increasing concern for regulators. The UK government is set to hand the Competition and Markets Authority (CMA) new powers to clamp down on the misleading practice, which threatens to damage consumer trust in ecommerce. It could also serve to confirm concerns that some retailers are profiteering from the cost-of-living crisis.

Until 2008, the rules in the UK were “very clear cut”, explains Caroline Swain, senior associate at Charles Russell Speechlys. Items were required to be on sale at their full price for at least 28 days before a price reduction could be promoted as a discount.

But while seemingly straightforward, this approach was seen as being open to exploitation, with retailers charging “ludicrously high prices” for the 28-day period before claiming items had been significantly reduced in sales. “That would be within the rules,” she explains.

The Consumer Protection from Unfair Trading Regulations (CPRs), introduced in 2008, ditch such hard-and-fast rules to ban misleading practices more broadly. This change in approach requires the retailer itself to evaluate whether the average consumer would be misled by its prices.

In theory, it’s a step in the right direction. But “as with all principles-based approaches, it’s down to interpretation,” observes Swain. In short, it has created a lack of clarity around exactly what does and does not constitute a ‘dodgy’ discount. The Chartered Trading Standards Institute was forced to issue a guidance note in 2016 with further details for retailers, after complaints about misleading discounts in the grocery sector.

> Artificial inflation is, unfortunately, common practice in retail – and not solely in the fashion industry

Coupled with this potentially problematic change in the law has been a recent influx of less-established online retailers looking to take advantage of the ecommerce boom. “The bigger retailers for the most part come to us to make sure they’re doing it correctly,” says Swain. “It is normally newer, smaller businesses that are not doing things correctly and may be pushing prices up a bit more than they should.”

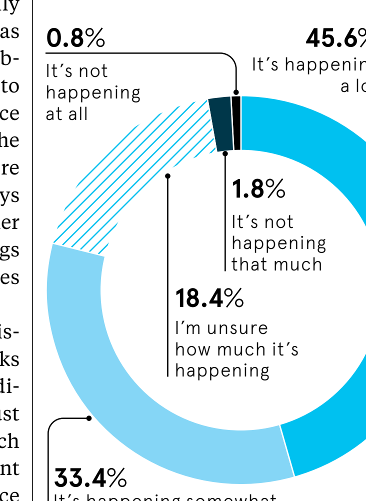
Nick Drewe is the founder of discount platform WeThrift. He thinks that “artificial inflation is incredibly common” in retail and not just in the fashion industry. “Research has found that some independent sellers on Amazon Marketplace have been using this method for some time,” he says.

This all comes at a time when shoppers are keen to cut costs. According to a recent OnePoll survey, 67% of respondents said the cost-of-living pressures made them more desperate to find the best deals, and 71% believe they are “saving money” by buying products that are on offer, even if the price reduction is not genuine.

This sales tactic is especially prominent around big shopping periods such as Black Friday, Cyber Monday and Christmas, reports Liisa Matinvesi-Bassett, UK country manager at price comparison platform PriceSpy. One in 10 deals on Black Friday last year was fake, she says, with 25% of products more expensive than at the start of November. But it is a year-round problem. Of around 865,000 products listed on PriceSpy on 14 May, the average price drop for products at their lowest price point in the preceding 30-day period was 6%, according to the platform’s data. “What retailer will advertise a discount of just 6%?” asks Matinvesi-Basset.

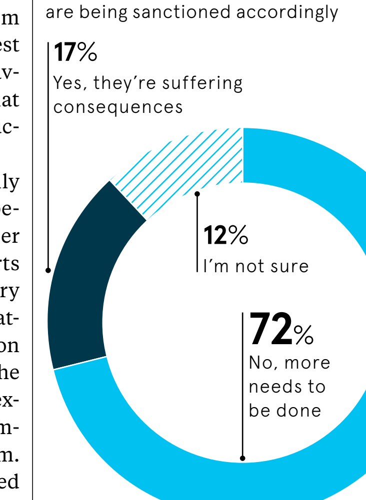
CONSUMERS HAVE SEEN A GROWTH IN ‘GREEDFLATION’...

Percentage of UK consumers who think greedflation has risen recently



... AND BELIEVE RETAILERS HAVE AVOIDED REPERCUSSIONS

Share of UK consumers who believe brands benefiting from greedflation are being sanctioned accordingly



The Grocer/Attest, 2023

> When customers discover they have paid inflated prices, it can damage their perception of the brand’s honesty

It’s a further blow to consumers’ already fragile trust in online retailers. Research by YouGov and cybersecurity firm Akamai shows that 49% of shoppers don’t trust online retailers to even keep their details safe. Research by CX solutions firm Uberall shows that 67% of consumers trust local businesses more than ecommerce sites.

Recent allegations of ‘greedflation’, where retailers raise prices in inflationary times but fail to pass on cost reductions to customers when inflation falls, further diminish trust. “When customers discover they have paid inflated prices it can damage their perception of the brand’s honesty. That can affect the brand’s reputation and repurchasing decisions,” says Professor Moira Clark, founder of the Henley Centre for Customer Management.

“There’s a lot of consumer distrust, not only in retailers but in the organisations that are meant to protect them,” says Marc Gander, founder of the Consumer Action Group. “Over the last 15 years, there has been a dismantling of consumer support services, including Citizens Advice and law centres.

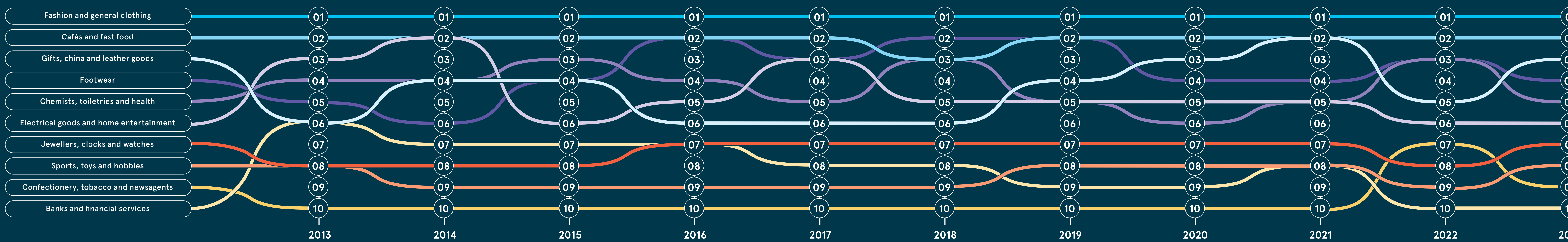
“If we’re going to get trust back in retail then the first thing we need to do is show the public that the authorities which are meant to be protecting consumers are holding retailers to account.”

There are moves to do just that. Under the new Digital Markets, Competition and Consumers Bill, the CMA could issue substantial fines to retailers in breach of consumer rights, including for artificial discounts. This is a clear sign that the government is aware of the trend of advertising misleading deals, says Swain. In March, the organisation also announced a campaign, fronted by consumer champion Martin Lewis, urging consumers to come forward with stories of retailer rip-offs.

