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The changing world of Retail in the UK

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Cormack Consultancy Group

- MD Cormack Consultancy Group – 16 years Assisting companies Internationalise - offices in: UK, Latvia, Lithuania, Romania, Portugal, USA, China, Brazil, +40 countries
- Ex Tesco Trading Director
- Mentor / Coach /Trainer - Scottish Development Agency
- Trainer - Invest Northern Ireland
- 25 years working at Director Level
- Doctorate in Customer Retention, MBA in Retailing, Degree in Marketing
- Lecturer – International Sales

  Entrepreneurial Leadership

  Professional Selling

Today

- Changing retail environment in the UK
- The use of data – future of retail.
- Traditional Marketing v's Social Media Marketing
- Opportunities across the globe. (based on CCG's offices experiences)

UK Retail environment General

- Overall retail sales +2.2% Jan 2015 to 2016
- Online sales continues to grow up 10.4% - dominated by non food
- Widespread discounting in all areas
- Prices reduced overall by 2.8% (continuing the trend down for 23 months in a row)
- Issues facing retailers: Cost of doing business on the increase,

  Labour, Manufacturing, Raw Materials, Rents and Leases all increasing.

  Introduction of the new living wage, (Increased min wage)

  Cost of logistics / transport continuing upwards.
- Shoppers are expecting discounts to entice them to shop.
- Pressure on profit by retailers passed to already pressurised manufacturers
- Petrol, food and energy bills all coming down
- Increase in credit borrowing – showing a willingness to spend

What areas are increasing in sales

Luxury goods both food and non food. Are not affected.

- Health and Beauty +8.7%
- Electrics +3.6%
- Furniture +3.2%
- Homewares +1.6%
- Non Food overall increase +2.9%
- Clothing and Footwear 0.0% Flat-lined weather too mild in winter – sales to clear stock
- Shop prices came down -2.6% = therefore volume up at lower prices.
- Average spend on clothing per week in UK £726m (London £136m per week)
- Opportunity : **1.** Retailers now looking at trans-seasonal products to avoid deep discounting to reduce the need for seasonal clearances.

  2. Can you manufacture at lower costs for UK volumes.

  3. Are you in the luxury goods business.

  4. **C**orporate **S**ocial **R**esponsibility high on agenda

Home wear. Jan 15 v Jan 16

Home, bathroom, kitchen, textiles, decorative, lighting.

- Overall up 2.2% however was growing 6.4%. Now continuing downward spiral.
- Online sales again up 10.4%
- Prices overall down 2.6% (Volume up)
- Average weekly spend £226m total. 4% of consumers total spend.
- Expectation: Growth to be 5% by end of 2016, due to:
- Housing market to improve,
- Mortgage approvals increasing
- More single homes / families
- Luxury retailing again expected to perform well. Impact of tourism.
- Non food gaining more popularity in grocery stores at higher profits than food

Grocery July 15 v's June 16

Kandar

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	2015	2016	Diff
Tesco	28.5%	28.2%	-0.3%
Sainsbury	16.5%	16.3%	-0.2%
Asda	16.4%	15.6%	-0.8%
Morrison	10.9%	10.8%	-0.1%
CO-OP	6.3%	6.3%	n/c
Aldi	5.6%	6.1%	+0.5%
Waitrose	5.0%	5.2%	+0.2%
Lidl	4.0%	4.4%	+0.4%

- Big 4 most losses
- Aldi / Lidl gained the most and continuing to do so
- Asda biggest loss (they say due to discounters)
- Waitrose seen to be high end not discounter.

Retail Trends Deloitte

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- Weak Volume Growth
- Convenience being re defined. Reversal of closures, stores as small as 1,000sq ft
- Shoppers either require immediate fulfilment or needs prediction. - Customer service challenge.
- Fierce competition in all industries
- Continued growth of ecommerce using mobile device.
- On line returns up 40%
- 6 out of 10 grocery shoppers enjoying the experience
- Hybridisation - bridge digital and physical – click and collect, pick up points for on line
- Retail and food service partners Tesco and Costa Coffee, Specialists (Hot or deli instore)
- Go faster – same day delivery 7 days per week
- Amazon Prime – food and drink deliveries in under an hour £6.99 – 2 hours free (Prime locations)
- Finding ways to reduce cost of deliveries (most expensive part of process), driverless cars, Drones

Retail Trends

- Social Media commercialisation, “Buy Buttons” integrating commerce with social communications - Brand building

- Organisation restructuring – building the company around the customer experience rather than the channel.

