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UK Retail Dynamics

How UK Retailers are adapting their businesses for the future in 2024

Headlines affecting retail

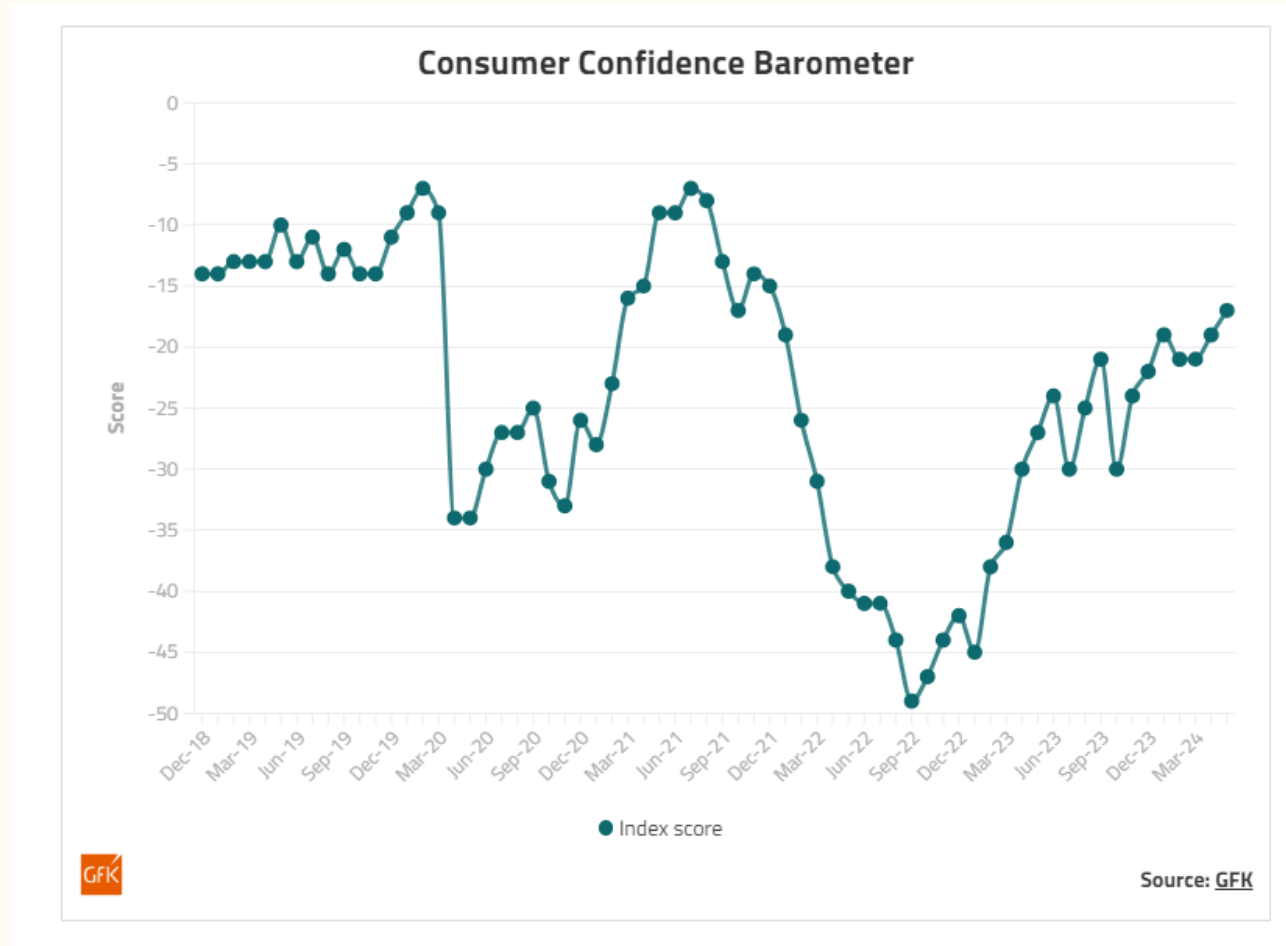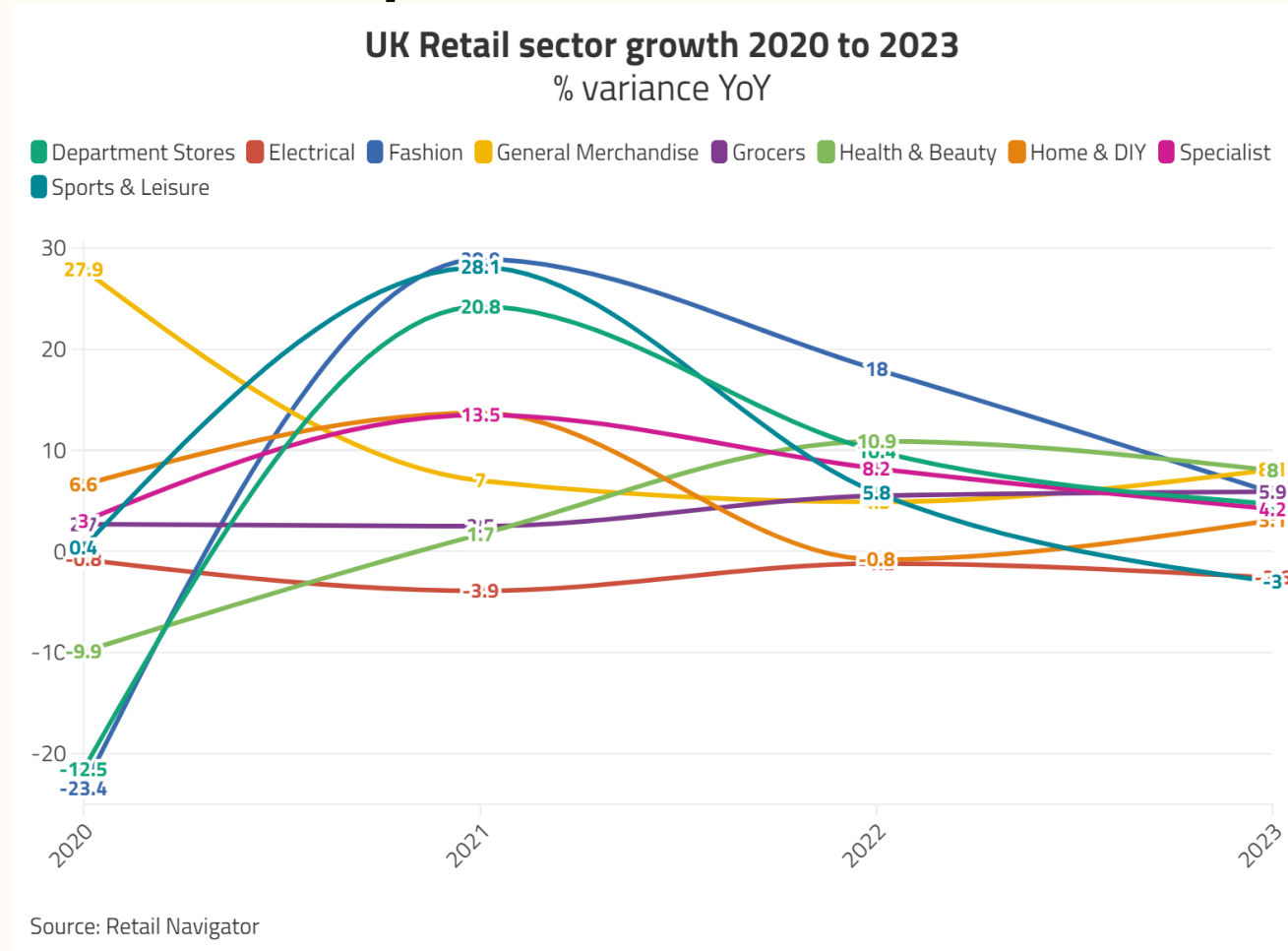**Inflation easing**

