FUTURE OF RETAIL

OVERVIEW

Ethical commerce is in demand and on the rise

Business should be ethical to do the right thing and not just because it may make money

IAN BURRELL

It is a decade since the death of the great ethical retailer Anita Roddick and we can only try to imagine what she might have achieved in a world where some 2.5 billion people are active on social media.

The Body Shop founder was a great pioneer of ethical commerce more than 30 years ago, creating a global business based on fair trade with developing countries. "I want to work for a company that contributes to and is part of the community," she said. "I want something to believe in."

> The shift has definitely come from consumers demanding more transparency and more responsibility from retailers

Today that ethos is widely proclaimed in the retail sector. But the key driver of this transformation has not been ethical entrepreneurs, such as Ms Roddick, so much as a connected and empowered public, demanding that modern business does right by society and by the planet.

In his book, *Who Cares Wins: Why Good Business Is Better Business*, David Jones, former chief executive of global advertising company Havas and the co-founder of global non-profit One Young World, argues that two groups of people are at the forefront of this new world. They are a millennial demographic which is "the most socially responsible generation that has ever existed" and a group of activists he dubs "prosumers", who are "influential, proactive, marketing savvy".

In this business environment, brands and retailers are having to do more than pay lip service to the idea of corporate social responsibility (CSR), which was gaining traction even before the great financial crash of 2008 and became essential strategy after the economic meltdown damned the idea of making profit at any cost. "[CSR] is not about charity and altruism, it is about building brands in the long term," Sir Martin Sorrell, head of the world's biggest advertising group WPP, warned in 2009. He coined the expression "doing good is good business".

But brands and retailers have struggled to keep pace with recent technological change and the voice it gives to consumers who seek to call them to account for bad practice.

Pepsi likes to think of itself as an ethical brand and its Pepsi Refresh project donated $20 million in community grants. But in April it was forced to pull from YouTube an ad campaign which showed reality TV star Kendall Jenner at a political protest, supposedly projecting "a global message of unity, peace and understanding" by handing a can of drink to a police officer. The ad provoked a backlash of criticism on social media from those who thought it trivialised social justice demonstrations, particularly the Black Lives Matter movement.

"Pepsi did not have permission to move into that market with that personality and hijack it to sell more soda," says Mark Borkowski, a London-based publicist and brands expert. By crassly deploying a celebrity "influencer" with a huge social media following – Ms Jenner has 81 million followers on Instagram – Pepsi made a major misjudgment, he argues. "You are buying a celebrity and their crowd, but not fitting that into context," says Mr Borkowski.

Other large companies are having more success. Unilever chief executive Paul Polman has committed to doubling the company's size, while halving its environmental footprint. Keith Weed, Unilever's chief marketing and communications officer, says: "Our research shows that 54 per cent of consumers are on the tipping point of purchasing sustainably. There is a huge economic opportunity for businesses that are able to build brands with real purpose which consumers care about."

In March, Unilever found a cheerleader in the GMB trade union, which praised the "sustainable capitalism" practised by the corporate giant. "Companies like Unilever, with a reputation for treating staff with respect, don't need to embark on slash-and-burn missions just to maintain margins," said Eamon O'Hearn, GMB national officer. Unilever was also behind the Dove Campaign for Real Beauty, a social media success for challenging stereotypes in the cosmetics industry.

Nils Leonard, former creative chairman of advertising agency Grey London, believes that smart brands must take the initiative in changing the world, acting out of motivation rather than simply responding to consumer demand. He is co-founder of Halo, which makes coffee capsules from biodegradable paper and bamboo fibres (aluminium capsules can endure for 200 years). "It wasn't a burning desire to be good that drove us to dent the convenience coffee world, it's that no one else was going to," he says.

Mr Leonard and Mr Jones, who now runs You & Mr Jones, a company that links brands and technology, both argue that ethical commerce has moved beyond sales to offering goods and services that are important. Mr Jones says he would ban the "patronising" word "consumer". "Business needs to move from a mindset of 'marketing to consumers' to a mindset of 'mattering to people'. If as a brand or business you set out to matter to people and add value to their lives, you will do very well," he says.

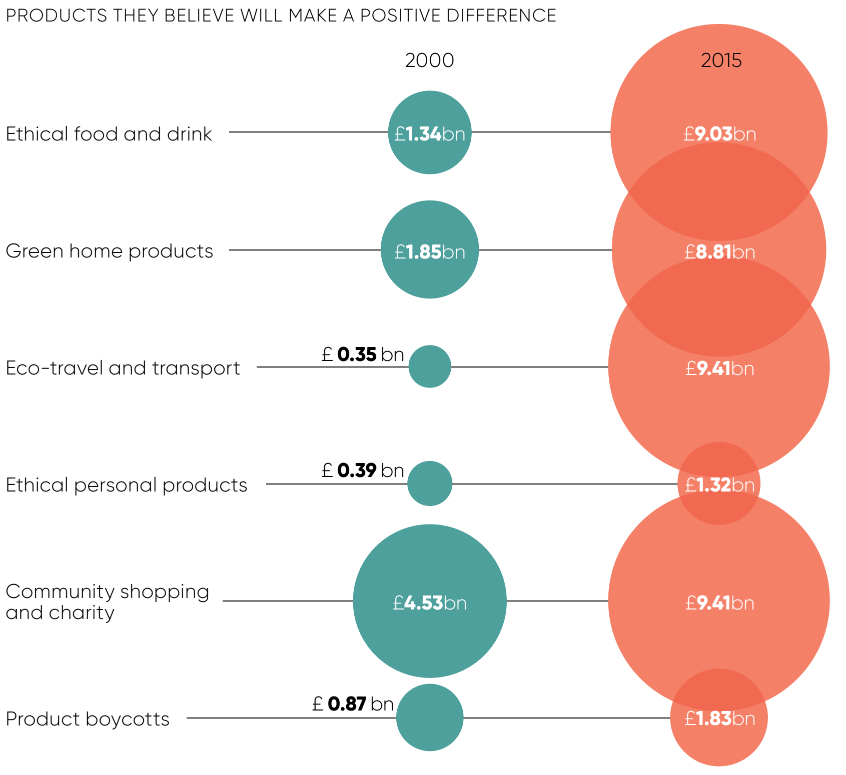
For some retailers and brands that will require a further mind shift. Most ethical retail is driven "more by the purse strings than the heart strings", says Kevin Chesters, chief strategy officer at Ogilvy & Mather London. "The shift has definitely come from consumers demanding more transparency and more responsibility from retailers," he says. "Once the data started showing that share prices and quarterly results would be negatively impacted by not behaving ethically, then retailers were suddenly a lot more interested."

Authenticity, all experts agree, is fundamental. Getty Images recently created Verbatim, an agency dedicated to "authentic brand storytelling" produced by leading photojournalists. Verbatim founder Aidan Sullivan says consumers want brands to demonstrate their role in tackling the world's problems. "Oil spills, child labour, pollution, global warming, unsustainable farming... throw in global distrust of financial institutions and big corporations, and you have a serious set of issues that commerce needs to address," he says.

The Body Shop was sold to L'Oréal in 2006, the same month that Twitter was founded, and Ms Roddick died the next year. But the radical stance she took in 1985 is now embedded in modern retail, propelled and underpinned by an online community that is as global as she was.

ETHICAL SPENDING IN THE UK (£BN)

FROM FAIRTRADE FOOD TO ELECTRIC CARS, CONSUMERS ARE CHOOSING TO INVEST IN PRODUCTS THEY BELIEVE WILL MAKE A POSITIVE DIFFERENCE



Ethical Consumer 2016

33% of consumers are choosing to buy from brands they believe are doing social or environmental good

21% said they would actively choose brands if they made their sustainability credentials clearer on packaging and in marketing

£849bn potential untapped opportunity exists for brands that make their sustainability credentials clear

CIMdata/Accenture 2017

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RACONTEUR

PUBLISHING MANAGER
Rebecca Wetten

PRODUCTION EDITOR
Benjamin Chiou

MANAGING EDITOR
Peter Archer

DIGITAL CONTENT MANAGER
Jessica McGreal

DESIGN
Samuele Motta
Grant Chapman
Kellie Jerrard

CONTRIBUTORS

DAVID BENADY
Specialist writer on marketing, advertising and media, he contributes to national newspapers and business publications.

IAN BURRELL
Former assistant editor and media editor of *The Independent*, he writes *The News Business* column for *The Drum* and *The Media Column* in the *i* newspaper.

MATTHEW CHAPMAN
Freelance journalist specialising in retail, technology and marketing, he contributes news and features to national and business publications.

DAN MATTHEWS
Journalist and author of *The New Rules of Business*, he writes for newspapers, magazines and websites on a range of issues.

CHARLES ORTON-JONES
Award-winning journalist, he was editor-at-large of *LondonlovesBusiness*.com and editor of *EuroBusiness*.

SHARON THIRUCHELVAM
Writer specialising in culture and innovation, she contributes to *The Independent*, *i-D*, *Vice* and *Forbes*.

FINBARR TOESLAND
Freelance journalist, he specialises in technology, business and economic issues, and contributes to a wide range of publications.

COMMERCIAL FEATURE

Smart lockers improve click and collect for customers and retailers alike

A simple, automated twist of technology helps retailers give customers a truly seamless shopping experience

The retail industry has been under attack since e-commerce brands began disrupting shopping and raising customers' expectations in the process. More than 200 UK retailers have failed since 2012 as the retail industry scrambles to meet constantly changing customer needs, according to the Centre for Retail Research.

Successful, surviving retailers realise that giving customers what they want requires changes to touchpoints and workflows across an online, mobile and bricks-and-mortar presence.

One fast and simple way retailers can start to adapt is by improving on their click-and-collect programmes, arguably the fastest-growing area within omnichannel retailing.

Apex is revolutionising the well-established click-and-collect model with a unique alternative to the rudimentary processes currently used in most stores and to the remote locker networks owned by the likes of Amazon.

The Apex self-serve, automated smart locker is an easy, secure way for customers to collect orders at their convenience and without the queues. This can all be done without adding staff or disrupting retail operations in the process.

"Consumers want the option to choose how and when they will buy, pay and receive their purchases," says Jon Walkington, head of real-time retail at Apex Supply Chain Technologies. "Expectations are driven by a need for the utmost convenience. Technology like our smart lockers will help retailers respond more easily than they might realise."

> Automated self-serve lockers can make purchase collection as frictionless as ordering and paying online

The rapid emergence of click and collect is sometimes attributed to the customer's desire to avoid delivery charges and the inconvenience of waiting around for a delivery. As high street brands, such as Tesco, Argos, Next and Currys, adopted the counter-queuing model, the concept was initially well received by customers. In fact, John Lewis reported 56 per cent of its 2016 Christmas orders were bought online and picked up in-store.

Since it is more profitable for retailers than home delivery, the click-and-collect solution is good for retailers as well. This is in part because customers tend to make impulse purchases when collecting their order. It is also because the cost to process and fulfil orders through an automated on-premise locker system costs less than counter-queuing click and collect.

Retailers often come up short with click-and-collect programmes, creating customer frustration instead of a seamless experience. Nearly a third of online shoppers, according to *Forbes*, said they endured "long waits" while store staff rummaged for their parcels in the back of the store.

This is usually the result of inefficient operations, from a lack of staff to assist customers and issues locating click-and-collect orders, to inaccurate inventory data making it difficult to fulfil orders from store stock.

"A shopping experience isn't seamless if poorly conceived store processes don't complement the overall omnichannel philosophy," says Mr Walkington. "Retailers who succeed in offering click and collect without long collection queues will gain a greater share of customer minds and wallets. To be part of retail's future, they must solve these problems – and fast."

Eliminating the frustration and inconvenience of queues, by itself, is a significant improvement to the customer experience. But it's just one of the benefits smart lockers bring to click and collect.

