THE RETAILER

SUMMER 2017

THE RETAIL INDUSTRY VISION FOR THE UK

// WHY THE ARTICLE 50 NEGOTIATIONS MUST DELIVER A FAIR BREXIT FOR CONSUMERS

// NON-FOOD SALES IMRPOVE IN PERFECT CONDITIONS

ALONGSIDE THE TRADE ASPECT OF WHAT A FAIR BREXIT FOR CONSUMERS LOOKS LIKE; THE GOVERNMENT NEEDS TO PROVIDE CONTINUITY AND CERTAINTY FOR THE UK.

NEWS FROM THE BRC

THE RETAIL INDUSTRY VISION FOR THE UK

HELEN DICKINSON OBE
CHIEF EXECUTIVE
BRITISH RETAIL CONSORTIUM

At the BRC, we believe that for consumers and business to thrive, stability means plans from the Government that put consumers first in the Brexit negotiations and economic policies that promote a pioneering, responsible and vibrant industry for the future.

The retail industry is a driving force in our economy and employs over three million people. It is also undergoing a profound transformation. Retailers are looking to address the changing face of retail and keep prices low for consumers, as the impact of structural change in the industry is compounded by building cost pressures and intense competition. The risks and opportunities posed by our forthcoming negotiations with the EU sit against these lightning changes taking place in the industry.

Brexit affects a number of issues across retail, but its main impact hinges upon the UK's future trading relationship with the EU. This is especially important for food as over three quarters of our imported food comes from the EU, so it is this deal that matters most to UK consumers. It's vital that the Government secures tariff-free trade with the EU if retail is to grow and continue providing consumers with diverse product ranges at affordable prices. An orderly and sequenced process should come before looking to seize opportunities of new trading arrangements with the rest of the world. Here there is an opportunity to play for, given that nearly two thirds of our non-food comes from countries with which there are no existing deals with the EU.

Alongside the trade aspect of what a fair Brexit for consumers looks like; the Government needs to provide continuity and certainty for the UK. This it can achieve by securing a transitional arrangement that avoids a cliff edge scenario; guaranteeing the rights of the 100,000- 200,000 EU nationals living and working in the UK; and directly translating existing EU regulation into UK law to with minimal changes.

The challenges we face as we negotiate our future relationship with Europe makes it essential for policy makers to understand the rapid change and testing conditions that retail must operate in. With prices and wages moving in opposite directions, retailers will have to compete even harder for the increasingly scarce pounds in shoppers' pockets. Fundamentally, this means three things for government.

Firstly, economic uncertainty has made reducing the burden of business rates and reforming the system even more critical. We continue to believe that the future of the business rates system will shape investment and growth in the UK economy for decades to come. How the Government decides to build a business taxation system fit for purpose in the 21st century is therefore a key question for us all.

Secondly, there are economic rewards to be gained from the Government accelerating its investment in digital infrastructure and enabling businesses to develop the required new and digital skills faster. Digital infrastructure underpins growth, stimulates innovation and improves productivity across the economy.

Thirdly, businesses should be empowered to do the right thing. On an international scale, many retailers understand the role they play in the global community and make significant investments every year. They need to be allowed to build on the progress already made in stamping out labour abuses and ensuring the products we buy are sustainably sourced.

From the Brexit negotiations, through to tax, infrastructure and corporate governance, retail will be hoping for a plan from the Government that supports its mission to drive productivity with better jobs, innovation and investment to improve the communities it serves. Seeing retail through Brexit and beyond underpins the journey to securing our economic future and continuing to deliver for consumers.

THIS ISSUE

BROUGHT TO YOU BY BRC

NEWS FROM THE BRC

NON-FOOD SALES IMPROVE IN PERFECT CONDITIONS

- In June, UK retail sales increased by 1.2 per cent on a like-for-like basis from June 2016, when they had decreased 0.5 per cent from the preceding year.
- On a total basis, sales rose 2.0 per cent in June, against a growth of 0.2 per cent in June 2016. This month's growth is below the 6-month and 12-month averages, both at 1.4 per cent.
- Over the three months to June, food sales increased 3.6 per cent on a like-for-like basis and 4.7 per cent on a total basis. This is the strongest 3-month average since February 2012, and pulls the 12-month total average growth to 2.5 per cent, the highest since December 2013.
- Over the three-months to June, non-food retail sales in the UK increased 0.9 per cent on a like-for-like basis and increased 1.2% per cent on a total basis, above the 12-month total average growth of 0.6 per cent. This is the best 3-month average since December, and the first above 1.0 per cent of the year so far.
- Online sales of non-food products grew 10.1 per cent in June, compared to 9.0 per cent a year earlier. Over the three-months to June, online sales of non-food products grew 8.4 per cent while in-store sales declined 0.7 per cent on a total basis and 1.2 per cent on a like-for-like basis, a better performance than the like-for-like 12-month average decline of 2.0 per cent.

HELEN DICKINSON OBE, CHIEF EXECUTIVE, BRITISH RETAIL CONSORTIUM

"The arrival of summer provided a welcome pick-up to sales growth in June, particularly to non- food categories which saw a reversal in fortunes after a prolonged period of sluggish growth. Leisure pursuits and activities spurred consumer spending on summer clothing, beauty products and outdoor toys, which were also boosted by gift purchases over Eid.

"The six-month average, buoyed by June's strong performance, now paints a slightly rosier picture for retail sales. But on closer inspection the year on year numbers belie the fact that rising food prices are responsible for the main component of growth and have prompted more cautious spending towards discretionary non-food items.

"Online continues to take the lion's share of growth, although contribution from stores increased slightly in June as it seems shoppers headed out with specific purchases in mind, rather than just to browse.

"Looking ahead, there's a question mark over whether this spending momentum will last, as household expenditure is increasingly squeezed from rising inflation and slowing wage growth. The reality is that retailers' efforts in absorbing mounting cost pressures into their margins are already being tested, so the Government must have the consumer front of mind as it enters the UK's trading negotiations with the EU, to avoid any further cost increases to retailers and their customers."

HIGH STREET FOOTFALL WARMED BY SUMMER SUN IN JUNE

- Footfall in June was 0.8 per cent up on a year ago. leaving it ahead of the three month average of 0.5 per cent.
- On a three-month basis, footfall grew 0.5 per cent, a slight reduction against past two months of 0.7 per cent
- High Street footfall rose 0.9 per cent in June on the previous year's rate of -3.7 per cent. This is 5 basis points above the three month average of 0.4 per cent.
- Footfall in Retail Park locations grew by 2.3 per cent in June, compared to a 1.0 per cent decrease in June 2016. This comes after a 1.5 per cent rise in May, and is below the three-month average of 2.2 per cent.
- Footfall in Shopping Centres fell by 0.8 per cent in June on the -2.3 per cent rate in June 2016. This is marginally above the three-month average of -0.9 per cent.

HELEN DICKINSON OBE, CHIEF-EXECUTIVE | BRITISH RETAIL CONSORTIUM

"The arrival of summer spurred greater shopper footfall in the majority of retail destinations in June. High streets and retail parks saw solid growth in footfall, as shoppers headed out to renew their wardrobes and purchase other seasonal items. Most parts of the UK benefitted from these sun fuelled shopping outings, with the East of England especially witnessing brisk growth.

"Amidst economic uncertainty and mounting concern over the inflationary squeeze on household incomes, sustaining growth in shopper footfall will be challenging, more so as retailers seek to convert that into an improved performance at tills. And while they step up their efforts to keep prices down for their customers against rising input prices and inflation, the Government can help alleviate the cost pressures in the immediate term by sticking to their commitment on business rates reform to deliver a system fit for purpose in the 21st century."

For **REGULAR INSIGHT INTO UK RETAIL, INCLUDED IN YOUR BRC MEMBERSHIP: BRC.ORG.UK/RETAIL-INSIGHT-ANALYTICS**

NEWS FROM THE BRC

WHY THE ARTICLE 50 NEGOTIATIONS MUST DELIVER A FAIR BREXIT FOR CONSUMERS

WILLIAM BAIN
POLICY ADVISOR – EUROPE AND INTERNATIONAL
BRITISH RETAIL CONSORTIUM

EVERY ONE OF US REQUIRES NUTRITIOUS FOOD TO LIVE. AS WELL AS ONE OF LIFE'S BASIC INDIVIDUAL NEEDS, FOOD HOSPITALITY AND RETAIL ARE ONE OF THE LARGEST DRIVERS OF ECONOMIC GROWTH, AND FOOD AND DRINK MAKE THE LARGEST CONTRIBUTION TO THE UK'S TRADE IN MANUFACTURED GOODS FOR EXPORT.

The UK is however a net importer of food – 40 per cent of the food we eat comes from outside the UK, with around a third from the EU-27 alone. People in the UK spend around £201 billion a year on food and non-alcoholic drinks. Around 45 per cent of fresh vegetables we consume are imported, mainly from the rest of the EU. We are substantial net importers of pig meat products and fresh fruit. We depend upon migrant labour from the EU-27 for large parts of our food production and distribution sectors. The Resolution Foundation established last year that 30 per cent of labour in the UK food manufacturing sector comes from the EU-27.

No sector of our economy and national life faces a larger shake-up on Brexit than food and drink. The UK's retail and food production industries are hugely affected by the outcome of the Brexit negotiations. Modern food retail relies on complex but responsive supply chains to ensure that customers get the products they want year round, at consistently good quality, and at competitive prices. The BRC's position on the Brexit negotiations is to support consumers and our members who tell us our health and wellbeing, consumer choice, and living standards depend upon us being able to source food across national borders to supplement food production in the UK, without tariffs and unaffected by non-tariff barriers to trade. Think of the bakers based in Northern Ireland selling their freshly-baked bread in stores in the Republic of Ireland later the same morning, or the thousands of gallons of milk from farms in Northern Ireland processed daily in the Republic of Ireland. The alternative, a no-deal Brexit, would mean defaulting to a system which we have forecast could raise food tariffs by 22 per cent on average.

The BRC's work on the consequences of tariffs on food imports should we leave the EU without a deal in March 2019 is quoted in a comprehensive new study of Brexit and food policy by Professors Tim Lang, Erik Millstone and Terry Marsden published recently. The recommendations may struggle to attain consensus among consumers and stakeholders in the food sector, but the report is nevertheless a useful kick-starter for a vital national debate as the Brexit clock ticks inexorably down to 29 March 2019.

The report identifies 16 key areas for Government action over the 20 months remaining before Brexit happens – on the goals for UK food policy in delivering a resilient food system that can withstand price, supply, and safety shocks, the content of new legislation required for food in the UK, sourcing and food security, labour, subsidies, the UK successors to the Common Agricultural and Fisheries Policies, and food quality and standards. It calls for a new UK statutory framework for the food sector (this would require consent by the devolved administrations), setting targets for food security and a National Commission on Food and Agricultural Policy to provide oversight and review. It recommends reconstituted links with European food agencies to retain regulatory synergy in food trade and standards on Brexit.

The BRC's Tariff Roadmap makes the case for transitional measures to apply on Brexit to ensure tariff-free trade continues post-March 2019. Our forthcoming study on customs, regulatory and non-tariff barriers will also outline their importance in the years immediately after Brexit. This matters hugely for consumers and for retail businesses. Perishable food has a short shelf-life – getting it from one part of the food supply chain onto the dinner table depends on frictionless movement through our ports. The more barriers are put in the way of frictionless trade in the food and retail sector, food waste costs rise, food security and choice for consumers falls, and prices rise.

Britain's retail industry is ready to be a partner in an ambitious national programme of improving productivity, but we need to also have a greater recognition of the fundamentals that can continue improvements in public health, consumer choice and quality of food over the past few decades. Avoiding a no deal Brexit is key to that. We aim to work together to secure food supply chains in the coming years in which consumer confidence and choice are high, and prices remain low, without tariffs or damaging non-tariff and regulatory barriers. In short, a fair Brexit for consumers.

View the BRC's A Brexit for Consumers Report here.