- Bring internal departments together for real time trading

- New 4 p’s
  Profit – where do they make their money.
  Productivity - from store layout / On Line
  Payments – speed / contactless/ security/ Checkouts
  Personalisation – using data to predict needs / Patterns / Truly personal

Summary

- Health and Nutrition – Government v's Shoppers.

Threat to some foods (High Sugar and Salt). Opportunity for innovation and product improvement

- Online must work. Reduced loyalty - customers will switch
- No one stop shopping now little and often
- Limited ranges are now accepted due to acceptable quality specs.
- Ruthless culling of Brands, open up space for more profitable non –food ranges
- Even high end products now readily available i.e. lobster tails.
- Attitude has change from hiding discounters brands to being proud of a bargain

- Cheap no longer acceptable needs to be quality at a price.

- Discounters profit coming from £ per sq foot, time to move people through the store, 2 x barcodes for faster scanning, no packing, less queuing, less staff, reduced stock holding

- Aldi had 800 in range now 1200 (Tesco 50,000)

- Can you manufacture for 62 m population, or parts of the UK Scotland, Wales,?

- What about Ireland (Euro) not as price competitive. 4.5 m population

- Growth in discounters is plateauing in Germany

- It's the middle space that is up for a fight. But needs a story to tell (USP)

The Use of Data / technology in Business

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- Technology no longer a future concept now seen to be a here and now.
- Its shaping companies strategies.
- Brings more simplicity to some processes but also more complexity to the overall environment. (need to do something with the information you generate)
- Companies need to look at budgets in a different way, how they spend their money
- Risks are higher (Cyber security – expensive necessity)
- Issues: Speed of change / New skills required / NPD / Processes/ Competition / costs / Efficiencies
- Marketing, Logistics and NPD now not developed on beliefs but on actual behaviours that are tracked, the story of your life is now available.
- Companies infer from behaviours and “crowd “ connections.
- Decisions are no longer based on averages but on actuals.
- “Now” society - Impatient customers.
- Loyalty harder to maintain,

The Use of Data / technology in Business

- Data should firstly link all communications together.
- Predicts behaviour both instore, from how long stopping to browse to how long you are on a page, which page and where you go to or what else interests you.
- Creating new business models as businesses now have information about every touchpoint within a business.

Banking: Looks at spending patterns, makes offers based on preferences,

Looks at life events, births / deaths /marriages.   Who is loyal and why - Advice on wealth management - Who should they target and why - Looks at your savings.

Retailer: information at department level, brands, category, demand.

Marketer: Predicts events, Loyalty. Social Media, offers, use of celebrities, promotions, events.

Instore: Virtual fitting rooms, in store ability to order on line, price checking,

Sports venues: Identifies events, personalised information before and feedback afterward and event, offers.

Cars: Driverless – Bristol test.

Big Data

- Now lower cost with high speed, real time information
- Every industry, business function – more accurate easier to obtain.
- Seen to be the key basis of competitive advantage – know and talk to your customer or cut costs.
- Issues: Privacy, Hacking, security, Intellectual property protection (proof)
- Robots – rapidly expanding,
  - Radiology – can read more information in minutes than an human can within their working lifetime
  - Science fiction is becoming fact
  - Only 5 % of roles cannot be undertaken by a robot.
  - 45% of companies looking at using more technology
  - 1/3 of a CEO's times taken up by tasks that can be automated
  - "No Role " not impacted
  - HR only area with less impact or areas requiring empathy / interaction (medical ?)