General election

Surging retail crime

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Consumer confidence rising

Source: Retail Week / GFK

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UK retail performance snapshot

UK Retail sector growth 2020 to 2023
% variance YoY

● Department Stores ● Electrical ● Fashion ● General Merchandise ● Grocers ● Health & Beauty ● Home & DIY ● Specialist
● Sports & Leisure

Source: Retail Navigator

Source: Retail Navigator - these numbers are compiled from actuals and Retail Navigator forecasts of 150 retailers' UK sales

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Retail Navigator has identified four key areas shaping the market in 2024

Customer obsession drives everything

Elevated in-store experience remains critical

AI adoption, still just scratching the surface

Sustainability hot on the heels of value

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Customer obsession drives everything

Operating in a fiercely competitive retail battleground, retailers must exceed expectations in every business aspect – from customer experience and value, to convenient speedy delivery.

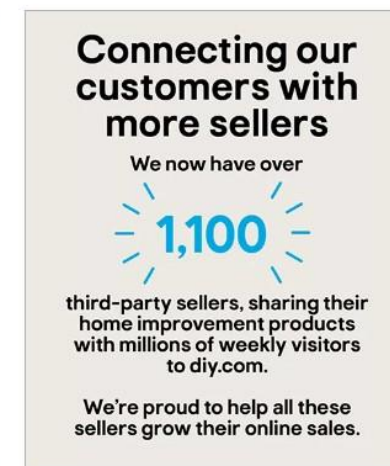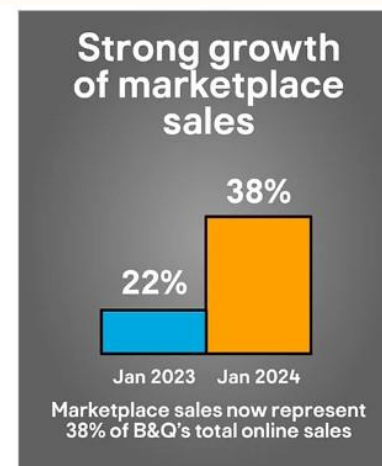Consumer requirements need to drive every business decision and investment.

Key drivers include:
- Launching third-party marketplaces
- Fight of the loyalty scheme
- Harnessing customer data
- Building an ecosystem to envy
- Robust retail cores complemented by relevant, value-adding services
- Elevated omnichannel models

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Case Study : B&Q
Harnessing its marketplace to grow customers and web traffic

- **Online marketplace** introduced in 2022

- Aim to become "a one-stop-shop for your home"

- **Strengthened its foothold in key categories** while pushing into new areas

- Over 30% of marketplace customers are new to its website

- 10% of customers who purchased a 3PP subsequently purchased a 1PP

Customers have significantly more choice with
over
1.2 million
products
across diy.com with an ambition to hit 2 million products
2M

Strong growth of marketplace sales
38%
22%
Jan 2023   Jan 2024
Marketplace sales now represent 38% of B&Q's total online sales

B&Q sellers benefit from our massive traffic
Over
320 million visits
in 2023

Offering over 3,200 home improvement brands

Growing our customer base
50%
50% of people who purchased a marketplace product were new customers who had never shopped with B&Q before

Connecting our customers with more sellers
We now have over
1,100
third-party sellers, sharing their home improvement products with millions of weekly visitors to diy.com.
We're proud to help all these sellers grow their online sales.

Source : B&Q

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Case study: Abercrombie & Fitch

Deeper understanding of its customers fostering next stage of growth

- **"Customer first" mindset**

- 'Denim Your Way' campaign launched after customer feedback

- 'Always Forward' - continued expansion and acceleration of investments in customer analytics

- **Social channels driving growth** – reaching new demographic of shoppers through TikTok

- Users acting as advocates for the brand

Source: Abercrombie & Fitch

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Case study: Pets at Home
Expanding ecosystem supporting all pet care needs

- Ramping up its focus on providing a seamless experience through **launch of its integrated platform**

- Blending products, services and advice

- Customers move frictionlessly between products, services and advice via its app or website