UPCOMING EVENTS 2017-2018

07 SEP 17
Associate Member Forum

DETAILS:
Afternoon event
Associate Members only
FREE to attend

28 SEP 17 — SOLD OUT
Annual Retail Industry Dinner

DETAILS:
Gala dinner
Retail and Associate Members only

18 OCT 17
Brexit Webinar: Frictionless Trade & Tariffs

DETAILS:
Featuring live Q&A

15 NOV 17
Brexit Webinar: Regulation

DETAILS:
Featuring live Q&A

23 JAN 18
Future Leaders Retail Lecture

DETAILS:
Evening event
FREE for Retail Members

21 FEB 18
Brexit Webinar: Retail Workforce

DETAILS:
Featuring live Q&A

MAR 18
The Brexit Debate - 1 Year to Go

DETAILS:
Evening event
FREE for Retail Members

14 MAR 18
Crime Webinar: Tackling Fraud

DETAILS:
Featuring live Q&A

11 APR 18
Crime Webinar: Tackling Violence

DETAILS:
Featuring live Q&A

MAY 18
Retail 2020: The Journey to Better Jobs

DETAILS:
Full-day conference

JUN 18
Annual Retail Industry Lecture

DETAILS:
Evening event
FREE for Retail Members

TO BOOK AND FOR MORE INFORMATION:
BRC.ORG.UK/EVENTS
EVENTS@BRC.ORG.UK

KEY
Reception | Dinner | Conference/Seminar | Lecture/Debate | Webinar

PARTNERSHIP OPPORTUNITIES
To find out more about how you can support our events please contact:

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Event Sponsorship Executive
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THE RETAILER IS OFFERING ADVERTISING OPPORTUNITIES FOR OUR MEMBERS. IF YOU WOULD LIKE TO ADVERTISE OR WOULD LIKE MORE INFORMATION, PLEASE CONTACT THERETAILER@BRC.ORG.UK.

UPCOMING BRC EVENTS

ANNUAL RETAIL INDUSTRY DINNER

28 SEPTEMBER, 2017

EXCLUSIVE TO BRC MEMBERS ONLY, THIS YEAR'S DINNER WILL BRING TOGETHER A GROUP OF 350 OF THE MAJOR PLAYERS IN UK RETAIL. GUESTS WILL ENJOY AN EVENING OF HIGH LEVEL NETWORKING, POLITICAL DISCUSSION AND LEADING BUSINESS INSIGHT, COUPLED WITH A 5-STAR DINING EXPERIENCE IN EXEMPLARY SURROUNDINGS.

GUEST SPEAKER
ANDREW NEIL
JOURNALIST

This year's guest speaker will be Andrew Neil journalist and broadcaster, former Editor of the Sunday Times and a contributor to Sunday Politics, BBC One and Daily Politics on BBC Two. Andrew will bring a high-level political discussion to the Annual Retail Industry Dinner and we are delighted he can join us. Bookings for the event have had an overwhelming response resulting in all standard table bookings being sold out! However, there are still opportunities for our associate members to get involved and become one of our premium partners.

Here are just some of the benefits of becoming a premium partner:

- One table of ten at the Dinner in a prime location on the floor plan.
- Invitation for 1 representative to sit on the top. tables with our retail CEO guests.
- Access to the delegate list pre-event (names, job titles and companies).
- Opportunity to provide pre-event communication to delegates
- Company logo featured on event website, relevant marketing emails and on the post-event thank you email sent to all attendees.

WHO IS ATTENDING THE DINNER ALREADY?

Bond Dickinson	Boots	British Gas	Carpetright
Clarks	DFS	Dreams	Genie Goals
Hammerson	Holland & Barrett	John Lewis	Kingfisher
KPMG	Kronos	Marks & Spencer	PayPal
PRGX	RSA Group	Sainsbury's	Santander
Shop Direct	Specsavers	The Co-operative	TJX Europe
Webloyalty	Willis Towers Watson	Yoti	

> Please pass on my sincere thanks for the BRC's hospitality at the dinner last night... A really good evening as always and it was so nice to catch up with so many people. – **KPMG**

TO DISCUSS THIS OPPORTUNITY IN MORE DETAIL, PLEASE CONTACT KIARA.BERGAN@BRC.ORG.UK

UPCOMING BRC EVENTS

ASSOCIATE MEMBER FORUM

7 SEPTEMBER, 2017

The BRC has created a unique forum for our associate members to meet our policy teams across a variety of subjects including our 3 key campaigns; Brexit, business rates and retail workforce. Our policy advisers and senior BRC leaders will be on hand to talk to you about our work, we will be looking for how associate members can contribute and partner with us and how you can gain valuable insight into the challenges our retail members face and what solutions they are looking for.

SPEAKERS INCLUDE:

ALICE ELLISON
POLICY ADVISER – ENVIRONMENT

ANDREW CREGAN
POLICY ADVISER – PAYMENTS

ANDREW OPIE
DIRECTOR – FOOD & SUSTAINABILITY

CHRIS EDWARDS
HEAD OF EVENTS

DAVID BOLTON
POLICY ADVISER – NON-FOOD RETAIL PRODUCTS

FIONNUALA HORROCKS-BURNS
POLICY ADVISER – EMPLOYMENT & SKILLS

JIM HUBBARD
POLICY ADVISER – LOCAL ENGAGEMENT, PROPERTY AND PLANNING

JOHN O'BRIEN
MEMBERSHIP DIRECTOR

PETER ANDREWS
POLICY ADVISER – SUSTAINABILITY

RACHEL LUND
HEAD OF RETAIL INSIGHT AND ANALYTICS

TOM IRONSIDE
DIRECTOR – BUSINESS AND REGULATION

WILLIAM BAIN
POLICY ADVISER – BREXIT

This event is hosted at the BRC office in London Bridge and is only open to associate members. We will be providing refreshments and the opportunity to meet key personnel within the BRC. **More information at brc.org.uk/events/associate-member-forum**

The BRC offers numerous opportunities throughout the year that can help service providers put their brand in front of retailers. To discuss these opportunities in more detail, please contact kiara.bergan@brc.org.uk

NEXT UPCOMING EVENTS

DOWNLOAD THE BRC EVENTS CALENDAR AT BRC.ORG.UK/EVENTS

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DETAILS:
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DETAILS:
Featuring live Q&A

CAN APPRENTICESHIPS HELP TRANSFORM THE PERFORMANCE AND PRODUCTIVITY OF YOUR BUSINESS?

ANNETTE ALLMARK
DIRECTOR OF STRATEGIC POLICY
PEOPLE 1ST

88% OF EMPLOYERS VIEW APPRENTICESHIPS AS A POSITIVE DRIVER TO THEIR BUSINESS* – BUT CAN THEY REVOLUTIONISE THE TALENT STRATEGY?

In April this year, the apprenticeship levy came into force, meaning all employers with an annual pay bill of more than £3 million must pay a 0.5% levy, which can only be recouped by employing and training apprentices. Furthermore, over the past 18 months, leading retailers have been working together to develop new-style apprenticeship standards which form progressive pathways that support and facilitate career development.

So what does this mean for retail businesses? At BRC Retail 2020, retailers surmised that it presents a major opportunity to re-think their current talent strategies. With the new, employer-led standards available, and the levy now in force, employers across the sector are using apprenticeships to build the best possible future for the business through its people.

Employers are revolutionising their approach for good reason. 57% of them view apprenticeships as a route to improve performance and productivity and 83% see them as a solution to aid retention and progression*. Both are critical factors when considering the industry needs more than 224,000 managers by 2024, in order to operate effectively and remain competitive. The past twelve months therefore, have seen retailers focused on developing and implementing strategies to maximise their apprenticeship investment.

So what's the secret? Can a coherent strategy help achieve a return on investment; and how can it be measured? 83% of employers believe so, and 37% already have measures in place*. However, if you're concerned that your apprenticeship strategy is not fully implemented and you haven't yet defined a means to measure the return - don't worry, you're not alone. It's important to remember that while the levy has kicked in, the funds will only expire 24 months after they first enter your apprenticeship service account, so you still have time to finalise your plans. So, which factors should you consider in order to maximise your investment and increase productivity and retention?

1. Look at the bigger picture
An apprenticeship strategy must not exist in isolation to your broader talent strategy, so an integrated approach is required across the business. Apprenticeships are a fantastic route to develop the critical skills required now and in the long-term.

The leadership team need to be engaged in the process and it is important to be clear about their aspirations around training and development.

2. Get buy-in from stakeholders across the business
It's critical that you get the buy-in of the business more widely and that you communicate the goals of the new apprenticeships clearly. Securing buy-in was one of the key areas that attendees at BRC Retail 2020 identified as a challenge. Pulling in all the relevant stakeholders and ensuring that they all understand what the levy and apprenticeships mean to the business and that they are involved in creating fulfilling programs that meet the standards is a critical factor.

3. Partner with finance to define how to measure a return
As the levy has bottom-line implications and it is important to partner with your finance team, as well as the leadership team, to agree with them how you're going to define the return on investment and ensure a thorough understanding of how and when the business will use the levy.

GOT QUESTIONS AROUND IMPLEMENTING APPRENTICESHIPS IN YOUR BUSINESS? DOWNLOAD OUR APPRENTICESHIPS: A GUIDE TO HELP EMPLOYERS NAVIGATE THE NEW-STYLE APPRENTICESHIPS.

4. Use the new standards to develop the skills you need
Apprenticeships are increasingly being seen less as a recruitment tool, and more as a means to retain and progress employees into first line management and middle management positions. Critically, the new-style apprenticeships are much more flexible and as the training is not prescribed, you can decide the combination of training that reflects the needs of your business.

5. Finding the right training option for your business
The new standards put the onus on the employer to decide what will best suit their business needs. You have the option to use an external training provider or your in-house team to deliver the training. However, employers report it can be challenging to source providers that deliver the level of service they're looking for – with over 60% finding it difficult*.

If you're in a similar position, as well as checking the register of apprenticeship training providers (to be confident that a provider has the capability to deliver quality apprenticeships), our gold standard apprenticeship provider scheme can help you to identify employer-endorsed providers that deliver an outstanding service and achieve the best results for you.

Learning from other businesses
Iceland, who employ around 23,000 staff across 800+ locations throughout the UK, felt that with the government introducing new, employer-led apprenticeship standards that it needed to adapt it's current training programmes to make sure they met the new criteria.

We hosted a number of strategy workshops with key members of the Iceland team to identify how their current in-house training could be used to meet the requirements of two of the new apprenticeship standards, and mapped their training to the standards.

Iceland now has two brand-new apprenticeship programmes that meet the requirements of the new retail apprenticeship standards, which it aims to start delivering from September 2017.

"WORKING WITH PEOPLE 1ST MADE THE WHOLE PROCESS OF CREATING OUR NEW APPRENTICESHIP PROGRAMMES SO MUCH SIMPLER THAN IF WE HAD TRIED TO DO IT ALONE." ICELAND FOODS

Thanks to this process, the company has also been able to use its existing training to cover up to 60% of the apprenticeship requirements. This means that it will only need to outsource the remaining 40%, allowing it to target its budget and get the best return on investment from its levy payments. Read their full story here.

Looking to maximise your levy investment and keep up to speed on apprenticeship developments?
Secure your free membership to the People 1st Apprenticeship Network for exclusive access to webinars, networking events and the latest updates on apprenticeships.

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people1st
performance through people

* Statistics on employers views of apprenticeships are derived from People 1st's Apprenticeship Network Pulse Survey, July 2017.

"AT BRC RETAIL 2020, RETAILERS SURMISED THAT IT PRESENTS A MAJOR OPPORTUNITY TO RE-THINK THEIR CURRENT TALENT STRATEGIES"

TECHNOLOGY HELPS, BUT MANAGERS MAKE THE DIFFERENCE

NEIL PICKERING
RETAIL INDUSTRY AND CUSTOMER INSIGHTS MANAGER
KRONOS

IT TAKES HUMANS AND TECHNOLOGY WORKING TOGETHER TO DELIVER GREAT EXPERIENCES FOR YOUR CUSTOMERS AND YOUR EMPLOYEES

Where does competitive advantage come from in business today? Does it come from barriers to entry? Control of distribution channels? From great online reviews?

In his new book, "Your Last Differentiator: Human Capital," Gregg Gordon offers an answer: Real competitive advantage comes from a business's ability to build a talented workforce and to organize it in a way that lets that talent shine through. People, he says, are the last ultimate differentiator.