Once an order is ready, the customer is automatically notified by e-mail or text. At their leisure, they visit the store and simply scan a barcode or enter a pick-up code to gain access to the secure compartment holding their purchase. And with rugged, outdoor lockers, retailers can even offer 24/7 collection for the ultimate in collection flexibility.

For the retailer, smart lockers free up store staff and streamline the customer's purchase journey. They also generate valuable insights into customer behaviour. Through the Apex Trajectory Cloud platform, which store managers can access online, every device action is recorded in real time. Retailers can identify customer trends, upon which informed decisions and improvements can be made to enhance the customer experience further.

"Our smart lockers offer a simple way for retailers to turn the issue of long queues into a competitive advantage," says Mr Walkington. "Automated self-serve lockers can make purchase collection as frictionless as ordering and paying online."

As retail continues to reinvent itself, using technology such as smart lockers for click and collect is critical to improving the customer experience and optimising operations.

Speed and convenience is a standard customer expectation, but current solutions were never developed with today's volume of click-and-collect orders in mind. Smart lockers make it easy and cost-effective for retailers to extend the convenience of 24/7 online ordering to the kind of seamless pick-up services that customers expect.

Mr Walkington concludes: "The future of retail belongs to those who deliver what their customers want, when and how they want it, while driving out waste and cost from their operations."

For more information please visit www.apexsupplychain.com/gb/retailers

CUSTOMERS WANT CLICK AND COLLECT

56% of Christmas orders at John Lewis were buy online, pick up in store[1]

15.5% of all retail spending is from online sales[2]

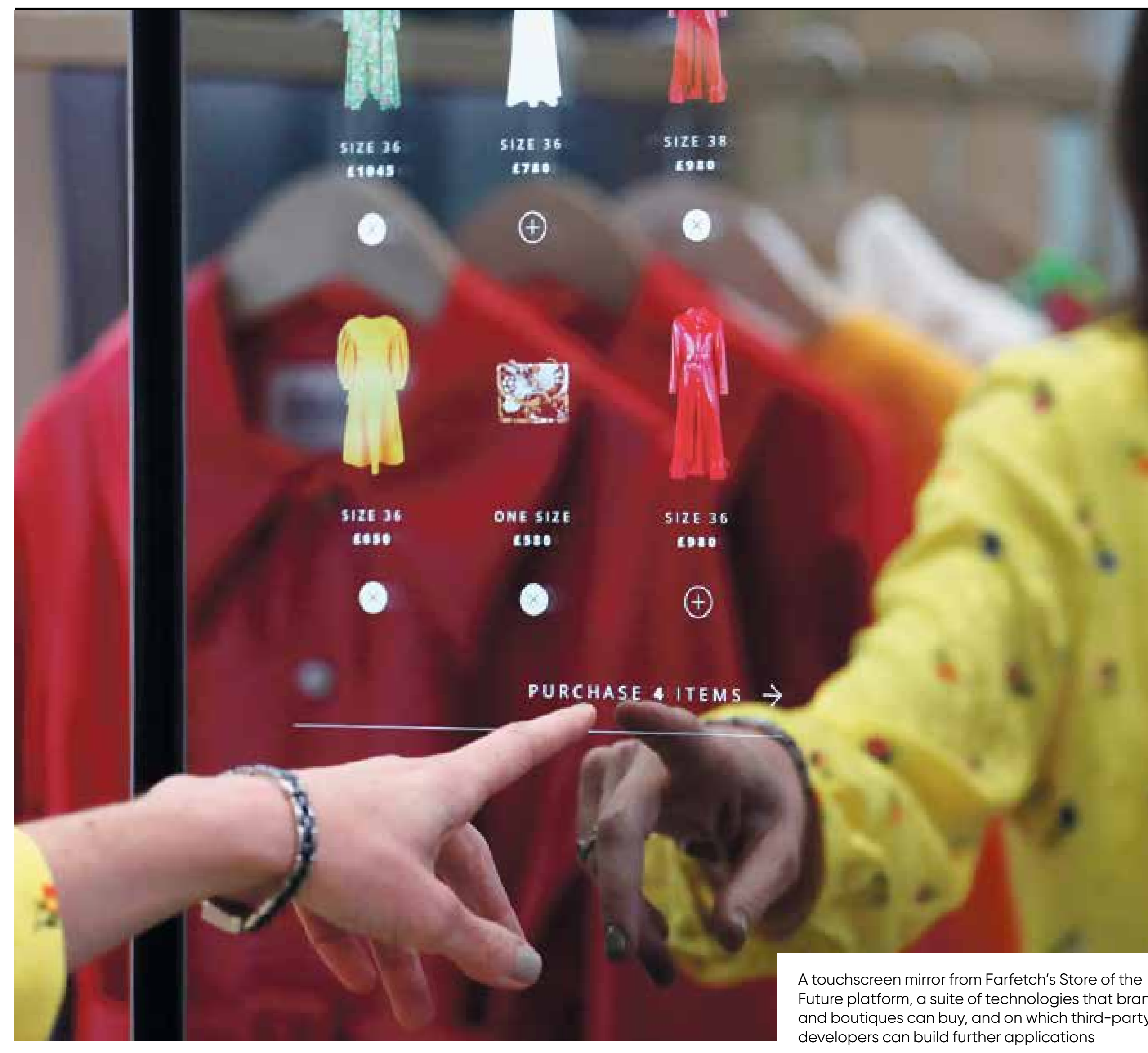
32% of online shoppers say they have endured long queues while store associates find parcels at collection points[3]

38% would not shop with an online retailer again after a negative delivery experience[4]

45% have abandoned an online basket due to unsatisfactory delivery options[4]

[1]*The Telegraph*, 2015, [2]Office for National Statistics, 2017, [3]*Forbes*, 2016, [4]MetaPack *2016 State of eCommerce Delivery Consumer Research Report*

BRICKS-AND-MORTAR STORES



Luke MacGregor/Bloomberg via Getty Images

A touchscreen mirror from Farfetch's Store of the Future platform, a suite of technologies that brands and boutiques can buy, and on which third-party developers can build further applications

Stores must give shoppers a brand new experience

Facing a continued onslaught from mobile online shopping, high street stores must adapt to provide a unique retail experience

SHARON THIRUCHELVAM

When a top executive compares the fate of US bricks-and-mortar stores to the country's real estate market before 2008, we should all take note. In March 2017, Richard Hayne, chief executive of Urban Outfitters, told a group of Wall Street analysts: "Our industry, not unlike the housing industry, saw too much square-footage capacity added in the 90s and early-2000s. Thousands of new doors opened and rents soared. This created a bubble. Like housing, that bubble has now burst – doors are shuttering and rents are retreating, a trend that will continue for the foreseeable future and may even accelerate."

There is truth in Mr Hayne's grim augury. The first half of 2017 saw more retailers shut shop in the United States than in the entirety of 2016. And 3,500 more stores, predominantly in malls, are set to vacate in the coming months. The average retail lease in the US has shrunk from an average of twenty years in 1991 to five years in 2016, according to commercial property services firm CBRE.

Household names, chains such as JCPenney, Radioshack, CVS, Abercrombie & Fitch, Macy's, American Apparel, Sears and Staple, are among those retailers axing hundreds of units, demonstrating the extent to which mainstream brands have failed to keep tabs on the evolving role of stores in retail.

If it is not all doom and gloom for physical stores, their function is certainly changing. Mobile internet has made it easier than ever to shop around for cheaper prices and buy instantaneously, but people will still want to see, feel, test and try products before they commit.

Management consulting firm Bain & Company predicts that even by 2025, some 75 per cent of sales will still occur in physical stores. Those stores won't simply be places to transact. A shopper standing on the threshold of a store will be quietly asking of that brand, "I have a laptop at home, I have a mobile on me, I'm physically here, so give me an experience I can't get anywhere else," according to Dominique Bonnafoux, senior strategist at retail and branding consultancy FITCH.

Physical stores should offer customers the advantages of online shopping and more. "A brand's store should sell the lifestyle associated with that brand, rather than just the products linked to it," says Ms Bonnafoux. "Personalisation and convenience are key – that is anything that helps consumers save time, or gain insider access to the brand though a personalised product, personalised customer service or an inimitable sensory experience."

In terms of personalising their service based on consumer data, physical stores are lagging far behind online. In terms of attitudes held by executives and consumers, understanding is similarly in shortfall. According to a recent IBM survey, executives completely misunderstand what customers want from retail technologies, namely a faster, more convenient retail process.

Here Farfetch, an online marketplace for luxury boutiques, intends to help brands bridge their online and offline retail processes, and combine their data analytics from all channels, with its launch of "the first operating system for stores". Farfetch's Store of the Future platform is a suite of technologies that brands and boutiques can buy, and on which third-party developers can build further applications, much like apps on iOS or Android platforms. According to Farfetch's founder José Neves: "They [physical stores] are not going to vanish and will stay at the centre of the seismic retail revolution that is only just getting started."

In grocery, Amazon Go is aiming to corner the convenience side of the market with cashless and queueless stores featuring a variety of sensors that cut the number of staff required to man a 10,000 and 40,000-sq ft store to just three people. Ms Bonnafoux, however, believes that this "human-light" model is unlikely to have equal appeal in other categories. "When it comes to groceries, you know what you want. You don't need someone to advise you what cauliflower to buy," she says.

In luxury, fashion and auto, however, brands will have to work hard to make their retail spaces distinctive and memorable, and give shoppers a reason to return. "Stores should focus less on selling products or services there and then, and more on giving customers insider access to the brand and providing them with an experience that is impossible to replicate online," says Ms Bonnafoux.

> Stores should focus on giving customers an experience that is impossible to replicate online

Take the infant-care store Mamas & Papas in Westfield's White City, which combines learning areas manned by well-trained sales assistants with a community space where local parents can arrange peer-to-peer events. In Berlin, adidas's Run Base, is a 2,000-sq m running-oriented space dedicated to performance sport and wellness, where consumers can shop, train and attend classes. Similarly, Nike takes a diversified approach to its stores, leading a range of retailers that are experimenting with different retail concepts in different cities. In New York, last year, Nike opened a store resembling a gym and featuring a mini indoor basketball court, running simulations, and an indoor football pitch. While in London, in contrast, Shoreditch's Nike Lab 1948 focuses mainly on fashion collaborations.

The new So-Milano boutique in Milan invites a new designer to rethink its internal layout and inventory every three months, the latest being London fashion designer J.W. Anderson. And in the pursuit of personalisation, Ministry of Supply, a new US fashion brand launched in Boston, houses a 3D knitting machine in-store, which gives shoppers the opportunity to have a garment custom made as they wait and before their eyes. And at the new Coach flagship store in New York, customers can see full-time craftsman constructing made-to-order luxury handbags following time-tested traditional methods.

If the last 15 years have taught us anything, it is that technological disruption is unpredictable. Thanks to smartphones, mobile shopping may be the most transformative force in retail today, but in ten years self-driving cars could be shaping retail habits and methods equally dramatically. What is clear now is that retail spaces should be designed to be as flexible as possible so brands can refit and redesign spaces frequently. "Ideally you'd want to have more agile spaces and have quicker turnaround of design concepts," says Ms Bonnafoux.

In retail, as in fashion, no one size will fit all, but physical retailers will have to take the measure of their consumer base, armed with detailed data, to tailor their services to every individual customer's preferences.

