



# THE RETAIL INDUSTRY: TODAY AND TOMORROW

---

NOVEMBER 2018

**BRC**

# RETAIL TODAY



Serving  
**53 MILLION**  
consumers



Workforce of  
**3.1 MILLION, 9%**  
of UK jobs



**55%**  
women



**260,585**  
stores, offices and  
warehouses



Contributing  
**£94 BN** to the  
economy in 2017



Paying  
**£17 BN** in  
business taxes



Collecting  
**£46 BN** in VAT



Prices of goods down  
**5%** while overall  
consumer prices up  
**8%** over last 5 years



Net profit **2.5%** of  
sales, down from  
**4%** in 2013



**9.1%**  
median gender  
pay gap



**£5.4 BN**  
investment in  
technology



**4.4%** pay  
growth in 2017

# INTRODUCTION

The retail industry is a **DRIVING FORCE** in the economy.

A hotbed of **INNOVATION**.

Touching the lives of **MILLIONS OF CUSTOMERS** every day.

Making a **MASSIVE CONTRIBUTION** to the very fabric of our society.

And at the **HEART OF COMMUNITIES** up and down the country.

We are at a **RESET MOMENT**.

**TECHNOLOGY** is transforming how people shop. That's on top of **RISING COSTS** and **SOFTENING DEMAND**, together creating a **PERFECT STORM** that is driving real structural change right across the industry.

That **CHANGE** is happening **QUICKLY** and happening **NOW** – some say we are only in the foothills.

In recent months there's been a roll call of household names facing significant challenges, and some business are sadly no longer with us.

We are seeing proposed mergers, other strategic alliances, and new entrants to the market, which all tell us that the industry will look very different tomorrow.

**CHALLENGES** for some; **OPPORTUNITIES** for others; a **CRITICAL MOMENT** for everyone.

This period is about **REINVENTION** retail, **NOT ARMAGEDDON** retail.

This short summary highlights many of the themes which will shape tomorrow's future of retail.

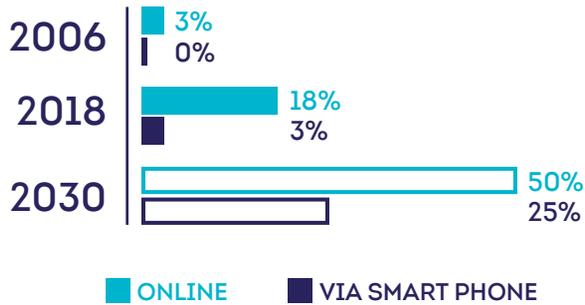
They cover how technology will continue to transform the shoppers experience and how the structure of the industry will change.

These have significant implications for our economy and our society which policy makers need to be considering now.

# TOMORROW: TECHNOLOGY WILL CONTINUE TO TRANSFORM THE SHOPPERS EXPERIENCE

ONLINE CONTINUES TO GROW AS MORE BARRIERS ARE OVERCOME. INCREASING PROPORTION OF PURCHASES VIA SMARTPHONE

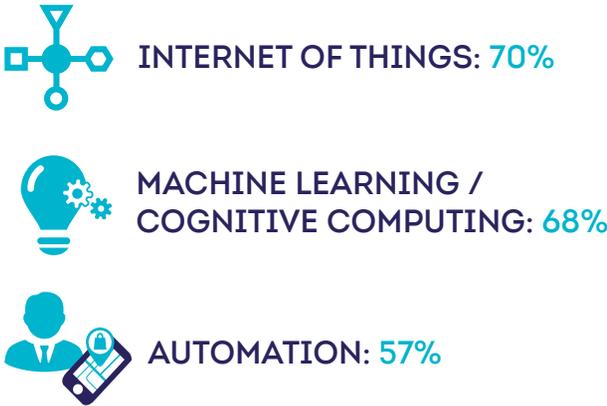
SHARE OF RETAIL SALES



Source: ONS, BRC, BDO research

ARTIFICIAL INTELLIGENCE, INTERNET OF THINGS, VIRTUAL AND AUGMENTED REALITY, ROBOTICS, BLOCKCHAIN AND 3D PRINTING HAVE WIDESPREAD APPLICATIONS