In retail, those critical differentiators are your hourly workforce and the managers who support them. Retail is the largest private sector employer in the UK, serving 60 million customers a week and generating £340 billion of sales in 2015.[1] Our challenge is to keep those numbers trending upward — and that's where technology-supported management comes in.

REAL COMPETITIVE ADVANTAGE COMES FROM A BUSINESS'S ABILITY TO BUILD A TALENTED WORKFORCE AND TO ORGANIZE IT IN A WAY THAT LETS THAT TALENT SHINE THROUGH.

TECHNOLOGY ALONE ISN'T ENOUGH

The mistake that many business leaders make when implementing new technologies is believing that better processes mean less management is needed. Nothing could be further from the truth.

Technology, used well, is there to support and augment the decision-making and direction of your staff and managers. Artificial intelligence and machine learning can give managers the ability to make better business decisions, control costs through greater productivity, and (critically) deliver better customer service. But organisations that expect technology to take over those decisions alone will, in the end, hamper the performance that technology can deliver.

STAYING NIMBLE

A shopper needs special assistance with a significant purchase; a regular delivery is delayed; an awkward incident occurs in-store. All of these daily moments require flexibility and the human touch. The time needed to handle them, as well as the ideal staff for each job, can vary widely.

1. Retail 2020 report. British Retail Council, 2016.

This is why great management can't be replaced by technology. Retail is extremely multi-faceted from a skills perspective, and customer expectations for service from actual people are high indeed. We like click-and-collect for a reason: we may like the simplicity of ordering online, but most of us like human interaction at the end of the process.

Retailers are adaptable by nature, notes the Retail 2020 report from the British Retail Consortium. "Change is a constant and the retail industry in the UK has evolved more effectively than in most other advanced economies, with the result that the UK is one of the most competitive markets in the world and a leader in ecommerce."

FORECASTS AND DATA

What retailers often get wrong is trying to get too granular when applying labour standards and assigning tasks to individuals. Processes become too complex and agility goes out of the window.

In the case of workforce management solutions, machine learning helps retailers forecast demand accurately, based on historical data such as sales and footfall. By anticipating future forecasts accurately, retailers can plan how many people, with which skills, are needed at any period during each day.

Managerial skills, and the ability to interpret data and analytics, augmented with AI and Machine Learning, is the future. A data-driven approach is essential to building these accurate demand forecasts that can help managers put the right people, with the right skills, in the right place, at the right time.

THE ULTIMATE DIFFERENTIATOR BETWEEN INNOVATORS AND THOSE WHO ARE LOSING OUT IS PEOPLE'S CREATIVITY AND ABILITY TO EXECUTE.

FINDING AND KEEPING TALENT

More young people start their working life in retail than in any other industry, according to Retail 2020: one in three retail employees is under 25. The key to success for any company is to recruit the best of that young talent and then keep those employees engaged, excited and successful.

That means a retailer like Sainsbury's has something in common with high-tech leaders like Google and Apple: they all want to attract workers with good digital skills for online, creative and programming. Fairly or not, the image of retail doesn't always equal that of high-tech. Improving the culture and image of retail is essential if traditional omni-channel retailers are to remain relevant.

In that quest, good management is more important than money. Pay was only sixth on the list of items important to retail employees, according to a 2015 Tooley Street Research survey. Salary ranked behind things like flexibility in hours, co-workers, location and helping customers. When managers, supported by technology, can put these employees in the best position to succeed, they'll also be putting them in the best position to stay with the job.

CONCLUSION

"The ultimate differentiator between innovators and those who are losing out is people's creativity and ability to execute," says Gregg Gordon. "Technology is the enabler, people make the difference."

Indeed, Deloitte's 2016 Global Manufacturing Competitiveness Study found that talent is the number one competitive differentiator, ahead of cost competitiveness and workforce productivity.

Technology offers essential support for that talent. It must be used to guide decision-making, but it should never be used to replace talented managers who know how to empower and inspire employees to deliver great service and a great shopping experience. Change management is a critical part of implementing new technology that is embraced by the workforce and able to drive measurable business benefits.

Clarity is the final piece of the puzzle. Without a clear explanation of the reasons to implement new tech, managers and staff may be reticent to change. But with good explanation of the benefits at a personal level, as well as at a business level, new tech can be embraced by all parties – to everyone's benefit.

NEIL PICKERING
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"THE MISTAKE THAT MANY BUSINESS LEADERS MAKE WHEN IMPLEMENTING NEW TECHNOLOGIES IS BELIEVING THAT BETTER PROCESSES MEAN LESS MANAGEMENT IS NEEDED."

THE STRUGGLE FOR RELEVANCE IS REAL

TRISH YOUNG
PARTNER
CMG

PARTICIPATING IN THE DIGITAL REVOLUTION IS A NECESSITY FOR RETAILERS. WHAT DOES THIS MEAN FOR THE TEAMS ON THE GROUND?

The Digital Revolution has become a quest, each trying to find the 'magic' to drive their business to the next quantum leap. But what does that mean for those of us still trying to figure out how Facebook knows what I just searched in Google, or why my house is now smarter than I am? I fear my Google Home assistant has replaced me as head of house, so when technology comes into the workplace, I'm fully questioning my own relevance. And I am not alone.

Tech advances such as connected devices, AR/VR and artificial intelligence are changing how we interact in our homes, shopping, and with our network. We are truly global and spheres of connection are broadening and busting borders. Everything we knew that shaped our view of self, business, and culture is challenged.

> "HEARING TERMS LIKE MOORE'S LAW, BLOCKCHAIN, GDPR, VIRTUAL EXPERIENCE ECONOMY AND ROBOTIC PROCESS AUTOMATION CAN BE INTIMIDATING"

Retailers are scrambling to open innovative channels to capture the attention of distracted consumers while maintaining their hard-fought brand identities. This immediately creates a conflict: how can they invent something cutting edge with the same team? Matthew Shay of the National Retail Federation (NRF) recently stated, 'before things happened over a generation, now it is happening overnight'. With 90-minute home delivery services springing up, drones taking the airways and 3D printers producing houses, disruptive change and competition surrounds us.

How do busy employees, buried in trade, allocation and distribution find time to think, learn and change? How can the retailer engage employees from across the business in transformation? Is this the role of leadership, or should CEO's expect individuals to manage their own development to keep up? The Health and Safety Executive (HSE.gov.uk) states that the two predominant contributors to work-related stress are *organisational changes at work and role uncertainty* (lack of clarity about job/ uncertain what meant to do.) Clearly, this is an issue for the organisation as much as for the individual. Change must be part of the org strategy.

Organisational culture is a factor in how transformation is embraced. However even famously people-centred organisations are struggling. Why? Because culture alone is not enough. New operating models, including organisational changes, are required to meet the needs of the new future of retail. This can increase anxiety and impact employee behaviour in supporting the transformation programme, which can stall or even sabotage the results and outcome.

The reality is that people drive and make transformation happen. ERPs don't implement themselves, human-centred design requires… humans, and the digital store of the future still needs a host to navigate customers through it. Digital transformations can't be achieved using old methods. However, hearing terms like Moore's Law, Blockchain, GDPR, virtual experience economy and robotic process automation can be intimidating when they're thrown at you as if everyone else understands them. This dilemma is not good when having all hands on deck within the organisation is required to keep the boat rowing forward into uncharted waters.

So what to do about it? It's easy enough to upskill by bringing in new, relevant capability, but that does not singularly solve the issue, and in some ways only increases it by disempowering dedicated people or missing critical team engagement. There is a fine balance between bringing in new talent while keeping the current population relevant and engaged. Organisation experience should not be discounted, and empowering and enabling teams to be an active part of the journey is the efficient and right investment.

Here are some steps to consider:

- Invest in people. This seems obvious, but is often seen as the 'soft side' of business. Process and technology do not exist without people, so we cannot underfund this leg of the triangle, include them in the budgeting in concert with the others.
- Embrace the next generation through blended teams including Generation Z (yes, we have run the course of the alphabet!) through apprentice and grad programmes. Put them in meaningful roles at the front to get maximum impact. This takes an additional upskilling of leadership so they know how to lead and create environments that will cater to their unique gifts and approaches.
- Communication can never be underplayed. A big area of stress for the workforce is not knowing what is going on or how they fit in the organisation. Meaningful open-door communication all the way through, top to bottom, is important.
- Develop a culture of continuous learning. Many ways to build this: hold short lunch sessions onsite coupled with broadcasts over the web for remote workers, especially on those scary trends and topics; bring in thought leading speakers; include learning and experimenting in personal objectives; ensure leaders are attending conferences, lectures, workshops and maintaining an advisor network.
- Most of all, listen. Ensuring the culture encourages hearing from the workforce and then acts on it is invaluable. Some of the best ideas come from people who know the business inside out and therefore where it's broken. Combining that with the spirit of continuous learning and new talent will drive your own organisational disruption.

Transformation is indeed the word of the decade. Every retailer is going through it, and key people are madly rotating across organisations as they take what they learned from one to the next. That's certainly an option, but not the only one. Keeping the current workforce relevant and growing is an investment, but one that will keep that boat crossing those transformation waters as they get rough.

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CMG
BUILDING LASTING VALUE

> "IS THIS THE ROLE OF LEADERSHIP, OR SHOULD CEO'S EXPECT INDIVIDUALS TO MANAGE THEIR OWN DEVELOPMENT TO KEEP UP?"

2017 RATING REVALUATION
- WAS THE WAIT WORTH IT?

JOHN WEBBER
DIRECTOR AND HEAD OF RATING
COLLIERS INTERNATIONAL

THE 2017 RATING REVALUATION – A NEW CYCLE FROM 1 APRIL 2017 AND A NEW OPPORTUNITY FOR THE VALUATION OFFICE AGENCY TO CORRECTLY ASSESS BUSINESS RATES.

But has this happened? The introduction of the Government's new Check, Challenge, Appeal system was apparently created to reduce the number of unnecessary appeals and rid the business of rogue operators.

However, in doing so, the Government appears to have created a system so complicated that it is difficult for Rating professionals to use, never mind unrepresented ratepayers. Colliers, and a number of other high profile Rating practices, has worked with various trade bodies to attempt to influence the format of the new system both before and after it was launched, and yet now, three months into the new Rating list, it is virtually impossible to appeal an assessment. Not great when there are ratepayers who are overpaying with no chance of a rebate in the near future.

The system requires ratepayers to register as a user on their new Government Gateway portal, providing their personal details such as passport and National Insurance numbers and home address, an issue which clients are struggling to get their heads around, particularly those who work for large corporate organisations. Once this is done, each property needs to be individually claimed and a rates bill uploaded to verify the ratepayer's interest in the property; not ideal for either occupiers or landlords whom have large portfolios and different trading names.

Once this is complete, either an agent needs to be allocated by the ratepayer or a check needs to be submitted, whether the details in the valuation are correct or not, to be able to get through to the "challenge" stage. We have provided a guide for registration on the system which is available upon request. The purpose of this is to take the ratepayer through to the next stage, Challenge, where the real fun begins, with a valuation needing to be provided by the ratepayer, along with comparable evidence and an argument as to why their assessment is wrong. Again, a very unfair system for an unrepresented ratepayer and something upon which the rogue operators could prey. The new IT system has yet to be set up for this stage so any challenge will involve form filling and emailing – not exactly progress.

The timescales for the CCA process are as follows:
Check – once submitted, the VOA has 12 months to respond. Upon completion, the appellant has 4 months to take to the next stage.

Challenge – the VOA has 18 months to respond. Again, upon completion, if a satisfactory conclusion has not been reached, the appellant has 4 months to take to the next stage.

Appeal – an application is made to the Valuation Tribunal, at which point a £300 charge is payable, which is refundable upon completion of a successful appeal.

All in all, it could take three years to resolve an appeal and cost £300, which, albeit refunded, is going to cause cash-flow issues for many large companies. This is before we have even got into the complications of serving disruption (MCC) appeals and appeals on properties which are valued on a more complex basis. Is it really a major issue for retailers? The answer is yes – there is much to be done as the impact for the retail sector has been particularly felt.

