Inside Retail®

AUSTRALIAN RETAIL OUTLOOK® 2022

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We would like to acknowledge the Gadigal people of the Eora Nation, the traditional owners of the land upon which we work and pay respect to Elders past, present and emerging.

Inside Retail
AUSTRALIAN RETAIL OUTLOOK® 2022

From the editor

EACH *AUSTRALIAN RETAIL OUTLOOK* SURVEY, WE ASK OUR READERS about their thoughts on trading conditions, what their revenue is looking like at the moment and the biggest challenges for the industry. Respondents share their experiences and insights with us and we're able to gauge where their businesses are at right now. I'm sure you already know that in this edition, we'll be discussing supply chain challenges, the future of omnichannel retail and sustainability – all while dealing with the rise of Omicron around Australia.

But right now, I'd like to acknowledge the exhaustion and uncertainty that many in the retail industry are feeling, no matter where they are right now, whether that's in the warehouse, the design studio, on the shopfloor or the executive leadership team. It's no secret that many of us have suffered from long-term stress and mental health issues at some point in the past couple of years. Retail is a tough industry to be in right now, as consumer behaviours are ever-shifting and the forecast rule book has been thrown out the window.

Meanwhile, customer abuse is at an all-time high. According to the Shop, Distributive and Allied Employees' Association, 59 per cent of frontline retail workers have experienced an increase in customer abuse during the pandemic. Threats, abuse and violence by customers in Sydney jumped up to 78 per cent since the start of the pandemic.

We've been searching for the 'new normal' since March 2020 and it concerns me that mental health issues have been part of it ever since. Thankfully, many progressive retail businesses are now having open conversations with their teams about mental health, providing employee assistance programs and re-visiting their workplace flexibility options. After all, these teams are the lifeblood of businesses.

"We know we are stronger together and our combined efforts can make a real difference," General Pants chief executive Sacha Laing wrote on Linkedin earlier this year in an open letter to the retail industry.

"We need to address the immediate support needed for those experiencing mental distress today... this is our opportunity to show our communities and our teams that they are not alone."

I hope you gather some helpful insights in this year's *Australian Retail Outlook*. Let's hope that this time next year, we're in a much happier and safer place.

Jo-Anne Hui-Miller
Editor,
Australian Retail Outlook

COVID: A time for reinvention

THEY SAY WHAT DOESN'T KILL YOU MAKES YOU STRONGER. While 2022 couldn't come fast enough for some retailers, 2021 was a boom year for others. With lockdowns a thing of the past (we hope), 2022 promises to be a more predictable year for retail, where borders are open, populations are mobile and face-to-face retailing is celebrated. Woohoo!

But it's not likely to be all beer and skittles. The acceleration of online retail continued in 2021, as many consumers made it their channel of choice, and there is no doubt that it is here to stay. Data-driven online retailing is the new oil and will continue to challenge traditional bricks-and-mortar models as the channel-agnostic customer becomes more demanding than ever.

We also expect supply chain capacity constraints and record high freight rates throughout much of 2022, creating challenges in inventory management, forecasting, and cashflow.

The skills shortage that is being felt across the economy is also likely to continue. While opening borders will be of considerable help, the issue is whether inbound international travellers will have the confidence to return without fear of being caught in another lockdown, something Australia has become famous for around the world.

Many retailers are also understandably nervous about the so-called Great Resignation becoming a reality. In 2022, managing a workforce to avoid further burnout, absenteeism, and attrition will be a genuine challenge.

While COP26 tested the commitment of governments around the world to reducing climate change, it will be business that leads the agenda, and ESG has reinforced itself as retail's ticket to play. There can be no doubt that the expectation dial of the consumer has shifted exponentially, and purchasing decisions will increasingly be influenced by ESG considerations in 2022.

The agile shall win the day

In 2021, we saw many retailers become truly omnichannel and redefine their customer strategy, promise, and journeys in a disrupted retail landscape. In addition, personalisation (driven by digital innovation and data) has become a key focus for retailers, as customers now expect highly tailored and targeted interactions with the brands and organisations they engage with.

As we move on from what we hope was the worst of the pandemic, best-practice retailers are continuing to adapt to the new normal, including upgrades in their front, middle and back offices, store rationalisation, and heavy investment in understanding their customer, digital offerings, and supply chain agility.

