RETAIL & ECOMMERCE

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STAFFING

Feel the churn: why employee retention still matters in retail

The ongoing cost-of-doing-business crisis has prompted many retailers to cut jobs and embrace automation. It's a risky gambit that could backfire on them

Cath Everett

Customer service has always been an important differentiator in retail, but difficult trading conditions over the past year have obliged many players in this sector to focus more on cutting costs and raising prices to shore up their margins and preserve profitability in the short term.

One of their favoured ways to do this has been to digitise and automate various aspects of the business. The appeal of such a move is obvious: automation should boost efficiency and get round the labour and skills shortages that many employers in the sector are experiencing. And rapid advances in conversational AI have been making that all the more achievable.

But this hard-nosed emphasis on the financials seems to be pointing towards job cuts, particularly among the bigger players. In April, for instance, US supermarket giant Walmart announced that it expected about 65% of its stores to be automated by 2027. This came just days after it revealed plans to lay off more than 2,000 people at facilities fulfilling online orders.

In other words, retailers are favouring a quick-fix approach, replacing staff with technology in a bid to cut their overheads and preserve their bottom lines. But this is at odds with decades of people-centric business strategy and it's also a risky option, even in a no-frills business. That's the view of Tamsin McLaren, senior lecturer in marketing at the University of Bath's School of Management and the Bath Retail Lab.

"Ecommerce is giving consumers more choice than ever before, which means that customers have higher expectations," she says. "If retailers continue to take such a short-termist approach in this highly competitive market, customers will vote with their feet and wallets."

Customer service does indeed seem to be deteriorating, with shoppers noticing the lack of a human touch in retail. The Institute of Customer Service's 2023 *UK Customer Satisfaction Index* reveals that discontent across all sectors is higher than at any time since 2015. In food retail, for instance, the average satisfaction score has fallen by 2.2 points on the previous year to 79.5 out of 100.

"Until there's a sector-wide recognition of cause and effect and the value of long-term, rather than short-term, thinking, retail is cutting off its nose to spite its face," McLaren warns. "Retailers may say they're concerned about staff and skills shortages. But their problems won't go away until there's sector-wide action to incentivise employees to stay and remain engaged."

jacoblund via Getty Images

While it has long been a factor in retail, staff turnover is really becoming a problem. The British Retail Consortium's *HR Benchmark Q1 2023* report states that the sector's average staff turnover rate is now 50.8%, compared with an average of 33.6% across all industries last year, according to Gallup.

Assuming that total automation is not on the horizon, part of the future staffing challenge for retail will be its changing skills requirements. Indeed, as investment in automation increases, the industry is steadily finding itself competing with other sectors for tech-literate candidates.

Luiza Gomes is employment policy adviser at the British Retail Consortium. She reports that the hardest roles to fill in retail are tech-related – for instance, IT solutions engineers, architects, programmers and web developers – but adds that even shopfloor roles are starting to require a "certain level of digital literacy".

As a result, "the nature of these jobs is becoming more expert across the board", which should mean that they become "better and more rewarding". But it also means that departing employees will become more difficult to replace.

"Retention will become more of a problem as the sector becomes more skilled, so it's important to recruit the right people from the outset," Gomes warns.

One solution might be to retrain more employees to prepare them for the era of automation. Jess Munday is co-founder and head of people and culture at Custom Neon, a bespoke sign maker and etailer. Her focus is less on recruiting new people and more on training existing employees to ensure that they can handle the business's changing requirements.

To this end, the firm is taking a two-pronged approach. The first involves selectively automating back-end operations such as logistics and inventory analysis. The aim here is to improve operational efficiency, cut costs and give the team more time to focus on customer service.

The company is more "cautious about bringing automation to the front end", Munday says. For one thing, human interaction is vital in customer service, and she also acknowledges that "some team members have found it hard to adapt to new technologies". This is where the second prong applies.

"We introduced upskilling programmes and even redefined some roles to align better with the evolving needs of the business," Munday explains. "Sometimes, it's not only about finding the right people for the job; it's also about finding the right job for the people you have."

As for Custom Neon's secret to staff retention – which stands at 85% in the UK – Munday believes that it's about more than merely providing decent remuneration. It's also about ensuring that employees feel "valued, trusted and invested in".

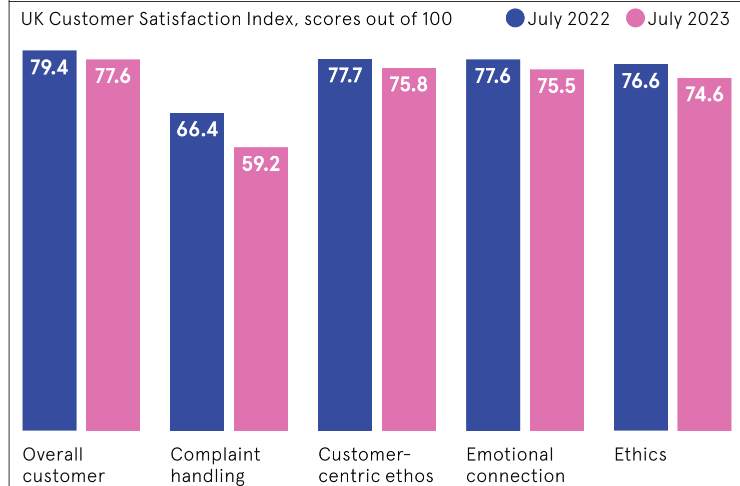
The retailer does this by providing ongoing coaching and mentoring opportunities, flexible working, team bonding activities and volunteer days.

"The human element isn't something we can afford to lose", Munday says. In fact, she believes the ability to offer customers "the human touch" will be the organisation's trump card as retail becomes ever more tech-driven.

"As we navigate this shift, keeping hold of the talented individuals who can blend technological savvy with emotional intelligence will be crucial," Munday says. "These are the folks who can make or break customer loyalty – something that no amount of automation can achieve."

VARIOUS ASPECTS OF CUSTOMER SERVICE HAVE WORSENED IN THE PAST YEAR

UK Customer Satisfaction Index, scores out of 100



Institute of Customer Service, 2023

Commercial feature

How should retail handle rising returns?

The number of items being returned is causing challenges for retailers, but the issue can be tackled with the right support

As more goods are sold online, it's no surprise that returns are increasing. Over the last two years alone, returns have risen by 20%. These high volumes of returns drive up retailers' costs in several ways and can damage business performance.

Firstly, consumers expect a frictionless shipping process with goods collected quickly and refunds issued in a timely manner. For this reason, retailers and consumer goods brands selling online are having to collectively invest billions in ensuring their shipping and returns processes are best-of-breed.

In addition, it is often hard to resell returned goods, and many items end up being burnt or put in landfill. That creates waste and increases carbon emissions at a time when consumers want brands to be more sustainable.

"When it comes to shopping online, consumers want ease and convenience as well as a commitment to sustainability – and that applies equally to the returns process," says Nabil Malouli, senior vice-president, ecommerce and returns global, DHL Supply Chain.

"The challenge for retailers is to minimise the losses from returns while maintaining customer loyalty and brand reputation. It's a tricky balancing act that many struggle to get right."

He notes that, in 2010, roughly a tenth of all goods bought online were returned, but this had jumped to a fifth by 2022. Part of the problem is that retailers have focused on increasing sales growth over tackling inefficiencies as they scale up, says Malouli.

At the same time, many have tried to be as flexible as possible with their returns policies to woo customers in a competitive market, with some offering "try before your pay" options or free returns as an incentive.

58%
of retailers say they want to be able to offer faster refunds

40%
of retailers plan to invest in automation or robotics to improve ecommerce fulfilment and returns processes

DHL, 2023

Returns avoidance

According to DHL Supply Chain's research, around 40% of businesses are now having second thoughts about such strategies and considering changes. A fifth of businesses plan to introduce charges for returns not made in store, and almost half are considering reducing the timeframe in which customers can return items.

And yet there are fears such moves could backfire, with some 46% of ecommerce firms saying they have concerns that customer loyalty could be affected.

There are other steps retailers can take to tackle high levels of returns, says Malouli, one being the use of "returns avoidance" solutions.

"Artificial intelligence can enable shoppers to try on clothes in virtual dressing rooms before they buy, or see how a sofa or television might look in a computer-generated model of their living room," he says. "It helps consumers make more considered purchases, and reduces the overall number of goods sent back."

Other strategies to prevent high returns include refunding customers and letting them keep an item if the cost of returning it will be higher. Some firms also offer an immediate discount instead of a refund if a shopper receives an item with a minor defect, which can help to avoid a costly resale process or goods going to waste.

Returns management

Of course, retailers will always have to deal with some returns, and it's vital that they handle them correctly, says Malouli. Bad experiences with customer service and delays in refunds can impact a brand's reputation. Some 58% of firms say they want to be able to offer faster refunds, while 40% have plans to invest in automation or robotics to improve ecommerce fulfilment and returns processes.