In high value areas such as central London which have seen large increases and towns and cities which have seen major decline including Rochdale and Middlesbrough, the impact has been enormous? However, the impact on the rest of the county, particularly those which have seen any element of decline in values from 2008 to date, has not been reflected in Rateable Values as greatly as was hoped.

The Government has continued with its scheme of transition, but the way in which it has been introduced means that the cushion for the large increases will not exist for very long, with ratepayers whose increases have been as much as 100% losing the benefit of transitional relief within 18 months. At the opposite end of the spectrum, large retailers with a Rateable Value of over £100,000 whose assessment has fallen by over 25.5% will actually never see the benefit, with the fall in liability being capped at approximately 5% per annum.

There are huge inconsistencies in the Rating List valuations around the country with some areas being close to the correct level of value and some showing huge discrepancies. This has to be a direct impact of the lack of resource within the Valuation Office Agency leading to little co-ordination across the country. For example, areas of the South West have seen decreases in towns such as Torquay and Weymouth in rental levels of 50% but the Rateable Values have fallen by under 40%. The opposite of that has happened in St Ives where rental levels have increased by 23% but Rateable Values have increased by 60% in prime spots. The assessments simply do not reflect what has happened in the market.

As part of the RSA National Retail Committee we have championed the use of Group Plc Challenge Review (GPCR) which should enable central discussions to take place prior to any formal challenges taking place.

Business Rates have a massive impact on the success or otherwise of a business and retailers have been struck in this turbulent period more than other sectors. The revaluation of food stores which, in many cases, have changed from being valued on a zoned basis to overall and have seen massive growth, will be hit with large rates bills affecting their profitability, despite high demand in the sector leading to competitor openings.

The high street desperately needs a boost to continue to fill their vacant units. The allocation of discretionary relief being so infrequent and liabilities being excessive with little chance of a successful appeal in the near future, will not help.

We are continuing to lobby for reform in the Rating system but in the meantime, we are working with the Valuation Office Agency, giving feedback on the CCA system and looking for ways of improvement. We do hope that there is some light at the end of the tunnel. The VOA has provided an opportunity to give feedback and we recommend that as many ratepayers as possible do so. The link below gives details of the feedback survey: www.gov.uk/business-rate-appeals.

Read more here: www.colliers.com/en-gb/uk/rating.

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"BUSINESS RATES HAVE A MASSIVE IMPACT ON THE SUCCESS OR OTHERWISE OF A BUSINESS AND RETAILERS HAVE BEEN STRUCK IN THIS TURBULENT PERIOD MORE THAN OTHER SECTORS."

CAR PARK ANPR NEED NOT BE JUST FOR ENFORCEMENT

PETER HARDINGHAM
GENERAL MANAGER
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OCTAGON SHOPPING CENTRE
BURTON UPON TRENT

CAR PARK AUTOMATIC NUMBER PLATE RECOGNITION CAN BE AN IMPORTANT MARKETING TOOL NOT JUST AN ENFORCEMENT AND MANAGEMENT SYSTEM.

We often read about the need for retailers to be relevant in the digital age, to keep abreast of new technology, to be 'multi-platformed' and multi this-that-and-the-other and this is just as true for shopping centres like the Octagon in Burton upon Trent, Staffordshire where I have been the General Manager since 2006, as it is for our tenant retailers so I am particularly pleased that this time in The Retailer I can tell you about the Octagon's new multi-platform customer engagement, reward and recognition scheme that launched in March.

Octagon customers are encouraged to sign-up to the scheme, believed to be a first in the UK, provide a mobile and email contact and critically (and this is the unique bit) their vehicle registration number - along with, of course, their name. In the first four weeks after the launch earlier this year more than 1,700 regular users of the Octagon signed up to the programme and consequently when these customers drive into the Octagon's 700 space car park the Automatic Number Plate Recognition (ANPR) system installed to calculate and manage car park length of stay payments recognises a participators vehicle registration number and engages with the visitor by sending, to the linked mobile, a personalised message welcoming them to the Octagon. The message highlights exclusive offers within the shopping centre that are available either from the retailers or from the shopping centre itself – such as boxes of chocolates or free parking - which are then redeemed by customers showing the message details on their phones in participating retailers or at the Centre Management offices. Further recruitment drives, since the launch and organic growth has led to a significant increase in this original database in the intervening period enabling the Octagon on behalf of its retailers to now 'speak' to more than 7,000 regular users of our car park – and hopefully shopping centre in this way.

When they depart the ANPR system recognises that they have left and sends a further message, a while later when safely at home, thanking the customer for their visit and telling them about possible forthcoming reasons for a return visit.
Since March several hundred instant rewards have been redeemed and many of our retailers have been involved with exclusive offers, giveaways or money off vouchers all of which can be tracked and success and engagement levels therefore measured which in turn helps provide useful customer data and feedback to the retailers of the centre.
Following one such marketing event involving a 'meet and greet' with the Play-Doh character 'Doh-Doh' and the general promotion of Play-Doh at The Entertainer, Jo Griffiths the Store Manager said "we were very pleased that so many shoppers on the day came in as a direct result of having received an ANPR related text. Using the Octagon's ANPR based marketing service to help increase the redemption of the free product offer rather than needing an extra member of the team to hand these out in the Mall, really worked, and at the same time helped free up our selling team staff members to focus on other opportunities."

We are also linking the centre's free to access wi-fi to the system so that again those users that sign up to access that are linked to this new marketing development.

Keeping the messages fresh and relevant is going to be key to the system's long-term success but its built-in flexibility and ease to adjust to changing circumstances all have important roles to play. An example of this is that during the very warm weather last month we were quickly able to tell those arriving at the centre of the benefits of one of our cool air-conditioned coffee shop units and encourage hot customers to visit. At the other end of the communication spectrum it can also be part of any security alert broadcast – maybe used to discourage entry in to the shopping centre during any security incident.

Along with The Entertainer the system has featured exclusive offers, promotions or opportunities to enter competitions from such significant retailers as Greenwoods, Costa Coffee and F. Hinds.

Neither the Octagon, nor Burton for that matter, are major retail destinations but they are both very important in their own local market and at the same time competing for visitors from close neighbours notably Derby and Birmingham and so any point of difference is useful in this loyalty war and with high levels of frequent return visits the opportunities this system offers are obvious but you do need the ANPR system, in our case supplied by Newpark Solutions based in Bristol to be fully integrated with your customer engagement platform, in the case of the Octagon this being 'Darius' by Velocity WorldWide for it all to work and the bringing to reality of this vision of combining the two systems took more than six months of developmental work to bring to completion.

Overtime we hope to evolve the database so that offers can be more targeted to individual customer likes and interests but in the mean time we have a rather special, and for the time being unique way in which to communicate with our customers, engage with local retailers and encourage return visits.

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CUSHMAN & WAKEFIELD

THE OCTAGON
Shopping Centre
BURTON-UPON-TRENT

"OCTAGON CUSTOMERS ARE ENCOURAGED TO SIGN-UP TO THE SCHEME, BELIEVED TO BE A FIRST IN THE UK..."

RETAIL COLLABORATION IS ESSENTIAL TO TACKLE CHALLENGES OF CLIMATE CHANGE

LOUISE ELLISON
GROUP HEAD OF SUSTAINABILITY
HAMMERSON

AS CONSUMER EXPECTATIONS OF THE SUSTAINABILITY CREDENTIALS OF THEIR FAVOURITE BRANDS AND HOUSEHOLD NAMES BECOME MORE CHALLENGING, A ROBUST SUSTAINABILITY STRATEGY THAT IS BASED ON MORE THAN PR IS AN ESSENTIAL CORPORATE ASSET.

Investors too want to know that environmental, social and governance risks are understood and effectively managed. Consumers may not ask questions directly but reassuring them that they don't have to worry about who made their latest purchase or what it is made from is an obvious win. ESG analysts are now common across investment management and expect good answers. There is value in being able to tell a clear story about what you are doing as a business to 'know' your supply chain, reduce your environmental footprint and assure the all-round quality of your products – particularly given the potential for problems to go viral very quickly.

And of course consumer and investor concerns are valid and real. Unacceptable working conditions are revealed all too often and no one needs reminding of the risks attached to insufficiently robust health and safety management processes. Climate change is getting worse and the impacts are impossible to predict and potentially catastrophic. What we do know is they are happening more frequently and affect both ends of business processes – drought damaging crops whilst floods close factories and stores. These are clear business risks that our shareholders want to know we are addressing.

So what do we do? Sustainability is a notoriously difficult issue to tie down and often gets put in the 'too difficult' drawer or simply seen as a PR opportunity. These responses are no longer sufficient. More forward thinking businesses already see sustainability risks as an opportunity. They have worked out what their material issues are and how these might represent business opportunities. This was the process that led Hammerson to launch our target to be a Net Positive business by 2030. Our environmental and social impacts are big and those of our sector are really big, so we have an opportunity to be part of a solution; we have to move beyond simply managing the problem.

Great work is already being done by retailers like M&S, Next, H&M and others to make sure they are sourcing responsibly, reducing carbon emissions and communicating their story to their customers. But to really make a difference across their stores, I would argue there needs to be much more collaboration with landlords. As retail specialists Hammerson consistently collaborates with retailers in a number of business areas but it is still hard to collaborate on sustainability.

Hammerson's carbon emissions come mainly from electricity consumption in our assets and the materials used in construction. 60% of our emissions come from the tenanted areas of our shopping centres and retail parks. These are traditionally seen as out of our control and therefore 'not our problem'. But of course climate change is everyone's problem; it is no longer enough to limit our response to the areas we directly control (Scope 1 and 2 in the jargon). This is why Net Positive includes emissions from the tenanted areas within the assets (Scope 3).

> WE HAVE CALCULATED OUR TOTAL CARBON FOOTPRINT, INCLUDING TENANTED AREAS TO BE 193,000 TONNES PER YEAR, THE EQUIVALENT TO THE EMISSIONS OF ALMOST 24,000 HOUSEHOLDS.

And the potential for positive change is big. Ten retailers are alone responsible for over 40% of electricity consumption at our retail destinations. Collaboration with them to make the stores as efficient as possible will bring significant benefits. And of course the financial savings in terms of energy costs flow straight to the retailer.

Well that sounds like a win-win, so it's happening everywhere, right? Wrong. Unfortunately the property industry isn't the quickest to embrace change and we still face barriers. For example, each lease negotiation requires a new explanation to the retailer's representative of why we have sustainability clauses within our leases. These are not onerous and have no financial impacts but the insta-response from the property teams or lawyers of even the most sustainable retailers tends to be 'no'. Maybe the lease isn't the ideal place for these agreements but these are important documents for promoting dialogue and setting the tone in terms of how seriously we take the environmental performance of our retail assets. Sustainability standards in fit out guides are often viewed with deep suspicion or simply ignored. Ultimately we want to make the shopping centres as energy efficient as possible which saves retailers money – there is no hidden agenda here.

We have had notable collaborative successes. Many of our tenants happily shared data with us last year so we could calculate our carbon footprint. Collaborating with retailers has been key to our carbon neutral, BREEAM Outstanding retail park in Rugby. The leases set energy efficiency standards for fit out to ensure demand is balanced by clean electricity generated onsite.

Sofology, Furniture Village, Halfords, Tapi, Carpet Right and others have all accepted this and are working with us to deliver it. The rent on the Costa EcoPod was lifted to cover the additional capital cost of delivering the unit. The payback to Costa in operational cost savings is significantly ahead of that uplift. All of these deals were achieved through positive collaboration with our retailers.

> OPERATION OF OUR RETAIL ASSETS REPRESENTS 79% OF OUR CARBON EMISSIONS. 63% OF THAT IS FROM THE TENANTED AREAS OF OUR SHOPPING CENTRES AND RETAIL PARKS.
> 10 KEY RETAILERS REPRESENT 43% OF ELECTRICITY DEMAND ACROSS OUR RETAIL PORTFOLIOS.

These are great examples but more needs to happen; we have to collaborate if we are to avert the worst affects of climate change and the quicker we do that the easier it will be. These impacts present an extraordinary risk to EVERY business. Climate change is everyone's problem so solving it is everyone's job.