But it shouldn’t take the threat of hefty fines to dissuade retailers from promoting discounts that could be misleading, says Drewe. “Consumers need to know that the brands they are purchasing from are authentic and care about their customers,” he says. “If retailers don’t have a loyal consumer base, it can have catastrophic consequences for their business growth and sales.” ●

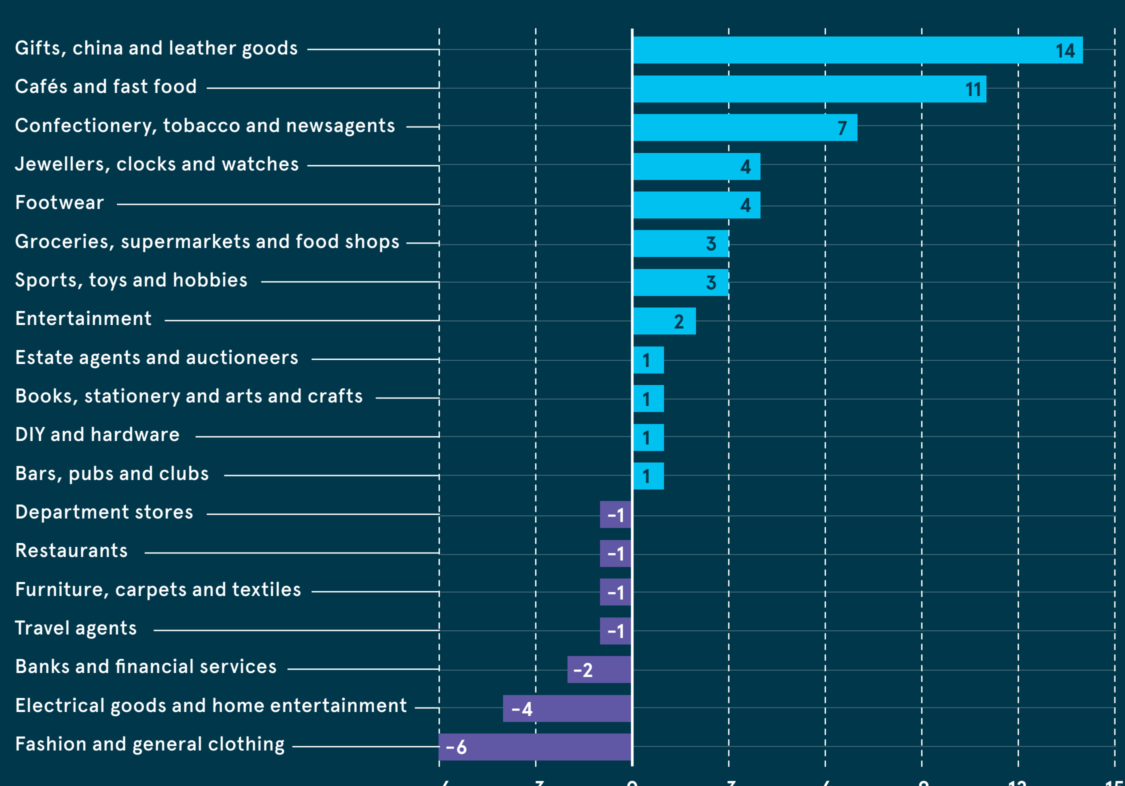
FASHION STILL DOMINATES OXFORD STREET...

Top 10 retail categories, ranked by number of units occupied on Oxford Street



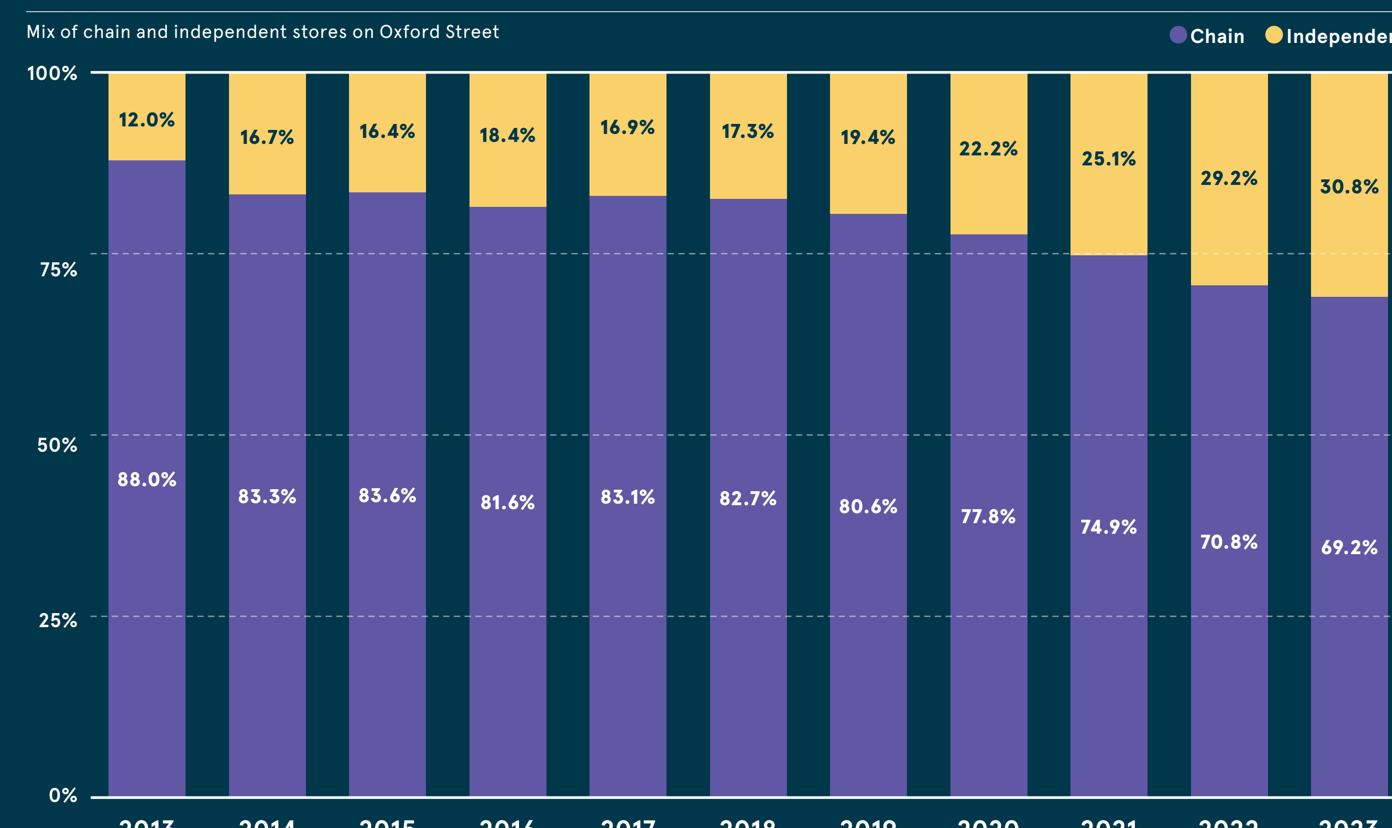
... BUT HAS TAKEN A BEATING IN RECENT YEARS