Even so, the performance of the Australian economy and the retail sector this year still largely depends on what happens with COVID-19. Will it eventually turn into an influenza-like endemic, or will it break out into a more deadly strain that reverses the hard-fought health and economic gains achieved to date. While only time will tell, the past two years have demonstrated Australian retailers' capacity to remain agile and reinvent themselves in times of uncertainty.

Good retailers are doubling down on their competitive advantage at speed, and those retailers that embrace an environment where consumer behaviours and expectations have accelerated at rapid pace look to have an exciting year ahead. ■

James Stewart
Partner, National Leader
Restructuring Services, KPMG

Lisa Bora
Partner, Customer, Brand & Marketing Advisory, KPMG

The rollercoaster continues

It's been two years since Covid first hit, and retailers are still caught in a whirlwind of supply chain crises, shaky consumer confidence and ever-changing restrictions.

By Jo-Anne Hui-Miller

JUST WHEN RETAILERS THOUGHT THEY HAD EXPERIENCED THE WORST OF coronavirus in 2021, from a return to lockdowns to a major global supply chain crisis in the lead-up to Christmas, Omicron arrived on our shores in December, rounding off yet another challenging year for retailers.

"This year has seen business enter unchartered waters, with Omicron impacting business more than any other time in the pandemic with almost no government support," said Australian Retailers Association (ARA) CEO Paul Zahra.

"Around 70 per cent of ARA members say they currently have staff in isolation, a third have limited trading hours in some locations, and around one in five have had to close some stores altogether due staff shortages. These challenges are going to be with us for some time and targeted support is desperately needed from government so small businesses can survive."

Continued delivery and supply chain problems

According to this year's *Australian Retail Outlook* Survey, some of the biggest challenges right now include shipping and delivery and supply chain, followed by lockdown restrictions and staffing, all of which are closely related and impact one another.

After a challenging year dealing with the Delta variant, particularly for New South Wales and Victoria which spent a large chunk of it in lockdown, a global supply chain crisis kicked off, rippling across all areas of retail.

In September, Australia Post struggled so much under the weight of online orders and increased numbers of isolating staff that it stopped taking e-commerce collections twice in eight weeks.

"With parcel volumes at Christmas levels, our network continues to be under increased pressure, and is amplified in Victoria where we continue to manage a heavily reduced workforce due to the impact of the Delta strain," the business said in a statement, adding that 200 staff at the time were in isolation.

"The safety of our people is our highest priority, one which we will not compromise on."

Several months on and it seems that supply chain issues are here to stay for the time being, as Omicron is now impacting the transport sector. According to the Transport Workers' Union (TWU) in January 2022, between a third and half of transport workers are currently unable to work due to complications with COVID-19, putting major stress on the supply chain and leaving supermarket shelves bare.

"Unless the Prime Minister adopts a national plan to head off this supply chain challenge at the pass, future outbreaks and restrictions may again bring transport to its knees," said TWU national secretary Michael Kaine.

Vaccine mandates

A year ago, most of us would never have imagined that vaccines would become a hot topic in the office (or more accurately, over a Zoom chat). But when vaccines finally arrived in Australia, it wasn't long until businesses began considering whether or not to make them mandatory amongst their employees. While mandates were quite controversial among the wider community, according to the Australian Retail Outlook survey, 54.07 per cent of respondents claimed that vaccine mandates were in place for at least some of their staff, if not all. Meanwhile, the vast majority (79.25 per cent) actively encouraged their teams to get the jab.

Woolworths began strongly advising staff to get the vaccine at the beginning of the national rollout and offered paid leave for frontline team members to access bookings. It also established vaccine clinics at distribution centres and closed Big W stores.

"We have a clear obligation to provide our team members with the safest possible work environment as we supply the food and essential needs our communities rely on," he said in a statement.

"We have 170,000 team members across our stores, distribution centres and support offices, and more than 1,200 retail stores. With each store welcoming an average 20,000 customers a week, a single team member can come into contact with quite literally thousands of people in the course of a normal working week. As we enter the next phase of the pandemic and learn to live with COVID-19, we need to strengthen our workplace safety settings and vaccinations are clearly a key part of this."

A new wave of innovation

Of course, necessity is the mother of invention and coronavirus has paved the way for innovative entrepreneurs to find solutions to consumer problems. While Australia's uptake of online grocery shopping has been slower than in other economically developed countries like the UK, the pandemic has accelerated adoption rates since Covid hit.