> "The challenge for retailers is to minimise the losses from returns while maintaining customer loyalty and brand reputation

Consumers also expect to be kept informed throughout the returns process, and transparent communications are key. Shipping must also be flexible, with 72% of brands believing that giving shoppers multiple returns options is positive for customer loyalty.

"Increasingly, consumers want control over where and when their goods are delivered to and collected from, be it their homes, workplaces or pick-up lockers. Flexibility is key, and retailers must be able to provide it," says Malouli.

DHL helps brands by consolidating returns, rather than handling them individually. This speeds up the process and brings down the cost. The company also enables firms to better manage returns when they are received. Fast and effective sorting allows businesses to offer faster refunds and quickly restock sellable items to gain their maximum value.

Such measures also help reduce the number of goods which end up being disposed of, says Malouli. As well as ensuring sellable items are restocked, DHL identifies and handles items fit for repair and refurbishment as well as recycling. This is even more important now that regulators are cracking down. In May, EU member states voted to ban the destruction of unsold clothing, which accounts for 20% of the bloc's greenhouse gas emissions.

According to DHL's research, 40% of ecommerce businesses globally want to drive down the volume of returns that end up being disposed of. Meanwhile, a third of ecommerce firms plan to start calculating the carbon emissions associated with returns.

Integrated approach

Logistics companies such as DHL play a key role in designing and executing more efficient and sustainable industry-wide practices, as they have the scale, infrastructure and access to automation that no single retailer or manufacturer has.

Brands also benefit from partnering with a single integrated solution provider, rather than attempting to handle fulfilment by themselves.

"Most firms still take a fragmented approach to fulfilment, working with multiple partners in a disjointed way. That's largely because shipping as a function crosses multiple different departments within a business, with no single division having overall responsibility," Malouli says.

He adds: "Getting rid of these silos and taking a more holistic approach will drive productivity gains. With a low-efficiency returns process, the cost per returned item can come down by as much as half."

Ultimately retailers and consumer brands must tackle the challenges of high returns volumes head on. Those that prioritise sustainability and customer service as much as sales growth have huge growth opportunities ahead, putting their business ahead of less forward-thinking competitors.

For more information, visit dhl.com

INTERVIEW

‘This business needs to be agile’

Entering his sixth year at the helm of home improvement giant B&Q, **Graham Bell** is bullish about the company’s future, thanks to a new set of priorities, technologies and store formats

Oliver Pickup

As a sports fan, B&Q’s Graham Bell can’t resist making some topical Rugby World Cup analogies to describe his feelings about the firm he’s been leading for the past five years.

“If we were a rugby team, we could win the competition because we’re feeling strong, confident and ready to push for success,” he declares.

The Scot believes that the business is getting “fitter by the year” and its employees are prepared to “go through walls” to realise his ambitious vision: for B&Q to become its customers’ trusted partner for everything relating to their homes.

Just how match fit B&Q is hasn’t always been clear, though, and perhaps Bell is indulging in a little sporting bravado. Financial results published this month revealed challenging trading conditions, with parent company Kingfisher – which also owns brands such as Screwfix, Castorama and Brico Dépôt – reporting a 33% decline in pre-tax profits for the first half of the year, to £317m. Indeed, some might argue that B&Q’s performance under Bell has been a little lacklustre so far.

Even so, his company leads the UK home improvements sector, boasting a market share of 8.2% in 2022, according to RetailEconomics. And Bell counters criticism of B&Q’s performance by noting that “we’ve performed really well since 2019, in terms of sales and profits, and we’ve hit our targets”. He adds that the modernisation project that he started and is only now starting to bear fruit isn’t yet reflected in the figures.

“If you stand still as a company, you may benefit for a couple of years because you’re not spending, but that won’t last long,” Bell argues. “Without investing in the business, you will lose ground to your competitors.”

Bell’s modernisation drive has been sorely needed. When he took charge of B&Q in October 2018, the organisation was “unfit”, he says. It’s an assessment he’s well placed to make, having spent 25 years with Kingfisher, holding several senior roles across the group.

He started his first stint with B&Q in 1998, serving in posts including property director and HR director, before spending 12 years at Screwfix. As CEO there, Bell oversaw a sizeable expansion of its store network in the UK.

When the opportunity came to return to B&Q as boss, he found it irresistible because he knew that the company could perform better.

“I was looking at it and thinking: ‘It’s still number one but it’s not acting like number one,’” he recalls. “I’ve always seen B&Q as a top-10 UK brand. You don’t often get the chance to manage such a brand and I felt that I could move it forward.”

He wasn’t interested in playing it safe at B&Q either. Global socioeconomic crises that have occurred since his appointment would have been enough to halt progress on most business transformations. Not so for the 10-year plan that Bell set in motion.

This long-term strategy, built on extensive research into future consumer needs and inspired by leading tech companies such as Google, has served as a “north star” for the leadership team, he explains.

“Our vision is that we want people to see B&Q as helping them manage their lives through their homes,” Bell explains. “Having that vision helped us during the pandemic, because it enabled us to accelerate some initiatives, such as using our stores as mini-warehouses to deliver locally. We became 100% customer-centric because we had to look after people.”

One way B&Q went about that was by starting video consultations during the Covid lockdowns, with kitchen designers remotely advising customers at home – something that would have been unimaginable even a few years before the pandemic.

B&Q has been modernising in other ways too. The company’s Instagram profile has attracted almost 200,000 followers thanks to instructive videos such as “How to improve your lawn”, “September gardening jobs” and “Quick ways to revamp your space”.

Bell plans to expand the firm’s offerings in the coming years, encompassing pet supplies, children’s products, home services and insurance, as well as building out the core DIY categories. Ultimately, he envisages B&Q offering a digital hub where customers can collate essential home information.

“Imagine that you will have all your appliances listed with their serial numbers for the guarantees and warranty reminders, along with mood boards and artistic ideas,” he says.

Bell not only has a clear idea of what he wants the business to offer in the future; he also understands that effective investment today is vital to achieving that. For example, he’s keen to adopt tech to boost product availability, improve the fulfilment process and inspire customers in new ways.

What’s more, the brand’s refreshed emphasis on doing everything it can to help customers has translated into initiatives ranging from providing energy-saving tips to encouraging responsible business among its SME clients. These customer-focused initiatives are all vital elements of the Bell plan.

For instance, B&Q’s new energy-saving service (ESS), launched in partnership with the Energy Trust, offers homeowners tailored advice on energy-efficiency investments, linking them to government grants.

“It gives you a shopping list of things you could improve, from insulation and thermostatic radiator valves, right up to double glazing and solar panels,” Bell explains.

Although the ESS was initially driven by the firm’s desire to become credible in the sustainability space, the war in Ukraine and the cost-of-living crisis created a new impetus, he says, adding: “In practice, people see saving money as a bigger priority than saving the planet.”

> “If you stand still as a company, you may benefit for a couple of years because you’re not spending, but that won’t last long. You will lose ground to your competitors

In March, TV presenter Jermaine Jenas fronted B&Q’s Energy Savers initiative. The former England footballer, clearly chosen to appeal to younger consumers, demonstrated how to save energy at home and highlighted the importance of helping community organisations to minimise their fuel bills. Jenas visited Welling United Football Club to help it adopt several energy-saving measures.

The ability to adapt to changing consumer, community and commercial needs is something Bell sees as key to B&Q’s future success.

“This business needs to be agile,” he says. “We thought the pandemic was over and suddenly we had the Ukraine war. Utility costs went mad, as did mortgage interest rates. As an organisation, we must be fit enough to react quickly to whatever happens.”

Adaptability is also evident in the ongoing store expansion programme, which aims to enhance “convenience, comfort and simplicity” in urban areas through smaller B&Q Local shops. It’s meeting consumer demand in these communities for easy access to DIY products, according to Bell, who has taken a lead from the reduced ranges offered in supermarkets’ satellite stores.

“We’ve trialled this format and gone out of our way to be more accessible,” he says.