Oxford Street retail categories, net unit change, 2013-23



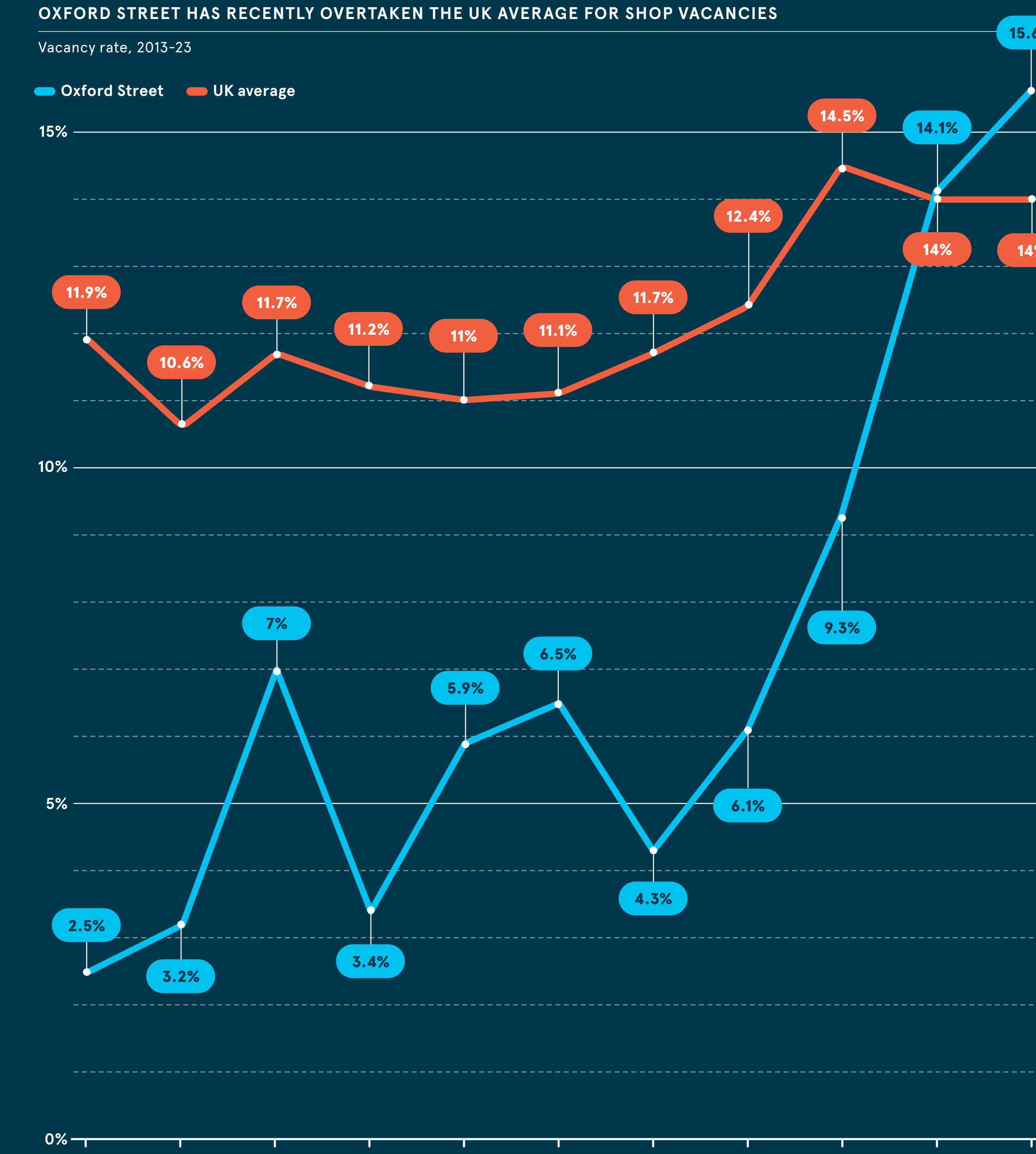
INDEPENDENTS ARE INCREASINGLY JOINING THE MIX

Mix of chain and independent stores on Oxford Street



OXFORD STREET HAS RECENTLY OVERTAKEN THE UK AVERAGE FOR SHOP VACANCIES

Vacancy rate, 2013-23



THE CHANGING FACE OF OXFORD STREET

Like high streets across the land, Britain's foremost shopping destination has had a rough few years. Footfall plummeted amid the Covid lockdowns, and iconic department stores have given way to discount sweets and souvenir retailers (not all of which have been above board). So, what do Oxford Street's travails tell us about the ongoing trends affecting Britain's bricks-and-mortar retailers?

British Retail Consortium, Local Data Company, 2023

200m

people visit Oxford Street each year

155k

people are employed along Oxford Street

City of Westminster, 2021

INTERVIEW

‘We have multiple core customers, and we have to appeal to each of them’

Doug Putman’s team has brought music retailer HMV back from the brink – and back to its old home on London’s Oxford Street. What’s his secret sauce?

Clara Murray

If music retailer HMV wasn’t quite dead and buried at the start of 2019, it was certainly planning a funeral.

The beleaguered chain had just collapsed into administration for the second time in a decade after failing to lure entertainment fans away from online streaming’s siren call. Its bread-and-butter products – CDs, DVDs, Blu-rays – were in terminal sales decline. Little wonder, then, that Canadian music retailer Sunrise Records, headed by Doug Putman, could snap up its business and assets for just £883,000.

Barely four years later, that is looking like a good deal. HMV UK posted gross profits of £65.4m for 2022, boosted by a 66.8% surge in revenue. Sales are growing, with 80% coming from its 119 shops across the UK, which host live performances from names as big as Ed Sheeran.

In perhaps its most confident move yet, HMV announced in May that it had signed a lease to take over the five-storey building at 363 Oxford Street, London, from an American candy store. The location was the brand’s world-famous flagship for nearly a century until it closed in 2019.

“HMV is an institution and 363 is that next level up,” says Putman of the deal, which he has been working on since buying the business. “It’s good for Oxford Street and it lends itself well to doing some special things. You can do something different with every floor and have something for everyone.”

The move is not without risks. Oxford Street rents and business rates are sky-high – HMV’s previous owners were losing £5m a year on that store alone – while the street has seen several high-profile closures over the past decade. But Putman has faith in the power of HMV’s brand to draw shoppers.

“When it went into administration, there was an outpouring of people who were genuinely upset,” he says. “It was pretty clear that the customer didn’t want to have to go and buy from somewhere else. They wanted HMV to be around.

“What you really want to believe is that the customer is rooting for you to be successful. If you get enough people giving you the benefit of the doubt, that’s how you can turn something around really quickly.”