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Hammerson

"SUSTAINABILITY IS A NOTORIOUSLY DIFFICULT ISSUE TO TIE DOWN AND OFTEN GETS PUT IN THE 'TOO DIFFICULT' DRAWER OR SIMPLY SEEN AS A PR OPPORTUNITY."

ARE YOU READY FOR MEES?

MARTYN MCDONALD
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NEW MINIMUM ENERGY EFFICIENCY STANDARDS FROM APRIL 2018 WILL HAVE PARTICULAR IMPACT IN THE RETAIL SECTOR.

One out of every five commercial properties in England and Wales will potentially become unlettable next year, when Minimum Energy Efficiency Standards come into force.

From 1 April 2018, it will become unlawful to grant a new lease or a renewal lease of a 'substandard' property, meaning a property with an EPC rating of F or G. Five years later, this will extend to catch existing leases already in place. In late February 2017, the government issued guidance on how the new scheme will work in practice.

SCOPE
Leases not exceeding 6 months or for 99 years or more will be exempt from MEES, but the vast majority of retail leases obviously fall within those parameters.

The guidance confirms that MEES will also not apply to:
- properties that do not require an EPC, even if one has been obtained voluntarily;
- properties where the EPC has expired, although a new EPC will of course need to be obtained on a new letting by the landlord or a subletting by the tenant;
- the grant of a licence rather than a lease.

LEASE RENEWALS
Lease renewals are affected from 2018. So, if a 5 year lease of an F-rated shop was granted in 2014, it will be unlawful for the landlord to renew that lease in 2019.

The guidance confirms that a landlord cannot use MEES to refuse a renewal lease to which the tenant is entitled under the Landlord and Tenant Act 1954. In those circumstances, the landlord can claim 6 months' breathing space to comply (whether by carrying out works to reach the minimum standard or registering a full exemption).

EXEMPTIONS
The landlord does not have to upgrade the property to E or above if:
- all cost effective works have been carried out (or there are no cost effective works that can be carried out);
- it would devalue the property by more than 5%; or
- the landlord cannot obtain all necessary consents to carry out the works (perhaps from a superior landlord, mortgagee or tenant, or planning permission).

All exemptions must be recorded on a public register and the guidance gives more detail on what is expected. To demonstrate that works are not cost effective (based on a simple seven year payback period), the landlord is expected to file three quotes and its calculations. Lack of consent will generally require the landlord to have requested consent on 'a number of separate occasions' using 'a number of different available means of communication'.

Exemptions generally last for five years. However, a buyer of tenanted property cannot rely on exemptions registered by the seller and an exemption based on lack of tenant consent must be reassessed on each change of tenant within that period.

FROM 2018, IT WILL BECOME UNLAWFUL TO LEASE OUT A PROPERTY WITH AN EPC RATING OF F OR G.

PENALTIES
Enforcing authorities (expected to be Trading Standards departments) will have 12 months from the date of a suspected breach to serve a compliance notice and 18 months to issue a penalty notice. Fines can reach £150,000 per breach, which will mount up if the landlord has granted several leases within the same sub-standard building or across several sub-standard properties.

Landlords also face being named and shamed through the use of publication penalties in addition to fines.

RETAILER CONCERNS
Retailers are understandably shying away from taking new stores of substandard properties, and new-builds will obviously meet the required standards. MEES are therefore most likely to affect existing stores which come up for renewal from 2018 and existing leases from 2023.

Retailers will be concerned as to who will pay for the improvement works. The Regulations impose no direct obligations on tenants; in fact, they don't actually oblige anyone to carry out any works, they merely provide for landlords to be fined in default. The guidance makes no attempt to address the position between landlords and tenants, but landlords will inevitably attempt to flush their compliance costs through the service charge wherever possible.

Since there will be no break in trading, retail tenants will be concerned at the potential disruption to a trading store caused by the landlord carrying out works around them. Landlords and tenants will be looking closely at the rights reserved to the landlord in their leases.

RETAILERS CONCERNS INCLUDE WHO WILL PAY FOR THE IMPROVEMENT WORKS AND THE POTENTIAL DISRUPTION TO A TRADING STORE.

Retailers can also expect landlords to take a keener interest in the EPC implications of their fit-outs and other tenant alterations, and not just in substandard properties.

Retailers must also remember that they are not always the tenant in this scenario. Whether it is the subletting of surplus space or a full disposal by way of subletting, retailers frequently act as landlord and in doing so will be subject to MEES.

But it isn't all bad news. The headache that MEES will cause landlords will create corresponding opportunities for tenants of substandard properties. Adopting a collaborative approach towards energy efficiency improvements could allow the tenant to reap the benefit of reduced running costs and provide some leverage in any conversation around lease renewal or regearing.

THE FUTURE
Achieving an E rating is not the end of the story. In time, the minimum standard is likely to be ratcheted up from E to D (and beyond). This will be determined by five-yearly reviews starting in 2020, although landlords may seek to futureproof themselves now by doing more than the bare minimum.

We must also assume from the very fact that the guidance has been published that the government remains committed to a scheme rooted firmly in the EU Energy Directive.

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"ONE OUT OF EVERY FIVE COMMERCIAL PROPERTIES IN ENGLAND AND WALES WILL POTENTIALLY BECOME UNLETTABLE NEXT YEAR, WHEN MINIMUM ENERGY EFFICIENCY STANDARDS COME INTO FORCE."

FOODSERVICE PLAYS A CRUCIAL ROLE IN FUTURE-PROOFING RETAIL PLACES

COLIN BURNET
DIRECTOR UK RETAIL RESEARCH
JLL

LANDLORDS AND FOOD OPERATORS MUST ADAPT TO ONGOING CHANGES TO REAP REWARDS SAYS COLIN BURNET, JLL

The global foodservice industry is growing at an exponential rate with the amount of space dedicated to food in retail real estate in Europe rising from five percent a decade ago to 10 - 15 percent today. By 2025, this trend is expected to increase to 20 percent according to a recent global study written by JLL on behalf of the International Council of Shopping Centers (ICSC).

> ACROSS MANY COUNTRIES, CONSUMER SPENDING ON FOODSERVICE HAS BEEN OUTPACING GROCERY SPENDING. IN FACT, IT HAS BEEN OUTPERFORMING ALL RETAIL SPENDING IN RECENT YEARS ACROSS THE US, ASIA AND EUROPE. THIS TREND IS BEING DRIVEN BY MACRO DEMOGRAPHIC SHIFTS, TECHNOLOGICAL ADVANCEMENTS AND THE GROWTH OF THE 'EXPERIENCE ECONOMY.'

Today, more and more landlords understand that successful shopping venues are no longer solely dependent on the power of the retail offers available to customers. Instead, they have grown to realise that foodservice offerings, if executed correctly, can help to increase footfall, dwell time and overall sales growth. In fact, figures from Coniq show that customers who eat during a shopping centre trip spend on average 27 minutes longer across the shopping centre and spend 18 percent more in overall transactions.

Consumers are becoming more informed about food trends through technology and expectant of good service, value and experience. Demand for 'fast-casual' dining (no booking or dress code required) or a healthy food option are growing at a phenomenal rate. Different types of catering outlets available to shoppers strongly influence how much they spend so the most successful F&B brands are now streamlining these demands into their shopping centre offers to meet the needs of customers.

Innovation in technology is continuing to have a massive effect on the foodservice landscape. As a general rule, the amount of time consumers are willing to wait for anything is reducing rapidly. From self-service through apps or in-store kiosks, to improving the ordering and payment process, tech is playing a vital role in improving the operational efficiency of foodservice. For instance Itsu, Bill's and Busaba Eathai all have 'My Check' mobile payment app integration while Japanese restaurant, Inamo, London uses an interactive table menu which places orders directly to the kitchen helping to drive productivity. The implementation of such technology provides a powerful advantage for foodservice operators. Advanced analytics around payment data, social media and web sign in data, to name a few, provides potent insights into the preferences and habits of a customer base, enabling restaurant operators to develop efficiencies around menu and staff optimisation, as well as operational improvements.

Another fundamental driver is the growing popularity of the 'experience economy'. Shopping centres that offer a unique blend of leisure, retail and lifestyle offerings all under one roof have an advantage over many high streets or traditional retail destinations. Dining out, visiting the cinema and shopping for products all under one roof creates a true sense of occasion. This helps restaurants in shopping centres attract more diners during the traditional quiet times between meals, while trading periods can spread later into the evening than they would at a standalone location.

More foodservice space in shopping centres doesn't necessarily mean success, however. A big risk for restaurants, and shopping centres in particular, is around transparency. Technology means that the ever-connected consumer is now much better informed about places to eat, regardless of where they are (the TripAdvisor effect), meaning competition is fierce.

Meanwhile, the expectations of diners, especially millennials, is ever growing as they seek out stylish, unique and high-quality dining concepts. Retailers and shopping centers need to be ahead of the latest gourmet trends and deliver food concepts that encourage consumers to return. In order to meet the varied demands, ICSC recommends that shopping centers should provide a mix of local, national and international offerings. In the U.S. and many other countries, restaurant chains are focusing on delivering decor and excitement that modern day restaurant goers expect.

The very nature of the retail industry means it is constantly impacted by rapid change and while this brings risks, it also brings an array of opportunities. As a result, there are major considerations for landlords when expanding, adapting and innovating their foodservice components in shopping centres. One thing is for sure, there is no one size fits all solution.

Creating an effective tenant mix and developing a business model which understands the key differences between F&B and general retail offerings, is crucial. For instance, according to the JLL and ICSC report, for large, destination centres, 20 percent of food service space should be disseminated across an entire shopping centre and feature food service categories such as "refuel and relax" (i.e., coffee shops) or "impulse" stores (i.e., ice cream). The other 80 percent should be clustered together and include fast casual, fast food and casual dining stores. It also recommends that gourmet and finer dining establishments located at entry and exit points can draw in and retain maximum foot traffic.
To be successful, landlords and foodservice operators must know their customers wants and needs, understand the trends shaping the food industry and be able to customise F&B offerings accordingly. They must also have a thorough understanding of what competition is up to and be able to measure and evaluate the benefits of foodservice implementation. The future of the foodservice sector in shopping centres is positive, but future success will depend on applying greater consideration to planning, creativity and execution strategies.

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JLL

> "THE VERY NATURE OF THE RETAIL INDUSTRY MEANS IT IS CONSTANTLY IMPACTED BY RAPID CHANGE AND WHILE THIS BRINGS RISKS, IT ALSO BRINGS AN ARRAY OF OPPORTUNITIES."

BUSINESS

IS FOOD FRAUD CHIPPING AWAY AT CONSUMER CONFIDENCE?

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NFU MUTUAL

CONSUMER CONFIDENCE IS ON THE DECLINE: THE RETAILER GETS AN EXCLUSIVE FIRST LOOK AT THE NFU MUTUAL FOOD FRAUD REPORT.

Adulteration or misrepresentation of food's benefits, origin or quality for financial benefit dates back centuries. Undoubtedly one of most deep-rooted and significant issues facing the food industry, the impact of food fraud can be of considerable detriment, threatening the reputation of the thousands of good and honest UK businesses that rely on others across the global food chain to be lawful and true. A huge 89% of global manufacturing businesses were affected by fraud in 2016, 7% higher than the previous year[1]. Fraud is also expensive - costing the UK food industry specifically a colossal £12 billion each year to prevent[2].

Thankfully, the National Food Crime Unit (NFCU) has reported no evidence of organised crime taking place in the UK[3]. But the global supply chain suffers weaker governance, luring in criminals with irresistible opportunities to make huge mark-ups, against the negligible deterrent of lenient penalties if caught. We are fortunate in the UK to have organisations such as the NFCU working tirelessly to stop fraud happening and safeguard our reputation as selling some of the safest food in the world. But the power of the internet is ever-exposing the food industry to criticism, supersizing distrust and chipping away at consumer confidence. In a world where headlines are king, what is the effect on the food industry? Does it have an image problem? Consumer opinion suggests so. A first look at our Food Fraud Report, launching at the beginning of September, has discovered that consumer confidence is on the decline.

In the research conducted with over 2,000 consumers, one third (33%) said that they are less trusting of products and retailers than they were five years ago, compared with only 9% whose trust has increased.

