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Global Innovation Week

Where does retail management go now?

Three key themes

- Where are we?
- Uncertainty. Change and challenge
- The road ahead

Please use the chat client to ask questions throughout and there should be time for Q&A at the end!

Pre-covid retail reality

Global context

- US $23.4tn Global retail market (statista, 2021)
- FMCG largest proportion of T250 global players by number and revenue but have lowest average Profit Margin (Deloitte, 2020)
- Apparel and accessory retail has best bottom line performance globally

Top Global Retailers (Deloitte, 2020)

Top 10 retailers, FY2018

Top 250 rank	Change in rank	Name of company	Country of origin	FY2018 Retail revenue (US$M)	FY2018 Retail revenue growth	FY2018 Net profit margin	FY2018 Return on assets	FY2013-2018 Retail revenue CAGR*	# Countries of operation	% Retail revenue from foreign operations
1	⬌	Wal-Mart Stores, Inc.	US	514,405	2.8%	1.4%	3.3%	1.6%	28	23.7%
2	⬌	Costco Wholesale Corporation	US	141,576	9.7%	2.2%	7.8%	6.1%	11	27.8%
3	↑ +1	Amazon.com, Inc.	US	140,211	18.2%	1.0%	1.5%	18.1%	16	31.2%
4	↑ +1	Schwarz Group	Germany	121,581	7.6%	n/a	n/a	7.1%	30	65.0%
5	↓ -2	The Kroger Co.	US	117,527 e	-1.2%	2.5%	8.1%	3.6%	1	0.0%
6	↑ +1	Walgreens Boots Alliance, Inc.	US	110,673	11.7%	3.8%	7.4%	8.9%	10	11.1%
7	↓ -1	The Home Depot, Inc.	US	108,203	7.2%	10.3%	25.3%	6.5%	3	8.1%
8	⬌	Aldi Einkauf GmbH & Co. oHG	Germany	106,175 e	3.2%	n/a	n/a	6.7%	19	66.3%
9	⬌	CVS Health Corporation	US	83,989	5.8%	n/a	n/a	5.1%	2	0.8%
10	⬌	Tesco PLC	UK	82,799	11.3%	2.0%	2.7%	0.1%	8	20.9%
Top 10[1]				**1,527,140**	**6.3%**	**2.5%**	**5.3%**	**4.9%**	**12.8**	**25.8%**
Top 250[1]				**4,744,012**	**4.1%**	**3.0%**	**4.7%**	**5.0%**	**10.8**	**22.8%**
Top 10 share of Top 250 retail revenue				**32.2%**						

Global context

- Restraints on trade
- Low inflation and/or borrowing costs
- Online is here to stay
- Aging populations likely to act as a dampener on GDP
- Climate Change
- Supply chain pressures

UK Market as a comparative

Political	Economic	Social	Technological	Legal	Environmental
Brexit	Recession	Labour supply	disruptor	Regulatory burden	Climate change
Internal UK Politics	Change in spending	Changing view of the world of work	enabler	New customs arrangements	Challenges of the built environment
Legislative agenda	Currency fluctuation	Changing customer habits	Changing skill requirements	Increasing enforcement action	Supply chains
	Imports	Changing view of CSR		Pensions/Minimum wage	

And then……

- *Immediate* operational requirements and stressors that have loomed into view. Mental Health and ‘managing’ V ‘leading’

  Substantial alteration to customer behaviour that contorts operational models

  Working capital pressures

  Disruption throughout totality of supply chain

"It's not her fault – she only started today!"