Putman has form when it comes to reviving bricks-and-mortar brands others have given up on. After dropping out of business school, he set to work expanding his family’s toy-store business before taking over boutique record-store-chain Sunrise Records. He brought HMV Canada under that brand in 2017 and expanded it to 85 nationwide locations.

Putman’s big idea for HMV UK is for it to sell pop culture merchandise and gifts – from Funko Pops to Squishmallows – while “tripling down” on physical formats to cater to serious music fans. It’s a tricky balancing act and the company has caught some flak for shifting its focus from music.

> **When it comes down to business, I want to win. I know how quickly distressed businesses can fall apart**

Putman thinks that’s a limited view. “We’re more and more realising that we have multiple core customers, and we have to make sure that we’re appealing to each of them. We’re seeing a lot of crossover; people buying vinyl but also picking up a band T-shirt, or a pack of Pokémon cards for their kids.”

The revival of vinyl has helped bring shoppers back. UK consumers bought 5.5 million records last year, the largest volume since 1990. The company’s Birmingham outlet is the largest entertainment store in Europe and sells 25,000 vinyl albums in addition to 80,000 CDs and 40,000 DVDs, while HMV created a branded turntable to mark its centenary last year.

But when any song or film in the world is just a click away, can that trend last? Putman reports that HMV is attracting younger customers than ever before, many of whom are enthusiastic about stuff. “There’s not a lot for kids to collect now. When I was a kid, we had baseball cards, football cars, you name it. Now it’s all online.”

Vinyl is stepping into that gap as the digital backlash grows among younger generations, Putman argues. “Everyone wants these tangible things. It’s nice having 10,000 pictures on my phone, but it’s not the same feeling as having them in a photo album.

“I think music is like that, too. Yes, you can listen to it on your iPhone, but there’s something about putting on a record. I feel like an old soul because I think everything’s gone too far digital. Everything is phone, phone, phone. But sometimes it’s nice to just pause and enjoy things.

“I don’t pretend HMV is the saviour of that. But having the ability to buy things that are ‘touch and feel’ – books, vinyl – I think these things are going to stick around.”

That love for physical retail is what links his other investments. Putman bought Toys ‘R’ Us Canada in 2021 and, last month, signed a deal to purchase 21 Bed, Bath & Beyond homeware shopfronts that will reopen under the name rooms+spaces.

“We’re open to any kind of business,” he says, but adds that turnaround targets are carefully chosen. “First and foremost, do we like the industry? If yes, do we like the business and do we see a future for it?”

Only when those two questions are answered does the team start digging into the numbers. Red flags include companies locked into “horrendous” rent deals or where the business is simply too cash-intensive to turn around. Strong relationships with suppliers and landlords, which HMV had in spades, are a positive sign.

Once the deal is signed, the first step is to send in a small team, including Putman, who “get to know everyone and listen to what’s going on. We talk to store associates, we talk to head office.”

From there, it’s about carefully selecting the right leadership team and giving them autonomy. Sunrise Records likes to hire younger people “who have worked really hard” and give them a few steps up, says Putman, who is himself just 39.

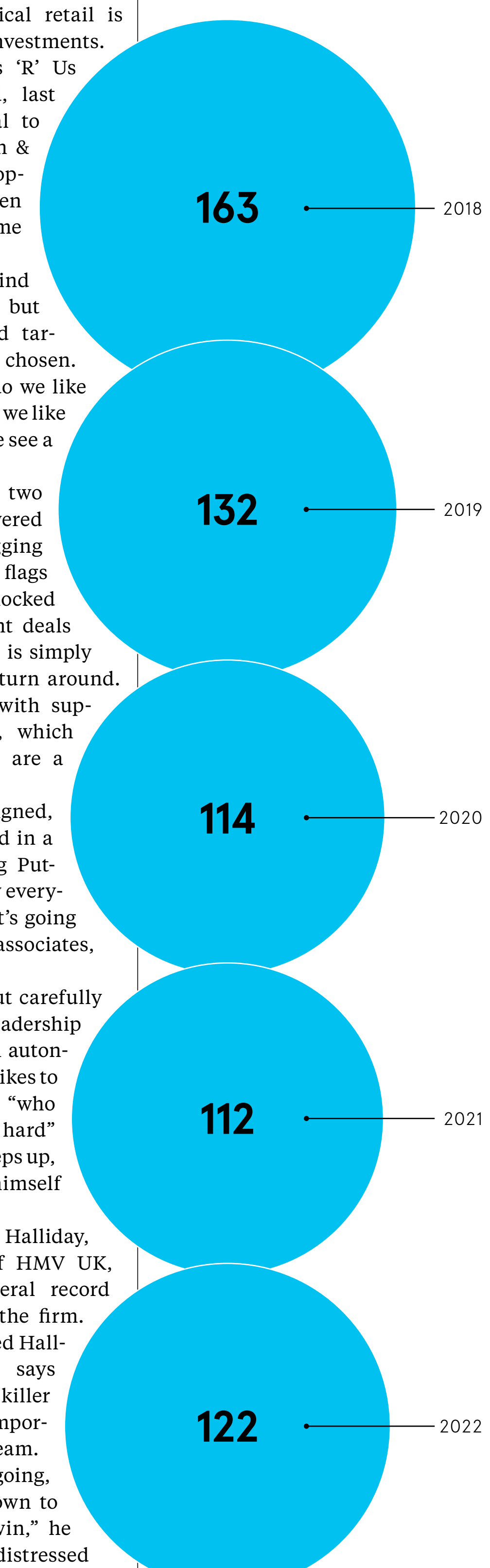
That includes Phil Halliday, managing director of HMV UK, who worked for several record labels before joining the firm. Putman admits he liked Halliday personally but says attention to detail and killer focus is even more important in a turnaround team.

“I might seem easygoing, but when it comes down to business, I want to win,” he says. “I see so many distressed businesses that I know how quickly these things fall apart.”

Today, Putman believes the team has hit on a winning formula for HMV and that there is scope to replicate it across Europe. That would be a big comeback: its Irish, Asian and US shops all closed in the 2010s. But bricks and mortar is here to stay, he says, pointing to increased weekend shopping after the Covid crisis and online’s flatlining share of retail sales in many countries. “The true intersection of something being great is online with some physical component,” he says. “Everyone’s figuring out what that special sauce is. I think HMV is getting there.”

AFTER A PROLONGED DECLINE, THERE WAS A SMALL UPTICK IN SPECIALIST CHAINS SELLING CDS AND VINYL IN 2022

Number of chain music retailers selling physical formats from bricks-and-mortar stores



Entertainment Retailers Association, 2023

Commercial feature

It’s good to share: SMEs are buying into collaborative logistics

Growing ecommerce businesses are looking to team up with supply chain specialists on labour, energy, productivity and knowledge

It’s the dream scenario for any growing ecommerce business. All of a sudden, orders come flooding in from around the world as the company and its products take social media by storm.

That dream is a double-edged sword, says Tony Mannix, strategic advisor for retail logistics at GXO. “Orders going off the Richter scale can happen overnight for any business, especially with shoppers looking for values-based enterprises and the power of social channels.”