- Platform is underpinned by a **wealth of data.**

- Single identity for customers to fulfil an array of needs

- The app used by shopfloor staff and vets, **seamlessly aiding customers**
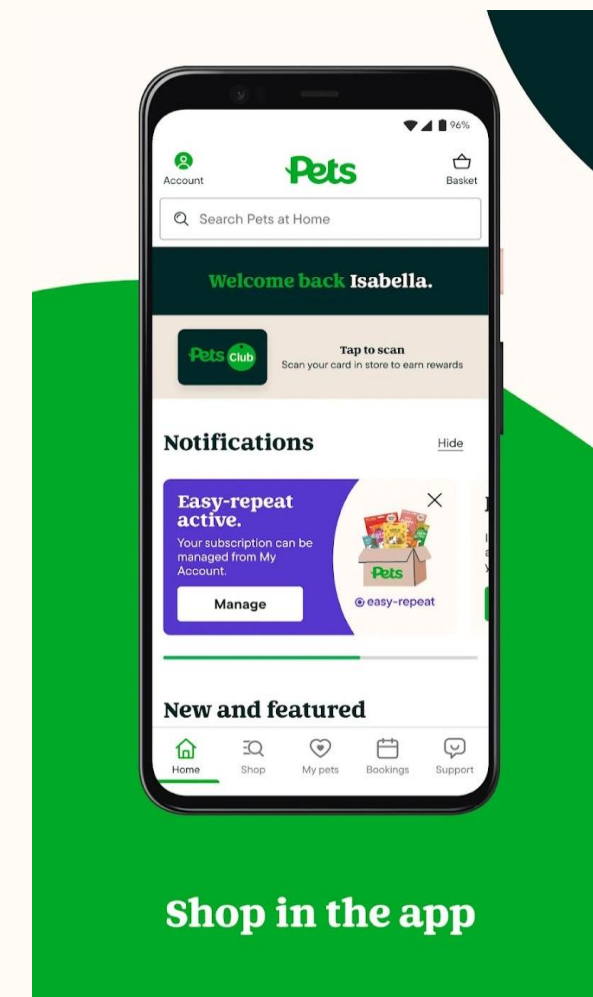
Source: Pets at Home

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Elevated in-store experience remains critical

Retailers are re-imagining stores to create compelling experiences, optimising the balance between physical and online retail facilitating consumers' seamless journeys across channels.

Retailers are tailoring store concepts and sizes depending on location and audience rather than opening flagships for the sake of it.

Experiential retail brings a wealth of benefits:

- Gets people talking/provokes user-generated content/advertising
- Enhances brand authenticity and positive associations
- Immersive retail drives purchases, including additional services
- Encourages loyalty and attracts new audiences
- Pop-up shops are a growing trend for online-only operators – tend to be fun and immersive to capture a brand's personality

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Case Study : Lush

Collaborations growing new customer base

- **Blockbuster partnerships -** From SpongeBob to Barbie

- "Cultural currency should always be prioritised over financial currency"

- Each collaboration brings in on average **30% new customers**

- **Enhancing emotional wellbeing** – A permanent site housing The Poetry Pharmacy launched in 2024


Source : Retail Navigator

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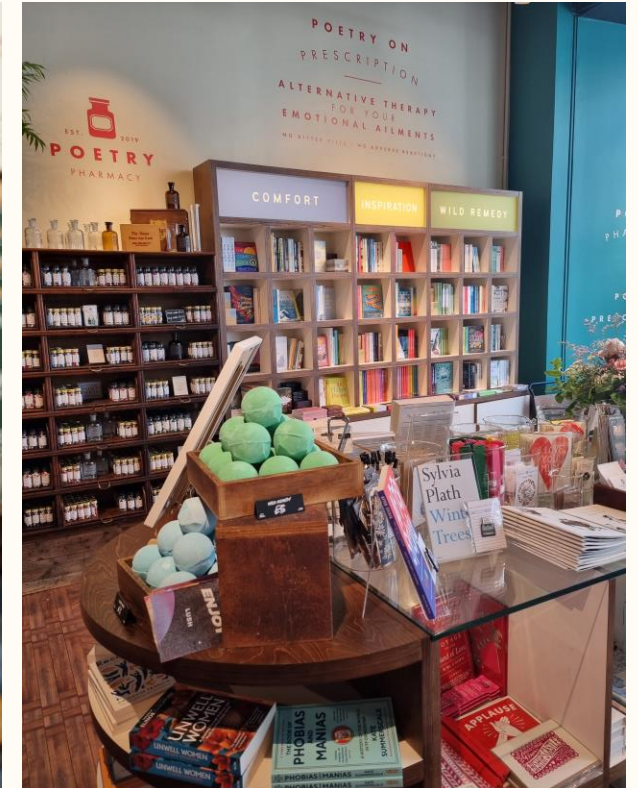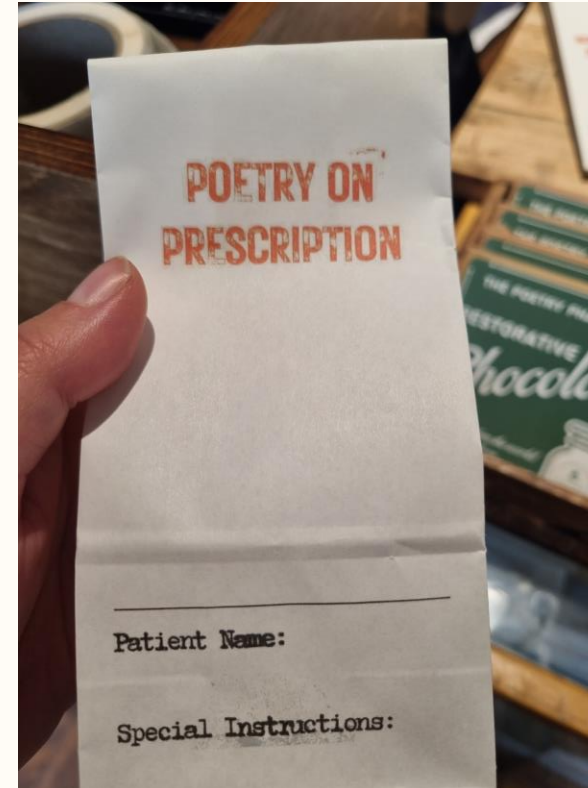
Case Study : Primark
New partnerships delivering compelling store experience