And as the supermarket giants struggle to keep up with demand for online orders during lockdowns, innovative new players are swooping in to get their piece of this $7.1 billion market. There's global platform Geezy Go, sustainability-focused Pretty Green and Sydney start-up Milkrun, which raised $75 million in under four months.

In the past two years, many in the fashion industry have reconsidered the traditional business model, where many retailers felt the need to constantly drop new collections, leading to ever-increasing amounts of landfill. Now, innovative designers are embracing creating non-fungible tokens (NFTs), digital assets that represent unique real-world items, like items of clothing, and are sold online. It's not just your typical tech disruptors who are getting on the NFT bandwagon either, but a whole raft of established brands, from luxury brands like Burberry and Balenciaga to mainstream retailers like Nike and Havaianas.

While not all retailers will be able to develop NFTs or deliver essential items within the space of 10 minutes, this progressive, forward-thinking mindset is what will take businesses into the future. I can't wait to see what retail excellence will look like this time next year. ■

Industry insights: Executive voices

Just when we thought the worst of coronavirus was over in 2020, Australia was hit with Delta and Omicron variants in the space of 12 months, plunging many businesses back into uncertainty for yet another year.

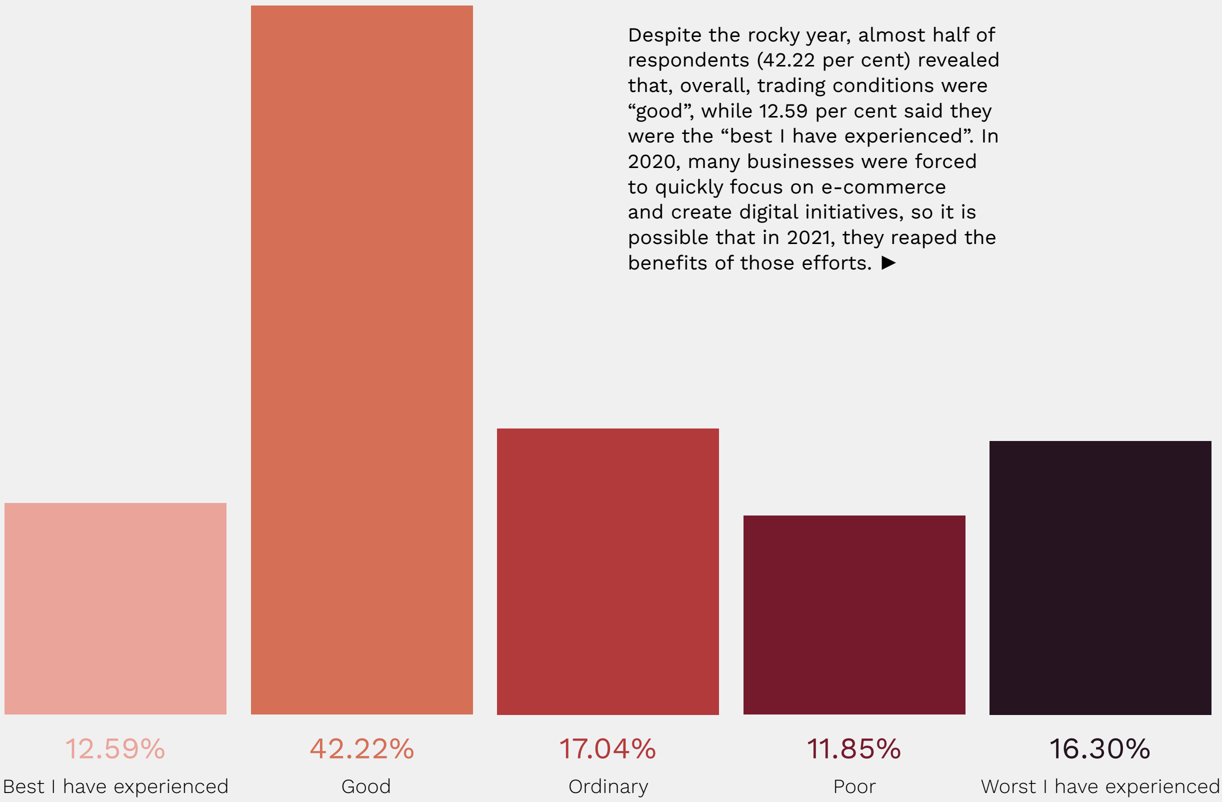
WHILE THE ROLLERCOASTER OF UNCERTAINTY CONTINUED IN 2021, this time, many retailers were armed with a raft of newly-acquired skills and strategies that they had deployed during the first wave of coronavirus. Meanwhile, consumer confidence continued on shaky ground as the country went in and out of lockdowns across various cities.