Nike

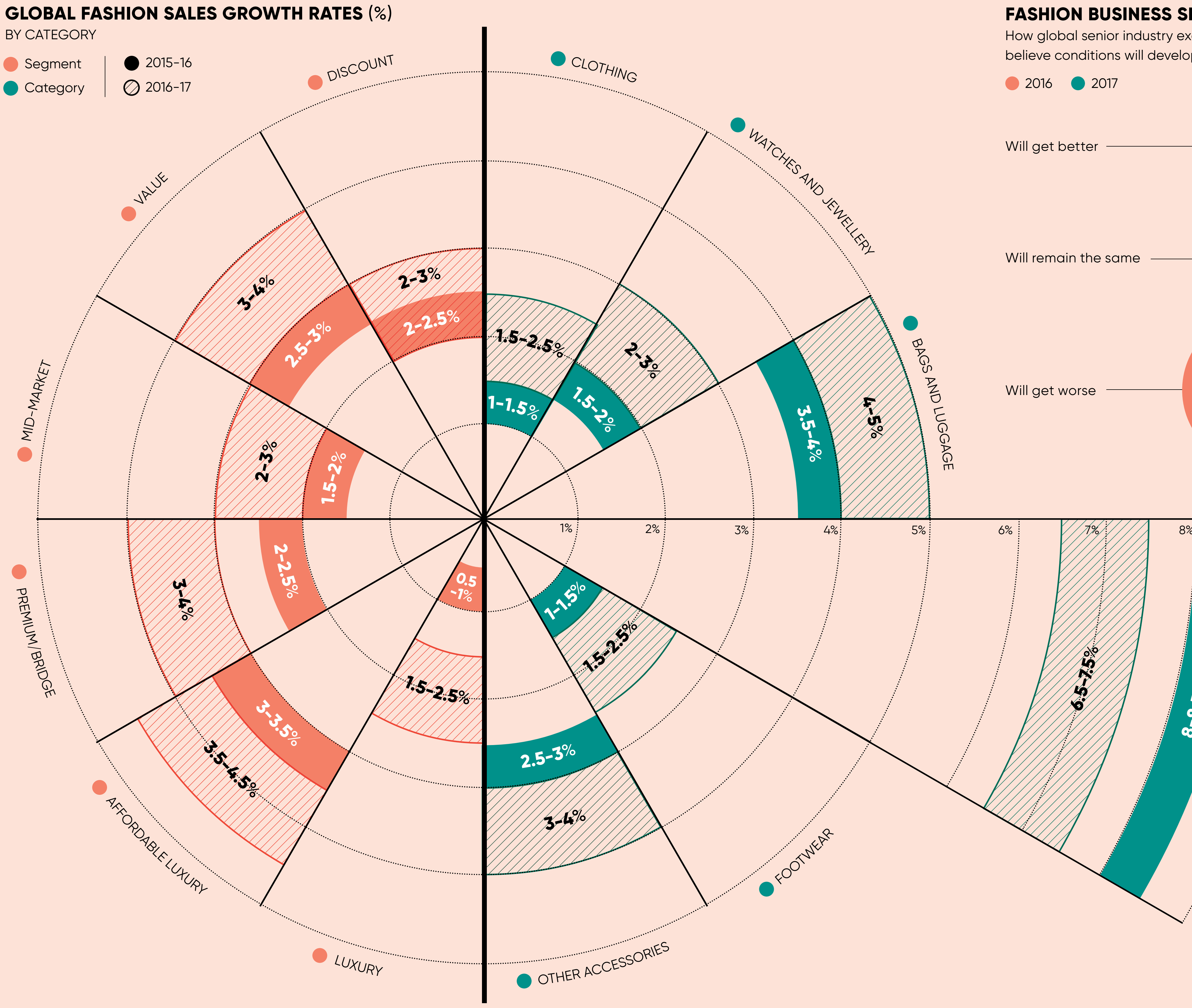
Nike's store in New York's Soho, which opened last year, features an indoor basketball court and running simulations for customers

FUTURE FASHION

For an industry often regarded as fickle and indulgent, fashion is a vital component to the global economy, worth an estimated $2.4 trillion in 2016. If it were a country, it would represent the seventh-largest economy in the world. Here are the fastest-growing regions and sectors within fashion, indicating what the future holds for this mammoth industry

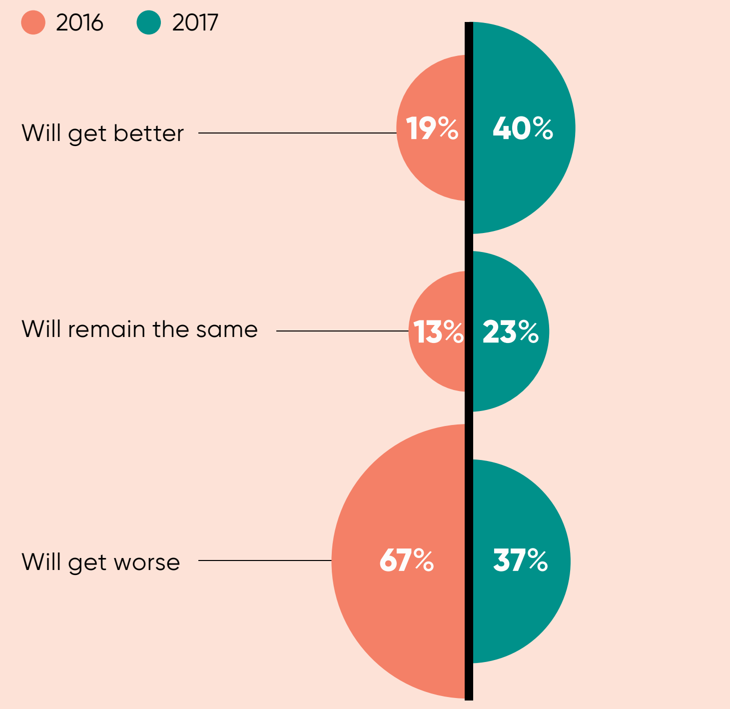
GLOBAL FASHION SALES GROWTH RATES (%)

BY CATEGORY



FASHION BUSINESS SENTIMENT

How global senior industry executives believe conditions will develop



McKinsey/Business of Fashion 2017

TOP 10 LARGEST FASHION MARKETS BY 2025

RANKED BY SALES FORECASTS

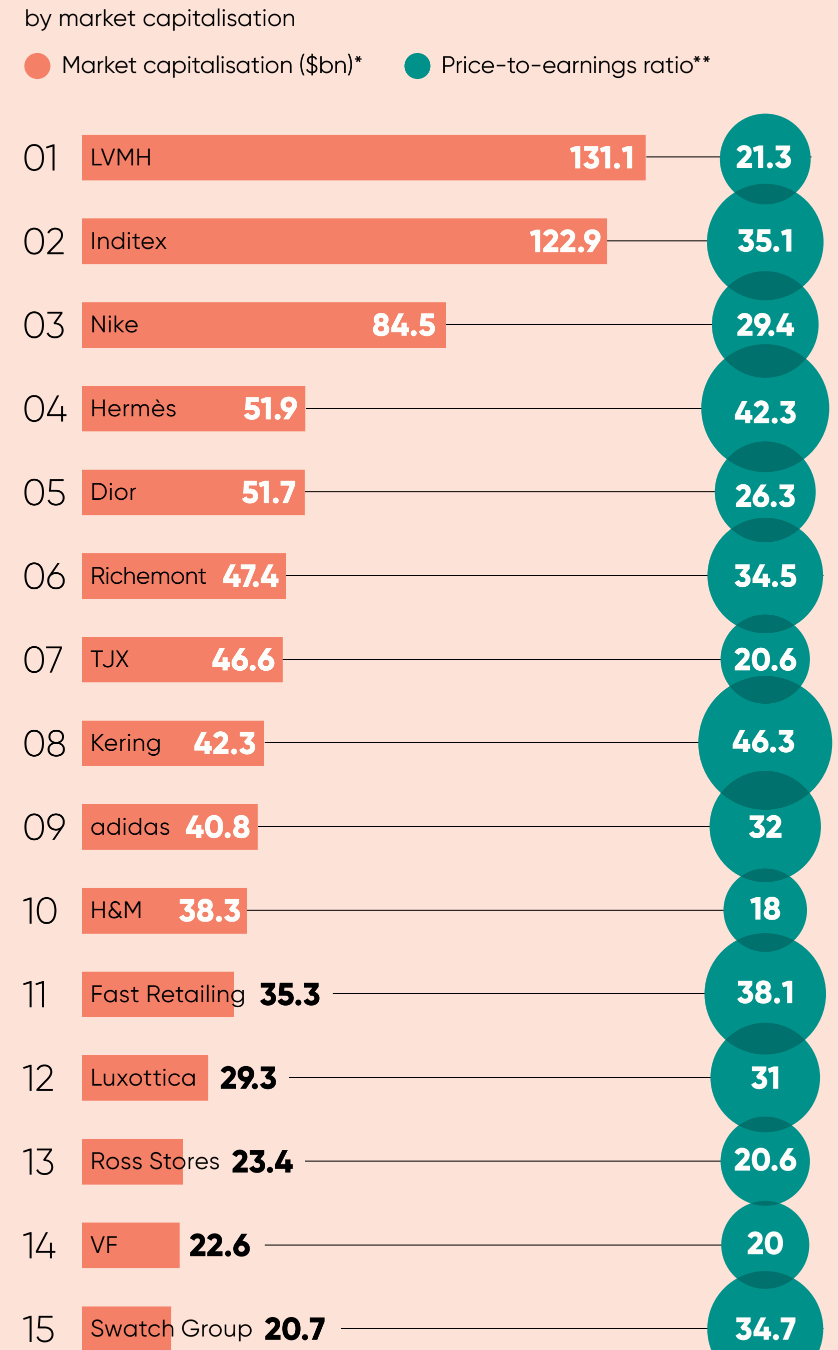
Rank in 2015 ★ New to the top 10

	CLOTHING		FOOTWEAR		ATHLETIC WEAR		BAGS/LUGGAGE	
01	Tokyo	01	New York	01	New York	01	Hong Kong	01
02	New York	02	Hong Kong	02	Los Angeles	02	Tokyo	02
03	London	03	Tokyo	03	Tokyo	03	New York	03
04	Los Angeles	04	Los Angeles	04	London	04	Seoul	05
05	Shanghai	09	London	05	Houston	06	Osaka	04
06	Beijing	★	Shanghai	★	Chicago	05	Los Angeles	06
07	Osaka	05	Mexico City	07	Dallas	08	London	08
08	Rhein-Ruhr	06	Buenos Aires	08	Washington	07	Singapore	07
09	Chicago	07	Beijing	★	Hong Kong	★	Taipei	★
10	Chongqing	★	Chicago	09	Shanghai	★	Shanghai	★

McKinsey/Business of Fashion 2017

TOP 15 FASHION COMPANIES IN THE WORLD

Largest quoted companies in the apparel and fashion sectors by market capitalisation



