

WHAT'S THE MODEL FOR NEXT GENERATION RETAIL?



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DESPITE STORES RE-OPENING, AND SOME POSITIVE SIGNS OF RECOVERY, THE RETAIL LANDSCAPE IS CHANGING, AND IN MANY WAYS, PERMANENTLY.

With the COVID-19 pandemic forcing an *acceleration of existing trends* – particularly the shift to digital – and introducing some new ones, retail CEOs are focusing on what this next generation retail model will look like and how they can harness the coming changes to their advantage.

Of course, a good deal will depend on changing consumer behaviours and priorities – from the driving forces of value versus values, the rapidly accelerated shift to online commerce, and whether another wave of the virus will stall recovery in the winter months.

But there will also be fundamental changes to the operating model that retailers need to understand if they are to adapt and survive.

AN OPERATIONS MODEL FIT FOR THE FUTURE

According to the Centre for Retail Research, there have been more than 125,000 redundancies in retail so far this year. It predicts a total of more than 250,000 job losses this year and 20,000 plus store closures. This is a seismic shift in the sector, presenting huge disruption for both head office and core operations. This is a vast increase on the already concerning figures from 2019 (140,000+ job losses/ 16,000+ store closures). The malaise in retail is a well-told story but the decline and disruption has been exacerbated and accelerated by the pandemic.

The impact of this will be twofold. Firstly, it means the retail model of the future will have to embrace a fundamentally different channel split, because of store closures and the acceleration of the shift to online.

Secondly, due to the imposition of remote working, retail leaders will have a huge amount of data about what happens in their head offices when many – or even all – of their staff aren't there. They now have an opportunity to rebase their entire HQ operation.

This is an opportunity to accelerate long-term plans and create a more streamlined business – and, if approached correctly, could lay the groundwork for future innovation and success by adding much needed skills to the business to capitalise on the data and consumer insight and respond with greater agility.

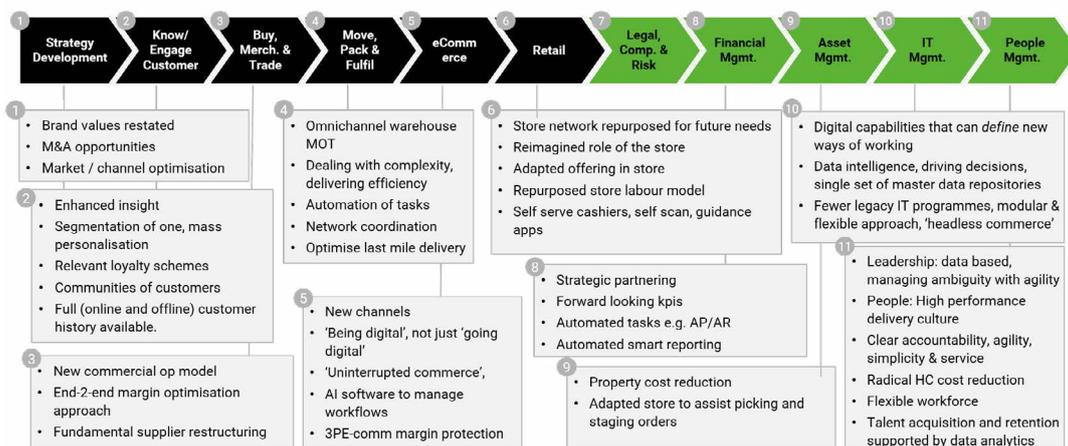
CHANGE IS THE EXPECTATION

For retailers, this is a unique moment in time where expectations, from consumer to investor, as well as colleagues, have been disrupted to the point that change is not only accepted – it is expected.

In a steady, stable market, mass restructuring, or a huge overhaul of operations, could feel excessive. But now, sticking steadfastly to old, traditional ways of working is simply not an option. The extreme impact of the pandemic makes the need for cost reduction critical but that alone is not enough. Retailers need to look longer term, recognising that ambiguity is here to stay and greater agility is needed to 'roll with the punches' as we navigate our way out of the immediate grip of the pandemic and beyond. Radical and accelerated transformation is critical.

Retail leaders have a genuine opportunity to really think through how their business works, identify problems or inefficiencies, and make changes for the better. The two core tenets to achieving this transformation are data intelligence and network co-ordination – harnessing the ability to 'plug in' and understand what consumers, the competition, suppliers and other partners are doing, and make informed decisions based on that data. If you need further proof that channel shift and data-driven systems are the future, simply look at where the money is going.

Transforming the value chain



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Investors are not seeing physical retail as a viable investment option, and online is receiving the bulk of attention. Ocado recently overtaking Tesco as the nation's most valuable retailer is the highest profile example of this.

THE CHALLENGE FOR LEADERS

Channel disruption, head office and operations changes and the need to embrace new data and systems present a huge challenge for more traditional, non-digital native businesses. In the end, it comes down to capability and having the right people in the right roles. This is even more critical today as the required pace of change is rapid and those that procrastinate could well be left behind.

As the new model takes over, retailers will need a vastly different range of skills across their workforce, with an ever-starker contrast between store employees and those in commercial or core operations roles.

They will need employees who live and breathe customer service in front-of-house roles, alongside very technically adept teams in core functions, who focus on what the data can tell them and act accordingly. This is a completely different workforce composition to that commonly found in most retailers and, for an added challenge, there will be a huge amount of competition to recruit the brightest stars. Add to that the need to identify the right leadership and competencies to take the business forward, then it is a considerable challenge.

However, there is still the need for differentiation – not every business can or should want to be Amazon. Retail – especially those in the non-essentials market – will always need inspirational thinking on strategy, values and product to focus and communicate their core value proposition.

The reality is that operational effectiveness will become a table stake, and most retailers are nowhere near the level of operational effectiveness they need to be able to compete. As retail moves forward, its leaders will need to decide whether they and their management are ready and able to lead their businesses in the right direction.

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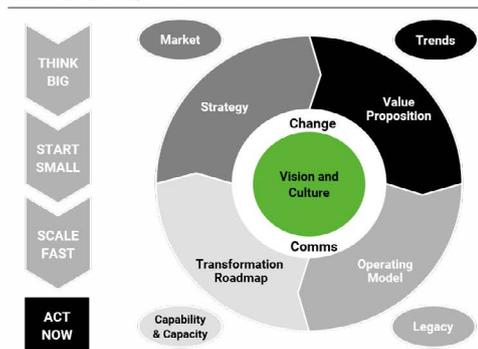
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// Read Matt's retail insights

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Accelerating transformation

Transformation Flywheel



The 'transformation flywheel' enables leaders to steer their business through complex and radical change effectively and efficiently

SIMPLICITY

AGILITY

ACCOUNTABILITY

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Accelerated transformation – key success factors

1. Clear line of sight from vision & strategy to execution
2. Clear outcomes – customer, financial and non-financial
3. Take the change early – deal with difficult decisions
4. Active leadership, sufficiently aligned team to drive change
5. Ownership & accountability established, colleagues engaged
6. Establish momentum, celebrate early success
7. Tailored roll-out approach to suit specific situation
8. Pace, rigour, high performance execution – no excuses
9. Ensure right capability and capacity to deliver
10. Proactive transfer to business as usual