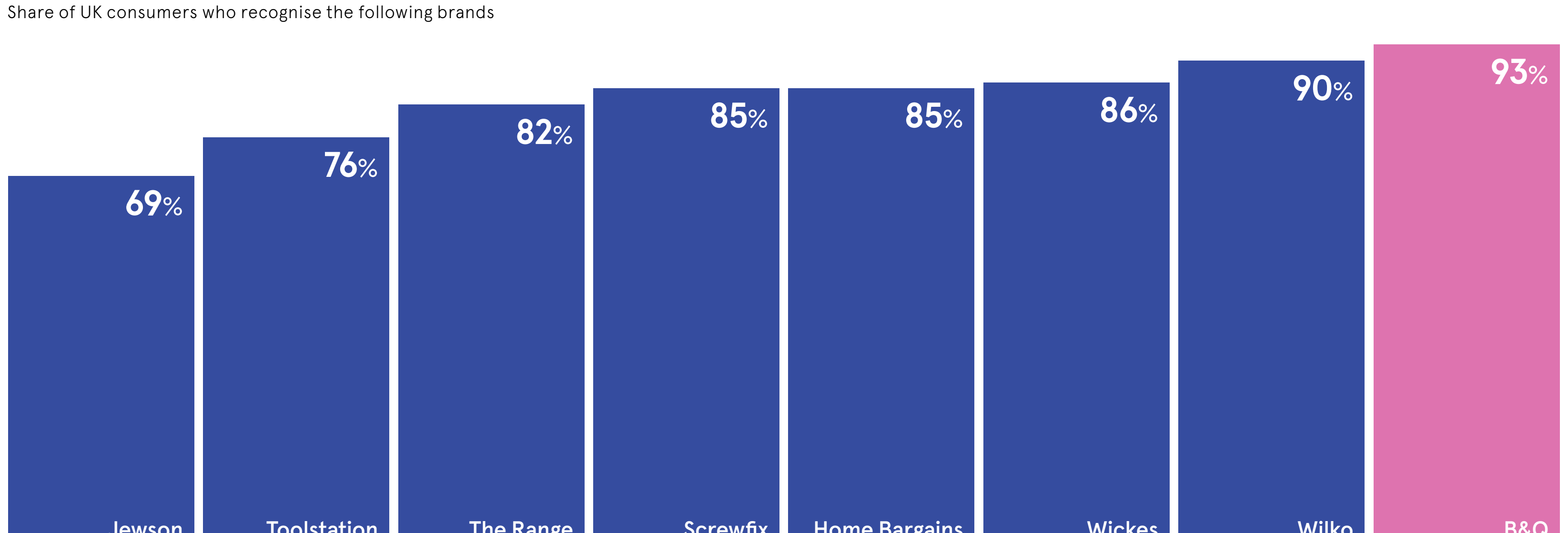
The CEO is clearly relishing the challenge of implementing the second half of his 10-year business plan. But, like any good team player, he is happy to commend the efforts of those around him to propel the business forward.

“I’m very pleased and confident about where we are now,” Bell says. “That doesn’t happen just through me. It happens through a team of energetic, creative people and about 30,000 employees, who are motivated to serve our customers better.”

B&Q LEADS THE UK’S DIY AND GARDENING MARKET FOR BRAND RECOGNITION

Share of UK consumers who recognise the following brands

Statista, 2022



Commercial feature

For unified commerce, link up point-of-sale and order systems

Several key technology changes are needed to harness the opportunity of unified commerce. Top of the list is unencumbered interconnectivity between point of sale and order management systems, says **Zaki Hassan**, general manager of EMEA and APAC at Aptos

Retailers are urgently reshaping their businesses for the future. Sharp changes in consumer expectations and in economic conditions have provoked a swift reassessment of their operating models.

A clear focus is emerging among retailers, around three key targets. The first is to maximise the value of seamless omnichannel sales. The second is to fine-tune changes – often hurriedly made during the pandemic – to match them up more closely with current realities. And last but not least, they are re-emphasising how best to protect and grow profitability.

These target areas require cross-functional participation, with technology teams playing an essential role. For those teams, the critical link between their company’s point of sale (POS) and order management systems (OMS) is set to be a focal point. These two systems are major drivers of efficiency gains and enhanced customer experiences.

Enabling unified commerce

For several years, shoppers have expected an increasingly seamless omnichannel experience, with their demands rising substantially in recent times. The next stage of this transformation is unified commerce, an evolution into customer centricity and a world of real-time connections between all essential systems. Once considered a technical impossibility, these retail systems are fast catching up with our idealistic visions.

These developments have already changed the ways people shop worldwide. Services such as click and collect and ship from store have seen increased adoption. Any retailer failing to offer these services risks disappointing consumers.

Meeting customer expectations requires clear unification of POS and OMS, yet many stores still have a disconnect that is visible to shoppers. It is not uncommon for customers to see staff performing a juggling routine of ringing up sales at the POS, checking inventory on a different device, and then going online to complete a multichannel sale, all in the name of a single customer interaction.

Evolving customer behaviour has resulted in retailers raising expectations for stores to become mini fulfilment centres. This necessitates a tighter integration between systems so that retailers have accurate visibility into inventory across all channels; as a result, companies can better meet customer demand and retain sales they might otherwise lose due to stock-related issues.

> “Now is an excellent time for many retailers to re-evaluate their systems

Fine-tuning systems

With consumer behaviour adapting to a post-pandemic buy-anywhere, fulfil-from-anywhere environment, now is an excellent time for many retailers to re-evaluate their systems.

Such assessments are critical given that a tranche of existing systems and processes were introduced prior to shoppers’ rapid adoption of digital-first buying behaviours, and therefore were designed in ways that do not account for modern purchase journeys. It is essential that retailers solve lingering challenges in these systems, and introduce better ways of working that meet the new requirements. They need to ensure that staff can quickly see available inventory, identify the most efficient way to get products to shoppers, provide seamless service and meet cost-efficiency goals. A key way to do this is through tightly coupled POS and OMS.

Returning to profitability

The rise of unified commerce has resulted in greater demand for faster and more flexible fulfilment – a demand we expect to rise rapidly in the coming years. As a result, large retailers are rushing to deploy advanced, cloud-native OMS. With real-time inventory visibility combined with powerful order handling and product sourcing, the right OMS can ensure retailers meet customer expectations quickly and profitably.

By integrating POS and OMS, retailers can ensure staff are able to seamlessly complete every order, driving much-needed efficiency and cost-effectiveness in the current market conditions.

Unified commerce is more important than ever before. Retailers know they need to deliver fine-tuned experiences that meet consumer expectations whilst maintaining profitability. The synchronisation of POS and OMS empowers companies to achieve those strategic goals.

To find out about effective and profitable unified commerce, visit aptos.com

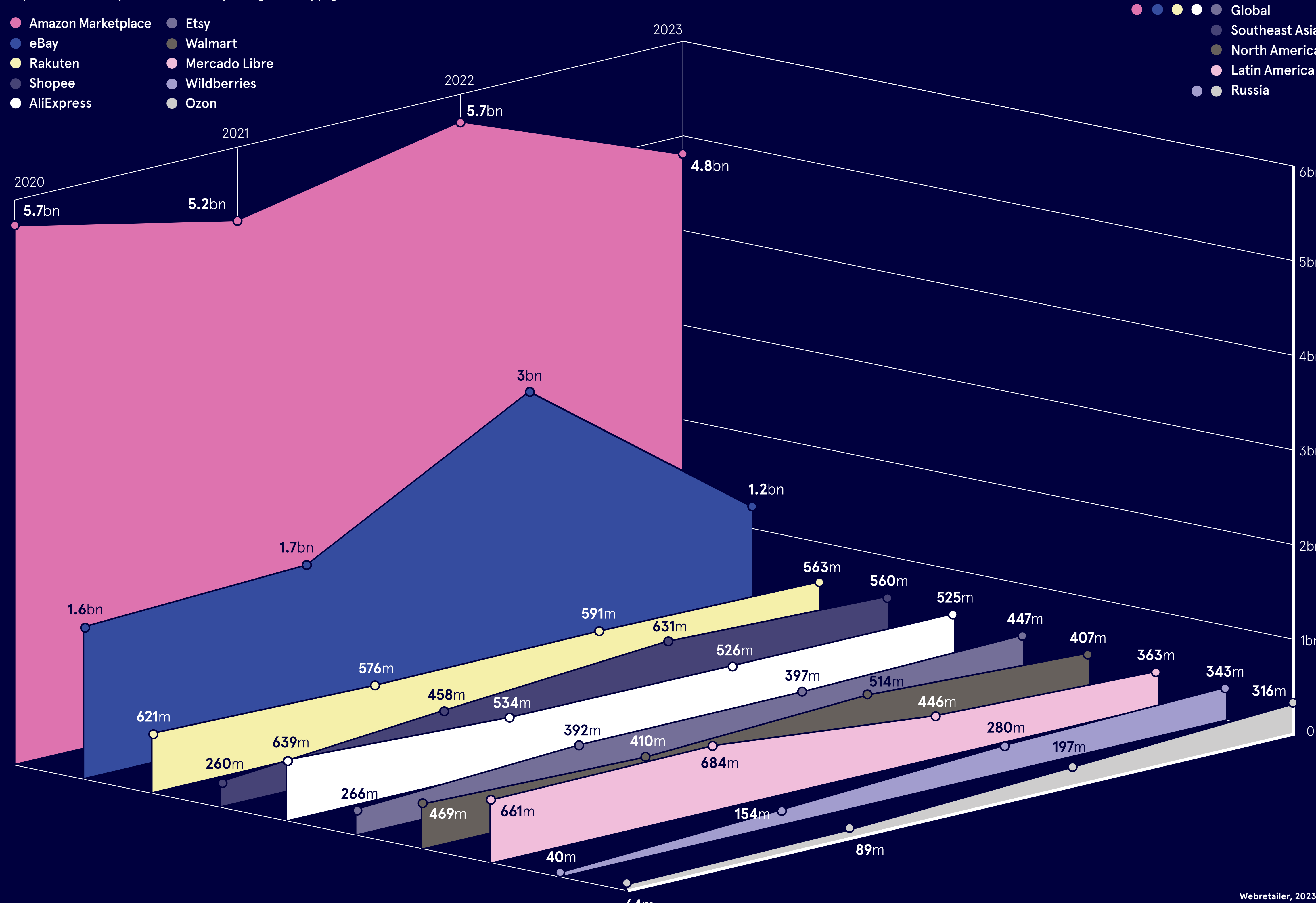
aptos

THE SHIFTING MARKET FOR MARKETPLACES

Amazon and eBay have long stood head and shoulders above the other online marketplaces. And while that's still the case, the Davids are increasingly challenging the Goliaths, attracting the kinds of shoppers, sellers and big-name brands that were once the preserve of the two giants. It's a new reality made possible by a lively acquisitions market – see, for instance, Walmart's recent decision to increase its stake in India-based Flipkart via a $3.5bn investment. So, what does all this mean for the landscape as a whole?