- Partnership with bakery chain Greggs from early 2022

- Launched range of Greggs-branded clothing

- 'Tasty by Greggs' cafe in several flagship stores.

- Limited-edition clothing ranges proved successful

Source : Primark

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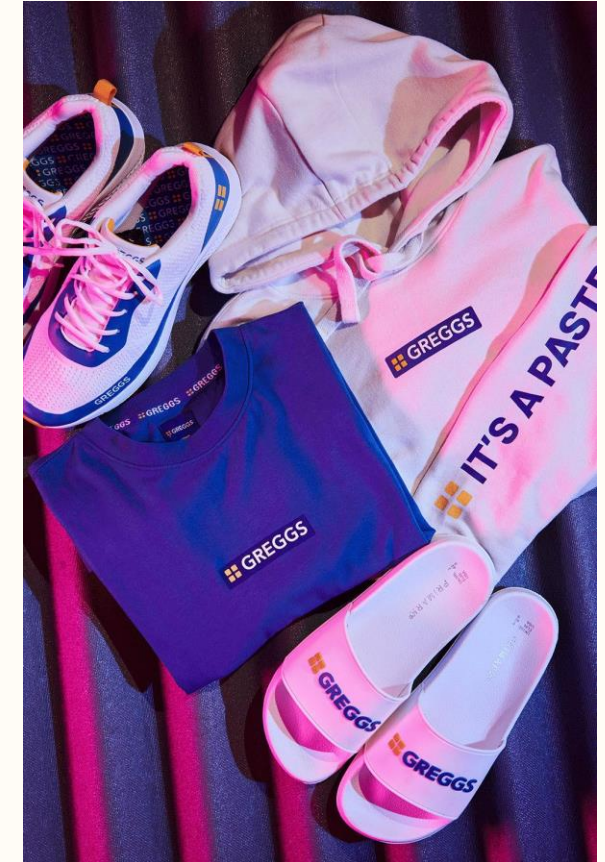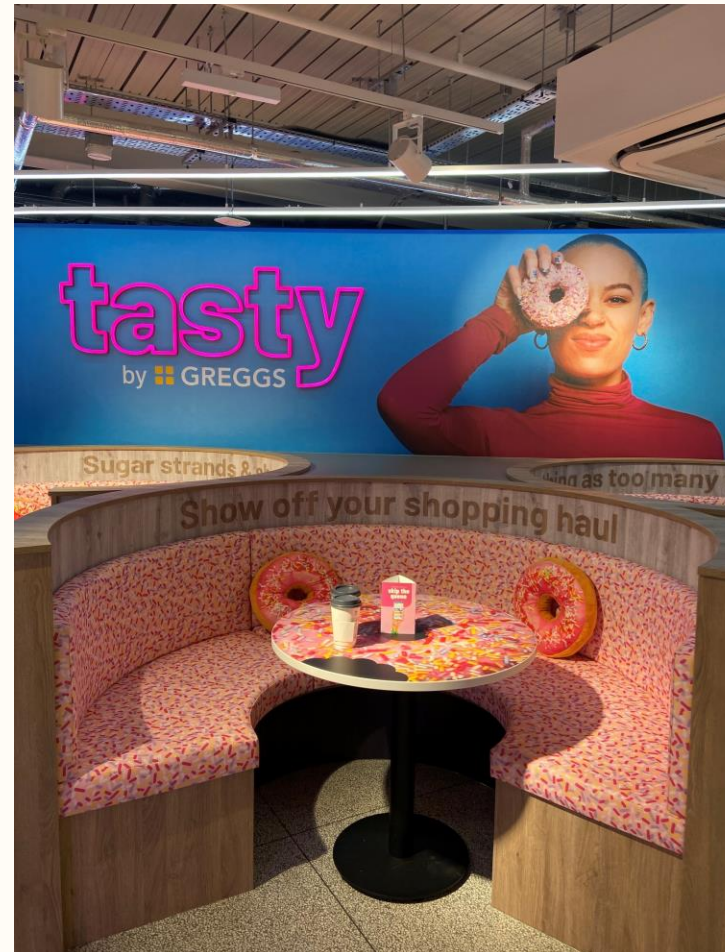
Case study: Boots
Fine-tuning and modernising