But a social media slingshot to success can quickly become a fulfilment nightmare for brands, big and small. “When you’re an SME or even a large organisation, you often don’t have the capacity to turbo-charge your scale as rapidly as it is needed. Customer dissatisfaction with your inability to cope could capsize the business as quickly as it launched,” he adds.

To avoid this scenario, as well as prepare for more stable and steady growth, small-to-medium ecommerce players are increasingly turning to the ‘helping hand’ of shared-user logistics services.

Mannix’s background at GXO, which launched GXO Direct shared warehousing in the UK and Ireland earlier this year, has given him a ringside view of this SME support system in action. The company has 30 GXO Direct sites around the UK and Ireland, which provide flexible warehousing space for retailers to scale up and down depending on demand spikes.

“We support SMEs at every stage of the process – from onboarding to providing required management and technical capabilities, to analytics inventory flow predictions – whatever’s needed,” Mannix explains. “Our customers can use all of those services or just try certain options, such as returns management, which, by sharing space and services, reduces costs.”

This model also creates an eco-system of retailers from small ecommerce firms to large retailers such as Liberty and Fujitsu with global ecommerce operations. “As well as sharing tangible resources, costs and efficiencies, there is a huge amount of knowledge-sharing going on between the retailers in each centre. We’ve even seen brands work together on designing sustainable packaging,” says Mannix.

He notes that balancing growth and brand identity is often a sticking point for SMEs that are meaningfully and rapidly scaling, although it needn’t be. US retailer BBQ Guys began with a 65,000 sq ft warehousing space with GXO and has since expanded to 110,000 sq ft as the group has grown. But in its early days, the company built a strategy of flexing up GXO labour and staff hours during special events, promotions and major US holidays.

“Your brand feel remains the same because we look at this through the lens of a single customer,” says Mannix. “We can also help retailers expand internationally, plugging into existing infrastructure so they can take advantage of our retail expertise and resources while they test and grow in new markets.”

> **Supply chains have been battered by Covid and now the war in Ukraine. It’s a torrid environment for both big and small retailers**

Indeed, Mannix says both ecommerce-only firms and large retailers with ecommerce operations are embracing omnichannel models.

“During Covid, online accelerated dramatically because high street shops were shut,” he says. “We’ve come out now, and we’re seeing a greater blend of offline and online with retailers offering shoppers the option to order on mobile and then collect products in-store at their convenience.”

Shoppers are relying less on home ecommerce deliveries as they return to the office in droves. Growing environmental concerns are also a factor. “We all saw our roads clogged up with vans during lockdown, which added to congestion and carbon emissions,” Mannix says. “Businesses like Gymshark, which were online only, now have a physical, experiential store in London and Primark, which was firmly high-street only, now do click and collect on certain products.”

This evolution in connected retail comes at a complicated time for the industry and the wider economy. “Supply chains have been battered by Covid and now the war in Ukraine. It’s a torrid environment for both big and small retailers,” Mannix says.

No one is an expert in everything, particularly in an ecommerce environment defined by change. It makes sense then that the SME segment is finding support and collaboration in a shared-user community.

For more information, visit GXO.com/GXO-Direct or email sales.logisticsuk@gxo.com

GXO Direct

CUSTOMER LOYALTY

No such thing as a free discount

Is the move to reserve the best prices for loyalty-scheme members improving customer retention or putting people off?

Matthew Valentine

As the cost-of-living crisis continues to bite, shoppers may feel they are having to work harder to secure discounts at stores. According to retail analysts, that perception is an accurate one.

While it's difficult to calculate the relative generosity of discounts at a time of rapidly rising prices, there have been big changes in how retailers present their intertwined discount and loyalty strategies.

One factor is hard to ignore: discounts are no longer for everybody. While reduced-price promotions were once available to all, they are now 'paywalled' in many stores, the cost of entry being membership of the retailer's loyalty scheme.

"There is a conditionality being put on a lot of discounts," observes Institute of Grocery Distribution (IGD) global insight leader Bryan Roberts. The condition is generally 'no card, no deal' and shoppers may have to get used to it.

"The member-only approach is going to be commonplace. It's now in use in Tesco, Sainsbury's, Morrisons, Boots and Superdrug and there are elements of it elsewhere," says Roberts. He expects the trend to be adopted by more retailers, perhaps too in sectors outside retail.

Tesco led the way by introducing Clubcard Prices in 2019, which gave members of its scheme exclusive discounts. Before this, shoppers saved up points towards discounts to spend at a later date. Sainsbury's followed suit with its Nectar Prices scheme, and in May Morrisons launched its More Card, which also offers card-holders cheaper prices.

Many shoppers have welcomed the immediate discounts, getting a buzz when they see their bill tumble at the checkout. But food inflation is not the only reason for the change to 'no card, no deal' strategies.

Retail media networks provide retailers with a valuable new revenue stream, allowing them to sell consumer data, insights and access to consumers. According to The Business Research Company, global retail media network revenue is set to grow to $27bn (around £22bn) by 2027, making it one of the fastest-growing elements of the advertising industry. But collecting data that is usefully usable requires shoppers to use loyalty schemes, hence the push from retailers to encourage customer sign-ups.

IGD research finds that shoppers are generally aware that they are giving up their data to retailers and are happy to do so if they feel the benefits are worthwhile. This suggests that shoppers are aware that their data is now a product to be sold in its own right but expect to gain something in return.

According to Morrisons, its new loyalty strategy is a result of customer demand. As well as exclusive discounts, customers can save up points to earn Morrisons Fivers, a £5-voucher to spend on a future shop. "Customers have been telling us how much they have missed the Morrisons Fivers and so we've brought them back as part of an overhaul of the loyalty scheme," says Morrisons chief customer and marketing officer Rachel Eyre.

Retailers more generally have responded to criticisms of the value of their discounting strategies, especially on staple items that have seen exponential price increases. In May, Tesco announced a further round of price cuts for store-cupboard essentials. Having already reduced the price of milk, butter and bread, the retailer knocked around 10% off the price of 30 various own-brand pasta and cooking oil ranges.

The company says it is working with suppliers to deliver the best possible value for customers. "As we see deflation coming through on key cupboard essentials such as pasta and cooking oil, we're pleased to pass these savings on to customers," says Tesco chief product officer Ashwin Prasad. "We hope that by reducing prices on these 30 products, which are bought week-in, week-out, we can help our customers to spend less."

> **There is a conditionality being put on a lot of discounts... and shoppers may have to get used to it**

Sainsbury's highlights its Aldi Price Match and Nectar Prices offers. Like Clubcard Prices at Tesco, Nectar Prices offer relatively deep discounts that are only available to members of the scheme. "Over the past two years, we've invested £560m into lowering prices as part of our goal to put food back at the heart of Sainsbury's," says a spokesperson. "We're committed to doing all we can to support customers with the rising cost of living."

The reactions highlight another factor in discounting trends, for grocery retailers at least. Deep and visible price cuts at the checkout are crucial to stem the tide of shoppers heading for discount rivals.