RIVAL MARKETPLACES ARE CLOSING THE GAP AS AMAZON AND EBAY SHED USERS

Top 10 online marketplaces worldwide, by average monthly page visits

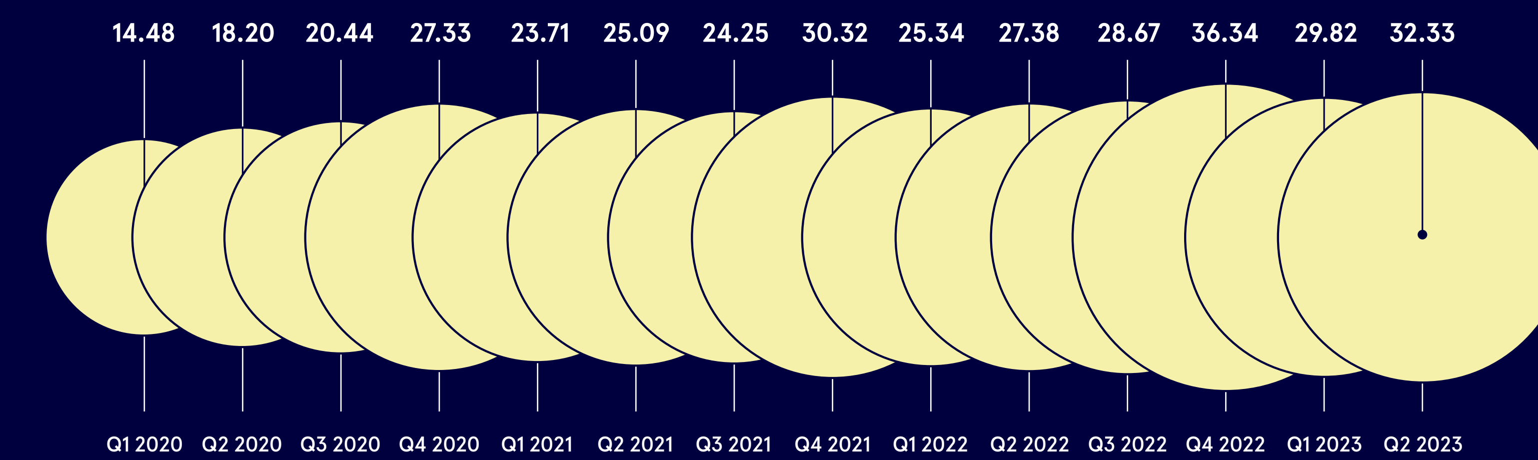


Webretailer, 2023

AMAZON MARKETPLACE IS STILL RAKING IN REVENUE

Amazon, 2023

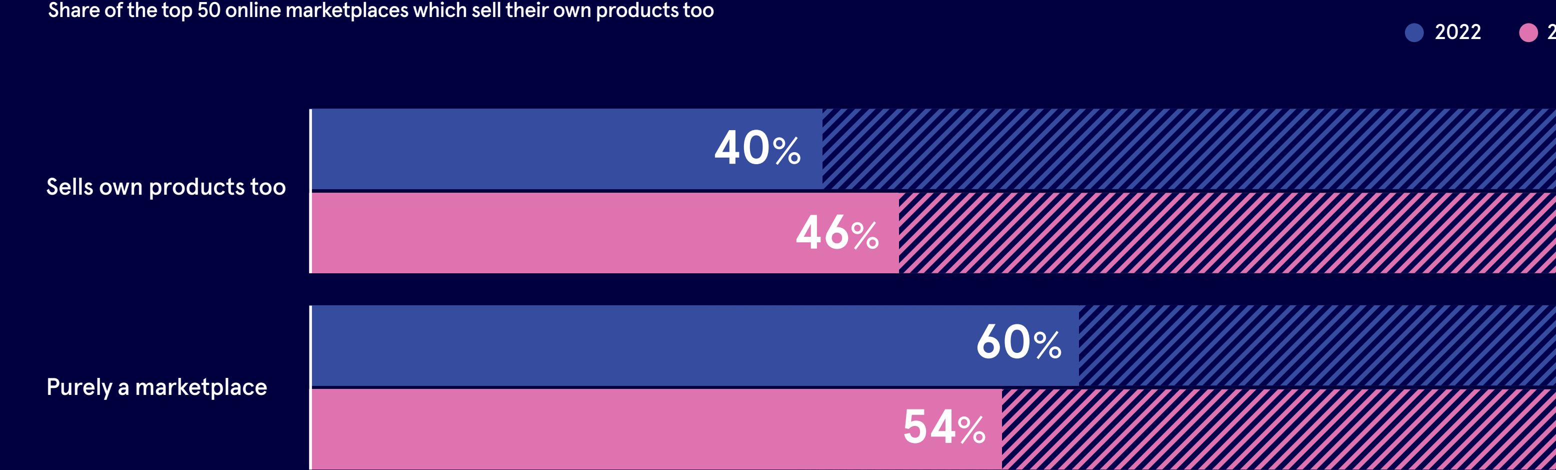
Quarterly revenue generated from Amazon's third-party sellers, in $bn



RETAILERS ARE INCREASINGLY GETTING IN ON THE MARKETPLACES TREND

Webretailer, 2023

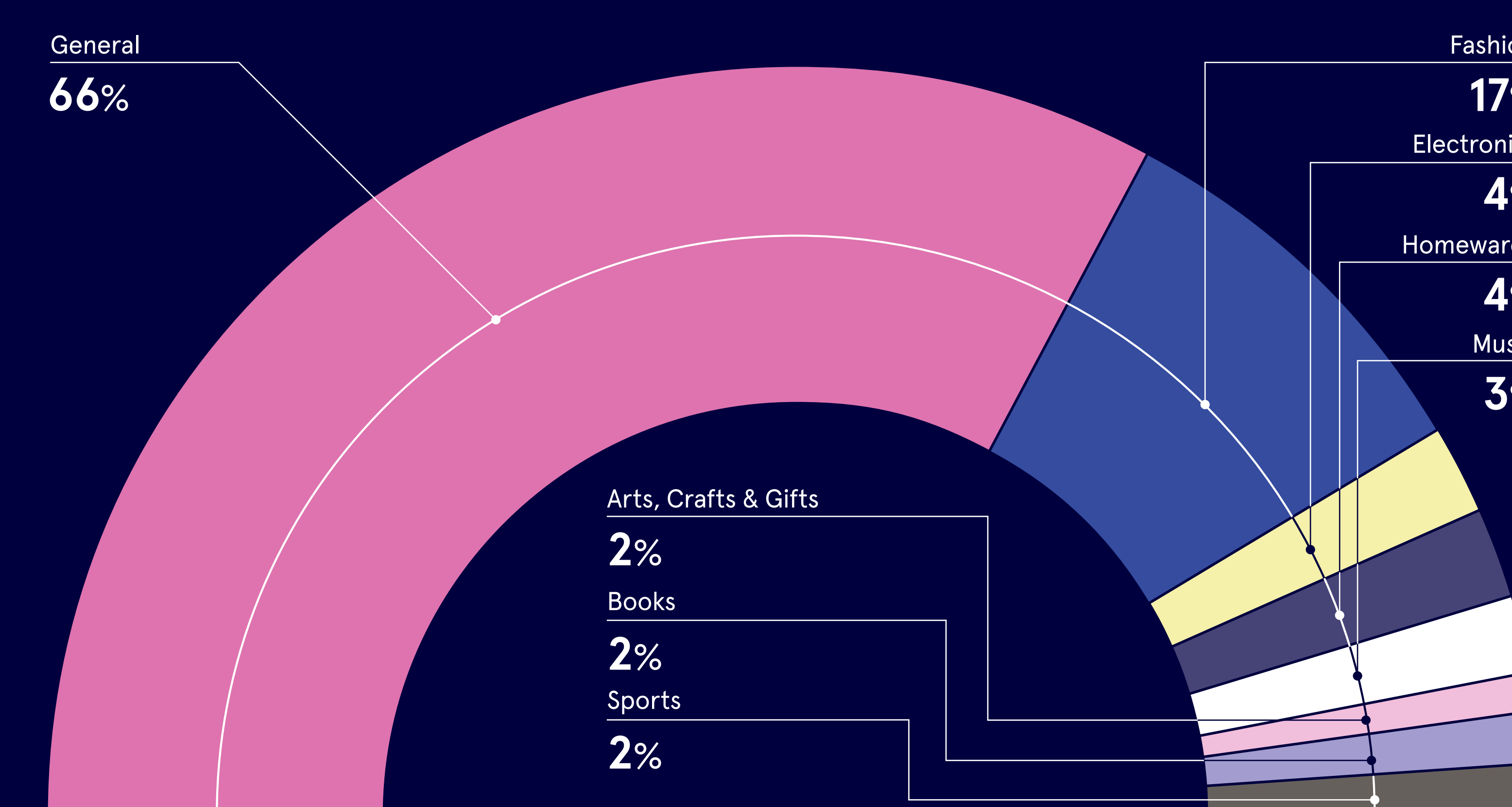
Share of the top 50 online marketplaces which sell their own products too