- **Overhauling large beauty halls, "bigger and better".**

- Introduced first beauty-only store.

- Trending areas, discovery stations and live demonstration zones.

- Using space to test brands and service innovations.

- Facilitate beauty brand masterclasses

- Fragrance Discovery Bar

- Recycling station

- High-tech skin imaging tool

Source: Retail Navigator

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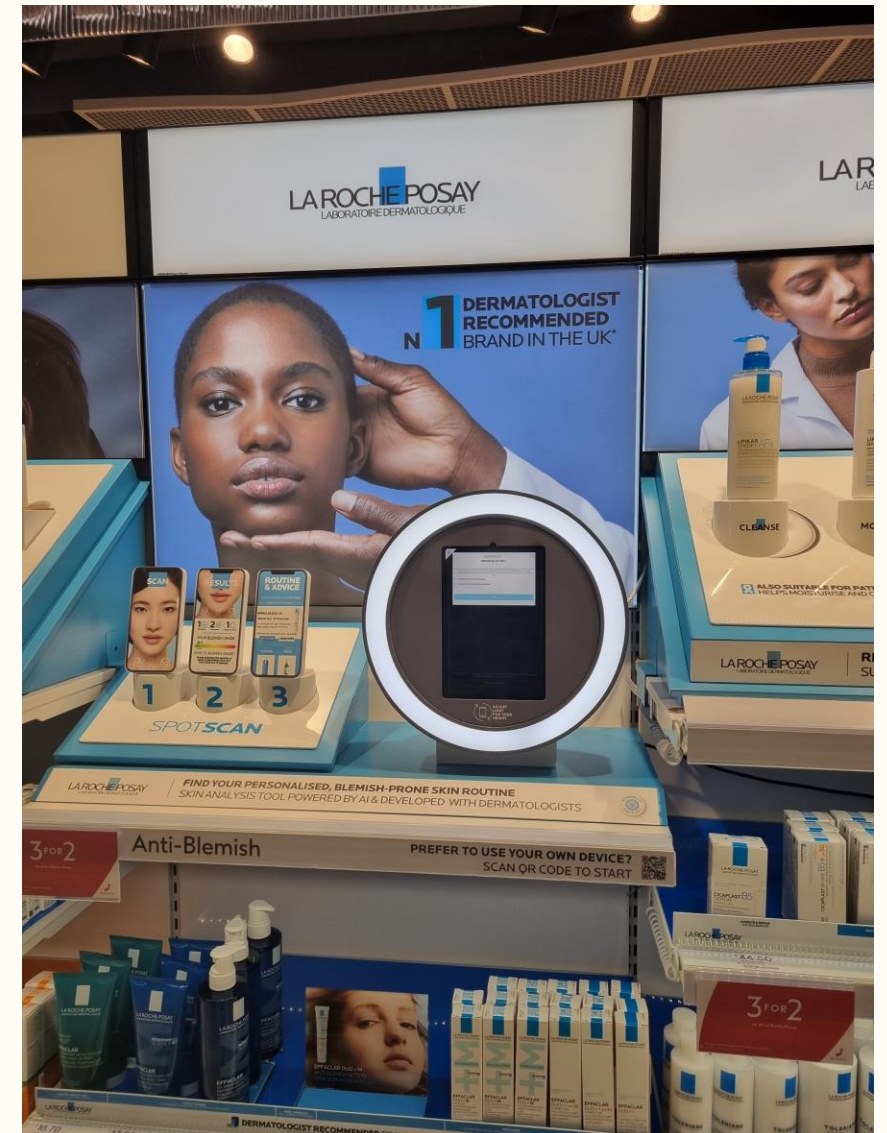
AI adoption, still just scratching the surface