"For supermarkets, it is the only real way that they can compete on price with Aldi and Lidl. They can't offer the same consistent everyday low pricing, but they can offer these big promotions that also serve to mask how much prices are going up on other ranges," says GlobalData associate analyst Joe Dawson.

Dawson points out that slick technology makes it easy to join a loyalty scheme, and mobile phone apps mean customers don't need to carry a wallet full of plastic cards. He also notes that younger customers are generally more comfortable sharing their data than older customers.

There is evidence of retailers trimming their sails in other ways of their offering to loyal customers, but again the calculations are complex. While Tesco offers immediate cash discounts to Clubcard users, for example, the value of the points they can collect and redeem against partner retailers has been lowered.

Boots too has reduced the loyalty of the points it gives for purchases but has introduced a 10% discount on own-label products to holders of its Boots Advantage Card. The retailer also offers deeper discounts on some 'big item' purchases.

What does all this mean for sales? One impact of the high inflation that has made life so difficult for shoppers has been that while retail sales figures have been buoyant, sales volumes have been going in the opposite direction. A graph of the two shows lines going in opposite directions as shoppers cut back.

"Sales volumes in the food and grocery market overall are going down, and they have been going down progressively. It has been a real case of value going up, volume going down," says Dawson.

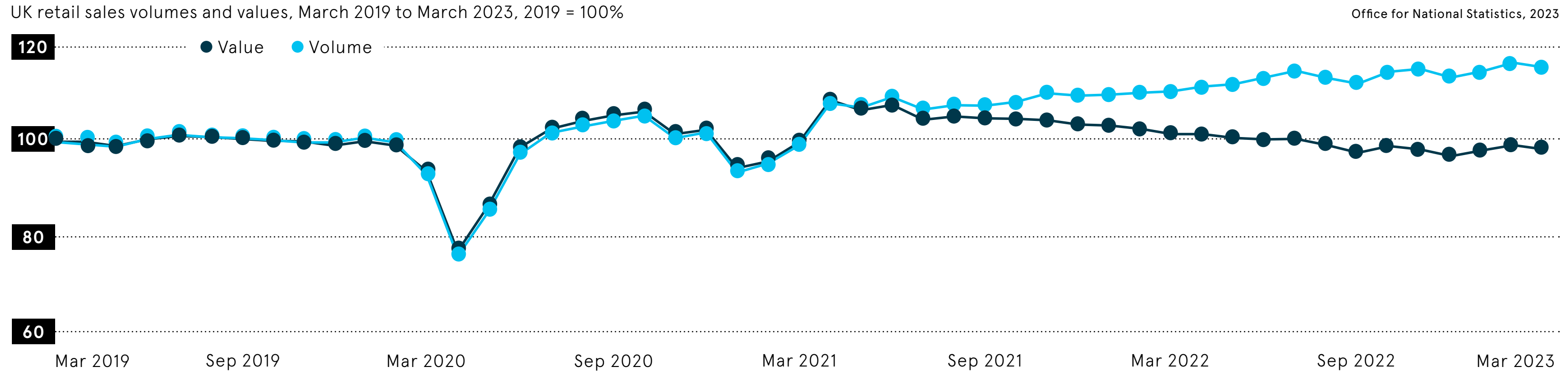
If shoppers have got used to being careful with their purchases, it may take a substantial economic shift to change how they shop. "A lot of habits are forged by necessity and because of economic downturns and a lot of those habits can be quite sticky," notes Roberts.

While the cost-of-living crisis has led to a decline in sales volumes, offering targeted discounts may help retailers buck this trend. And, in the process, make shoppers feel that they're getting a good deal too.

SALES VOLUMES AND VALUES HAVE DIVERGED THANKS TO INFLATION

UK retail sales volumes and values, March 2019 to March 2023, 2019 = 100%

Office for National Statistics, 2023



True Price Wageningen

SUSTAINABILITY

Will consumers pay the ‘true price’ for products?

Can more ethical pricing structures encourage consumers, retailers and policymakers to pay greater heed to the environmental and social costs of global supply chains?

Sam Haddad

If you order a cup of coffee at selected Albert Heijn supermarkets in the Netherlands, you’ll be given a choice of two prices. You can either pay €2, the normal price, or €2.08 for the coffee’s “true price”.

The latter includes the social and environmental costs of producing the drink, including the CO_2 emitted, the labour conditions of those working in the supply chain, and the water and other raw materials used. When a customer pays the true price, the retailer donates the difference to the Rainforest Alliance.

It’s a move backed up with in-store posters and QR codes, giving detailed explanations of the concepts behind the pricing to help customers delve deeper into the issues raised. The idea comes courtesy of the social enterprise True Price.

Of course, this isn’t the first attempt at a more ethical pricing structure. It’s an idea – putting the responsibility for sustainable decision-making squarely on the customer’s shoulders, while educating them about the consequences of their purchases – that the FairTrade Foundation pioneered in the 1990s.

Michel Scholte, who co-founded True Price in 2012, was inspired to set up the non-profit after working with poorly paid farming communities in Ghana and being shocked by the huge sums the cacao beans they produced would fetch in Amsterdam. His co-founder Adrian de Groot Ruiz worked on renewable energy solutions, but these never made it to market because the fossil-fuel alternatives were always cheaper, mainly because their environmental impact was never priced in.

“We externalise costs to people and to nature,” says Scholte. “That is something at the root of the global economy which is deeply unfair.”

They set about calculating the true prices of dozens of products around the world, and in 2018 created a true pricing scheme based on their findings. “People thought that we were crazy,” says Scholte. “Why would people pay more for things? The lawyers thought it was against competition, and the entrepreneurs thought it was communism.”

But a growing number of companies did believe in the idea, including the chocolate brand Tony’s Chocolonely, which worked with True Price to bring down the true costs of its chocolate bars (in 2018 they were 55% below the industry average) and to pay a higher price to cocoa farmers. When, in 2020, Tony’s Chocolonely announced to customers that its bars would be more expensive in order to pay farmers a better wage, the news was announced in a proud and celebratory way, says Scholte.

> The lawyers thought it was against competition, and the entrepreneurs thought it was communism

True Price has since worked with clothing companies, catering organisations, bakeries and banks, and in 2020 teamed up with the organic supermarket De Aanzet in Amsterdam to sell 1,000 products with both their true and normal prices listed. The supermarket has since seen a sales boost of 5%. Working with Albert Heijn, which has a 37% market share in the Netherlands, is its highest-profile collaboration to date.

Scholte says there are several ways to bring the concept of environmental and social cost transparency to consumers: giving customers a choice of the two prices, as seen in the Dutch supermarkets; default conventional prices and optional true prices; true prices as the default and conventional as optional; or the true price as the standard price.

He adds that True Price’s research shows that if you make the true price the default, 95% of people will pay it. But there is a trade-off here, as you risk excluding people who can’t afford it. That needs to be considered, says Scholte, especially with rising living costs across Europe, but he also notes that more than 3 billion people worldwide face inaccessibility to food. “Seventy per cent of the workers in the world work in food and they also need to get a living wage and income,” he says. “That is the bill we put on the table when we show the true price.”