OFFERING A BROAD MIX OF PRODUCTS APPEARS TO BE THE ROUTE TO SUCCESS

Webretailer, 2023

Top 100 online marketplaces worldwide, by primary product category




Vuk Valcic/SOPA Images/LightRocket via Getty Images

CRIME

Getting a grip on the five-finger discounters

A surge in shoplifting in the UK over the past year has prompted retailers to try a range of methods to safeguard their stores. How effective are these proving?

Emma Woollacott

On 9 August, a dramatic call went out on social media, with a handful of influencers urging their young followers to head into central London to loot the JD Sports store on Oxford Street at 3pm. Hundreds of teenagers duly descended on the area, where the police were already waiting, and chaotic scenes ensued. The Metropolitan Police later reported that it had arrested nine people and issued 34 dispersal orders.

This admittedly extreme case is symptomatic of a growing problem facing UK retailers. Stores nationwide are reporting that they're suffering more thefts than ever.

Shoplifting in the UK's 10 largest cities has increased by an average of 27% year on year, according to a survey published in July by the British Retail Consortium (BRC).

"There are various possible factors behind this: increased organised crime activity, a general uptick in crime and the perception that the police won't act if someone is caught stealing," explains a BRC spokesperson. "Thieves have become bolder, often targeting the same stores several times in one week."

Paul Gerrard, director of public affairs at the Co-op Group, attributes much of the trend to an increase in coordinated attacks by local criminal gangs.

"They are targeting stores to steal large volumes of high-value products for resale," he reports. "They'll go behind the counter and take out all the spirits and all the vapes – probably between £4,000 and £5,000 worth of products."

In response to this heightened threat, many retailers have been adopting a range of anti-theft measures. Some of these involve sophisticated technology. Sports Direct, for instance, is using a facial recognition system to keep tabs on known offenders. Others, including a Nisa convenience store in London, are experimenting with machine learning in conjunction with CCTV to detect suspicious behaviour, such as shoppers putting items in their pockets. Sainsbury's, meanwhile, is requiring users of self-service tills in some stores to scan their receipts before leaving.

But many of the most successful measures are less technological in nature, according to the Association of Convenience Stores (ACS).

An ACS spokesperson has the following advice for store managers: "Do think about what systems – CCTV, tags and alarms – will be most effective for you, but also think about processes and operations. What are your sightlines from the till to where high-value items are stocked? Are you greeting customers to ensure that they know you've seen them?"

Understanding the importance of this last point, the John Lewis Partnership (JLP) has been applying a technique known as love-bombing. Staff at its John Lewis and Waitrose stores are already well known for their friendly customer service, but they have been encouraged to become even more attentive to deter potential shoplifters. JLP reports that this has been a particularly successful ploy at self-service tills, discouraging shoppers from using them fraudulently.

"It turns out that the more attentive we are, the less likely people are to steal," says Nicki Juniper, head of security and shrinkage at JLP. "It's a win-win: our customers get a great shopping experience, with partners visibly on hand to help them, while would-be shoplifters are deterred."

The business is even offering free hot drinks to police with the aim of strengthening relationships – and, no doubt, of letting thieves know that they're being watched.

Gerrard reports that Co-op has been taking several measures to combat shoplifting. These include remote monitored CCTV, body-worn cameras and headsets enabling staff to alert colleagues instantly to suspicious behaviour in the shop.

High-value items such as steak and wine are also being placed in cases. While this doesn't make them impossible to steal, it does add an extra layer of hassle for thieves. The company is also looking into using dummy products, so that customers have to ask for the genuine items to be retrieved from storage.

Gerrard accepts that the fact that "only the bigger businesses can afford security guards, body-worn cameras and so on doesn't mean that the problem disappears. It's simply pushed down the street to smaller retailers."

Effective training, on the other hand, costs little and can make a big difference when it comes to resolving potentially dangerous situations.

"We don't want any colleague to go and start grappling with an individual who may be armed," he stresses. "De-escalation can sometimes be as simple as saying: 'Is there anything I can help you with? Do you need a basket?' That can be enough to change someone's behaviour."

Given that much shoplifting is fuelled by drug addiction, the Co-op is also taking the unusual step of tackling the problem at source, teaming up with the police in certain areas to offer rehabilitation for prolific offenders.

That said, there's a strong feeling across the industry that the police could and should be doing more, with research indicating that forces around the country are failing to respond to more than 70% of cases of serious retail crime.

The ACS is calling for the introduction of a most-wanted list of shoplifters in each constabulary, enabling them to be banned from retail centres and/or referred to rehabilitation programmes. It also wants police forces to make more effective use of the tools they have available to deal with antisocial behaviour, such as their community trigger and remedy powers.

"We understand that some retailers have had negative experiences when reporting crimes to the police, so this may mean that they're less likely to do so in future," says the ACS spokesperson. "But it really is important for every incident to be reported so that we can ensure that our sector's voice is heard and we get the support we need."

Given the industry's continuing dissatisfaction with the police response, then, most retailers are introducing more and more preventive measures of their own.

In so doing, it's important to ensure that the retail environment remains welcoming to genuine customers, Gerrard stresses.

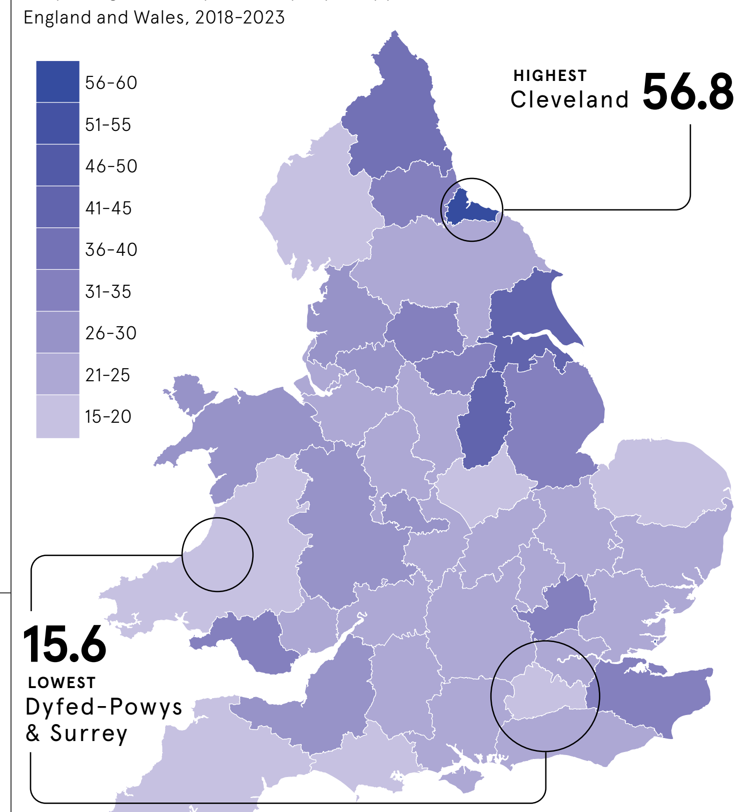
"We don't want to turn stores into fortresses," he says. "We try to become part of the community. We must continue to be places where people can and want to come." ●

Police officers guard JD Sports on Oxford Street in August after a social media-organised mass shoplifting attempt

> **It turns out that the more attentive we are, the less likely people are to steal**

RELATIVE TO POPULATION, THE NORTH-EAST HAS THE BIGGEST SHOPLIFTING PROBLEM

Shoplifting offences per 1,000 people, by police area, England and Wales, 2018-2023



Home Office, 2023

Commercial feature

How Fujitsu went from technology provider to digital transformation champion

An expert in infrastructure operations, Fujitsu, the Japanese multinational technology provider, is fast becoming known as a digital transformation pioneer

It has always been a market leader in consumer and industrial electronics but Fujitsu, the Japanese multinational technology provider, is fast becoming known for its digital transformation capabilities. This skill set has been significantly strengthened by the recent voluntary public takeover of GK Software, which according to Martin Hawkes, Fujitsu's global retail business development manager, has helped the company to become "a business outcome-enabler through the use of technology".