Amazon UK country manager John Boumphrey said generative AI will probably be the "most transformational technology for the retail industry since the arrival of the internet".

Retailers are exploring opportunities to use the technology across whole value chain

This includes:
- Product design & development
- Operations
- Supply chain & logistics
- Marketing & sales
- Customer service and support

Amazon said investment in technology should come alongside investment in people, enabling staff to transition to higher paid jobs.

Source: Retail Week x Grocer Live 2024

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Case Study : Waitrose
Harnessing AI for food innovation

- Harnessing the power of AI to innovate its food offer

- Deployed Tastewise tools as well as TasteGPT to curate recipes and menus,

- Developed Japanese-inspired food range Japan Menyū
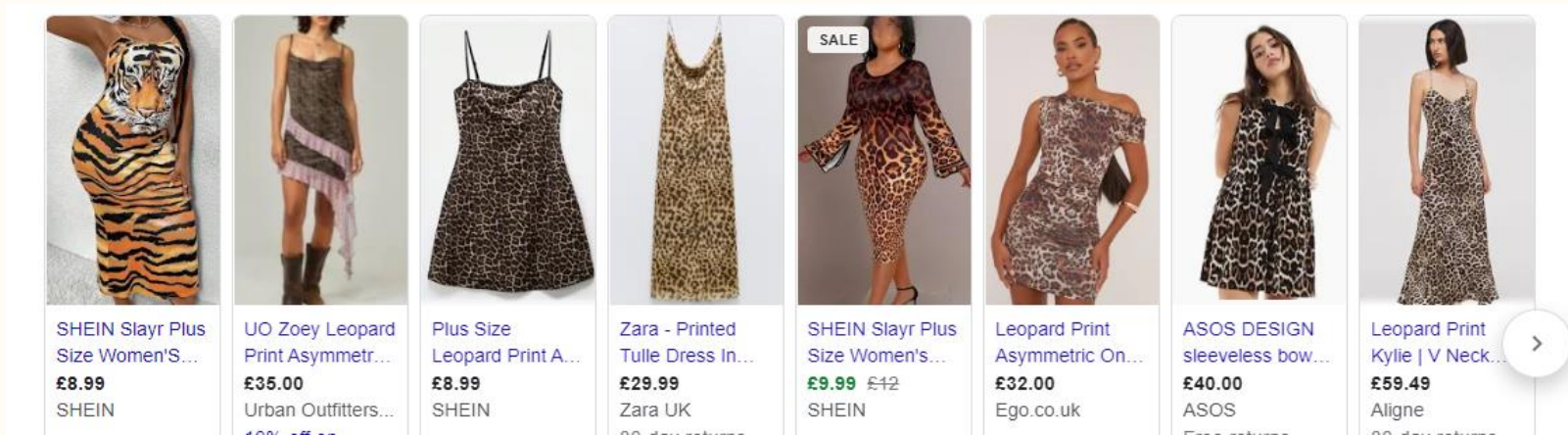
Tastewise identified:

- A 15% increase in social discussions about Japanese cuisine

- A 5% rise in restaurants adding it to their menus

- Yuzu and ponzu popular flavours

Source : Waitrose

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Case Study : Shein

Algorithms to analyse web data

- Shein uses algorithms to analyse the data scraped from web searches and social media mentions

- Identify latest fashion trends,

- Predicting most popular colours, fabrics and styles.

- Operates a consumer-to-manufacturer business model.

- Average production takes as little as 5-7 days

Source : Google

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Case Study : Sainsbury's
Strategic partnership with Microsoft

- Five-year strategic partnership with Microsoft

- "Become the UK's leading AI-enabled grocer"

- Bolstering its use of AI and machine learning capabilities

Three core areas:

- Enhanced customer experiences

- Empowered store employees

- Data powering the Sainsbury's business, built on smart cloud foundations

Source : Sainsbury's

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Sustainability hot on the heels of value

eBay head of pre-loved Lucy Peacock said value always comes first for consumers, but sustainability comes second or third and that is building.