In this year's *Australian Retail Outlook* survey, more than half of respondents (65.93 per cent) were in the C-suite or senior management and 38.52 per cent led businesses with more than 100 employees.

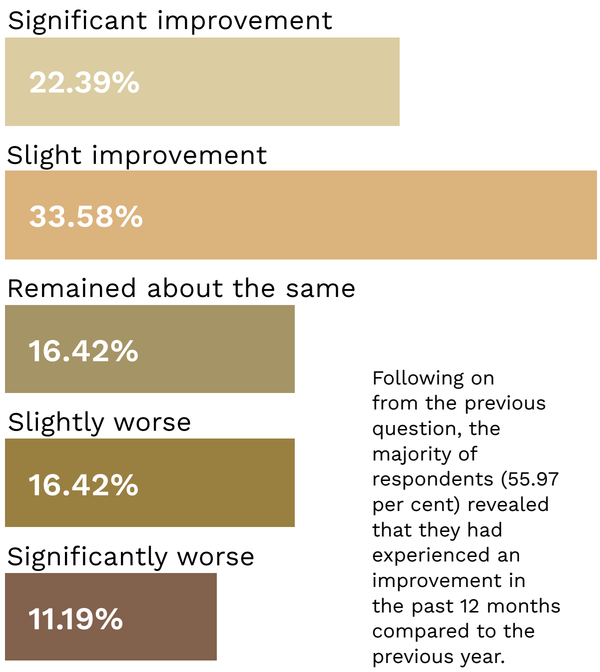
A wide range of categories were represented in this year's survey, with 14.07 per cent of respondents coming from the fashion sector. Participants also came from health and beauty (10.37 per cent); grocery and supermarket (9.63 per cent); furniture and homewares (6.67 per cent) and sports and recreation (5.19 per cent).

Q.1 How would you describe trading conditions in the past 12 months?

Despite the rocky year, almost half of respondents (42.22 per cent) revealed that, overall, trading conditions were "good", while 12.59 per cent said they were the "best I have experienced". In 2020, many businesses were forced to quickly focus on e-commerce and create digital initiatives, so it is possible that in 2021, they reaped the benefits of those efforts. ►

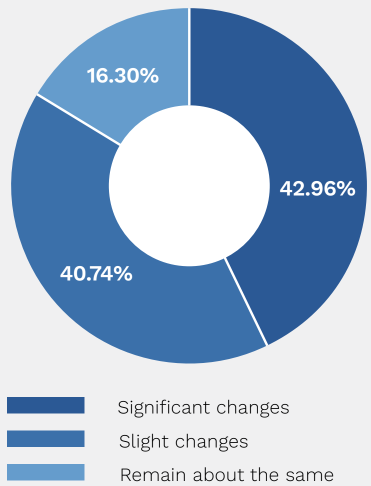


Q.2 How did the last 12 months compare to the previous?