Opinion is most divided among young people. Of those aged 18-24, 40% are less trusting and 17% are more trusting than five years ago, which may raise concern for businesses over the polarisation of the purchasing power of the future. This disparity is interesting considering that young people are most predisposed to the power of online and peer and influencer opinion – both positively and negatively charged towards the food industry.

Perhaps unsurprisingly, high profile cases of fraudulent food in the media, such as the horse meat scandal in 2013, are the most common cause of reduced confidence in nearly half of consumers (46%).

So what can retailers do to improve confidence? Implementing awareness and prevention programmes across the employee network should be at the core of every retailer's business strategy, right through to customer-facing level. Retailers may feel at the mercy of food producers to mitigate risk or product recall incidents, but they too have a duty to ensure that the food they sell is legitimate and safe, especially given that they are not immune to the reputational consequences of not doing so. Finding out whether your suppliers have product recall insurance should also be a priority, as it can cost millions to get products off the shelves quickly and pay the legal fees.

33% OF CONSUMERS SAID THAT THEY ARE LESS TRUSTING OF PRODUCTS AND RETAILERS THAN THEY WERE FIVE YEARS AGO.

Our study found that while producers are assumed most likely to be to blame for product mishaps, a fifth of people would blame the retailer first. Remarkably, only 22% of people trust retailers to properly assess products before selling them. Perhaps by addressing this perception and promoting fraud prevention measures more prominently, retailers could gain an edge in buying back consumer confidence and loyalty.
There are also steps retailers can take to reduce vulnerability to fraudulent products.

Know your suppliers and make sure they have a comprehensive food defence strategy. Request to see their supply chain vulnerability assessments and ask yourself whether you have confidence in them. A company investing in employee and partner education programmes, and running tighter policies, may be more equipped to combat fraud.

Companies can be more at risk of fraud due to new technology and using international supply chains. That said, a manufacturer using a long, global supply chain doesn't necessarily mean it is more vulnerable than one using a short British supply chain, but a shorter chain might be easier to manage. A retailer choosing to support and sell British produce may also reap the benefits, with proven success by mainstream retailers such as the Co-op receiving great applause for their pledge to sell British-only meat.

We work with the National Farmers Retailers and Markets Association (FARMA), known for championing and certifying British farm shops and markets selling British produce to local communities. We also work with local food associations across Britain including Hampshire Fare and Dorset Food and Drink, which champion produce grown or made specifically in their regions. Their provenance and quality assurance stamps are determined by stringent local laws, with the accreditation much sought after by makers. Familiar assurance stamps such as the Red Tractor are a powerful tool - our research showed they influence the purchase decisions of nearly two thirds of consumers (67%).

GET TO KNOW YOUR SUPPLIERS AND MAKE SURE THEY HAVE A COMPREHENSIVE FOOD DEFENCE STRATEGY.

Retailers of all sizes have huge power and influence as the face of the food industry, and it is increasingly important for stores to build trust and reassurance into the fabric of their values. Businesses across the 'farm to fork' supply chain continue to combat food fraud at its roots, but the real win for retail will be leading the way towards a food confidence revolution for consumers. Above all, due diligence keeps people safe and confident in their purchases, and the industry fair, strong and competitive.

The NFU Mutual Food Fraud Report launches September 5 2017, available free at www.nfumutual.co.uk/foodfraud. Visit now and sign up to receive an alert when it is published. For more information about the report, contact the press team on jade_devlin@nfumutual.co.uk.

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NFU Mutual

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"RETAILERS OF ALL SIZES HAVE HUGE POWER AND INFLUENCE AS THE FACE OF THE FOOD INDUSTRY, AND IT IS INCREASINGLY IMPORTANT FOR STORES TO BUILD TRUST AND REASSURANCE INTO THE FABRIC OF THEIR VALUES."

BREXIT – NAVIGATING THE CHANGING LEGAL LANDSCAPE

CLARE FRANCIS
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BREXIT MEANS BREXIT – BUT WHAT DOES IT MEAN FOR THE LEGAL AND REGULATORY LANDSCAPE THAT RETAILERS OPERATE WITHIN?

The Brexit negotiations have commenced with the UK, set to leave the EU in March 2019. It means a period of uncertainty, complexity and unpredictable twists and turns in the road ahead – after all, no country has done this before. Retailers are about to face some of the biggest changes to their operating environment in decades.

The Great Repeal Bill may maintain the status quo in some areas, but there are concrete actions retailers can take now to put themselves in the best position to reduce risks and take advantage of the undoubted opportunities that Brexit will present.

BREXIT CHALLENGES FOR RETAILERS

Brexit poses a myriad of legal and regulatory challenges for any retailer. Some are short term with the impact felt now and others longer term issues where planning can be key.

- **Sourcing** – tariffs and trade barriers could have a cost impact but also a time delay in moving goods cross border. This may impact on the customer proposition. For example, a next-day delivery service that works at the moment could become unsustainable with customs clearances and rules of origin applied;
- **Production Regulation** – the UK (and, therefore, UK retailers) will have less influence on product regulations yet any international retailer will need to follow them to provide consistency;
- **Brand Protection** – Brand protection needs to be continually monitored - not least due to lack of certainty around the timing of the final exit and any transitional provisions. New applicants should dual file for EU and UK trade marks to ensure brand protection across Europe;
- **Consumer Regulation** – having undergone significant overhaul and simplification over recent years consumer regulations/ distance selling laws are heavily aligned with EU laws. UK changes could mean differing standards across an international retailer's business creating increased compliance costs.
- **Exchange rate fluctuation** – in the short term retailers with global operations may see increased orders from international consumers as they seek to bag a bargain due to the weaker pound. This short term gain runs the risk of affecting long term business decisions;
- **New Competitors** – retailers should look out for new competition from other sectors trying to combat the Brexit risk. Manufacturers are considering new routes to market. Technology, such as 3D printing, is making customisation and servitisation easier so that they can reach the consumer directly.
- **Staffing** - with uncertainty around the free movement of people many retailers will face staff shortages - either themselves or within their supply chain. This may be an opportunity to consider greater automation and efficiency.

PLANNING FOR CHANGE

Whilst the Government seeks a comprehensive and bold free trade agreement, if this is not possible a Hard Brexit remains likely. Whilst some retailers have already revised their plans, many are taking a 'wait-and-see' approach.

All retailers should consider the likely scenarios and consider how they will be affected in different conditions, such as trading on WTO terms.

Retailers can then effectively plan for all scenarios, remembering to consider the possibility that the UK might leave the EU without a permanent or interim deal to access the single market. For retailers, such plans might affect their e-commerce strategies, customer propositions, local sourcing of goods or staffing contingencies.

It is also important to set a 'backstop date' by which management expects to take the decision on whether to activate those plans.

PRACTICAL STEPS FOR RETAILERS

One thing for certain is that Brexit will change how you do business with customers, suppliers, partners and how you compete with rivals. It will change the fundamentals underpinning your business relationships, so those relationships will need to change.

We have set out below some practical steps retailers should take now to inform their planning and ensure that the actions they take now ensure the future of their business:

- Review sales activity since the referendum. Has the mix of sales changed (channels, categories or geographies)? Continue to track this so that you can identify trends and then make any necessary changes to the customer proposition and/or the supply chain.
- Undertake a stress test on the current operating model in order to spot opportunities and risks. These can be classified as:
- Short term - e.g. weaker pound may permit more exports, but imported goods such as clothing could be more expensive;
- Medium term – e.g. where is near shoring appropriate and does customer proposition around source local need to be aligned;
- Long term - e.g. lower economic growth may support businesses at the value end of the market, whereas discretionary items may be negatively impacted.
- Consider whether operational changes need to be put in place to reduce any delay in the supply chain that may be caused by customs clearance?
- Update contract authorities and sign-off processes in the light of Brexit risks (e.g. higher sign off levels for contracts that will not expire prior to April 2019).
- Review existing contracts, looking at three categories:-
- Operational – there could be a risk on how the contract is delivered (e.g. customs delays at a border);
- Pricing – there could be an increased cost/request to change the pricing under the contract (e.g. exchange rate fluctuation or customs duties); and
- Technical/legal – a change may be required that is purely technical or legal (e.g. a territory currently defined as the EU).

As a retailer with an increasingly demanding consumer base, the ability to be agile and react quickly to changing circumstances will help maintain competitive advantage and ensure you deliver profitable results in a post-Brexit world.

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"BREXIT POSES A MYRIAD OF LEGAL AND REGULATORY CHALLENGES FOR ANY RETAILER. SOME ARE SHORT TERM WITH THE IMPACT FELT NOW AND OTHERS LONGER TERM ISSUES WHERE PLANNING CAN BE KEY."

SHORT TERM
- Exchange rate flux
- Contract sign-offs
- Existing contract analysis

MEDIUM TERM
- Sourcing decisions
- Customer proposition
- Operational changes required

LONG TERM
- Product regulation
- New competitors
- Near shoring

BUSINESS

ARE RETAILERS JOINING THE CUSTOMER EXPERIENCE DOTS?

JOANNA PERRY
HEAD OF MARKETING
PRACTICOLOGY

WE EXAMINE HOW LEADING RETAILERS DELIVER AN OUTSTANDING OMNICHANNEL CUSTOMER EXPERIENCE ACROSS THE WEB, MOBILE, APPS, MARKETING AND STORES.

There are many buzzwords around modern ways of retailing, and 'omnichannel' and 'customer experience' are just two of them. As a multichannel consultancy that's known for the practical advice we give to retailers, we wanted to explore what these buzzwords really mean through a consumer's eyes. Our latest piece of research examines which retailers deliver a great omnichannel customer experience; supporting their customers at every stage of the shopper journey with a focus on cross channel sales and marketing elements.

30 well-known UK non-food retailers who sell via stores, and mobile and desktop versions of their sites were included in the Omnichannel CX Report. We created a scoring matrix for aspects of the customer experience at every stage of the customer journey; each retailer was scored and then ranked based on this.

Search results, desktop sites, mobile sites and apps were tested. In addition, we visited stores, registered for an online account and opted-in to email marketing. We also researched recent above-the-line advertising, viewed social channels and content, and collected printed marketing materials from stores.

NEW SERVICES BECOME THE NORM

One key finding was that the take-up of technology to enable cross-channel services has been strong in the last couple of years.

Among the 30 large retailers we researched – all who have a high street presence – we found:

- 37% offer Live Chat on their website
- 43% have a store stock checker on their website
- 50% have either web kiosks or mobile devices available in stores
- 37% offer e-receipts to store shoppers
- 63% offer free in-store WiFi
- 60% have a mobile app, although only 40% have an app that directly supports in-store shopping

Technology doesn't automatically make for a great customer experience; but where it allows the customer to see information from one channel in another channel, it can be highly beneficial. For example, using store stock checkers, 43% of the 30 retailers we researched exposed store stock data on their websites so customers can research what they can buy before visiting a store.

43% OF UK OMNICHANNEL RETAILERS PROVIDE A TOOL TO CHECK STORE STOCK ON THEIR WEBSITE.

Some 63% offered free in-store WiFi, which can prove useful when customers are in a retailer's store and want more information on a product (for instance, visiting one of the 80% who offer product reviews on their websites).

Stores are crucial to the experience

Our research also highlighted how important store staff, store signage and store technology are to the overall experience in a modern cross-channel shopping journey.

Unsurprisingly, a majority (67%) of the 30 retailers promote their websites through signage in stores; meaning a third currently waste an opportunity to promote their site to customers.
In addition, we were pleasantly surprised to see that nearly half of the retailers offered some form of printed marketing material in stores – including gift guides and catalogues – for customers to take away. This printed material often directs customers to the website too.

We asked a member of staff in each store a question about a product or stock availability, to see if they would mention the website, and also examined how easy it was to collect an online order from the store. 37% of retailers provide a designated click-and-collect collection point, and 33% had signage in the entrance of their stores and/or around the store to help customers navigate to where orders should be collected from. Often, it's the little details like this that can make or break how seamless an experience feels to the customer.

THE TOP SCORERS

Top of our ranking came Argos, quickly followed by House of Fraser and John Lewis.

Argos scored highly for factors including the ability to check store stock on its site, Live Chat, same-day delivery options, easy-to-use store locators on its desktop and mobile sites, and advertising and email marketing that promotes both web and stores. The retailer has also created a branded presence on eBay, so even shoppers using the marketplace channel have a similar experience to those buying direct.