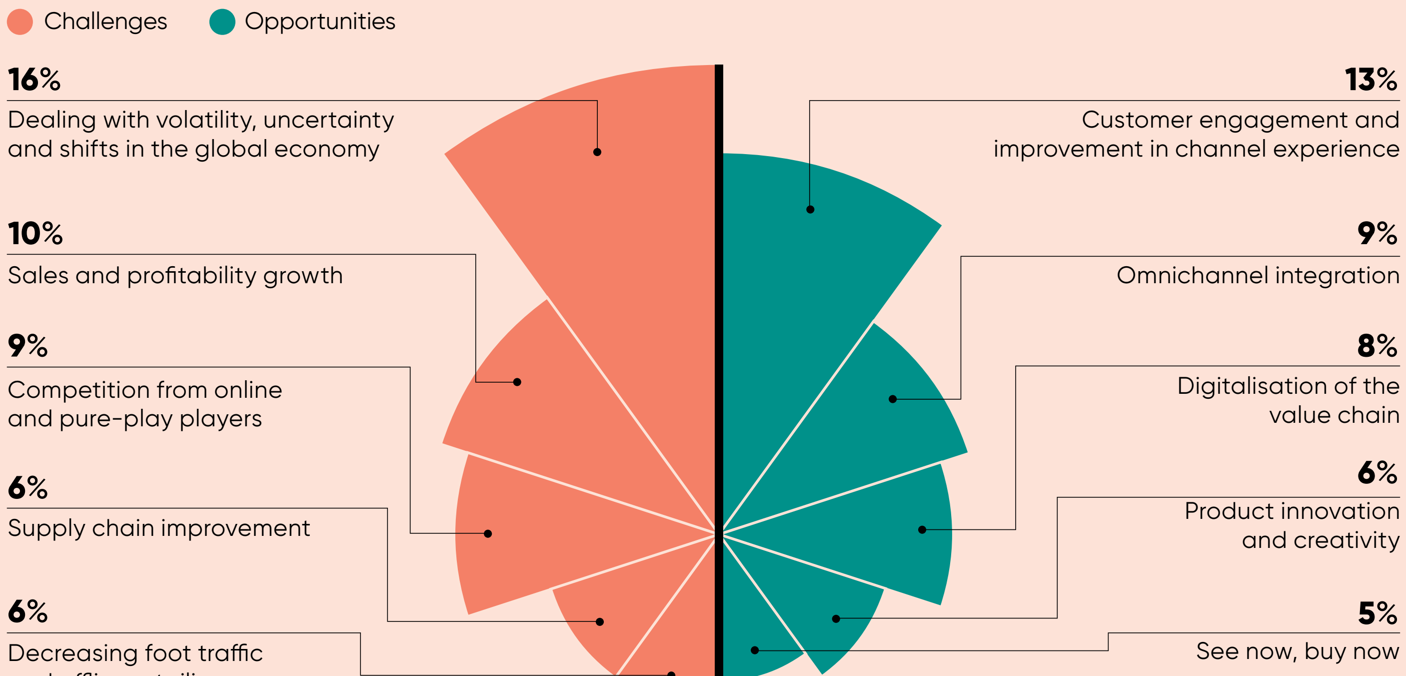
*Market capitalisation June 19

**In general, a higher price-to-earnings ratio – calculated by dividing a stock's current share price by its per-share earnings – typically shows investors are expecting stronger earnings growth in the future

Fashion United/MarketWatch 2017

TOP CHALLENGES AND OPPORTUNITIES

Percentage of global senior industry executives who ranked the following as their single biggest challenge/opportunity in 2017



McKinsey/Business of Fashion 2017

COMMERCIAL FEATURE

The stomach wars are on

A battle is raging within the food sector to capture market share with cutting-edge technology

ThoughtWorks®

Who needs sunlight to grow plants? Located 33 metres below Clapham in south-west London is a hydroponic farm using LEDs instead of sunlight. The environment is entirely controlled. No wind, no frost. The light colour can be varied for each crop. The result is a facility growing watercress, radishes and coriander using 70 per cent less water than traditional open-field farming.

Underground and vertical farming is just the latest revolution in the world of food. It is an industry in which every principle is being challenged. Every model rewritten. A tsunami of innovation is changing the food industry from the first seed to the first mouthful.

The amount spent at grocery stores was eclipsed by spending on restaurants, takeaway and delivered meal solutions. "There is a seismic shift occurring in the market," says Mark Collin, group director of ventures at ThoughtWorks, a software consultancy helping old and new brands capture opportunities with technology. "Prepared meals are overtaking home cooking, as we used to know it. Traditional retailers need to understand this and react or they are going to get eaten."

Hungry challengers, from smaller food kit insurgents such as HelloFresh to retail behemoths like Amazon, are all vying to claim their title as victor of the stomach wars. Amazon has gobbled up a plateful of the industry with its acquisition of Whole Foods.

Shifts in behaviour and technology are shaking up the entire food value chain, starting from how food is produced right up to how it's found and purchased. On the production side, advances in agtech and decreased costs of production are making vertical farming viable in the not too distant future. On the customer end, changes in preferences are demanding wider sourcing, improved freshness and more prepared, grab-and-go options.

> Technology must be woven through the fabric of their organisation, enabling them to meet the changing needs of consumers quickly

EATING THE BUSINESS MODEL ALIVE

The grocery store itself is permanently changing. Grocery stores have a lot to lose, with a large percentage of their profit margin coming from advertising subsidies paid by brands. "Supermarkets used to generate 4 to 8 per cent of revenue from charging for gondola ends and shelf promotions," says Dan McMahon, head of retail Asia-Pacific at ThoughtWorks. "Now brands are marketing on Facebook, Instagram and striking deals with Google. It's hard to make money when you are deprived of the traditional sources of income."

It's not just brands spending their money elsewhere; it's customers too. People want to eat great food, buy things at a great price and they don't want to spend a ton of time buying them. Those desires haven't changed too much over time. What has changed is the range of businesses rushing to meet these needs. Amazon is getting very good at supplying household goods on the cheap. Easily accessible takeout from platforms such as Deliveroo and Just Eat is chipping away at the "what's for dinner" market. Convenience stores are taking a bite out of food on the go. These changes demand grocers transform their offering and operations to stay relevant and boost revenue.

SURVIVING VERSUS THRIVING

The common thread through all this is technology. Throughout the third industrial revolution, technology played a supporting role for many businesses. Mr Collin observes: "For those businesses that are looking to take on the job of being the food platform for communities into the future, technology must be woven through the fabric of their organisation, enabling them to meet the changing needs of consumers quickly." For grocers, this means becoming a "borderless store" and developing a masterful command of digital so they can sell beyond the confines of their four walls.

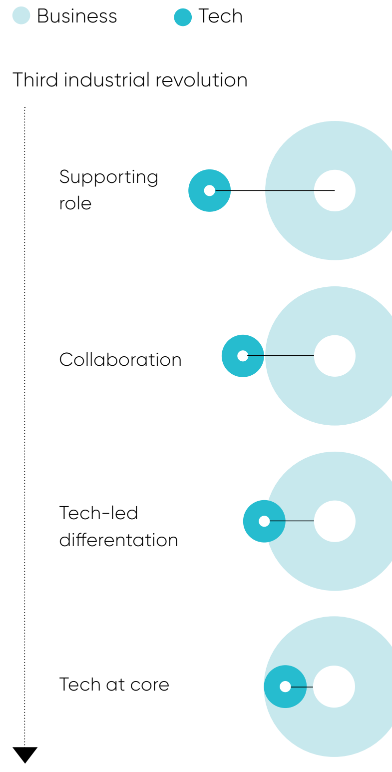
John Lewis is embracing this mission with enthusiasm. It has established a startup incubator called JLabs to explore the retail experiences of the future. Companies get up to £100,000 in equity investment, mentoring from John Lewis and Waitrose executives, and office space in London's Victoria. The goal is to develop game-changing products. Last year's best innovations included a robot maker, an Instagram sales service and an app to create 3D models of customers' rooms to see how potential furniture might fit in. These are the sort of things you'd find in a Google research lab or at MIT.

Also, John Lewis recognises it must change the way it works, so they founded a unit to examine new business models. ThoughtWorks has partnered with John Lewis to bring cutting-edge technology to concepts. "We've worked together on Cook Well," says Mr Collin. "This gives consumers nutritional information and health qualities of recipes. You get a meal kit and the subscription delivers everything to your door each week."

Companies seeking to adopt a technology at core ethos will need help, ideally from an experienced technology partner able to dream up new business models as well as the ability to implement modern digital retail platforms. "You need a partner who is technology agnostic; someone who can implement algorithms and software that powers customer experience and streamlines operations; a vendor-neutral specialist who can help you develop your platform," says Mr Collin.

Instead of big, up-front investments and predictions, grocers need a flexible platform that can evolve as quickly as their customers. They need to build their experimentation muscle, quickly testing, validating and scaling winning ideas across the business.

TECHNOLOGY IS NOW THE BUSINESS



WHO WILL WIN?

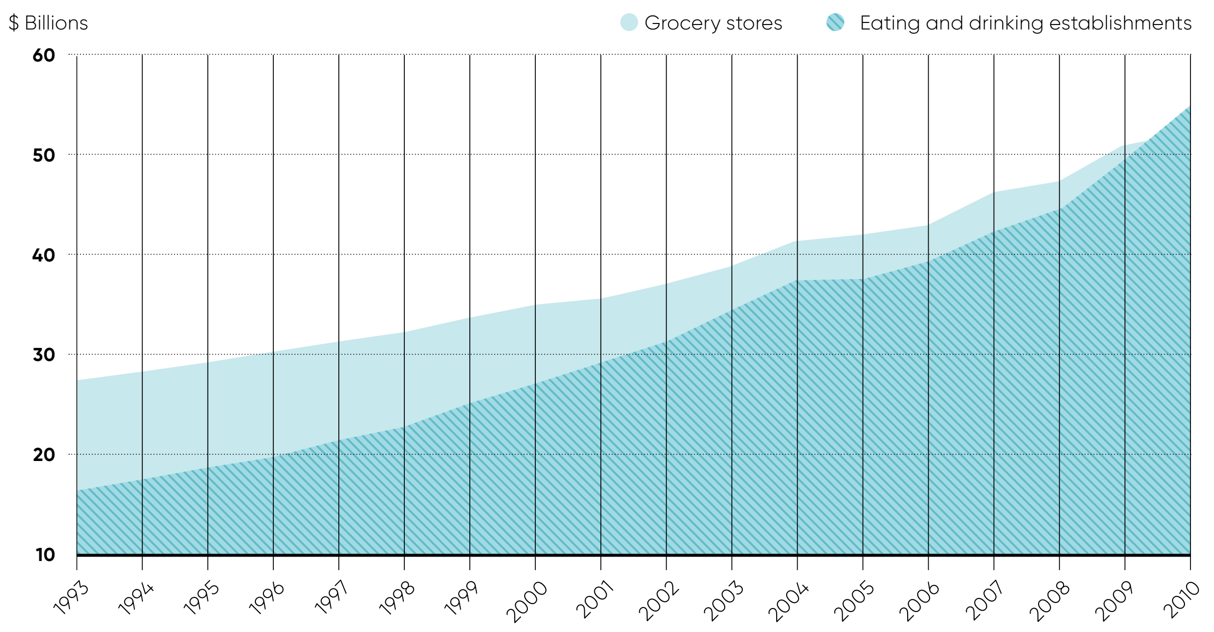
The pace of change is only going to accelerate. "The grocer of the future will rely less on stores, owning digital discovery and meeting customers on mobile to ensure revenue growth while foot traffic falls," says Mr Collin. The core desires of saving time, saving money and eating great food will remain constant over time. The grocer of the future can meet these needs in new ways by owning multiple formats and adding new service offerings supported by digital.

Who's the winner? Beneficiaries of takeout, as well as offline players such as Lidl and Aldi are modern-day grocery winners, but as customers eat and buy in other ways and through other channels, they too need to rethink their business model.

We've seen an explosion of creativity in the finance industry, in transport and smartphones. Now the stomach wars are on.