Big Data

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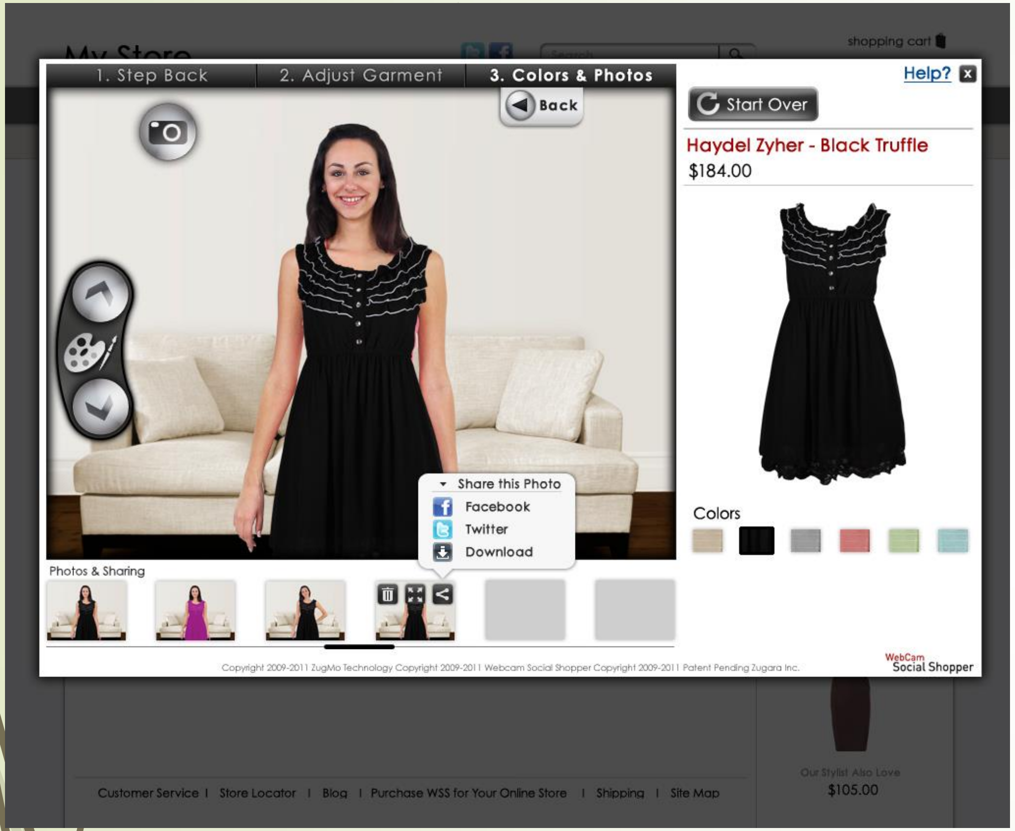
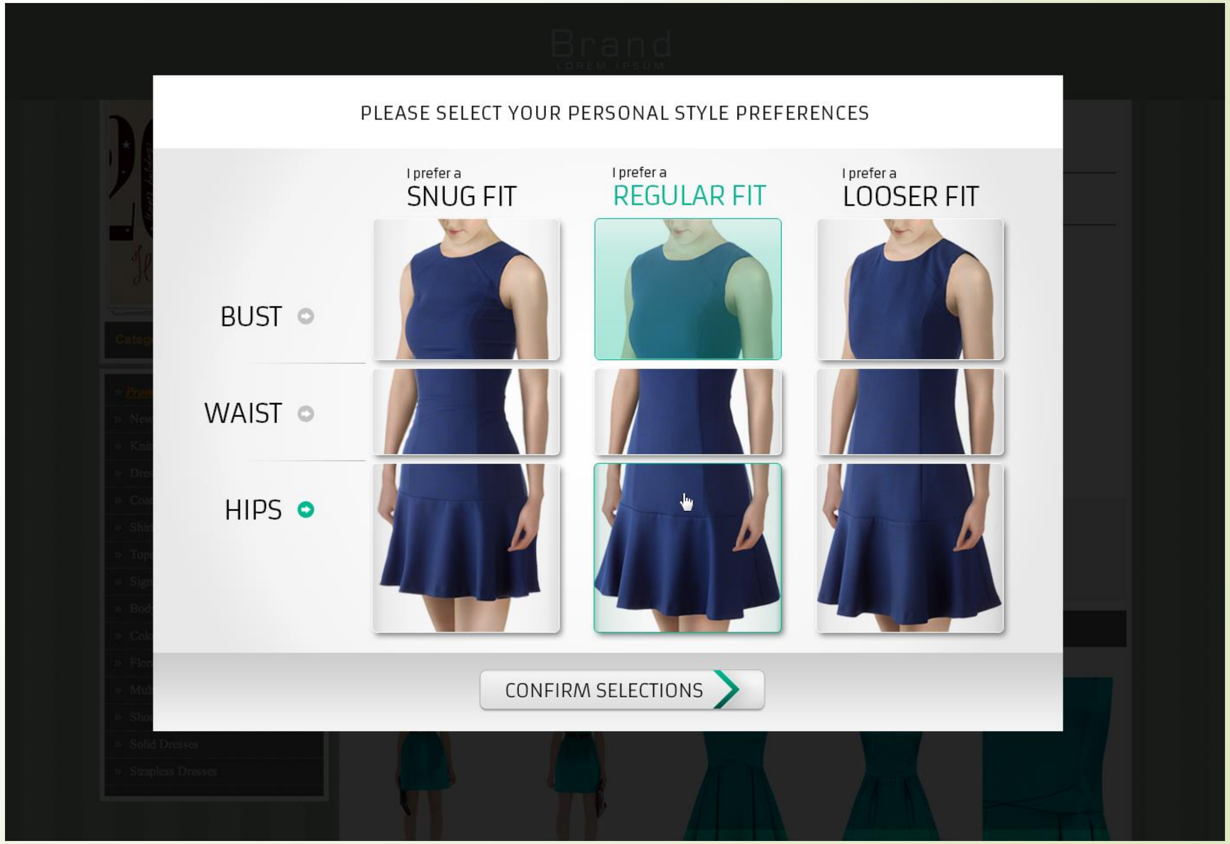
Virtual filling rooms