With over 30 years of retail solutions experience, platforms supporting more than 12 billion transactions a year and a definitive presence in 66 countries worldwide, it is easy to see why the tie-in with GK Software, which is recognised as a leading provider of retail software, is bearing fruit.

Hawkes says: "From our perspective, the acquisition agreement enables Fujitsu to wrap extended service depth and strength around the SaaS platforms to drive greater business value into retailers."

For Nigel Naylor-Smith, the company's head of retail, hospitality and transport, the tie-in with GK Software "very much represents the missing piece of the jigsaw" in the sense that "it turbo-charges" Fujitsu's cloud and SaaS omnichannel capabilities, and provides huge opportunities to "engage in areas such as intelligent dynamic pricing and personalisation across channels".

Extending GK's access to Fujitsu's enhanced technologies such as AI and HPC will also further accelerate those capabilities, he adds.

That is not to say that Fujitsu isn't already making huge strides in enabling organisations in the retail and hospitality sector to tackle major challenges and achieve better technological business outcomes.

The pandemic, says Naylor-Smith, "forced people to change their behaviour" and this, he notes "has had a major impact" on the hospitality sector, particularly fast food restaurants. He says that one sea-change has been a huge surge in demand for quick-service fast food eateries (QSRs).

Today 70% of fast-food transactions are generated from drive-thru's worth approximately £2.8bn. But to meet customer needs and re-orientate the business model to embrace drive-thrus was not easy for some QSRs, says Naylor-Smith. "Often, service capacity has failed to keep pace with demand as seen during the pandemic," he explains.

To help bridge the gap, Fujitsu created the Capture Machine Vision Solution. Capture generates real drive thru benefits from speed of service, to empowerment of staff with real time data, to increased sales through an optimised customer experience.

Naylor-Smith explains: "These solutions accurately measure and generate true journey visibility and operation including any queues outside. The outcome – critical actionable insights with Vehicle License Plate Recognition offering QSRs the opportunity to recognise repeat customers and personalise the experience. One major fast food chain has reduced transaction times by around 11% and increased sales revenues by 17%.

Another considerable pain point for both the hospitality and retail sectors has been crippling operational costs. With every retailer in the UK affected, Fujitsu has addressed this problem through its QikPik solution. Working with Hatmill supply chain consultants, it has developed a WMS SaaS plug-in that reduces pick-walking distance.

"In a nutshell," says Naylor-Smith, "it massively improves productivity, and efficiency by re-sequencing trollies and re-routing the pick-walk in the most optimal manner. It does so by using quantum-inspired tech, which makes it possible for us to consider all possible permutations from your live WMS data"

While a full set of results are yet to be collated, Naylor-Smith says that feedback so far from Tier 1 fashion and grocery retailers reveals "a productivity increase by up to 30%".

Diverse benefits

Another example of where Fujitsu is adding value to client operations is its Digital Age Assurance offering. This technology addresses a major pain-point experienced by customers of retail or hospitality businesses. Whenever age-restricted products are purchased, the law dictates a cashier must check the age of the person buying the product – no matter how old they are.

In a busy supermarket this can sometimes take several minutes and is a major source of frustration for customers and retailers alike. Fujitsu has, however, solved this challenge by creating advanced computer vision and facial biometric technologies that can accurately estimate a person's age, and enable younger customers to prove their age digitally.

Hawkes thinks the technology, which could be deployed across the length and breadth of retail and hospitality operations, has vast potential. He says, "We believe this solution, which has been externally accredited for accuracy and bias, and is currently being evaluated at two of the top-six UK grocers, will increase colleague productivity, and reduce customer queues and payment times. We also think that it will drive safe and compliant operations and improve customer engagement."

Fujitsu technology is also being utilised by the retail sector to reduce shrinkage, which Hawkes says accounts for "around £40 pounds of losses per day per self-check-out".

To combat shrinkage, Fujitsu has developed a self-scan security module that monitors customer scans at the self-checkout to highlight potential issues to staff.

"This module," explains Hawkes, "utilises AI technology and proven security business logic, providing retailers with a highly effective tool to reduce shrinkage with a significantly lower total cost of ownership than traditional methods. It is currently being trialled by several large retailers and is seen by them as a game-changer in reducing shrinkage and lower costs."

But despite cementing its reputation as a business outcome-enabler, both Naylor-Smith and Hawkes believe there are hurdles that need to be negotiated before the retail and hospitality sector is able to make the most of new technologies, such as AI and quantum physics.

While resource constraints and skills retention immediately come to mind, Naylor-Smith, says that the greatest barrier that is stymying progress is a lack of "confidence in the accurate identification and execution of the business case".

He explains, "The question I often hear is 'how can I be sure where to invest'? To help answer it, we have launched the Kozuchi AI Platform where customers can securely achieve rapid business validation and testing of their use case from quite frankly a modest starting point."

The second major challenge is "the visible public mistrust" around tech, "such as AI and the unanticipated side-effects, including discrimination".

Fujitsu's solution is to focus on an ethics-by-design approach. Naylor-Smith maintains whilst AI will be "intrinsic to all our futures", it has to be "transparent, fair and accountable".

He cites Fujitsu's Digital Age Assurance technology as a good example as to how AI should be used.

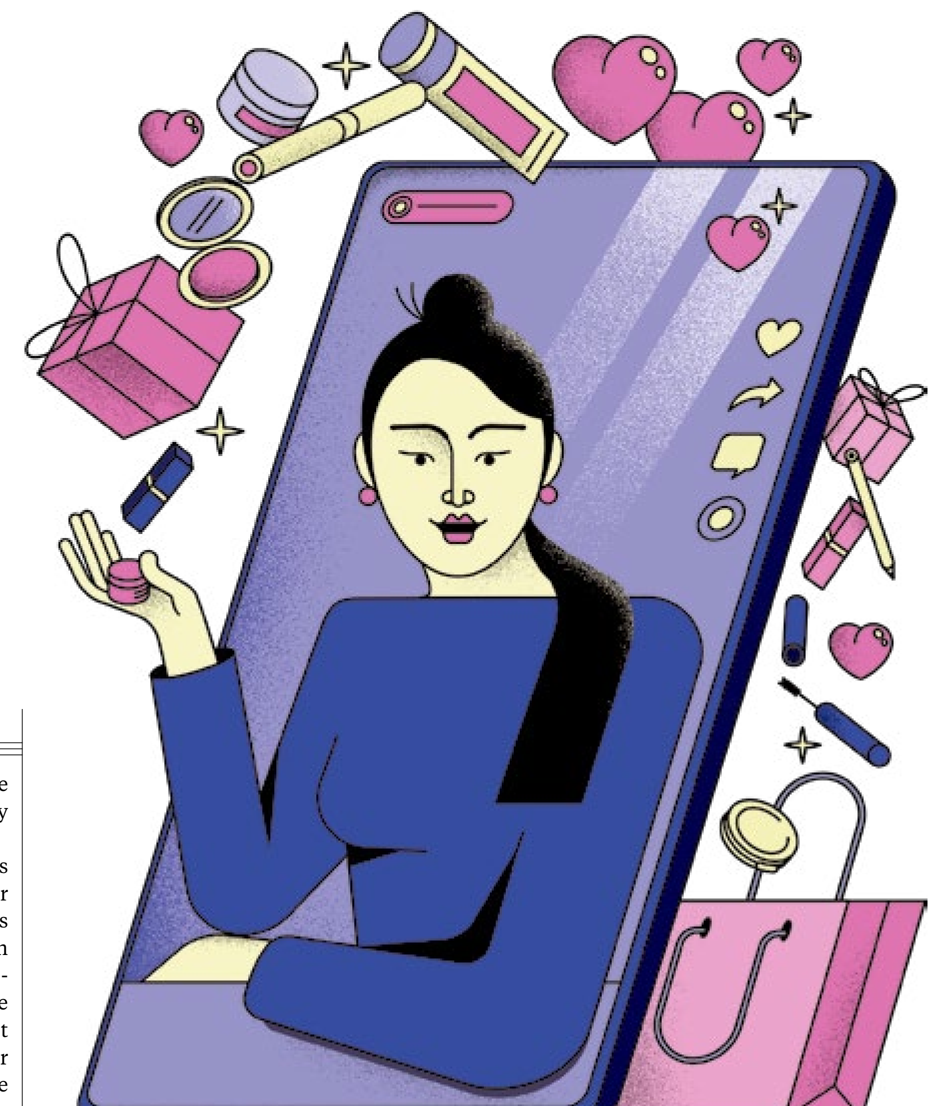
"We are the first organisation to pass the Age Check Certification Scheme's test for inherent bias. So we are committed to use new technology in the right way – our vision of making the world more sustainable by building trust in society through innovation underpins that. It is innovation that addresses the challenges businesses face, but will also help to solve societal issues."