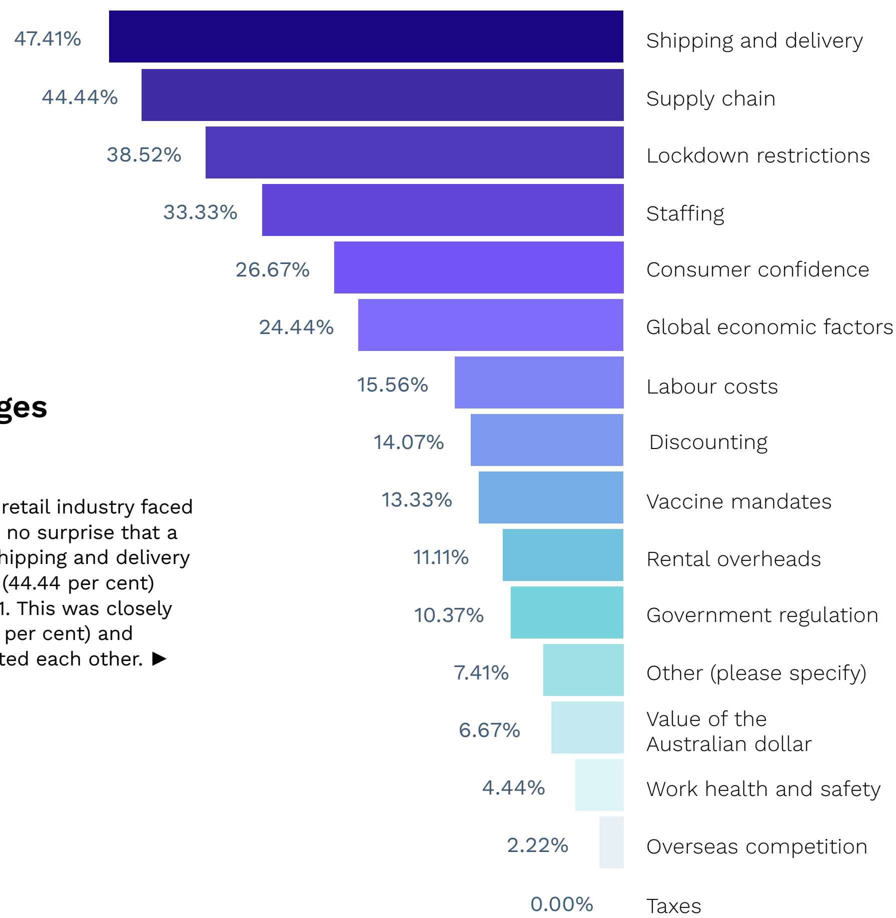


Following on from the previous question, the majority of respondents (55.97 per cent) revealed that they had experienced an improvement in the past 12 months compared to the previous year.

Q.3 In the year ahead, how do you expect trading conditions to change?



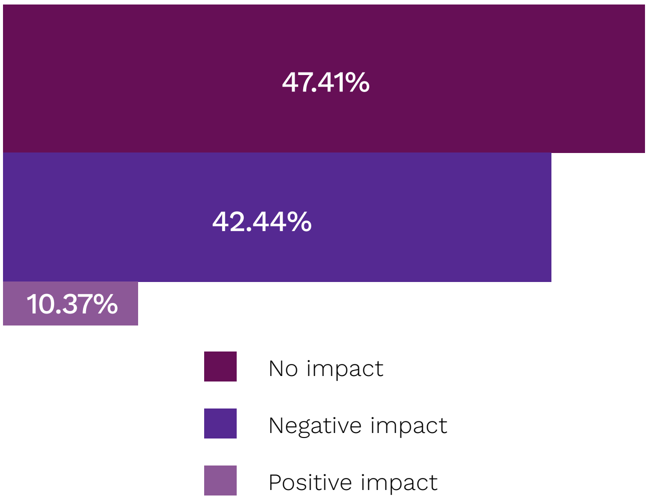
The overwhelming majority of respondents (83.70 per cent) believe trading conditions will continue to change, 42.96 per cent of whom predict significant changes on the horizon. After another year of switching in and out of lockdowns and restrictions as we're hit with different variants, it's clear for many that continued change is inevitable.



Q.4 What were the biggest challenges retailers faced in 2021?

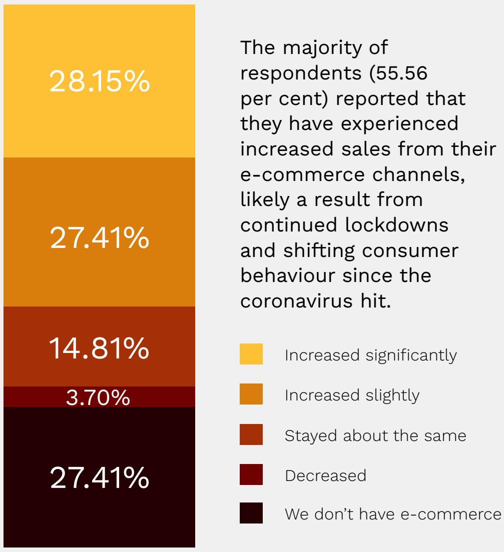
Due to the global supply chain crisis the retail industry faced last year in the lead up to Christmas, it's no surprise that a large portion of retailers indicated that shipping and delivery (47.41 per cent) followed by supply chain (44.44 per cent) were two of the biggest problems in 2021. This was closely followed by lockdown restrictions (38.52 per cent) and staffing (33 per cent), all of which impacted each other. ▶

Q.5 How will the value of the Australian dollar impact your business in 2022?