However, it wasn't all plain sailing. Our query to Argos' customer service contact form went unanswered after 24 hours, and its mobile app replicated its mobile site (with little in the way of additional functionality).

House of Fraser and John Lewis both replied to email customer service queries within one day; John Lewis within eight hours, and House of Fraser within three. Both of the department stores have dedicated click-and-collect desks, and signage to show you where they are located in store.

67% OF UK OMNICHANNEL RETAILERS ACTIVELY PROMOTE THEIR ONLINE CHANNELS THROUGH SIGNAGE IN THEIR STORES.

The department stores were also strong on promoting their websites in-store. In both cases store staff talked to us about ordering online when we asked about an out-of-stock item, and free WiFi and in-store technology was available if we wanted to place an online order while still in the store.

Again, we found areas for improvement. Neither offered e-receipts (though they both sell high value items where a digital receipt would be appreciated).

John Lewis doesn't show store stock availability on its website. As a retailer with destination stores, we felt that it would be particularly beneficial for customers to see this information before planning a trip.

Taking the time to review the complex journeys that your customers take before they make a purchase online or in store, will quickly uncover the gaps and blockers to a smooth experience.

Often the fixes require relatively small investments in signage, staff training or technology add-ons.

To see how all 30 retailers scored download the full report at www.practicology.com/CXreport.

Practicology's team of consultants are based around the world in London, Hong Kong, Guangzhou, Melbourne and Sydney.

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"TECHNOLOGY DOESN'T AUTOMATICALLY MAKE FOR A GREAT CUSTOMER EXPERIENCE; BUT WHERE IT ALLOWS THE CUSTOMER TO SEE INFORMATION FROM ONE CHANNEL IN ANOTHER CHANNEL, IT CAN BE HIGHLY BENEFICIAL."

HOW BEST TO PROTECT YOUR BUSINESS FROM LIABILITY EXPOSURES

NICK DONOVAN
HEAD OF CUSTOMER MANAGEMENT
RSA

THE NEED FOR RETAILERS TO HAVE THE NECESSARY RESOURCE AND MANAGEMENT SYSTEMS IN PLACE IS AS IMPORTANT AS EVER.

It doesn't always seem so but the world is gradually becoming safer and our retail spaces are no different.

Shops are obliged to carry our risk assessments to make sure they are designed and managed in ways that reduce the likelihood of injuries taking place, while customers and employees are more protected than ever by health and safety rules.

With hefty penalties that can stretch to six-figure sums and even custodial sentences for breaching these regulations, retailers more than ever need to make sure they understand the current requirements.

The number of accidents happening can be contained, whether that's involving customers on the shop floor or employees in the store rooms, by having an up-to-date and effective safety management plan in place.

All employers have a legal responsibility to ensure the health and safety of their employees as well as customers and other visitors. For large retailers it is important for the internal risk team to regularly review health and safety changes. Smaller businesses can seek advice from the Health and Safety Executive (HSE) or trade bodies. In all cases insurers and brokers are available to provide additional advice and support. However, the day-to-day responsibility for this lies with frontline staff such as store or warehouse managers.

Accidents of course will happen, from spillages and slippery floors to trip hazards. Businesses, no matter their size, need to ensure that well-trained staff members are on hand to provide help when accidents occur, as sympathetic and professional assistance is what is required and can make a lasting impression.

Combining this with a well documented robust safety management proposition ensures the injured party is fairly treated and the incident is properly recorded. Many accidents can be prevented by ensuring that good housekeeping standards, fixtures and fittings, floors and lighting are maintained. A simple daily inspection procedure will assist, as will ensuring that all employees are aware of their responsibilities and contribute to effective safety management.

Good housekeeping and having accurate paperwork becomes vital should an accident claim be filed, as it demonstrates your business is well prepared and can accurately report the details around an incident.

When accidents do occur, taking a risk managed approach will help mitigate against escalating costs and reputational damage to the business. It is important to treat minor accidents or even 'near misses' seriously. What may seem a trivial event causing minor injury could easily happen again causing serious or life changing injury, and a potentially large compensation claim, plus other costs, such as fines or penalties, and reputational damage.

CHRONIC PAIN INJURIES

Despite the general trend towards a safer society, long-term or chronic pain injuries pose a growing concern. A simple incident can quickly escalate into a claim worth hundreds of thousands of pounds and the risk of criminal prosecution, particularly since changes to the health and safety offences sentencing guidelines two years ago increased the severity of the fines for companies and even individuals in breach of regulations.

Early identification of the potential for chronic pain injury to arise is really important for businesses to understand their potential exposure to large claims in the future, making it vital that your insurer is notified of any accidents.

TEN TIPS FOR RETAILERS TO MANAGE LIABILITY EXPOSURES:

- ENSURE YOU HAVE THE NECESSARY RESOURCE AND RISK MANAGEMENT SYSTEMS IN PLACE
- REGULARLY REVIEW THESE SYSTEMS AND ENSURE THEY ARE SUPPORTED AND CONTROLLED AT A SENIOR LEVEL WITHIN THE BUSINESS
- REPORT ACCIDENTS TO YOUR INSURER IMMEDIATELY
- COMPLETE ACCIDENTS REPORT FORMS STRAIGHT AWAY
- ENSURE ALL DOCUMENTS ARE IN ORDER FOLLOWING AN ACCIDENT INCLUDING PHOTOS AND WITNESS STATEMENTS
- ENSURE AWARENESS OF HSE REGULATIONS IS UP TO DATE
- ENSURE GOOD HOUSEKEEPING OF DOCUMENTS
- PROVIDE THE CORRECT LEVEL OF H&S TRAINING FOR EMPLOYEES
- KEEP RISK ASSESSMENTS UP TO DATE
- REGULAR COMMUNICATION WITH YOUR BROKER OR INSURER REGARDING LONG-TERM EMPLOYEE ABSENCES FROM INJURIES IS IMPORTANT

These case studies show how what seemed initially to be minor accidents can develop into something serious:

CASE ONE

An employee working in the stock room tripped over a box containing a customer order, which had been left in the wrong place by someone else. They landed painfully on their right shoulder, which was found on x-ray to have caused a tear to their rotator cuff. The employee had serious pre-existing injuries to their left arm. Unfortunately the accident has left them in constant pain with limited use in the arm, unable to work again and struggling to do simple tasks. The retailer and their solicitor admitted liability immediately and the overall cost of the claim, which includes care that will continue for life, loss of income and case management fees, along with a high award for pain and suffering, is expected to exceed £100,000.

CASE TWO

Part of a display inside a store fell off, injuring two customers. Neither customer suffered significant injury, however a claim was received from one and settled for approximately £5,000 while the other did not claim. The local Environmental Health Unit and HSE investigated the incident and decided to bring criminal proceedings against the retailer. Two charges have been brought against them: (i) Failure to ensure the health, safety and welfare of employees at work; and (ii) Exposing another to a risk to health and safety. A solicitor was instructed to deal with the criminal prosecution by the retailer. Having reviewed the papers and carried out preliminary investigations, the lawyer advised that if convicted on either charge, the retailer could face a fine of up to £10m. The cost of defending these charges could be in the hundreds of thousands of pounds.

Being alert to the importance of an embedded risk management approach can help ensure that a business does the right thing by its customers and employees, and helps to control their own costs.

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"WITH HEFTY PENALTIES THAT CAN STRETCH TO SIX-FIGURE SUMS AND EVEN CUSTODIAL SENTENCES FOR BREACHING THESE REGULATIONS, RETAILERS MORE THAN EVER NEED TO MAKE SURE THEY UNDERSTAND THE CURRENT REQUIREMENTS."

GIVING CUSTOMERS WHAT THEY WANT: FIVE AREAS TO FOCUS ON

JASON SHORROCK,
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RETAILERS MUST RESOLVE DELIVERY PROBLEMS, TIGHTEN UP CLICK & COLLECT, BALANCE DELIVERY COSTS, STEM THE RETURNS TIDE AND EMBRACE MOBILE.

For most UK retailers, omni-channel is now a must-have, rather than a nice to have. However, the challenge for most retailers is fulfilling omni-channel demand profitably; it is not hugely surprising that our recent CEO survey with PwC revealed that only 3% of UK CEOs (10% of global CEOs) feel their business is able to make a profit while fulfilling the demands of omni-channel retail.

Retail is in the midst of a digital revolution, from the way products are ordered, right the way through to processing and fulfillment – so much so that it can be difficult to know which to prioritise. Our third annual JDA/Centiro Customer Pulse has highlighted some areas to focus on:

1. RESOLVING DELIVERY PROBLEMS
UK shoppers are growing increasingly intolerant of poor online experiences: more than three quarters (78%) will shop elsewhere in future as a result of a poor online experience. This problem looms large: more than half (56%) experienced an issue with an online order in the last 12 months, a figure that has been growing over the last three years.

Frustratingly for retailers, the most common delivery problems - late deliveries (42%) and missed deliveries (37%) - are out of their direct control. However, some progress is being made to resolve problems that are within the grasp of retailers: the amount of people sent an incorrect item by a retailer has fallen from 21% to 19%, and the amount of people receiving a damaged item also went down, from 25% to 24%, this year. Correcting these problems and processing the returned items remains hugely costly for retailers and should remain a focus.

2. TIGHTENING UP ON CLICK & COLLECT TO REAP THE ASSOCIATED BENEFITS
Click & Collect continues to prove a popular choice for shoppers, with more than half (54%) using the service in the last year, however a significant amount (43%) of people still experienced problems.

The most commonly-encountered problems relate to staff, with more than a quarter (26%) reporting long waiting times due to lack of staff, while 18% found staff were unable to locate items in store. If they can tighten these areas up, they will be free to reap the rewards; our research revealed that 18% of Click & Collect shoppers made a planned purchase of an additional item, and 12% made an impulse purchase. Footfall has always been important to retailers, and this is an example of how it will continue to be a critical focus point in the omni-channel age.

3. STRIKING THE RIGHT BALANCE WITH DELIVERY COSTS
When the likes of Amazon and ASOS were establishing a customer base, free delivery and returns were commonplace and seen by shoppers as the norm. However, as the market has matured customers' service and cost expectations have also begun to change. Cost remains the most important delivery consideration to 40% of people, but convenience, speed and a good returns policy are also factors more shoppers are starting to take into account when it comes to home deliveries. Taken into consideration when people think about home deliveries.
To succeed, retailers must be able to understand these different kinds of behaviours and preferences, and start to segment and personalise delivery charges accordingly.

4. PROVIDING ACCURATE INFORMATION TO STEM THE RETURNS TIDE
Our PwC research found that more than four fifths (85%) of UK retail CEOs think the cost of customer returns is impacting profits to some extent. They're also high on the agenda for customers: 68% returned an item in the last 12 months, and 63% say the returns experience factors into their choice of retailer.

The pressure is on retailers to provide a good returns experience, but the power is in their hands to prevent them from happening in the first place; more than a third (38%) of people said they were returning an item that was not what they were expecting, so if retailers can improve the way they describe products, they could cut the amount of items that need to be sent back.

5. PREPARING FOR THE FUTURE
Technological boundaries are constantly being pushed in the retail industry, and retailers certainly can't rest on their laurels over the next few years. More than half (51%) of shoppers said they are already using mobile devices in store, opening up opportunities for retailers to find new ways to engage with them; for example, 15% of them are searching for mobile offers, providing a new touchpoint for retailers to take advantage of.

The next key trend appears to be self-scanning technology. 'Amazon Go' stores could well become the norm, with more than a quarter (27%) predicting they will be using self-scanning technology to interact with retailers in five years' time. Customers seem ready and willing for the checkout experience to significantly change, so retailers should not be afraid of continuing to make steps in this direction.

SHARPENING THE FOCUS
For longer-term success, retailers need to think more intelligently, focusing on specific problem areas to become more laser-focused, providing quality over quantity.

By making sure they are resolving delivery issues, tightening up Click & Collect, striking the right balance with delivery costs, stemming the amount of returned items and preparing for the future, retailers will position themselves for success.

Fail to act in these areas, however, and increasingly-picky customers will simply head elsewhere.