ECOMMERCE

Carry on streaming: lessons from China's live commerce boom

The channel's phenomenal success in China has yet to translate to the West. Why have retailers here been reluctant to even experiment with it so far?

Son Pham



The launch of Taobao Live by Alibaba in 2016 transformed the online shopping experience in China. This live-streaming platform, seamlessly integrated within the Taobao shopping app, combines entertainment and ecommerce, enabling users to watch products being demonstrated and buy them with a few taps of a smartphone. So-called live commerce has been expanding rapidly as an etail channel ever since.

But uptake in the West has generally been sluggish. Recent research published by McKinsey revealed that only about 6% of live commerce users in Europe, the US and Latin America had been using the format for more than three years, compared with 57% in China.

Why has live commerce failed to gain anywhere near the same traction in the West, and are brands and retailers here missing a trick?

The figures from China would certainly suggest that live commerce is worth a serious look. For instance, in 12 hours of one day in October 2021, the nation's most popular live-streaming influencers at the time, Li Jiaqi and Viya, sold £2.4bn worth of goods for brands such as L'Oréal and Estée Lauder.

Research compiled this year by Statista estimates that China's live commerce market was worth ¥2.27tn (£250bn) that year and is on track to be worth ¥4.92tn in 2023.

Rebecca Crook, chief growth officer for EMEA at digital consultancy CI&T, points out that "Covid massively boosted this market in China. With such severe lockdown restrictions in place, live commerce grew during the pandemic and now it's the norm for consumers there."

> **With such severe lockdown restrictions in place, live commerce grew during the pandemic and now it's the norm**

But even before the pandemic, Alibaba and JD.com had been working hard to establish live-streamed shopping events as part of the retail calendar in much the same way that Black Friday and Amazon's Prime Day have become huge in the West. For instance, Singles' Day (11 November) has become an annual tradition in China since it was established in the mid-1990s as an unofficial event to celebrate people who aren't in a relationship. It has since become the world's largest 24-hour shopping festival. Over that period in 2021, sales revenues across live commerce platforms operated by Alibaba and JD.com hit ¥262bn.

Zarina Kanji, head of business development and marketing for Tmall Global at Alibaba, attributes the success of live commerce in China to the country's large digitally savvy population. It is home to more than 1 billion internet users, which represents a bigger etail market than the US and the EU combined.

"Alibaba users visit its apps about nine times a day for an average of 30 minutes," Kanji reports, adding that the seamless infrastructure associated with live commerce is a real selling point.

"The integrated experience makes live shopping much easier to execute here than in the West," she says. "And most purchases are delivered within 48 hours."

The McKinsey research reveals that frequent users of live commerce in China are driven to the channel for functional reasons. Nearly two-thirds (64%) of respondents to its survey cited the ease of shopping for their favourite brands it provided, while only 6% said that the fun aspect of the format was a significant draw.

By contrast, the main reason cited by frequent live commerce users in the US (42%) and Europe (38%) for engaging with the format was its entertaining nature.

The huge variation in uptake between China and the West is partly down to differing priorities among retailers, according to Crook. She explains that many UK firms "that have bricks and mortar are more focused on how they can increase footfall into their stores before they invest in other new sales channels".

Even the increase in online shopping in the West since the start of the Covid crisis hasn't moved the needle for live commerce significantly here.

Pedro Ramos, head of ecommerce at Havas Media Group, notes that retailers and consumers have gradually adopted a more hybrid approach since the end of the pandemic, balancing traditional in-store experiences with online shopping.

Western shoppers "still want to visit physical stores to experience the products. But, when it comes to the final stage of buying, that will be online," he says.

Yet live commerce is valuable because it helps to bridge that gap, while also providing potential for personalisation, according to Kanji. For instance, Tmall Luxury Pavilion, Alibaba's platform for luxury brands, has introduced a one-on-one live-streaming feature that enables individual shoppers to engage with sales staff in private sessions. Cartier and Burberry were among the first brands to test this functionality.

"It creates an immersive luxury shopping experience that replicates the exclusive atmosphere and customer service you'd find in a physical store," she says.

Kanji cites another key attraction of live commerce to Chinese consumers. Its liberal use of short-term discounts and special promotions such as bundles, limited-edition goods and special packaging creates a sense of urgency and exclusivity, boosting sales during live shopping events.

Awareness of the potential for bargains in this channel is relatively limited among western consumers. In the US and Europe, only 35% and 30% of shoppers respectively recognised that live commerce could be a way to secure better deals, according to the McKinsey research.

Ploys such as issuing time-limited discounts and showing a running total on screen of how many orders have been placed are examples of "psychological devices" or "social proof" effects, notes Andrew Stephen, L'Oréal professor of marketing at Saïd Business School, Oxford.

"Live shopping experiences in digital channels use a lot of tactics, whether consumers realise it or not, that can trigger impulse buying," he says.

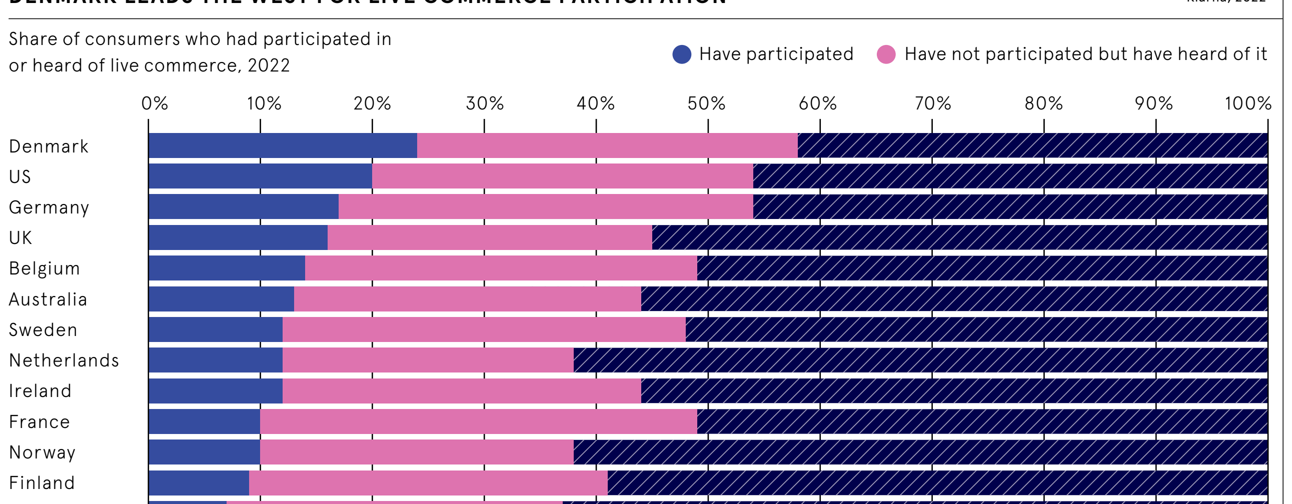
So, seven years after it broke through in China, live commerce has clearly become a sophisticated retail channel that warrants consideration. Retailers would be well advised to keep tabs on its popularity among western consumers to see whether their appetite for buying this way increases significantly.

But, even if they do detect a significant increase in demand, Crook notes that investing in the channel "will be a concern for retailers in the UK when the sector is already suffering, with consumers tightening their purse strings. While live commerce offers huge potential for retailers, it could be a good few years before we really see brands in the UK embracing it."

DENMARK LEADS THE WEST FOR LIVE COMMERCE PARTICIPATION

Klarna, 2022

Share of consumers who had participated in or heard of live commerce, 2022



Commercial feature

How SMEs can prosper using community commerce

By regularly posting authentic videos on social content platforms and offering an easy in-app route to purchase, small and medium businesses can build loyal, engaged communities and drive sales. Here's how four fast-growing businesses have done it

PHOTO: @jamesbusbyhair LIVE shopping by ©Jack Worrallo

Social content platforms have quickly become crucial marketing and sales channels for retail brands, and with the rapid rise of newer platforms like TikTok, this trend is only set to grow. Indeed, a recent report by Oxford Economics found that SMEs in the UK who use TikTok generated £1.2bn in additional revenue in 2022.

Social networks break down barriers and enable businesses to build communities around niche products and deliver offerings that may have been previously hard to find in the marketplace. TikTok creators can find overnight success without a huge existing following thanks to the platform's recommendation systems, and the same is true for small businesses. Entrepreneurs of different ages and backgrounds, all selling completely different products, have found success through TikTok Shop.