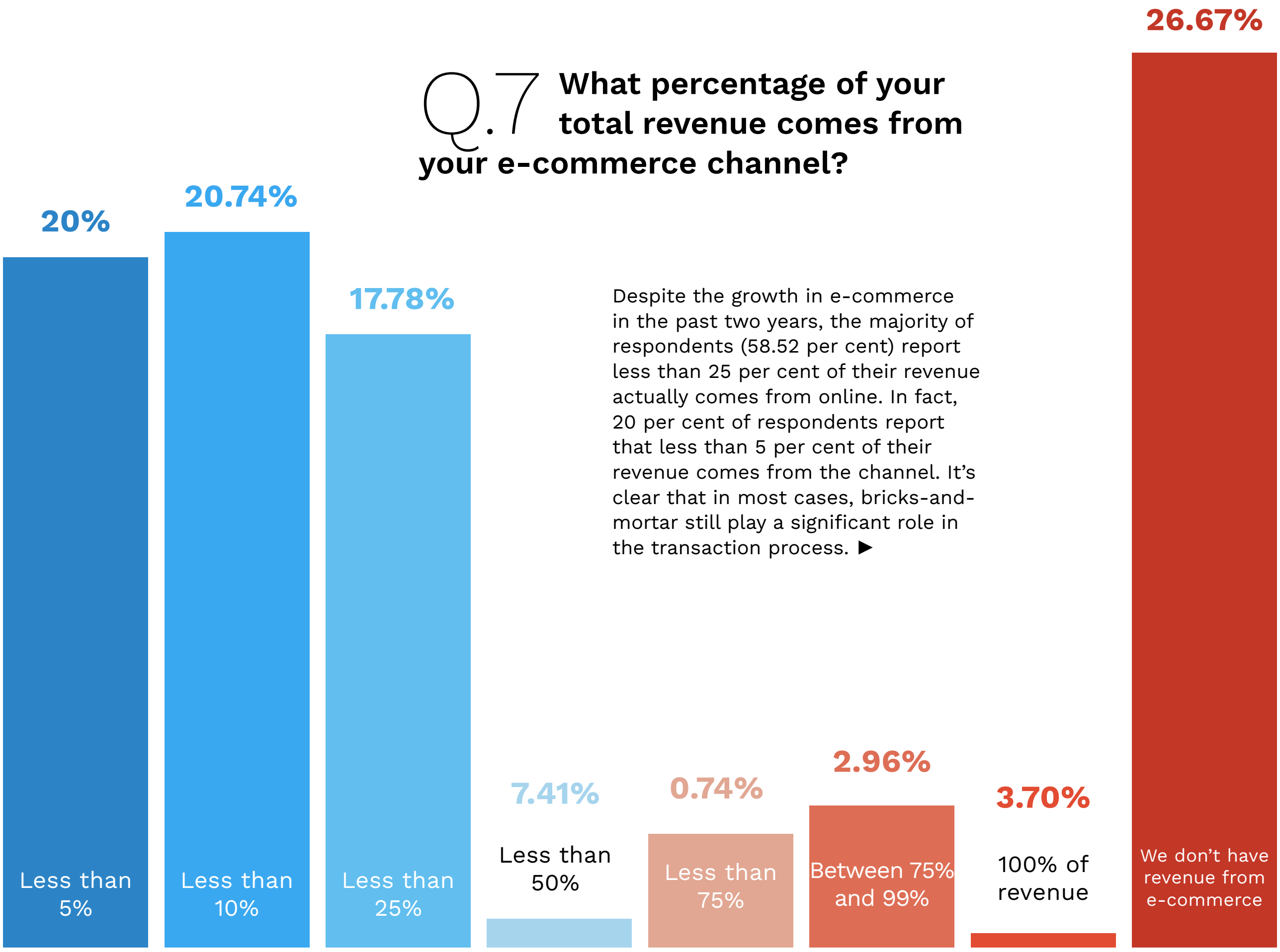
Interestingly, almost half of respondents (47.41 per cent) felt the value of the Australian dollar will have no impact on trade this year, while 42.22 per cent believe it will have a negative impact.