For more infomation please visit www.thoughtworks.com

US RETAIL SPENDING ON FOOD



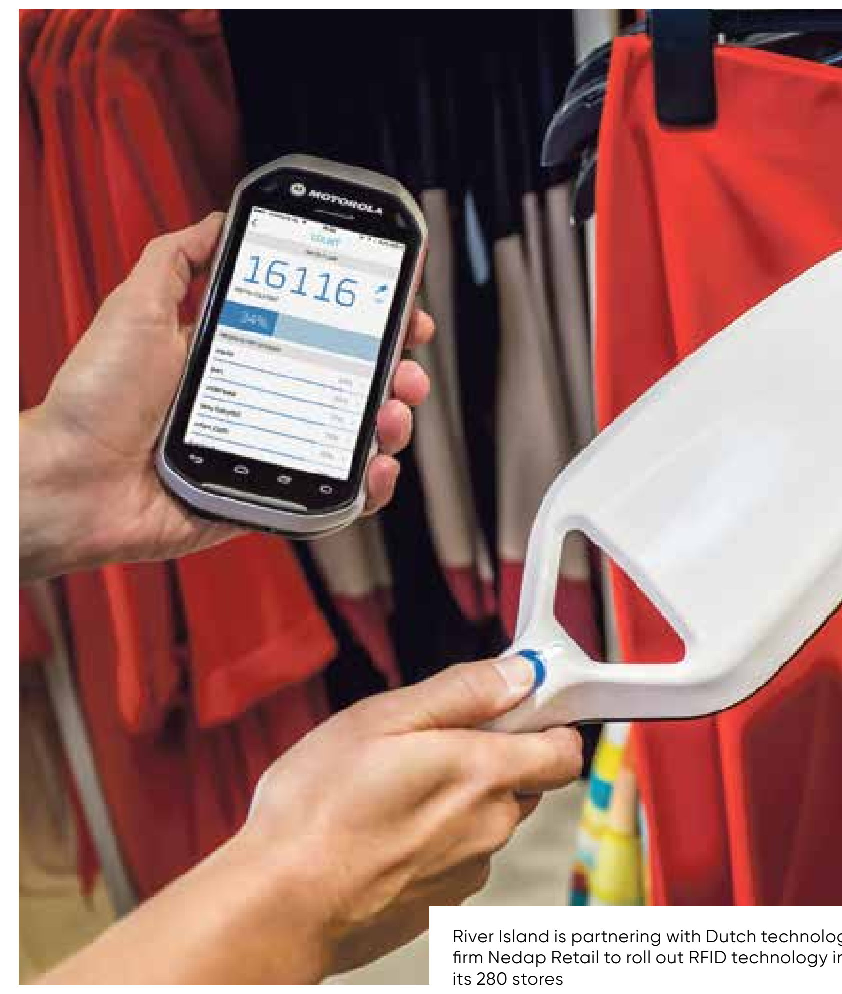
US Census Bureau

RFID TAGS

Keeping tabs on stock can boost sales and keep customers happy

The technology is not new, but radio-frequency identification is the latest thing to hit the shelves

DAVID BENADY



River Island is partnering with Dutch technology firm Nedap Retail to roll out RFID technology in its 280 stores

Fashion retailer River Island is attaching radio-frequency identification (RFID) tags to every item of clothing it stocks.

The tags enable a store's staff to identify all items of clothing on the shop's shelves and racks, and in stockrooms and fitting rooms, using a remote RFID reader. Just switch on the reader and it sends out radio waves which identify a unique code embedded in every tag. In just a few minutes, store managers can conduct a stock check and identify every item of stock in-store, a process that done manually takes many hours. The stores used to carry out a stock take just once or twice a year. Now they do it every week.

Jon Wright, River Island's head of loss prevention and safety, says the technology is transforming the chain's business, helping make sure the stock customers want is available in stores and online. The chain began testing RFID tags four years ago and is now rolling the technology out across 280 stores and its warehouses. "The main goal was to fix some of the stock accuracy issues in our business," he says.

Mr Wright says stock accuracy – whether the stock in-store matches the retailer's records – was typically about 70 per cent under the old manual stock-checking system. RFID tags enable the stores to check their stock continually and make sure they have the right lines on show. RFID technology has helped boost the stock accuracy figure to 98 per cent, he says. This in turn has helped boost store sales significantly as they are able to ensure the most popular lines are in stock.

RFID tagging is a growing trend among clothes retailers as the cost of the tags comes down and the technology improves.

Along with River Island, other chains such as Marks & Spencer and John Lewis have tested the tags and are introducing them across their stores. US department giant Macy's is launching the technology across its business. Tesco, Asda and many others are also getting involved.

RFID technology has been on offer to retailers for more than a decade, but is only just starting to catch on. One reason is the huge growth in shopping via mobiles, tablets, desktops, and even messaging services and social media. This has led to the growth of omnichannel retailing, having a single view of products and customers across all these shopping channels and warehouses. That forces retailers to have clear knowledge about where every individual piece of stock is situated in the supply chain. When a shopper orders an item, the chain can locate it and get it to a nearby store for them to pick up.

As Mr Wright says: "The consumer's mindset has changed so much that they do not accept the product is not available when they want it. There is so much competition that they can get a pair of jeans anywhere. Consumers are pushing the retailers to know what product they have and where they have it at any given moment."

80%

of consumers say they are less inclined to visit a store when the website doesn't provide current product availability

Kibo Software 2017

8.7%

of retail sales are lost due to a lack of inventory accuracy

Kurt Salmon 2016

Department store chain John Lewis has been experimenting with RFID for about ten years, and is now trialling the technology and introducing it to some 30 of its stores. Most of its fashion range will be RFID-enabled by the end of this year.

But this is not without its challenges, says Simon Russell, the chain's director of retail operations development. He says implementing RFID is easier for retailers that sell their own branded stock as they control the entire supply chain, so can attach tags at source.

"If you are a department store like us and you are dealing with multiple brands, it is a lot more challenging to negotiate with every single supplier to ask if they would be willing to put the tags on at source or whether you need to have an ancillary distribution centre to be able to attach the tags," he says. "We are gradually overcoming those challenges and I think RFID is having its coming of age – it is much more widespread among retailers."

But Francisco Melo, leader of global RFID at Avery Dennison, warns: "RFID exposes the ugly." By telling retailers where they are overstocked and understocked, it exposes their weaknesses. "Therefore, you have to be able to embrace that change, and adapt those processes and ways of working to do that," he says.

More than 100 billion items of apparel are sold a year globally, while RFID tagging is in single percentage figures, so there is much room for expansion.

The key move which unleashed RFID was the creation of a single global standard, says Jacky Broomhead, UK market development manager for apparel at GS1, which creates supply chain standards for retailers. Before 2005, there was no single standard and retailers used a variety of tags. But the Electronic Product Code (EPC) was launched in 2005 and refined in 2008 as EPC Generation 2. "We got the industry to unite globally under a radio frequency for the tags to operate. The benefit is the tags will work anywhere in the world," she says.

Having one standard reduces the price of the tags, which has come down by 75 per cent in the past five years. The cost varies by volume, but it was on average about 12p a tag and now retailers are getting them for 5p or 6p, says Ms Broomhead. The cost of implementing the hardware – buying the readers – is also relatively low.

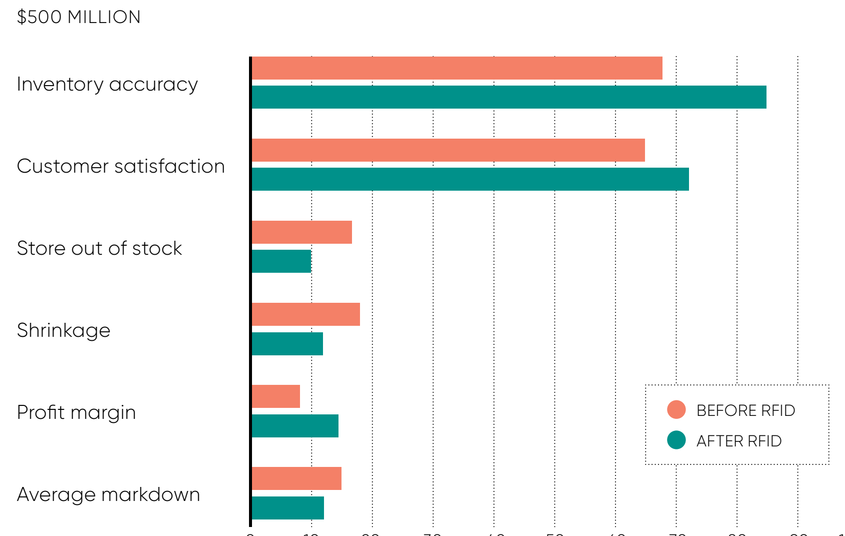
RFID tags could have wide uses in the future, beyond just checking stock. They could replace bar codes for payment and act as security tags.

Jim Prewitt, vice president of retail industry strategy for North America at JDA, believes the use of the tags will spread beyond fashion into other areas of retail. "RFID is one piece in the broader adoption of internet of things devices, including sensors, beacons, cameras and smart shelves," he says. "The combination of these technologies will drive adoption into more stock keeping unit-intensive retail sectors like grocery."

The RFID industry will have to overcome the perception that this is a costly, complex technology which is hard to deliver. The experiences of retailers such as River Island and John Lewis suggest those perceptions are changing.

IMPROVEMENT IN KEY RETAIL METRICS BEFORE AND AFTER RFID ADOPTION (%)

SURVEY OF EUROPEAN AND US RETAILERS AND WHOLESALERS WITH REVENUES OF AT LEAST $500 MILLION



Kurt Salmon 2016

INSIGHT

SPIKES IN DEMAND

RFID tags are giving retailers greater insight into the stock they have available and helping them locate it with greater accuracy. This is useful for coping with spikes in demand during sales, and promotional days such as Black Friday and during Christmas.

As River Island's head of loss reduction Jon Wright says: "It will help all year round because of the stock accuracy issues that retailers have. The buying and merchandising and planning teams overcompensate for what goes into a store. They already overfill a store to compensate for stock inaccuracy throughout the year.

"As well as the RFID technology providing better sales, you also get the opportunity to reduce the amount of stock you need. So stock holding can be reduced because you have greater accuracy whether on Black Friday, in a sale or during normal trading."

Meanwhile, Simon Russell, director of retail operations development at John Lewis, says: "We use RFID every single week of the year to make sure we have maximum availability on the shop floor." But he plays down the use of RFID for spikes in demand, saying these are "just a normal part of running a retail operation".

GROCERY SECTOR

Are supermarkets now in line to cut queues?

New technology could soon make queueing at supermarket checkouts a thing of the past

DAN MATTHEWS

Amazon, which opened its first US Amazon Go grocery store in Seattle in December, has filed several Go-related trademark applications with the UK Intellectual Property Office

It is said that Brits are among the world's best queuers. An organised line of people is proof of our civility and a display of social order. On the whole, we're proud of our ability to wait patiently behind others who arrived before us.

So it may come as a shock to learn that the queue – a cornerstone of our democracy – is under threat from technology's relentless march.

In December, the first Amazon Go grocery store opened in the United States. The prototype shop lets customers select items and leave without filing through a checkout. An app on the customer's phone logs what has been removed. Payment is automatic.

This trial, which received global headlines, is part of a concerted effort by retailers and financial technology companies to reduce the time it takes for people to buy stuff. Shopping can be an enjoyable experience, they reason, but waiting to settle the bill certainly isn't.

In early grocery stores, customers would point out items they wanted for attendants to retrieve and bag. The process was slow and inefficient. Then came the familiar supermarket format in which people filled their own trolleys and paid at tills when they finished. It sped things up.

In the decades since, retailers have finessed the system with contactless payments, click and collect and self-service checkouts; all an attempt to reduce the pain of shopping for everyday staples, the stuff we need but don't necessarily want.

Now supermarkets are moving towards a singularity in which efficiency is paramount. Barclaycard is trialling Grab+Go, a pocket checkout app allowing users to scan and pay for goods using a smartphone; again it's a bid to make queueing obsolete.

According to Barclaycard's Usman Sheikh: "The way in which people shop and pay has evolved significantly over the past decade, and as the use of mobile and wearable payments grows, we are constantly looking at how we can use technology to make our customers' lives easier."

Is this the future? Experts think so. In an era of instant gratification, when an increasing number of purchases are done online, supermarkets must mimic the ease of the dotcom experience.

"People want speed, simplicity and a personalised service," says Moira Clark, professor of strategic marketing at Henley Business School. "The balance is reducing pain and enhancing pleasure. For millennials, the idea of shopping for boring things is an anathema, so there is a concentration of work in this area."