RETAILERS PLANNING INVESTMENTS BY 2021



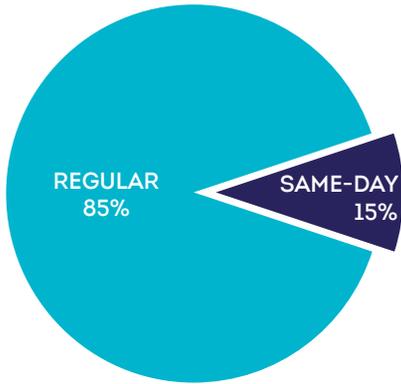
Source: Zebra

CONSUMERS AND RETAILERS STOP THINKING OF ONLINE AND OFFLINE AS SEPARATE CHANNELS



SAME DAY DELIVERY BECOMES THE NORM

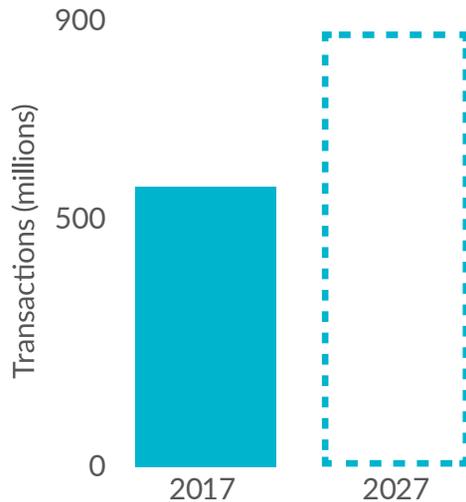
DELIVERY REVENUES, 2020



Source: McKinsey, Europe

## MOBILE PAYMENTS BECOME MAINSTREAM

### MOBILE TRANSACTIONS



Source: UK Finance

## AWARENESS OF ORIGIN, ENVIRONMENT AND ETHICS BECOMES MORE IMPORTANT, ALTHOUGH PRICE REMAINS KEY

10% WOULD PAY MORE FOR A POSITIVE IMPACT ON SOCIETY

40% ALREADY REGARD SUSTAINABILITY AS IMPORTANT

Source: YouGov

## CONSUMERS INCREASINGLY LOOK TO INTERMEDIARIES, INFLUENCERS AND SOCIAL MEDIA TO HELP THEM MAKE CHOICES

92% OF PEOPLE TRUST INFLUENCERS OVER AN AD OR CELEBRITY ENDORSEMENT

Source: Musefind

## OLDER GENERATIONS HAVE GREATER PURCHASING POWER



AGE > 65 YRS

£1 IN EVERY £5 OF SPENDING TO £1 IN £4 WITHIN TWO DECADES FROM NOW

Source: KPMG | Ipsos Retail Think Tank

## CONSUMERS INCREASINGLY EMBRACE NEW MODELS SUCH AS SUBSCRIPTION, RENTAL AND HIRE

15% OF U.S. ONLINE SHOPPERS HAVE SIGNED UP TO NEW SUBSCRIPTION SERVICES IN THE LAST YEAR

Source: McKinsey

## PLATFORMS PLAY AN INCREASING ROLE

GLOBALLY MARKETPLACES OWN 56% OF CROSS BORDER ECOMMERCE

Source: Eurostat

# TOMORROW: THE STRUCTURE OF THE INDUSTRY WILL CHANGE

## FEWER STORES, MORE WAREHOUSES



**-3,200**  
NET CHANGE IN SHOPS  
2015-2018

Source: ONS

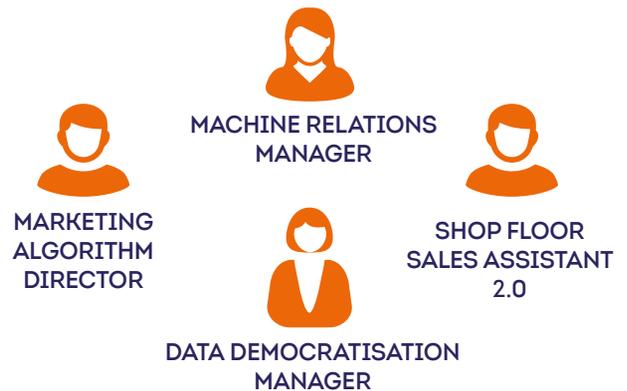
**MORE CONSOLIDATION PARTNERSHIPS AND AQUISITIONS, AND INTERNET ENABLES MORE SMALL BUSINESSES TO GROW**



**STORES WILL CONTINUE TO PLAY A KEY ROLE, BUT THEIR PURPOSE WILL BE DIFFERENT**



**AUTOMATION AND AI WILL REPLACE SOME TASKS BUT WILL ALSO CREATE NEW ROLES**



**RETAIL WILL BECOME MORE GLOBAL AS BARRIERS TO CROSS BORDER SHOPPING FALL**

### EUROPEANS BUYING ONLINE

FROM:	2012	2017
NATIONAL SELLERS	91%	87%
OVERSEAS SELLERS	38%	56%

Source: Eurostat

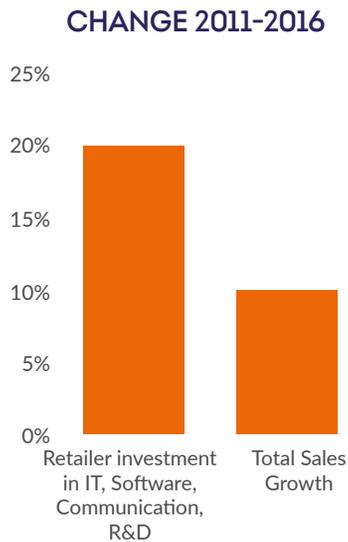
**FEWER JOBS BUT HIGHER QUALITY AND BETTER PAID JOBS**