And then... there's more

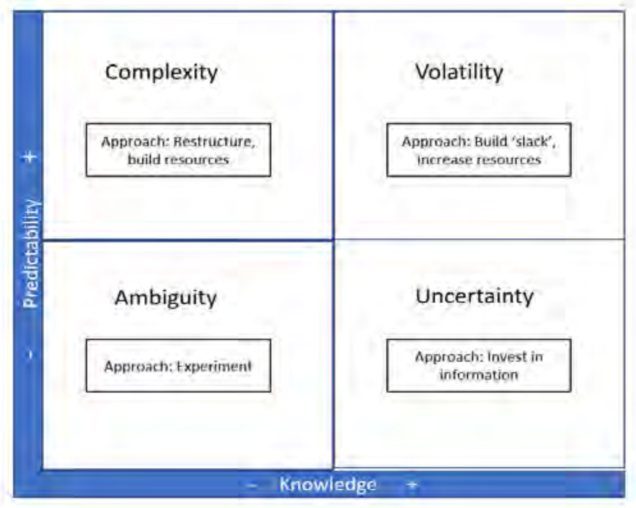
- *Immediate requirement* to manage the customer expectation
- *Immediate* change to company mission.
- *Immediate* change to employee role. How many of them applied to be 'front line essential services'?
- Requirement to share expertise and common approaches with the competitor for the greater good

High Challenge/High Threat impact

It becomes extremely difficult to move an organisation or a team at pace when routine and structure is the order of the day.

High challenge/impact events (megachange shocks) ask deep questions about whether it is more important to decision makers to address the challenge, or preserve the comfort of existing norms.

Dealing with uncertainty



Frameworks such as VUCA or SWOT are some models that leadership may use to adapt approaches.

Disruptors do not always fit nicely into conventional modelling

The operating environment

- Multiple layers of change and challenge
- Which ones are existential?
- Management frameworks need some predictability. What happens if that is absent?

Barriers to change

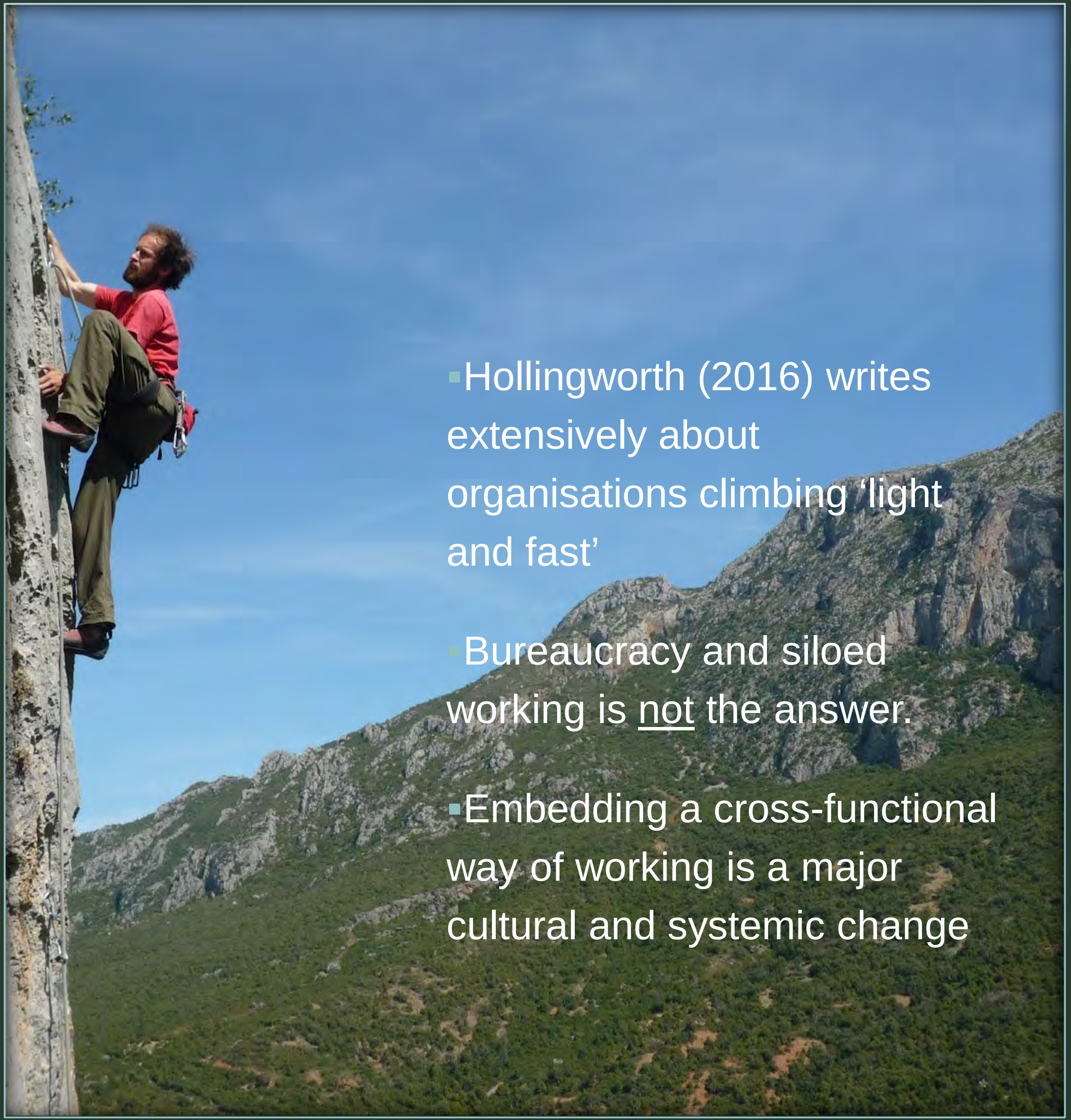
Continuity is easier to manage than change is.