Amazon Go looks like a decent remedy to the sickness, but challenges remain. For one thing, not everyone is comfortable with the model, particularly time-and-cash-rich retirees who were brought up in a world of human interactions.

A further issue is the practicality of the model, according to Professor Clark. Amazon Go might sit well in Canary Wharf, where adults pop in and out of shops buying only a handful of items. But what about massive out-of-town megastores with 50,000 stock keeping units?

A family shop is a turbulent experience, especially if the family is along for the ride. Children under the age of ten – the masters of chaos – are a formidable obstacle to Amazon's Utopian system where shoppers act intelligibly. Could a six year old with busy fingers bring the whole thing crashing down?

> The Amazon Go grocery store lets customers select items and leave without filing through a checkout

These niggles aside, the get-in get-out format is a winner, says Oliver Wright, managing director for consumer goods and services strategy at Accenture.

"The technology is clearly viable; it's not pie-in-the-sky stuff. I think it looks like the future for a lot of convenience shopping because people want to make most transactions really quickly and the model is optimised for that," he says.

"It will take some time for competitors to rival Amazon, given its huge R&D budget, but it will be widespread, especially if Amazon licenses the technology to other companies."

The next decade will see rapid changes in the grocery market. A gap will appear between quick no-nonsense shopping and laid-back customer-centric experiences with lots of services bolted on. Supermarkets caught between these two poles will shrivel up.

"We will continue to see the growth of value retailers and direct-to-consumer brands offering quality and convenience," says Helen Merriott, partner and head of markets for UK and Ireland Advisory at EY.

"The challenge for the supermarkets is how to get the balance right between chasing efficiency improvements to fund lower prices and last-mile delivery, while also funding higher levels of experience and service at touchpoints that matter. Retailers will increasingly need to offer 'theatre' and/or frictionless shopping experiences to be successful."

Yet there is still room for smaller players who think outside the box. Speed, cost and convenience will all drive change, but so will quality, provenance and ethics. Evidence for this is Planet Organic, a London supermarket chain with seven shops.

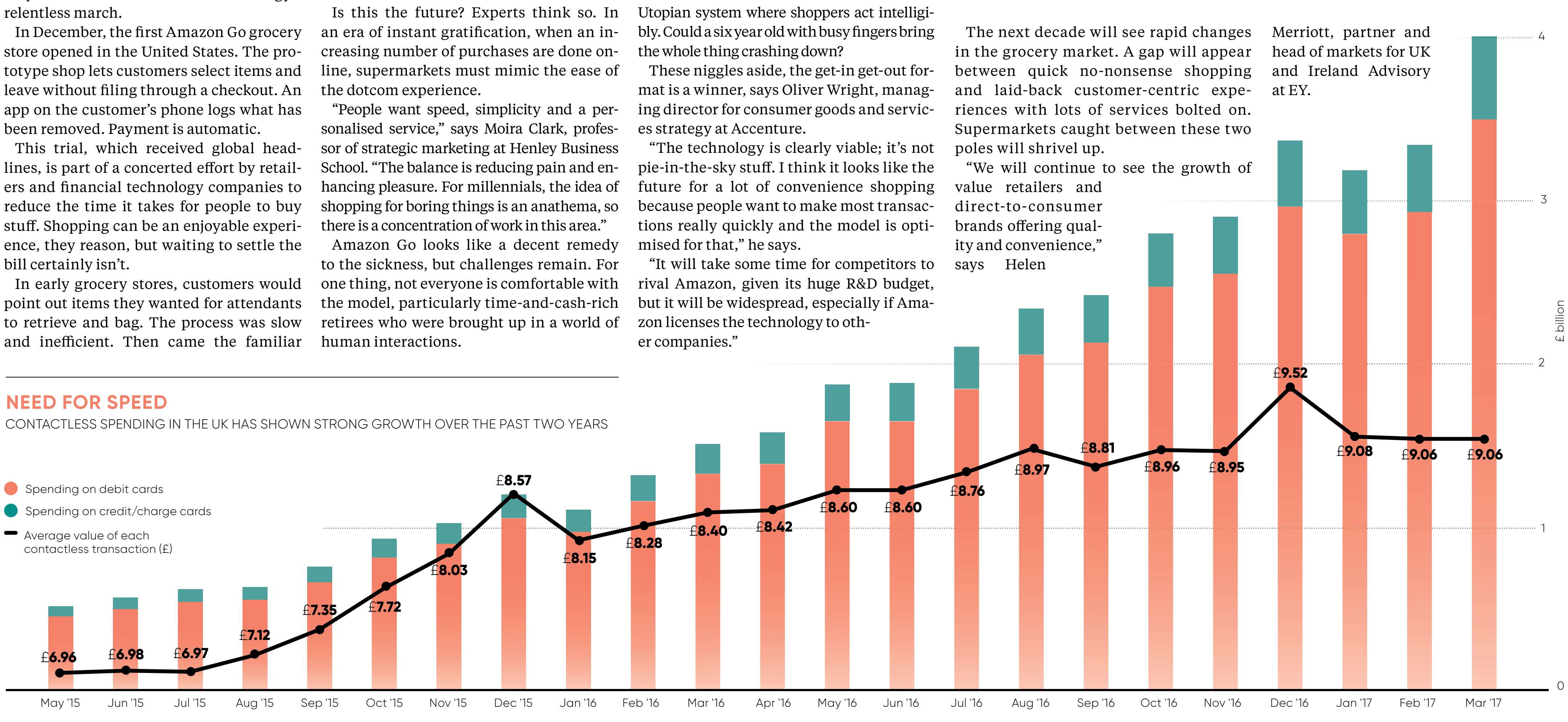
It partnered with Unpackaged, a packaging solutions business, to install a self-service refill station at its north-London Muswell Hill store. Customers bring their own container, fill it with eligible products, such as cereals, coffee, wine, nuts and chocolate, then weigh it and pay for the total.

To some this sounds like a gimmick, but to others it fulfils a need to live well, not just fast or frugally. Successful players in future will continue to identify customer segments and create experiences that are optimised to their particular wants.

Amazon, which earlier this month bought natural and organic pioneer Whole Foods for £10.7 billion, has tapped into an important niche in the supermarket sector and its new shopping concept will appeal to the masses. But those who seek to kill the queue must remember that even in this hectic day and age, people have priorities beyond getting out the door.

NEED FOR SPEED

CONTACTLESS SPENDING IN THE UK HAS SHOWN STRONG GROWTH OVER THE PAST TWO YEARS



UK Cards Association 2017

COMMERCIAL FEATURE

Electronic shelf labels come of age

For years UK retailers have snubbed electronic shelf labels, but that's now changing – fast

Displaydata

Although available for many years, UK supermarkets have shown little enthusiasm for electronic shelf labels (ESLs), unlike many of their counterparts around the world. The reason for the limited take-up, despite the many advantages that ESLs offer over traditional paper labels, has been the relatively low quality of the solutions available.

However, this is now changing as a growing number of the biggest and best-known UK retailers and their customers are poised to benefit from a new generation of ESLs.

The easy-to-deploy and centrally managed labels enable retailers to control and drive in-store pricing and promotions with speed, agility, and consistency. Fully graphic and available in three colours, the labels offer far superior image quality and technical capabilities, such as the option of integrated Bluetooth low-energy beacons, and are already playing a prominent role in creating more interesting, interactive and engaging experiences in the store of the future.

"There's real momentum behind ESLs today. We have designed our ESL solution to meet the needs of the modern retail enterprise and we are excited to continually develop our solution in partnership with our tier-one customers," says Andrew Dark, CEO of Displaydata, the world's leading provider in the design and supply of fully graphic three-colour electronic shelf labels.

Displaydata was the first to introduce a fully graphical three-colour label with print-quality image, to deliver pricing and promotions that catch the attention of customers. The company recently signed a contract with Kaufland Group, which has more than 1,250 stores and is part of the Schwarz Group, owners of value grocery chain Lidl among others.

The key drivers for this trend, according to Mr Dark, are transparency and integrity. "Retailers want to earn consumer trust

– that means matching the reality of pricing with what they say in advertising. But updating labels is a laborious task that is unloved by staff," he says. "There's now a simple realisation that the challenge involved in trying to price match with a paper-based system across several hundred if not thousands of supermarkets is just not humanly possible."

With the growth of omnichannel retailing, the same is true of maintaining consistent pricing across a website and stores. "Online you've just got one price to change, but it's more challenging to make that same change in hundreds or thousands of bricks-and-mortar stores," says Mr Dark.

"It's about timing and accuracy. With no-limits pricing, you can price as quickly and accurately in-store as you can online, ensure prices are consistent across channels and build confidence with customers that they're getting the best price, availability and service – always. What's more, dynamic pricing makes it easier to price by events, time of day and store location, respond to competitors' activities, clear overhanging stock and reduce waste."

Displaydata's wireless network is completely secure, while its intuitive but robust software enables centralised management of any number of labels across any number of stores from a single server at the company's headquarters. Instead of replacing pieces of paper on shelves, staff can be redeployed to help customers and to maintain inventory levels in displays.

Tier-one retailers around the world that use Displaydata's technology appreciate the software's ease of use and its ability to connect to central enterprise resource planning (ERP) and data sources.

A number of Displaydata's customers are also looking at how to use its labels with low-energy Bluetooth beacons to send personalised offers to customers' smartphones at the moment they're thinking about a purchase. In the always-connected world of the internet of things, ESLs are integral to deploying price and promotional strategies in engaging ways that appeal to today's tech-savvy customers.

Over the last few years, Displaydata has been entirely focused on exports thanks to the rapidly growing demand for its ESLs around the world, which are widely acknowledged to be the clearest, brightest and most eye-catching on the market. But now that has changed.

"Until now, Europe has been 10 to 20 times ahead of both the UK and the US, but as a home-grown success story, we're pleased to be finally helping more UK stores succeed," says Mr Dark. "With retail continuing to be evermore competitive and shoppers demanding more from physical stores, UK retailers have realised that ESLs offer a new way to drive sales, protect margin and reduce costs."

For more information please visit www.displaydata.com

PRIME LOCATIONS

Shoppers outside a now-closed Marc Jacobs store on Bleecker Street, New York in 2015

Richard Levine/Corbis via Getty Images

Loop Images / Contributor/Getty Images

Popular shopping areas in London, such as Brick Lane, have been targeted by a growing anti-gentrification movement as the cost of commercial rents soars and threatens to force out smaller businesses

When retailers are victims of their own success

Retail success can sometimes lead to the decline of an area as rents and business rates soar forcing out even big brands

MATTHEW CHAPMAN

Gentrification is often blamed for displacing local businesses and residents, but it is now such a powerful force it is even pushing big brands out of fashionable areas.

The case of Bleecker Street in New York suggests peak gentrification has arrived. Once renowned for its trendy indies and made popular on TV by *Sex and the City*, Bleecker Street soon attracted the attention of major brands.

A Marc Jacobs store precipitated a land grab by major retailers and at one stage Marc Jacobs had six outlets on the street. The surge in popularity caused spiralling rents until even the multinational retailers baulked at the expense and began to withdraw, leading to a parade of empty shops.

Anthony Selwyn, head of central London retail at Savills, warns there are five or six areas in the capital that are "not too dissimilar" in profile to Bleecker Street.

Among these areas Conduit Street and Dover Street have seen rents climb 83 per cent and 80 per cent respectively in the last five years, according to Savills' research.

"It is only now you are beginning to work out which of those areas are sustainable and why," says Mr Selwyn. "To a certain extent the only way that locations like that are sustainable is if they maintain an offer that isn't copied all over.

"That might mean that for somewhere like Bleecker Street they have to go back to go forwards. If I was a landlord, I would be trying to attract the right brand at a lower rent to try and get it off and running again."