EMPLOYMENT CHANGE Q2 2008- Q2 2018



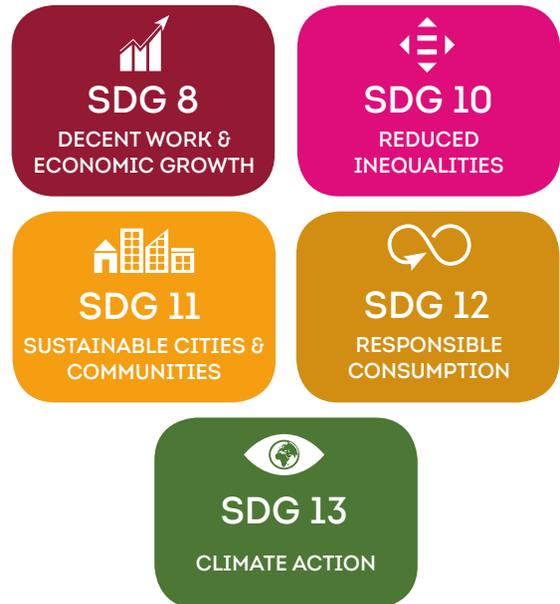
Source: ONS

**RETAILERS CONTINUING TO INVEST IN TECHNOLOGICAL TRANSFORMATION FASTER THAN THE MARKET GROWS**



Source: BRC-KPMG, ONS

**RETAILERS BECOME INCREASINGLY DRIVEN BY PURPOSE, ETHICS AND HELPING CONSUMERS MAKE THE RIGHT CHOICES**



Source: Sustainable Development Goals most relevant to retail, BRC

**PROFITS REMAIN LOW, BUT RETAIL PRODUCTIVITY WILL OUTPACE ECONOMY**

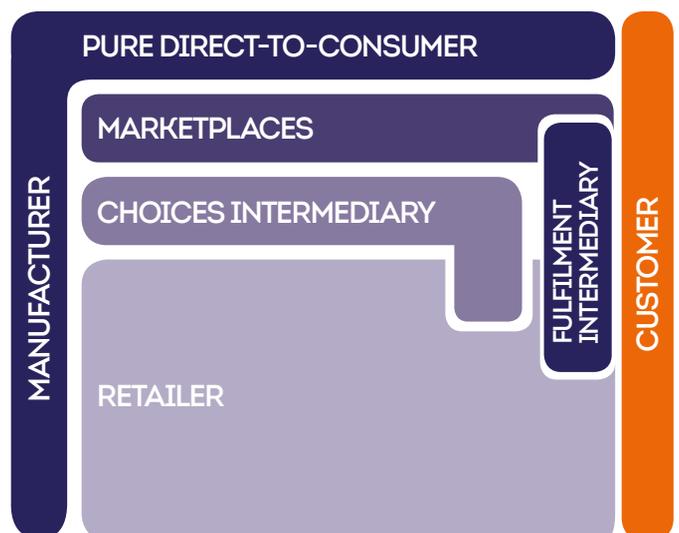
**LAST 12 MONTHS PRODUCTIVITY**



Source: ONS

**LINE BETWEEN RETAIL AND OTHER SECTORS BECOMES INCREASINGLY BLURRED**

**MORE WAYS TO REACH CUSTOMER**



Source: Oliver Wyman

# IMPLICATIONS

We need to recognise that the next period is not one of evolutionary change. We are experiencing a genuine revolution driven by technological innovation.

To ensure successful outcomes, the questions that need to be addressed include:

- How to transform planning and support local leaders to create vibrant mixed-use communities beyond retail?
- As the digital economy develops, what is the most effective way to tax activity?
- Who owns and has rights to access data generated by companies, machines and people?
- How should investment in productive technologies be incentivised?
- What skills will people who lose their jobs in retail require in their future working lives and how to encourage employers to help re-skill?
- How to retrain and instil lifelong learning given 1 in 10 people have never used the internet and 25% of the workforce don't have basic digital skills?
- How do we move rapidly from a linear supply chain to a circular economy?
- Do we need more far sighted consumer protection legislation to ensure an ageing population is not disadvantaged?

These are some of the things that policymakers, government, the BRC and the retail industry itself will be considering as we move forward.