Systems, organisational culture and employee apathy come into play

History of repetitive change cycles also have an impact.

Beware the self-fulfilling prophesy.

Agility is about mindset, not about process



- Hollingworth (2016) writes extensively about organisations climbing ‘light and fast’
- Bureaucracy and siloed working is not the answer.
- Embedding a cross-functional way of working is a major cultural and systemic change

Innovating retail

- ‘Innovation’ is not a new idea.
- Rothwell (1994) sketches out some characteristics of what he called ‘5th generation’ innovation processes

- Integration
- Flexibility of systems and working structures
- ‘real time’ processing
- Includes suppliers, external partners and collaborators

Essentially, this is not ‘news’ to anyone, so what’s the problem?

Barriers to real change

- Retailers are GREAT at collecting data. But data is one thing. Meaningful information is another.
- Change is a risky business. Some decision makers may choose to deal with risk by avoiding it or transferring it.
- IT upgrades are highly complex in large corporates with IT platforms and software solutions that may be decades old, highly modified and no longer supported by the vendor.
- Retailers have already done massive amounts of change projects. Employee attitudes to change have a real bearing on how it lands and change upon change becomes exhausting or unnerving. A test for leadership like no other.
- Other actors, such as Government, may limit options and slow the pace of organisational change.
- Arguably, it is easier to change a system than a culture. BOTH need to move.
- The margin for failure is slim and the consequences are catastrophic.

Ok, so don't change?

Bonmarche	Arcadia	Peacocks	EWM	M & Co	DW Sports
Oliver Sweeney	Peter Jones	Norville Group	Benson's	Harvey's	TM Lewin
Bertram Books	Go Outdoors	Lee Longlands	Oak Furnitureland	Le Pain Quotidien	Monsoon
Quiz	Victoria's secret	Aldo	Johnson's shoes	Antler	Oasis
Debenhams	Kath Kidston	Autonomy	Brighthouse	Laura Ashley	Soak.com
Hawkin's Bazaar	Ashbury Furniture	Beales	Hearing health & mobility	Houseology	

Or… 177 000 retail jobs lost in the UK in 2020 and no, it is not all Covid's fault. 140 000 jobs went in 2019.

Where next?

- Remodelling based on skills, traits and insights
- Organisational purpose and values underpinning a structure based on integration, timely strategy, organizational resilience and information.
- Cultures of ‘silo’ working and clearly defined operating formats will fall away to a more organic, sustainable system.
- Evolving from management to leadership
- Changes to internal measures of performance from quantitative to qualitative

Implications for retail by 2030

Managing disruption	→	Managing *in* disruption
Structured processes	→	Constantly evolving methods
Centralised control	→	Flexible, project based
Supermarket of everything	→	Supermarket of purpose
Long range planning	→	Shorter term planning
Managing process	→	Leading outcomes
Data led	→	Real time information led
Market share	→	Sustainability

Q&A

References for further research

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