Philip Hubbard, professor of urban studies at King's College London, believes that while gentrification can economically improve an area this can come at a cost.

He argues even the early stages of gentrification can be damaging for locals because, when driven by middle-class artist groups from outside the community, it can replace the existing infrastructure.

Professor Hubbard says this can be seen in the pop up shops emerging in Margate, the coastal Kent town that has become a bolthole for former Londoners.

Once the long-standing communities have been marginalised, the new influx of residents are themselves later alienated by the area losing the character that first attracted them to it.

"Gradually that bohemianism is drowned out in a sea of cappuccino and flat white coffee, and suddenly you have something that is much more corporate and geared towards a corporate financial class, and the area is a financial asset rather than a space of living," says Professor Hubbard. "It becomes a space of exchange rather than a space of use."

Savills retail research director Marie Hickey believes no one is to blame because gentrification is "the nature of basic economic theory".

"It is not the big bad landlords forcing people out," says Ms Hickey. "The market dynamics are being driven by the change in the residential profile of the area, and that starts a chain reaction where new entrants come in, the demand for space increases, that drives the rental growth and then those existing retailers may not find the location profitable any more."

> The rapid spread of gentrification could eventually lead to investment coming full circle

Mike Cherry, the national chairman of the Federation of Small Businesses (FSB), proposes authorities take more action to support the small businesses that are "at the heart of successful high streets".

The FSB is campaigning for interventions including a fundamental review of the business rates tax, which is accused of being regressive and hitting those in prime locations on the high streets the hardest.

"Once small retailers have added vibrancy to a local area, some see their rent increase and their business rates will rise in line with the rateable value of their property at the next revaluation," says Mr Cherry. "So the thanks they get for rejuvenating high streets can be higher rent and rising rates. Landlords then keenly eye up potentially even higher income from chains."

The FSB is pushing for an extension to the Asset of Community Value regulation, which protects sites of importance to the community from redevelopment.

"When a landlord is reviewing its lease and wants to hike rents and get in a chain, we would like to see the ability for the local community simply to express its desire to keep a small business there," explains Mr Cherry.

FSB research shows small businesses have a halo effect on the local economy because for every £1 spent with a smaller business, 63p is respent in the local area, compared with 40p for larger firms.

An area in London that is undergoing significant redevelopment is Lower Marsh in Waterloo and one local business owner believes the death of small businesses is damaging the capital's international reputation.

"Small businesses are closing down left, right and centre, and it is not a good sign for tourists," says Lee Williams, owner of vintage clothing and memorabilia retailer Radio Days. "I've spoken to a lot of tourists and many are not coming back again because they can see London is the same as everywhere else around Europe, and they are getting sick and tired of seeing the same old thing."

However, Professor Hubbard believes the rapid spread of gentrification could eventually lead to investment coming full circle, although he fears for the lasting damage to communities.

"We will see gentrification rippling out into unlikely places such as provincial and seaside towns, and then ultimately it will begin to go back again and we will probably find there may be bigger city centres that begin to decline and they will be seen as the opportunity again," he concludes.

E-COMMERCE

Keep it simple and you are more likely to get shoppers' clicks

In an age of increasing mobile retail, less can be more when designing an effective website suitable for a smartphone screen

FINBARR TOESLAND


Tranmautritam / Pexels

It's no surprise to hear that Amazon dominates the e-commerce market, but their true grasp on the industry is staggering. According to data firm Slice Intelligence, Amazon accounted for 43 per cent of total US online sales in 2016, with this figure on course to reach 50 per cent in 2021. Squeezed retailers are increasingly looking at innovative ways to improve the customer experience and compete in this intensely crowded online environment.

Many e-tailers have begun to turn their attention to website designs that focus on ease of use and simplicity, eschewing long-held beliefs of what an e-commerce website should look like.

"For some time, the accepted wisdom among e-commerce retailers was that a grand online offering, encompassing all manner of features and product versions, was the only route to success. Yet these websites invariably fall short of these lofty expectations due to the immense pressures involved in maintaining a fast, responsive experience that matches the pace of customer demand, particularly where the mobile experience is concerned," says Perry Krug, principal architect at database provider Couchbase.

Digital performance company Dynatrace found that UK retail sites, which do not eliminate unwanted, data-heavy features, risk turning customers away. A Dynatrace report revealed that retail websites in the UK took 25 per cent longer to load in 2016 than they did in 2015, up from an average response time of 2.9 seconds to 3.7 seconds. While a 0.8-second increase may not seem all that dramatic, it does become a major issue when a 0.5-second rise in load time leads to an 11 per cent reduction in site conversion rates.

David Bloy, director of web design agency Bluebox, says his clients are clearer than ever that the website they are commissioning is there to do a job rather than be an artistic expression. "Of course, design is still incredibly important, but what we are seeing is web design aligning itself more with a discipline like product design, where the design aspect is integrated with function rather than being merely decoration," he says.

Much research has been done to uncover the psychology of the online shopper and to find out exactly what they want to see on e-commerce sites. By using techniques at the testing stage, such as eye tracking, where a sensor measures exactly where on the screen a user is looking, retailers can discover what works. The results of these tests clearly show what viewers are drawn to and make removing unnecessary content easier, allowing negative space to frame the most important information.

Bricks-and-mortar retailers aren't able to just duplicate their in-store experience to the digital environment. "When somebody walks into a physical shop they are in the mood to buy, closing the deal is easy. Online retail is different in that you have to build the desire to purchase over a much longer and much more complicated journey. People rarely impulse buy online, they will do their research first," says Andrew Larking, creative director of digital agency Deeson.

However, the same approach to behavioural psychology can often be translated successfully to a retailer's e-commerce platform. Placing high-margin items to the left of the main entrance, when most people walk into a shop and look left, is an effective way high street stores use psychology to nudge shoppers into purchasing. Featuring just a few leading products on an e-commerce home page and removing clutter can lead the customer into the desired conversion path, creating the same nudge effect physical shops produce.

Personalisation technologies help to scale down choice and present only the most relevant content to customers, leaving e-commerce websites free from trivial content that damages the customer experience. But it's vital for retailers not to rely overly on hyperspecific customisation, as tracking systems and psychometric profiling can only go so far.

> When we create designs that clearly signpost what we want users to do next, they are much more likely to do it

"When they fail, they really fail," says Mr Larking. "People don't like to feel pigeon-holed and online retailers that give incredibly targeted ads and product suggestions often feel creepy, and more often than not get it wrong. This can have a negative impact and erode the value of the brand."

Simplicity in e-commerce design is in part driven by the increasing amount of research which clearly indicates that visually complex websites are viewed as less attractive than simpler ones, but the growth of mobile shoppers is also pushing retailers to consider pared-down e-commerce sites.

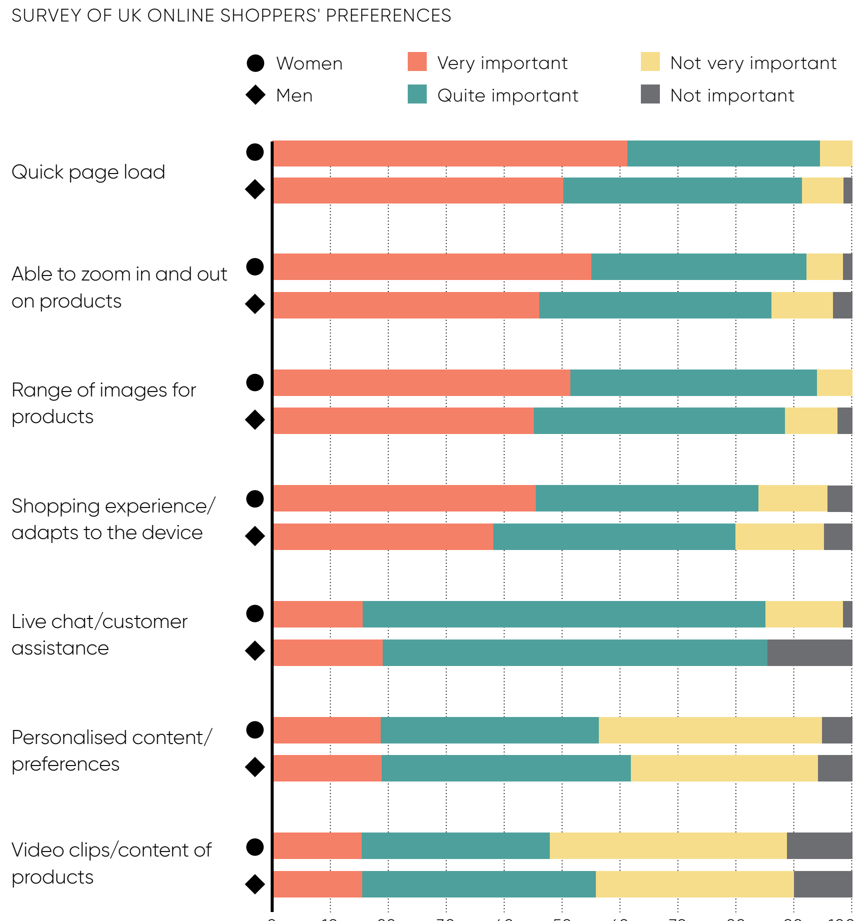
"It is stating the obvious, but mobile devices simply don't have the screen space of desktops. For us as web designers, that means every element of a design needs to earn its place. That alone drives you down the route of simplicity over complexity," says Mr Bloy at Bluebox.

There are legitimate concerns over simple e-commerce designs, which some retailers fear may strip away the personality of the website or make it more difficult to differentiate themselves from competitors. However, as long as these e-commerce designs are still able to express the core values and product offerings of a brand, then less is certainly more in this case.

"We have seen it ourselves that simpler designs work better. When someone on a web page is offered a whole host of options – 'click here', 'download this', 'sign up now' – the result can be choice paralysis. On the other hand, when we create designs that clearly signpost what we want users to do next, they are much more likely to do it," Mr Bloy concludes.

IMPORTANCE OF WEBSITE FEATURES

SURVEY OF UK ONLINE SHOPPERS' PREFERENCES



Tryzens 2016

CASE STUDY

ASOS


IanDagnall Computing / Alamy Stock Photo

Founded in 2000, online-only fashion retailer ASOS has become a major player in the apparel industry without opening a single physical store. The pure-play retailer has embraced a more simplified website design, based around a search bar at the top of page and curated content below. For a website with more than 80,000 products, this is no small feat.

Instead of inundating users with products, ASOS attracts consumers with select images showcasing the latest trends on their homepage, providing uninspired shoppers with ideas to kick-start their buying journey.

"ASOS have worked hard to move consumers away from relying upon the core navigation modules and just using a 'search and find' mentality for products. The new website feels like it encourages consumers to be more playful and exploratory in style by offering items and combinations of items through curated features," says Neil Pawley, principal consultant at user experience design agency Foolproof.

This simple and intuitive design has undoubtedly contributed to the significant improvements ASOS has seen in both user metrics and sales. ASOS reported a UK sales boost of 18 per cent in the six months to February, seeing total sales reach £889.2 million over this period.

ASOS's active customer base in the UK broke the five million barrier in early-2017, up by almost 30 per cent year on year, with no sign of slowing down. "By focusing on making search really easy to use, making product discovery easy and heavily investing in a strong mobile UX [user experience] strategy, ASOS have been able to grow to the juggernaut of fashion retail they are today," says Jon Darke, UX director at Every Interaction.

COMMERCIAL FEATURE

From simple transaction to unique insight

Retailers' budgets are shrinking and competition on the high street and internet is fiercer than ever, but what if there was a way to use existing technology to forge stronger relationships with customers?

TruRating.

A fast and simple system developed by new tech disruptor TruRating allows stores to collect valuable insight in the split second it takes to tap a keypad button.