According to the Oxford Economics research, around three-quarters of the GDP contribution from SMEs using TikTok came from outside London. The report also found that 38% of the SMEs that use TikTok have ethnic minority ownership, compared with just 26% of SMEs in the UK. This suggests that entrepreneurs from traditionally underrepresented backgrounds face fewer barriers when starting out online.

Dominique Bogle is one UK-based entrepreneur who has found success through community commerce. After experiencing hair loss to alopecia and psoriasis, she'd found it almost impossible to find affordable high-quality wigs in the UK. Realising that consumers often had to look abroad for reasonably priced alternatives, she founded Hair Anatomy in 2020.

"You'd have to spend thousands of pounds to get a good-quality wig, which isn't accessible for the masses," Bogle explains. "We use synthetic fibres, but they feel and look like human hair. This is about providing accessibility, affordability and timeliness."

Initially investing £500 of her savings into Hair Anatomy, Bogle continued to work in her corporate finance job during her first two years in business. In July 2022, she started using TikTok to promote her products and joined TikTok's ecommerce platform, TikTok Shop, that October.

Bogle says that since joining TikTok Shop, the business has grown exponentially and in-app sales through TikTok Shop is now a key part of her growth strategy for the next three to six months. "TikTok Shop is very much embedded in driving sales, and we find the conversion is a lot higher than our website right now," she says.

Hair Anatomy has generated over £240k since Bogle joined TikTok Shop in October 2022, enabling her to work full-time on growing her company. "It's given my brand the opportunity to be discovered by a diverse audience," she says. "We have a following of 30,000 people, which has been built organically without any paid ads."

The ability to build a community through social content platforms is invaluable for entrepreneurs. By sharing their interests, creators can form trusting relationships with their followers. "If you're really passionate about something, it shows – and your audience can pick up on that," says Nadiyah Patel, junior copywriter at UK bookseller, Books2Door.

Starting out as an eBay business in 2004, Books2Door had enjoyed success by selling on other digital platforms, but was struggling to reach a wider audience. After joining the firm in July 2022, Patel suggested that it create short-form content targeting TikTok's vast #BookTok community, which she uses regularly herself to find new reading material. Since doing so early this year, Books2Door has become one of the leading sellers of books in the UK.

A key feature of the platform is that honest conversations go both ways. For example, Books2Door regularly receives requests from users for titles to be included in its book bundles. This feedback is crucial in helping businesses understand and meet customers' needs. The Oxford Economics report found that 72% of SMEs using TikTok found its ability to interact more with customers and receive feedback as either a very or fairly positive impact of the platform.

George Robinson is the owner of sweet shop brand SoSweet, which has multiple locations in the South West of England. For him, the ability to communicate more openly with customers has been invaluable. "It creates a forum for conversation, rather than just a review if a customer is unhappy with an order," he says. "You can create a video taking five or 10 seconds to fill and a few minutes to edit that can obtain feedback for a product we want to launch. It's all possible."

In March 2020, Robinson took over the business – then a purely bricks-and-mortar concern – from his parents. He soon set about establishing an ecommerce operation, with the company's first online store opening its doors within a month. He then started experimenting with TikTok that summer.

> **TikTok Shop is very much embedded in driving sales, and we find the conversion is a lot higher than our website right now**

SoSweet uses Fulfilled by TikTok (FBT), a service that lets vendors store stock and outsource the logistics of delivery for certain products. In a highly viral and seasonal business FBT helps the firm to control its operations costs. "We're not suddenly having to scramble to meet demand internally," he explains. "That's all handled by the FBT team at the same cost to us as a business. It lets us focus more on actually just driving sales for the product."

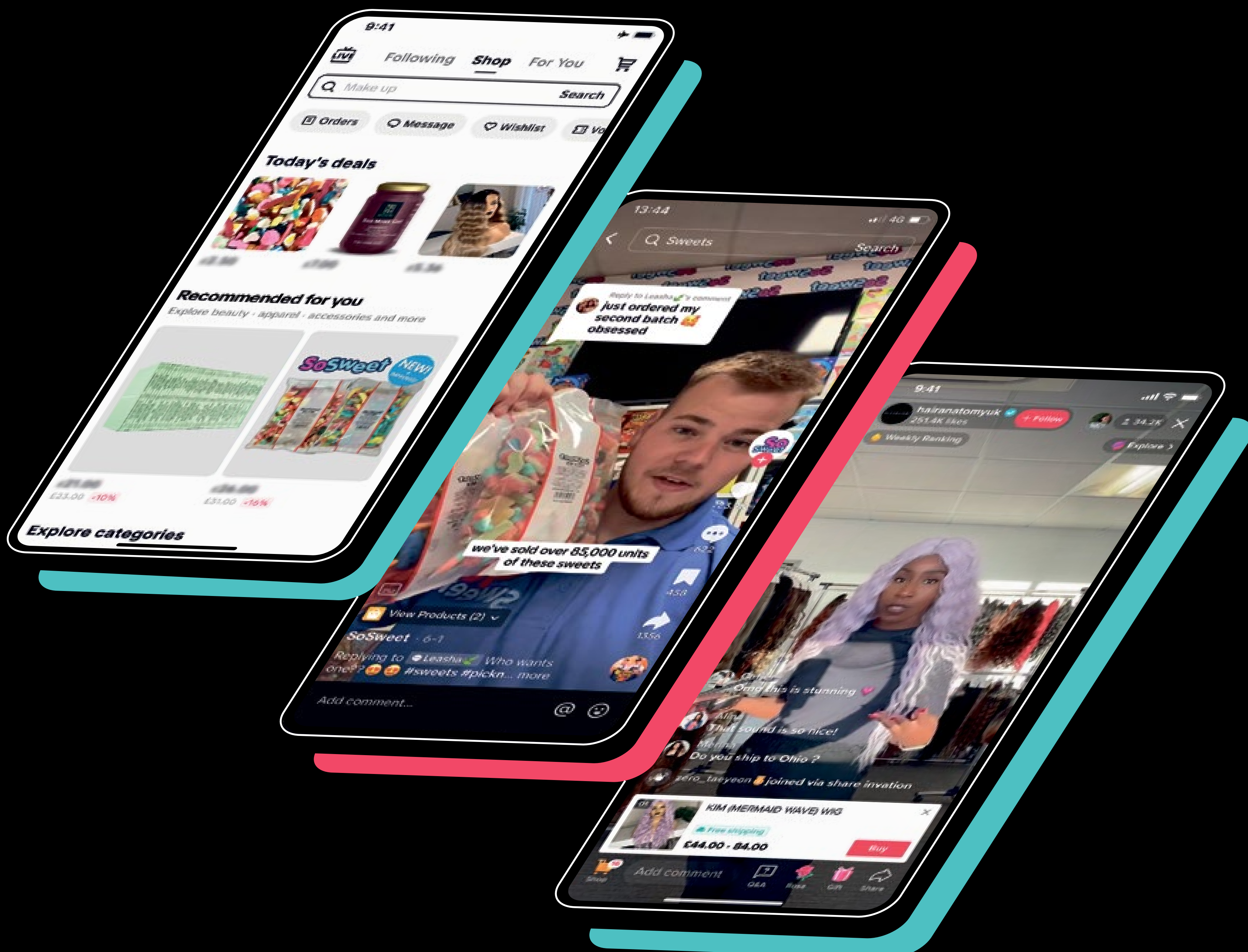
When it comes to social content, Robinson stresses that business owners shouldn't over-analyse posts, but instead focus on creating entertaining material that's authentic and relatable: "TikTok is very fast paced. You can strip back the curtains, get a bit messy, make some mistakes and have fun with it. And that's often the content that does the best for us."

Ahmad Muhamed is the founder and CEO of Mdahx, a firm that imports sea moss from Zanzibar to produce a nutritional gel. His approach to content creation is that he has "never planned a video and never written a script. I just post an idea." Muhamed's simple advice to fellow small business owners is to "be authentic. Just be real with everyone. People love authenticity."

He reports that selling through TikTok Shop has accelerated his business significantly, with more than 90% of its revenue coming via this channel. Noting that Mdahx's sales conversion rate benefits from having the audience remaining in the app rather than getting sent to the firm's website, he says: "It's much easier for someone to see a video of our product and after three clicks they've bought it and are carrying on with their day."

With SMEs making up 99% of all businesses currently operating in the UK, encouraging entrepreneurship from all backgrounds and supporting small businesses is vital for economic growth and innovation. By providing a forum to directly communicate with and build a relationship with customers, an easy in-app route to purchase and a fulfilment process managed by the platform, community commerce can be just the vehicle entrepreneurs need to grow their business.

TikTok Shop



the new era of e-commerce

With 47% of users buying products they saw on TikTok, businesses of all sizes are flocking to TikTok Shop, tapping into the audience of the future.

@tiktokshop_UK shop.tiktok.com/business