Q.6 How has your revenue from e-commerce changed in the past 12 months?



The majority of respondents (55.56 per cent) reported that they have experienced increased sales from their e-commerce channels, likely a result from continued lockdowns and shifting consumer behaviour since the coronavirus hit.

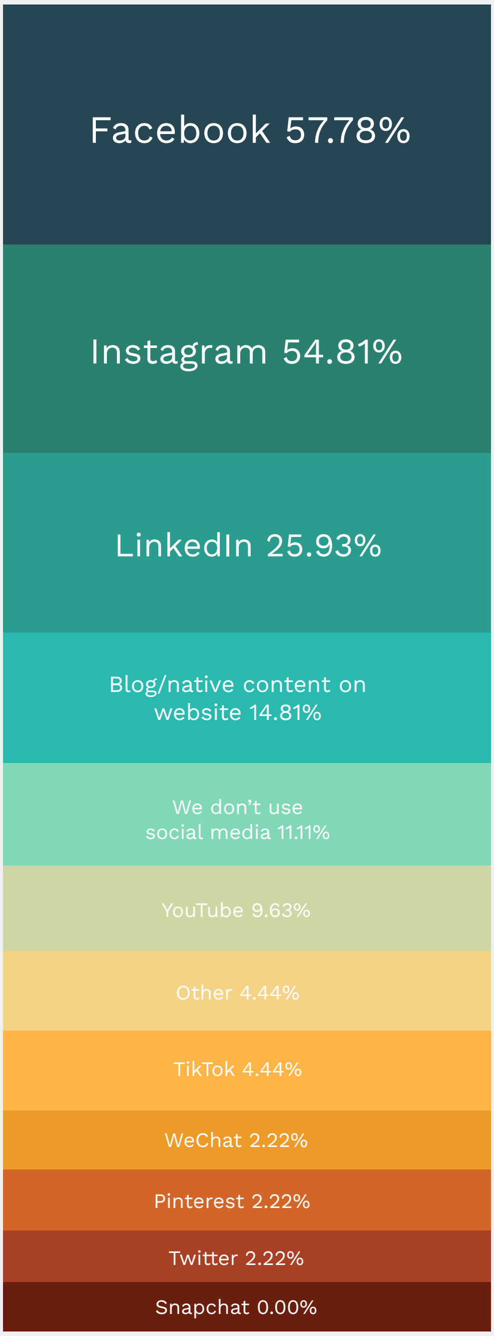
Q.7 What percentage of your total revenue comes from your e-commerce channel?



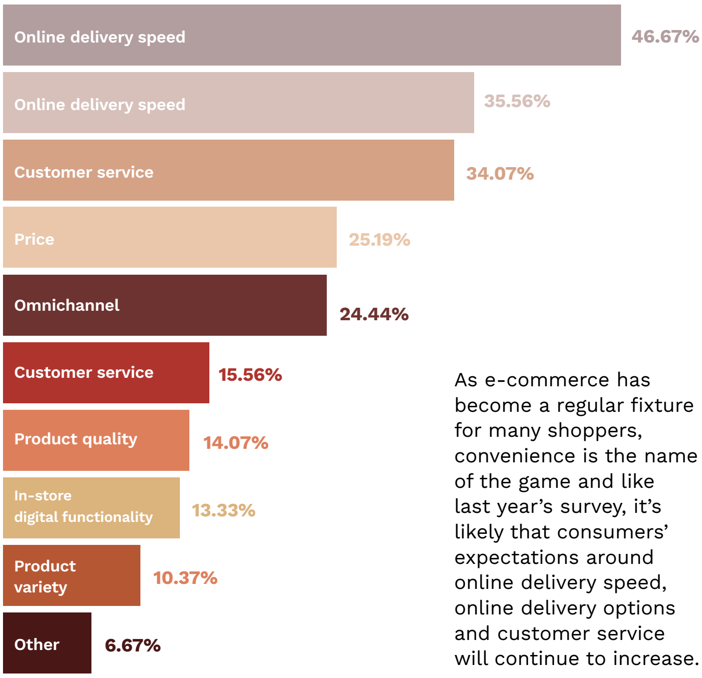
Despite the growth in e-commerce in the past two years, the majority of respondents (58.52 per cent) report less than 25 per cent of their revenue actually comes from online. In fact, 20 per cent of respondents report that less than 5 per cent of their revenue comes from the channel. It's clear that in most cases, bricks-and-mortar still play a significant role in the transaction process. ▶

Q.8 Which are the two most effective social media channels your retail business uses?