TruRating enables retailers to make more of their card payment terminals by turning them into mystery shopping tools for the technology age. While they wait to pay, customers are asked to rate an element of their shopping experience on a score of zero (awful) to nine (amazing).

Not only does it allow stores to gather vital information about customers' likes and dislikes, it also gives shoppers the satisfaction of knowing their opinions have been heard, but without the hassle of answering questions and filling in forms through a traditional market research survey.

It becomes part of the shopping experience and makes the most of the payment device, seamlessly turning a simple transaction into a two-way dialogue.

CASE STUDY
Australian retailer using TruRating

TruRating showed customer perceptions of value were poor

$440k
revenue increase predicted by TruRating if addressed

Staff training introduced focus on benefit-led rather than feature-led selling

4%
immediate increase in value ratings, despite prices remaining unchanged

11%
week-on-week increase in spend

Only one question is asked per transaction, from a rotating set. Five are standard core questions common to companies across the sector, rating service, experience, value for money, product range and whether they would recommend the store.

In addition, retailers can ask their own customised questions to probe particular issues. This can be literally anything from the perception of their window display to the friendliness of the staff or even the type of music being played.

While the concept is simple, the "little but often approach" provides a sophisticated databank that includes time of purchase and the transaction value, and therefore the unique capability to link each rating to product information, promotions and discounts, staffing, the type of payment and loyalty. For the first time, businesses can link sentiment to spending right at the point of purchase and track just how much more happy customers spend.

Stores can benchmark themselves against the competition and measure sales and satisfaction against the time of the day, day of the week, staff rosters, different branches, and the impact of promotions and changes in operations.

Customers' ratings and competitors' scores are collected anonymously and aggregated, and within hours of the data being captured can be viewed by users on a dashboard, delivered online or via mobile.

Founder and chief executive Georgina Nelson says: "Our system allows you to hear the opinions from the majority of your customers in a fair and unbiased way, so you can trust the scores they give and the information you can draw from it."

As the service expands, companies and individual outlets will be able to display their ratings on a profile page as TruRating develops into an international customer recommendations site. The disruptor is set to challenge existing platforms such as TripAdvisor and Yelp thanks to the volume and validity of their customer ratings, with an average 88 per cent consumer response rate to date.

Ms Nelson adds: "The advantage of our site is that it is honest and representative, and there is no false user-generated content, so there can be no untrue reviews, whether that's an undeserving five-star rating or an unfair bad review."

Launched in 2013, and headquartered in London, the company has already collected more than four million ratings through its existing operations in the UK, Ireland and Australia. It is at various stages of talks with all the major payment service providers and this year has begun to roll out in the United States and Canada.

The system has been developed to work in stores, but it can also be used online, allowing users to measure the performance of shops against their online sales, and providing an important weapon in the armoury of retailers as they look to find the most profitable approach in an increasingly online world.

Many of TruRating's existing clients come from the hospitality sector, from which retailers can learn valuable lessons about how the warmth of service and staff motivation are critical.

> The advantage of our site is that it is honest and representative, and there is no false user-generated content

"Shoppers don't just want a product, they want an experience, a bit more bang for their buck," Ms Nelson says. "And retail is not a sprint, it's a marathon where you must continually tweak and adjust elements of your performance to meet customer expectations and brand perceptions. Every little bit counts.

"We are able to gather mass opinions, rather than one or two random views a day. The data points might be more succinct, but they are ongoing and offer the whole picture rather than sporadic feedback."

Using TruRating, one Australian retailer discovered an opportunity to bring in an extra $440,000 in annual revenue if they could just change customer perception that their value for money was poor. Management acted fast, leaving prices as they were, but introducing a staff training initiative that encouraged employees to focus on benefit-led selling rather than feature-led promotion. And it worked. The retailer saw a 4 per cent increase in customer value ratings and a steady increase in spend over the test period by an average 11 per cent week on week.

TruRating says businesses typically hear from less than 1 per cent of customers and that for every one complaint there are 26 silent but unhappy customers. Its statistics show that one in ten retail customers are disappointed with the service they have received; a significant lost-revenue opportunity, given happy customers spend on average 10 per cent more than unhappy customers.

Ms Nelson says: "One of the main advantages we have is the sheer number of customers we enable retailers to hear from at a comparable price to conventional market research which generally will cover only a few."

What begins with a single question at a routine stage of the shopping process provides valuable feedback and the opening of a dialogue between shop and customer.

Through TruRating, existing transaction hardware becomes an avenue for communicating with customers, making other feedback channels obsolete. A little button offers a big opportunity to turn a second-long action into a long-term relationship with a big impact on the business.

For more information please visit www.trurating.com

CONCEPTS

Hits and misses of retail marketing

Physicist Niels Bohr said, “It’s hard to make predictions, especially about the future.” Retail is dogged with false dawns and dodgy concepts. Here are three of the most notorious turkeys, plus three promising ideas which are proving that sometimes it’s the sceptics who are wrong

CHARLES ORTON-JONES

MISSES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QR CODES

Just six years ago, the hyperbole around these boxy bar codes was breathless. A *Retail Week* columnist babbled: “An invasion seems to be under way, spreading across posters, print ads and now into retailers’ stores, and on to the very packaging of products. What am I talking about? QR codes, those small boxes full of black and white dots that seem to have spread like a virus across the UK.” Well, like a virus, QR codes in marketing are debilitating and best avoided. Why? QR codes are slow. The consumer has no idea where the embedded link takes them. They look ugly and take time to scan. For aircraft check-in and logistics purposes, QR codes work pretty well. But marketing? Alas, no.

LESSON
A product can look futuristic without being the future.

PROXIMITY PUSH ADVERTISING

Retailers loved the idea of sending vouchers to consumers’ phones as they walked past a store. Of course they did. The prospect of targeting a consumer when they are in position to buy is mouthwatering. For example, in 2011 Red Bull pinged out coupons to anyone passing by digital signage at point-of-sale terminals via Bluetooth. Consumers saw it differently. Getting messaged by random brands is annoying. Leaving Bluetooth on for third parties to connect to is a security risk. Push advertising still isn’t dead. Apps are using GPS to adapt behaviour and trigger notifications. Google Nearby service makes it simple for developers. Getting it right though is seriously hard.

LESSON
Spam via Bluetooth is still spam.

GROUP BUYING POWER


ChristianChan/Shutterstock

Buy in bulk and you can negotiate a discount. This concept led to a plethora of group buying dotcoms which promised consumers marvellous discounts. The progenitor was LetsBuyIt.com. This Swedish website allowed consumers to gang together to buy music systems and clothes at reduced prices. The site raised staggering sums in the original dotcom bubble. Imitators arose, such as Comunia and MobShop. None prospered. LetsBuyIt went bust in 2001. Since then the idea has tempted entrepreneurs, but the only model to work has been based on producer-crafted discounts. Groupon, Wowcher and LivingSocial are doing well.

LESSON
Not all retail business models will work.

HITS

CHECKOUT-FREE SHOPPING

The biggest pain of going to a shop is the checkout; standing in line, then scanning goods and repacking. What if we could just walk out the store holding our purchases? Amazon Go promises just that. According to the company: “Our checkout-free shopping experience is made possible by the same types of technologies used in self-driving cars: computer vision, sensor fusion and deep-learning.” The result is “just-walk-out technology”. Let’s be clear. This is a really difficult goal to achieve. Amazon’s approach requires complex algorithms to fuse camera footage together. The neural network approach is beyond most retailers. Amazon is also experimenting with radio-frequency identification or RFID tags to corroborate the sensor readings. There are losers, including the army of staff made redundant. However, when this technology comes of age, it’s a profound game-changer for retail.

LESSON
Queues will soon be history.

DRONE DELIVERY

In February, UPS tested an eight-rotor drone called HorseFly able to carry packages of 10 pounds for 30 minutes. It’s an autonomous unit as no human needs to steer it. HorseFly recharges on the roof of an electric delivery vehicle. During docking the UPS driver can load it up with packages. Fans say drones like this are the future of last-mile fulfilment. The United Nations has used drones to drop condoms in rural Ghana. A Swedish experiment tested the delivery of defibrillators by drone. The study author said: “We may increase chances of survival significantly by delivering a [defibrillator] within the very first minutes.” There are hurdles. Bad weather can affect drones. The law is restrictive. And households may resent the whirring overhead. But the benefits are obvious, including rapid delivery, lower environmental impact and new business models unlocked. The technology is ready to go.

LESSON
Drones are on the cusp of going mainstream.


BORIS HORVAT/AFP/Getty Images

PROGRAMMATIC ADVERTISING

eMarketer estimates nearly four out of five US digital display dollars will be programmatic this year. The market will rise by 50 per cent to $46 billion in 2019, comprising 84 per cent of online ads. And to think, within recent memory advertisers relied on untargeted banner ads placed by humans. Programmatic automates the media-buying process. A subset is real-time bidding. With this, spaces are auctioned off in milliseconds. Buyers factor in dozens of variables into an automated bid. Factors include the consumer’s operating system, cookies, location, company inventory and even the weather. The key is the staggering amount of information consumers offer retailers; browsing history is eerily accessible. It is even possible to do “stateless tracking”, without cookies, instead using things like battery level, available fonts, extensions and other seemingly irrelevant features.

LESSON
Ad buying will keep getting more personalised.

OPINION COLUMN

‘The rate of change within retail is quickening as the digital revolution reshapes the industry’

HELEN DICKINSON
Chief executive
British Retail Consortium

The UK retail industry is world leading. We can buy any product any time we want in any way we want. But the industry is undergoing a transformation more profound and far-reaching than any that has gone before.

Social, financial and technological pressures are creating a revolution that is inspiring retailers to transform what they do. Physical retailing is changing and the role of the store is being reimagined, while customers’ behaviour and expectations of retail experiences are evolving as quickly as the technology itself.

Some 100,000 people are employed in retail jobs that did not exist five years ago and about 15 per cent of sales are online, growing at 10 to 15 per cent a year. This means retail is becoming more productive, powered by better jobs. Where once retail jobs were stigmatised as just shelf-stacking, the industry is now a leader in offering opportunities in roles as diverse as app development, microbiology and events planning.

But the challenges are stark. The rate of change within retail is quickening as the digital revolution reshapes the industry.

The effect of these changes is compounded by a perfect storm of cost pressures. With a weak pound, input costs are rising fast and retailers are managing the introduction of the apprenticeship levy, and further uplifts in the national living wage and business rates, all at a time of increasing competition, four years of lower prices for customers and within an industry with very small profit margins. Brexit will, of course, bring further change.

What many shops do may change in the coming years. For many retailers, the future role of shops may be partly showrooming, partly collection points, partly a space to hold events and provide experiences and services that you can’t get from an online competitor. In the age of the individual, today’s discerning shopper wants a targeted, personalised retail experience that matches their buying habits.

That changing customer experience means retail jobs are changing too and the “people agenda” has never been so important. It will be a technological revolution, but one that is driven by retail’s people. Retailers need to keep finding new routes to engaging their people in ensuring their business is as productive and high performing as it can be.

We know from our research that a majority of employees feel they are overqualified for their jobs and, while many have ideas for improving their business, few feel their ideas are taken seriously. And many feel a lack of support or encouragement to go for promotion, for example. This all needs to change.

Customers will get better choice, more convenience and more personalisation in the coming years, while retail will see greater productivity and better, more rewarding jobs.

Our industry has a strong track record in training its people, and giving them the right skills and experience to succeed. It is making headway in understanding what to change now and how to make this happen.

Achieving this vision requires companies to respond individually, collaborate and partner effectively with government on people, pay, progression and productivity. As retail adapts, it will be incumbent upon the British Retail Consortium, with industry, to work with the government towards making the right choices of where and what to invest in.