Mike Barry was the long-time director of sustainable business at Marks & Spencer and is now a sustainable change consultant. He thinks the True Price trial is interesting but says UK supermarkets could be concerned about public messaging which suggests price rises, particularly during a cost-of-living crisis. He warns that media coverage would be unlikely to pick up on the nuance of the scheme.

“Typically, retailers are making 2%-3% profit margin, so they will worry about losing any customers, even if they’re doing it for the right reasons,” he says. Barry says that, instead, if he were the chief sustainability officer for a big consumer-facing brand, he would use true pricing in-house for up to 12 months. In that time he would seek to understand where to make the savings to absorb the difference between what they were charging and the true price of the products to avoid passing on a price rise to customers.

That wouldn’t be an easy exercise. “Most businesses might suspect it’s a big and scary number and if they had to absorb an extra 10% of costs it would be impossible,” he says. “But what you could do is scan groups of products and think, here are the areas where we can deliver through clever supply chain management, whereas with these it might take 10 years to close that gap.”

For Barry, true pricing would become a strategic management tool, a useful benchmark and a lobbying tool to drive the necessary change, which a brand could work on alone or in voluntary partnership with other companies.

“True pricing surfaces the fact that we all operate in a flawed system,” says Barry. “Any business could quixotically say, ‘We’ve been subsidised by the exploitation of people and planet and tomorrow we’re going to lift prices in our shops by 20%.’ But they’d be out of business.”

He says consumers could rightly question why they should pay more for a product that doesn’t exploit people or the environment. “They could say: ‘Don’t tell me I’ve been unintentionally subsidising the destruction of the planet and its people. If that’s what you’re selling me, it’s up to you or the government to sort it out.’”

Barry says unsustainable products are often cheaper because of poorly directed subsidies. “Whether it’s energy or food, they all perpetuate this unsustainable model,” he says. Stopping these and advocating for legislation that would bring about systemic change on subsidies in the market would help, he believes. For Barry, that’s why the true price trial at Albert Heijn is so compelling because it highlights this issue to big business and government.

Meanwhile, Scholte believes the UK would be a great market to trial True Price. He has discussions planned with Marks & Spencer and the Co-op and had a positive conversation about true pricing with King Charles when he was Prince of Wales.

“There are many super-advanced thinkers and civil society organisations in the UK that talk a lot about responsibility in this movement,” says Scholte. “And there are millions of British consumers who are aware and able to pay for those costs.”

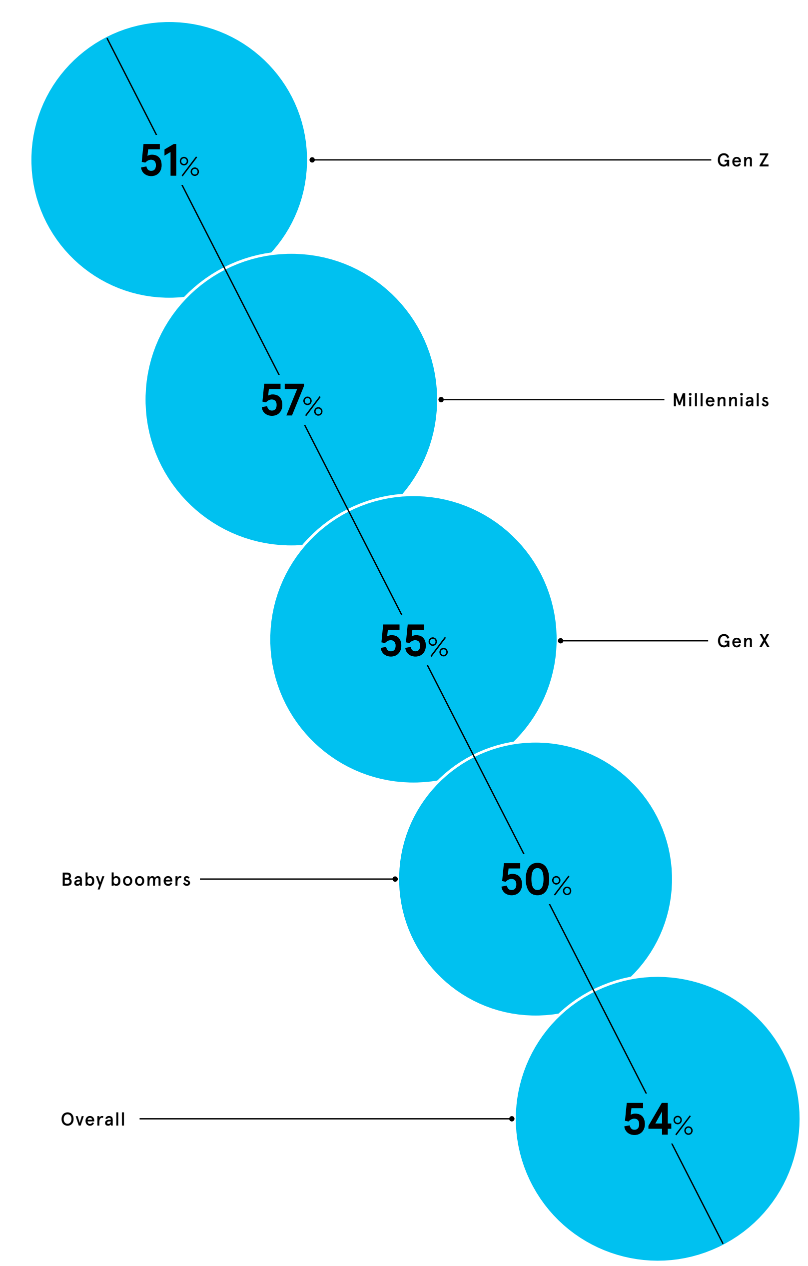
> Retailers are making 2%-3% profit margin at the moment, so they will worry about losing any customers

Scholte concedes that the ethical pricing structures developed so far may not yet be perfect. “But we’re trying to inspire policymakers to make their policies fairer and better,” he says. “We feel this is a movement that can change the world.”

Radical transparency is coming, concludes Scholte, through regulatory pressure and litigation on issues from climate and child labour to deforestation, which is increasing firms’ reputational risk. “This is the start of the movement, so I’d say to brands: ‘You’d better be ready to look good when we all get naked.’”

THE YOUNGEST AND OLDEST CONSUMERS ARE MOST LIKELY TO PRIORITISE ETHICAL PURCHASES

Percentage of consumers worldwide who value a product’s affordability over its sustainable credentials



Capgemini, 2022

Commercial feature

Embrace automation to drive the science of marketing

By sensibly and slowly integrating automation into marketing and media planning, retail and ecommerce brands can free up time and space for humans to be more creative

When it comes to embedding AI and machine learning into an organisation, the advice of ‘don’t run before you can walk’ is worth heeding.

That’s the view of Jay Kulkarni, founder of Theorem, who believes retail and ecommerce brands – and their marketing agencies – must stop and think before rushing to implement too many new technologies at once. Organisations will drown in data and fragmentation if they dive in too fast, he warns.