Trends

- Store identifies when you come in, sends you offers or you can call an attendant if you need one
- Stores send personal offers to your phone as enter the street or pass the store
- Fridges, tells you what you need, can order for you
- Travel, Australia 2 hours.
- Take your measurements as you walk around store and suggest items to fit
- Calculates your bill when putting items into trolley,
- Online configuration of cars,
- Personal shopper apps, becomes alive when you go instore.
- In store mapping, layout the store where shoppers spend most time
- Loyalty - instore coupons as you shop
- Corporate social responsibility important / Green retailing
- No checkouts.

Social Media

- www.youtube.com/watch?v=3SuNx0UrnEo
- Caution: so much information – what to use – to whom, when.
- Watch age profiles – may be using different mediums
- Big brands still mass marketing across media.
- Marketing monies therefore spread thinner
- If using social media its your responsibility to talk back. Can you service it.
- Average teenager no longer using twitter but Instagram, whatsap and snapchap.
- Using celebrities has become important (can be on - line celebrities now seen as experts)
- How do you monetise your site.
- Make up session seen on YouTube now on TV
- Separate social media ads not seen on TV
- Rise of blogging.
- TV no longer key medium

Vision technology

- Reduction is the use of TV
- Video is now the default medium for marketing content
- Twitter views up 220% over 1 year
- Instagram +40%
- Facebook predicted to move to only video in 5 years
- Technical costs are low, smart phones equipped to make video
- Brands becoming more creative, you tube only videos and ads.
- Top shop (fashion retailer) partnered Zoella (you tube presenter) +40 uptake on coupon offered relationship more real (not a celebrity)
- Fine tuning video and ads, mix and match personalised recommendations
- Emotional connection now required, content that surprises, delights or funny all get shared
- Opportunity: hire younger people that understand the future.
- Build partnerships (Diageo and micro brewers rather than agencies)

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Opportunities

UK Rail – high speed

Niche high quality products – all areas) (Luxury goods)

Eco products

Road Development

It Outsourcing

Europe "Ethnic" shelves

Requires high food sandards BRS and IFS

France and Germany especially

USA FDA approval required

Gourmet

Ethnic

Sales tend to go through importers / brokers.

Opportunities

Chicago highest Baltics population in USA.

- **IT** - Software and application development;
- IT Outsourcing (infrastructure management, helpdesk, user support, etc.);
- Hardware development;
- Web resources development and management (website development and management, web-based infrastructure, eCommerce platforms, etc.)
- **Life Sciences –** Technology source or provider
- **Healthcare** - Technology
- **Green technology** - Renewable energy generation and distribution;
- Green construction technologies, techniques, and materials;
- Manufacturing of green products (motors, batteries, etc.)
- **Food processing and distribution** product distribution
- Product Development
- Raw materials
- Ingredients provisioning,
- **Woodworking;**
- **Metalworking and mechanical engineering;**
- **Transport and storage**.

Opportunities

Mexico – Foods in general are of interest however they are used to USA standards, so plan well. Gourmet for supermarket and Convenience

Japan – Only 45% self sufficient, very demanding packaging as important as packaging. Gourmet, highest standards. High purchasing power, Horeca very important, 292.6 B $ in food of which Horeca 214B$

Brazil - Any opportunity that is different from the norm, - Very large market

EUA /QATAR Product and brand important, needs to be innovative. Always looking for "New"