Grocers have led the way on investing in price, matching strong performance from value retailers.

Rock bottom prices are no-longer enough to win consumer spend, sustainability is moving up the consumer agenda, with shoppers acknowledging the impact their purchases have on society and the environment.

Retailers are readjusting their focus as the cost-of-living eases on hitting challenging ESG targets and encouraging shoppers to think more sustainably.

Initiatives include:
* Reducing food waste
* Encouraging healthier eating practices
* Circular models such as rental and resale
* Partnering with like-minded businesses

Source: Retail Week x Grocer Live 2024

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Case Study : Tesco

'Better Baskets' nudging customers to make small changes

- Importance of transparency and openness

- Better Baskets campaign gives customers

  a nudge to make small changes

- Two thirds of the UK population want to
  live sustainably

- **Remove barriers** including price, confusion,
  taste and waste, visibility time and effort,
 skill and inspiration

- In store zones

Source : Tesco / Retail Week x Grocer Live 2024

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Case study: Zalando
Innovating to reduce waste

- Role as "an enabler of positive change for a more sustainable and inclusive future of the fashion and lifestyle industry".

- Achieving net-zero CO_2 emissions across the entire business by 2050.

- In-house team dedicated to size and fit

- Reduce returns and textile waste

- Virtual fitting rooms

- Personalised size recommendations

Source : Zalando

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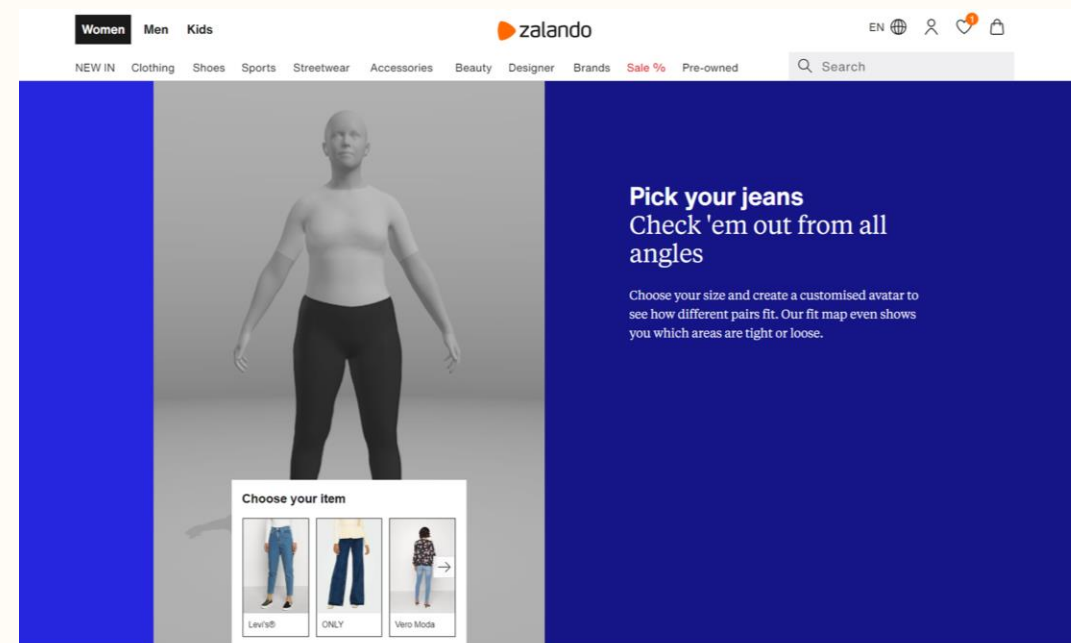
Key trends for retail

➢ **Customer obsession drives everything** – growing marketplaces, enhanced loyalty schemes, social channels and investment in data

➢ **Elevated in-store experiences** – showcasing brand identity, offering additional services, interactive spaces and delivering authenticity

➢ **AI adoption** – driving efficiency while enhancing productivity, from chatbots to product development

➢ **Sustainability hot on the heels of value** – doubling down on ESG targets, offering customers a multitude of affordable ways to live more sustainably

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Thank you for listening

Get in touch

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