Download a full copy of the JDA/Centiro Customer Pulse 2017 Report.

Download a full copy of the JDA/PwC CEO Viewpoint 2017.

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jda. Plan to deliver™

"RETAIL IS IN THE MIDST OF A DIGITAL REVOLUTION, FROM THE WAY PRODUCTS ARE ORDERED, RIGHT THE WAY THROUGH TO PROCESSING AND FULFILLMENT – SO MUCH SO THAT IT CAN BE DIFFICULT TO KNOW WHICH TO PRIORITISE."

UNDERSTANDING THE 2016 HOME SHOPPING LANDSCAPE

LARA BONNEY
MANAGING DIRECTOR
EPSILON ABACUS

DESPITE ALL THE UNCERTAINTY, 2016 PROVED TO BE ANOTHER STRONG YEAR FOR THE HOME SHOPPING SECTOR.

This is the conclusion from the recently released 2017 Epsilon Abacus Home Shopping Trends Report.

These findings are based on analysis carried out on the transactional activity of Abacus Alliance members for 2015 and 2016.

THE REPORT HIGHLIGHTS:

- SALES IN THE SECTOR ROSE BY 12.3% YEAR-ON-YEAR
- Q4 WAS THE BIGGEST QUARTER, GROWING 16.2%
- AVERAGE ORDER VALUE ROSE 1.3%

The Report covers six merchant categories which we'll look at in summary.

Clothing
Clothing has proved to be a robust category. After six years of growth, 2016 proved no exception. Revenue was up 10.8% year-on-year, showing a similar rise to the previous year. Analysing the category more closely, overall growth rates varied across the different micro categories. High end and contemporary clothing was the poorest performing. Its growth rate of 7.9% was under the average for the category, and well below the 13.4% achieved in 2015. Meanwhile, mature clothing saw a 12% growth in 2016, while mid-marketing clothing was the star, growing by 14.8%.

While every month showed growth on the previous year, Q4 was the strongest quarter. This was helped by a more seasonal end to the year in terms of temperatures. While 2015 had been mild, 2016 proved to be cooler, as temperatures normalized compared to the previous year. This appears to have driven demand for winter clothing.

Food and Wine
This was another category that did well. Year-on-year, growth was up 23.4%. Sales here are heavily weighted to the end of the year, with Q4 making up over 40% of annual revenue. The performance of this quarter heavily impacts on the overall success for the year.

Q4 proved very strong, growing by 29.2% year-on-year. Pre-Christmas/pre-New Year sales led to December being the strongest month, up 29.8% compared with December 2015. November was also similar, growing 29.0%.

Gardening
Gardening grew by 5.5%, slightly down on the previous year's 6.6% rise. Another category where sales are focused on certain key months, 2016 started with a decline. A wetter January and February compared with 2015 saw Q1 decline 4.9%. However, a 19.9% year-on-year growth in April led to a strong Q2 (up 16.6%). A good September gave an extension to the season. Q4 also showed good growth (15.8%), although autumn is a small season for the category.

Gifts Gadgets and Entertainment
Although growing by 2.7%, this was much less than the 12.8% achieved in 2015. January showed a steep decline, down 33.7% year-on-year. This may be explained by aggressive pre-Christmas sales and the growing impact of Black Friday on this sector. This appears to have led to consumers bringing forward their purchasing, rather than waiting until the traditional January sales. Q1 saw an overall decline of 7.4%. This picked up in Q2 (19.2% growth), but Q3 and Q4 showed only small rises (2.2% and 1.3% respectively).

Home Interiors and Household Goods
This category saw the sixth successive year of growth with a 9.2% year on year rise. In particular April (19.8%) and December (15.8%) were strong. Compared with 2015, June growth was significantly down. This may have been impacted by the European referendum, with consumers holding back on spend. Direct mail campaign volumes were also down in April and May 2016 compared with 2015, suggesting promotion plans had shifted to avoid this period.

Average Order Value per transaction declined by 4.4%. indicating revenue growth was driven by greater transaction volumes rather than higher order spend.

Generalist Retail
Growing by 15.5% in 2016, this category grew each quarter. With average order value, up by 6.6% year-on-year, growth was helped by people spending more per transaction.

Direct mail campaign timings for this category changed significantly in 2016 compared with 2015. Campaigns bookended the beginning and end of the year. January and February mailing volumes were up 37.0%. This was followed by a decline between March and June of 33.2%. Activity picked up between September and November, with mailing volumes increasing by 49.9% year-on-year. Again, this seems to indicate a decision to avoid promoting around the referendum.

Looking at the overall patterns of the home shopping sector in 2016, the EU referendum did impact on mailing plans and consumer spending. A slow start to the year saw things picking up in April and May then declining in June.

WHILE THERE WERE CONCERNS ABOUT HOW THE REFERENDUM WOULD AFFECT CONSUMER CONFIDENCE, THESE WERE DISPELLED LATER IN THE YEAR WITH A RETURN TO STRONG SALES GROWTH.

This was neatly summed up by Nick Alderton, Managing Director at menswear company Peter Christian. When asked about the impact of the referendum on his business, he said:
"...sales went flat and didn't recover quickly. Then in autumn, the nation seemed to wake up and dust themselves down. We managed to recover all of the lost momentum, making up the sales we lost and we ended the year strongly."

While the Report highlights the resilience of the sector in 2016, this year the challenges remain. The pressure on margins from a weaker pound, preparation for the General Data Protection Regulation in 2018 and continued uncertainty - politically and around Brexit- are just three areas. Despite all of this, as we have seen in the past, the home shopping sector has continued to defy difficult external conditions and achieve yearly growth, and there is no reason to believe this will not continue in 2017.

To download a copy of the Report please go here.

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"THE PRESSURE ON MARGINS FROM A WEAKER POUND, PREPARATION FOR THE GENERAL DATA PROTECTION REGULATION IN 2018 AND CONTINUED UNCERTAINTY - POLITICALLY AND AROUND BREXIT- ARE JUST THREE AREAS."

UNDERSTANDING THE NEEDS OF UK ONLINE SHOPPERS IN 2017

NICK LANDON
MANAGING DIRECTOR
ROYAL MAIL PARCELS

A FOCUS ON THE LATEST TRENDS IN THE UK ONLINE SHOPPING LANDSCAPE AND HOW THEY ARE INFLUENCING DELIVERY NEEDS AND EXPECTATIONS.

For the last nine years, we have commissioned the Delivery Matters* research to help retailers better understand the needs of online shoppers. Since the change in the macro-economic context due to the political uncertainty caused by Brexit, UK online shoppers seem to have become increasingly selective in the way they shop, and where possible are looking for value for money at all stages of their shopping journey, including delivery. In our report we look at what motivates their purchasing decisions, and we examine their attitude towards delivery charges. Also this year for the first time we are exploring the rise of subscription services and how it is shaping the delivery landscape. We are also looking at the use and influence of social media as a shopping channel, as well as taking a deep dive into the world of clothing.

SAVVY CONSUMERS ARE LOOKING FOR CHOICE AND VALUE-FOR-MONEY

Having more choice (54%), followed by the ability to compare prices (53%) are the key reasons that shoppers go online instead of in-store - older shoppers in particular are price driven. This is a reflection of shoppers' astuteness and motivation in achieving greater value for money and a clear sign of unprecedented consumer savviness. Convenience comes third - as in today's busy world consumers find it easier to purchase items on the go or from the comfort of their home.

MOBILE OPTIMISED EXPERIENCE IS EXPECTED

UK online consumers are arguably the most sophisticated in the world with a continued demand on delivery services and use of multiple devices to shop, particularly mobiles.

Laptops remain dominant (58%), but shoppers are increasingly on the go as the surge in mobile and tablet use continues. Mobile devices (combined use of smartphone and tablet) are used by 42%. An increasing number of digitally native shoppers are comfortable shopping using multiple channels and devices to find the best deals.

The strong and steady increase in mobile purchases means that there is a rising expectation to be able to complete the entire customer journey on a mobile device, from product discovery to delivery and return.

SOCIAL MEDIA ARE INFLUENCERS

Facebook (70%), YouTube (35%) and Twitter (27%) are the most used social media platforms. Usage of social media is clearly and consistently driven by a younger audience – for example 83% of shoppers claiming to use Facebook are aged between 18 and 34 - shoppers who are consequently far more likely to use social media for online shopping. Despite a large proportion (80%) of online shoppers using social media, an equally large proportion are yet to use it for online shopping. While it should come as no surprise that social media sites are not a major shopping channel at the moment, they certainly are a big influencer and play a role in personal expression, and therefore advocacy, as well as service or product discovery.

A DEEP DIVE INTO CLOTHING

The most purchased category amongst UK online shoppers is clothing and remains consistent with previous years. 45% of those claimed to purchase clothing online. So who is buying clothes? The most prevalent shopping groups are females (55%), as well as middle aged (35-54 year old) and younger shoppers (18-34).

They most common purchase (e.g. blouses, jersey tops) for 26% of them is t-shirts, vests (24%) and trainers (23%). The average online clothes shopper spends £40 a month and shops online for clothes or footwear on one occasion every month. Those with children in the household are likely to have shopped more often for clothes or footwear in the last 3 months than those without kids (3.4 times vs 3.0 times), 1 in 3 have returned items of clothing or footwear in last 3 months.

The main reasons for purchasing clothing online reflect the motivations for wider online purchasing landscape, illustrating the importance of choice and price factors.

SUBSCRIPTION DELIVERY SERVICES AT THE HEART OF CUSTOMER LOYALTY STRATEGIES

The introduction of subscription delivery services by retailers is influencing the way consumers shop online. We are witnessing a rise in subscriptions memberships, which provide members with unlimited next day delivery on all orders within the monthly or annual period pre-paid for. Interestingly 1 in 4 UK online shoppers are currently subscribed to a delivery service. Younger shoppers (39%) and those in an urban setting (30%) are significantly more likely to be subscribed to a delivery service. In an average month shoppers receive 3 deliveries from the retailer that they have a subscription to. Shoppers take out subscriptions because they buy from the specific retailer regularly, they can receive items next day or same day and they feel it saves them money on delivery charges in the long-term. Subscription delivery services are therefore being used strategically by retailers as a natural way for customers to come back for more.

UK SHOPPERS' DEMANDING DELIVERY EXPECTATIONS

A consistent sentiment among online shoppers is an expectation of free delivery. While 2 in 5 expect there to be no minimum spend to receive free delivery, nearly half expect to have to pay a minimum threshold of £20 to be eligible for free delivery. Almost half of shoppers will use a different retailer, wait until free delivery is offered or abandon the order altogether if free delivery is not available. Older shoppers and males are significantly more likely to use a different retailer if free delivery is not offered. Females would be more likely to wait until the retailer had a free delivery promotion. Shopper savviness goes hand in hand with increasing expectations shown towards deliveries, and not meeting these expectations can result in lost business in an unforgiving environment.

WHAT DO ONLINE SHOPPERS DO AFTER ABANDONING THEIR CART?

UK online shoppers have high expectations of their online shopping experience particularly around delivery which results in the perennial problem of cart abandonment. Based on this it is essential that retailers offer a great overall online and delivery experience to win repeat business.
In terms of most preferred place to have items delivered, home delivery is overwhelmingly the first choice for online shoppers year on year, while a neighbour's house remains the most convenient alternative place for delivery.

If you would like to see the full report or find out more about our further research please visit www.royalmail.com/deliverymatters.
For more information on how Royal Mail can help your business, contact your Royal Mail Account Manager
or call us on 08457 950 950**

NICK LANDON
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Royal Mail

*On behalf of Royal Mail, Trinity McQueen conducted an online survey with 1,500 respondents who formed a nationally-representative sample of people who had shopped online in the last three months. They completed a 15-minute online survey between 18th April and 9th May 2017.

**Calls may be recorded, monitored and used for training and compliance purposes.

"UK ONLINE SHOPPERS SEEM TO HAVE BECOME INCREASINGLY SELECTIVE IN THE WAY THEY SHOP, AND WHERE POSSIBLE ARE LOOKING FOR VALUE FOR MONEY AT ALL STAGES OF THEIR SHOPPING JOURNEY, INCLUDING DELIVERY."

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