He acknowledges that automating mundane and tactical tasks can bring efficiencies, freeing up time for more human thinking and creativity. But to succeed, leaders must define their business problems and goals first and then apply technology solutions to them.

“When organisations lead with the tech, it fails because you’re not fixing a problem,” he explains.

According to Kulkarni, harnessing robotic processing and automation can achieve “more from less” at a time when budgets are tight, talent is scarce, inflation is sticky and costs and prices are rising. It can also demonstrate a measurable ROI to marketers looking to streamline workflows.

But there must be a coherent approach to infrastructure, without silos, he says, describing technology as “a commodity”.

“Based on your business objectives, you find the platform and the tools to help you achieve them. Work backwards, what will your marketing activity look like two to three years out? This is a multi-year project, continually optimising as you go,” he adds.

Accept it won’t all work the first time

Kulkarni believes brands and agencies are now more comfortable experimenting, especially with automation accessible directly from the cloud through AWS or Microsoft Azure; this makes it cost-effective.

Theorem works with global publishers and B2C brands to create flexible marketing solutions and its efforts to experiment internally first has helped win client confidence by demonstrating tangible successes.

“We automated reporting with a 50% reduction in human labour,” Kulkarni explains. “If you are a media planner or campaign manager, you want a holistic view of data and in the past that was a very manual process.

“Now we have a set of bots downloading campaign or client data, cleansing it and creating reports for us.”

Admitting robotic process automation is not yet perfect, he cites Theorem’s approach as ‘humanising bots’, reducing 100% human involvement with people still on hand should a bot fail or there is data ambiguity.

“Marketing is half art and half science,” adds Kulkarni, “and automation helps with the science. The art is where we still have a pair of human eyes.”

Automating the data reporting that underpins any campaign is a low-friction way to begin this journey, he advises. End-to-end campaign deployment could then come next, using machine learning alongside Salesforce integration to help plan and action insertions.

“The human element will always stay as the art of marketing, it will never go away because of the machine,” believes Kulkarni. “The trick is that balance.”

Full transparency is critical

Theorem’s own internal programme has ensured career paths for those employees displaced by automation. Kulkarni suggests clients do the same while ensuring full transparency of their actions. “If people feel insecure about automation, it will not succeed. This is an organisational challenge, not a technological one.”

There are then demonstrable upsides; saving human resources on reporting can have a huge knock-on effect on the business. For example, Kulkarni suggests time is better spent scaling brand loyalty programmes.

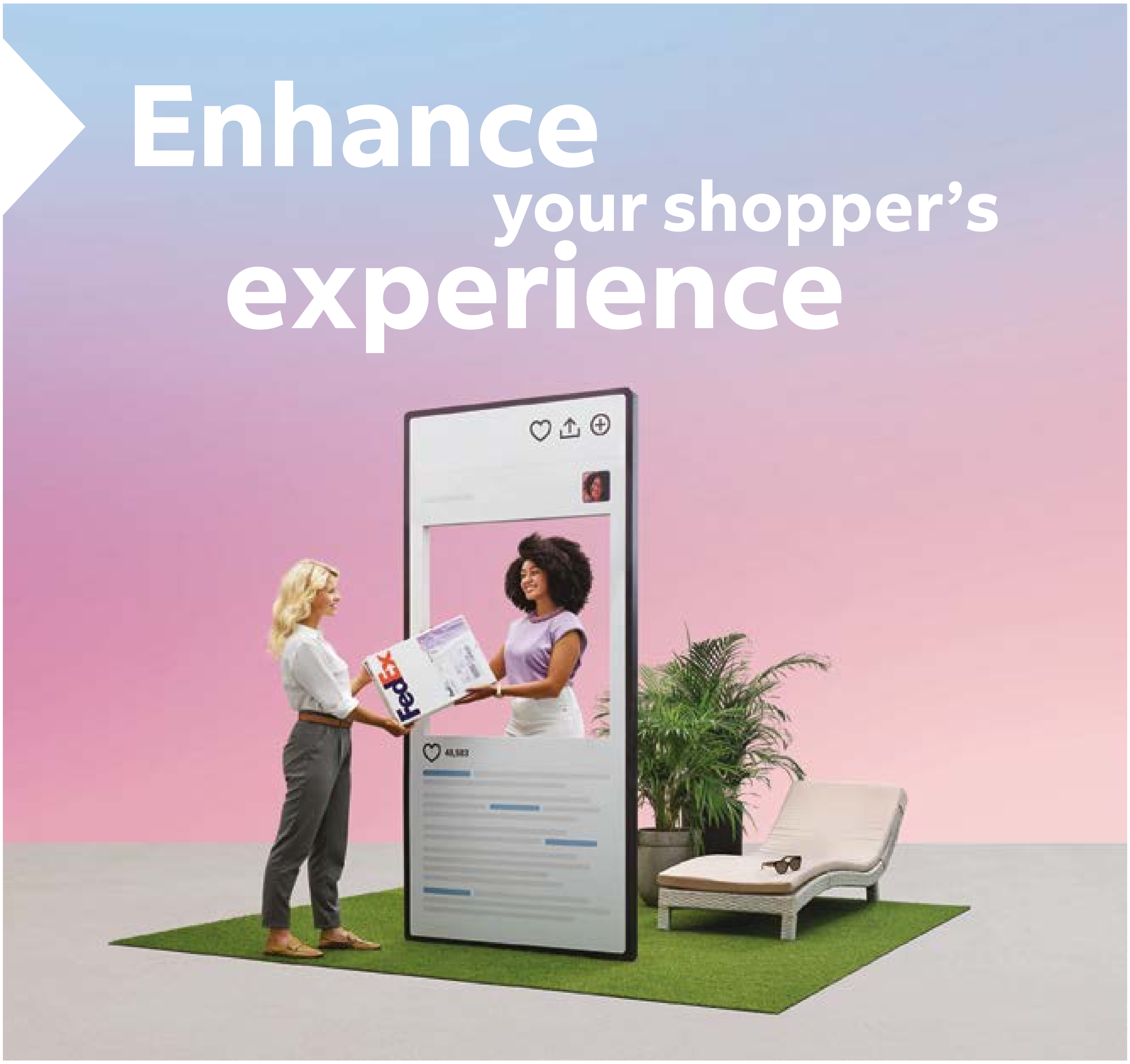
With the cost of acquisition for new audiences now going up significantly, the ability for a retail or ecommerce brand to cross-sell and upsell to existing audiences is, according to him, “good business”.

Giving employees more time to develop and deploy ideas that build tighter relationships with customers is critical at a moment when consumer spending is falling, he says. “The ability for brands to maximise loyalty programmes digitally is a lot more cost-effective. We have seen this get the highest share of volume relative to acquisition of new audiences on social media.”

He adds: “Freeing up teams to think of more innovative ways to create marketing campaigns gives them time for the art rather than the science.”

For more information please visit theoreminc.net

theorem



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