While Facebook, Instagram and LinkedIn continue to be the most effective social media channels for retailers, interestingly, Facebook and Instagram's popularity decreased by 14.73 per cent and 6.8 per cent respectively compared to last year. This could perhaps be due to the growth in TikTok (up by 2.54 per cent). Interestingly, no-one rated SnapChat as being one of their most effective social media platforms.

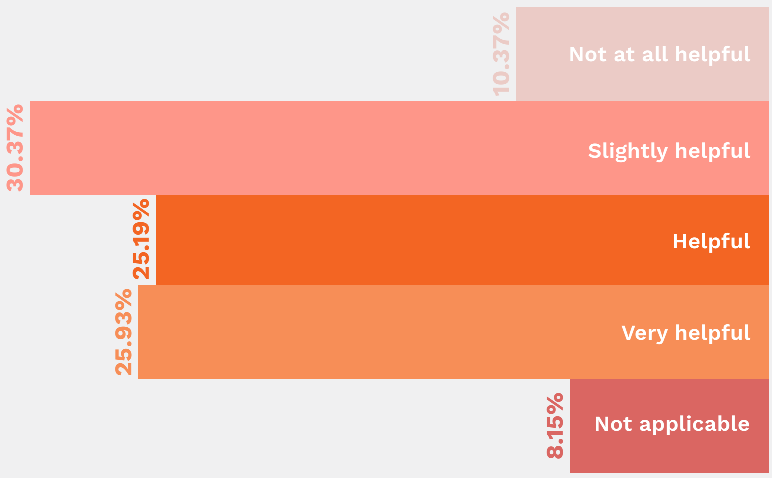


Q.9 What areas do you think consumer expectations will increase over the next 12 months?

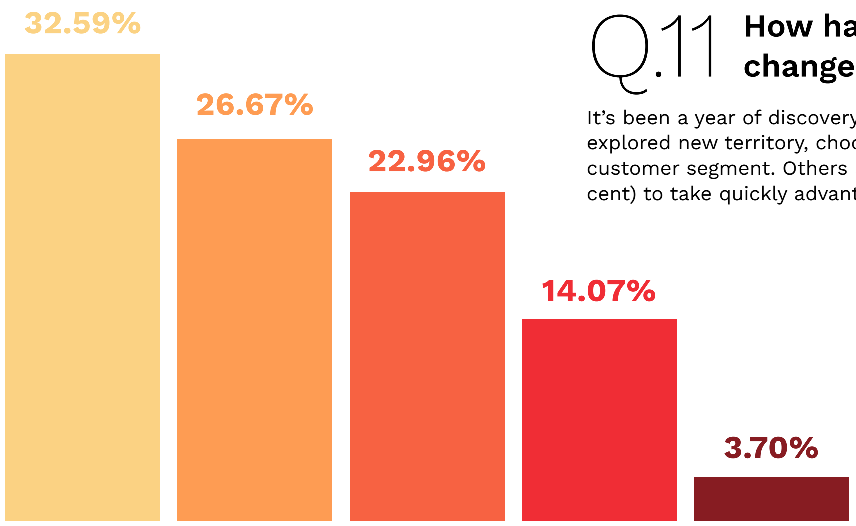


As e-commerce has become a regular fixture for many shoppers, convenience is the name of the game and like last year's survey, it's likely that consumers' expectations around online delivery speed, online delivery options and customer service will continue to increase.

Q.10 How helpful was the government's economic response to businesses impacted by coronavirus?



Many retailers continue to benefit from Federal and State governments' economic response to business, with 81.49 per cent finding the support to be helpful. Initiatives such as NSW's Dine & Discover vouchers, which helped get customers back out and shopping again, and the JobSaver program, which provided support for companies to keep their staff employed (and ended in November 2021), helped keep businesses trading and operating throughout another difficult year. ▶



Q.11 How have your business plans changed due to coronavirus?

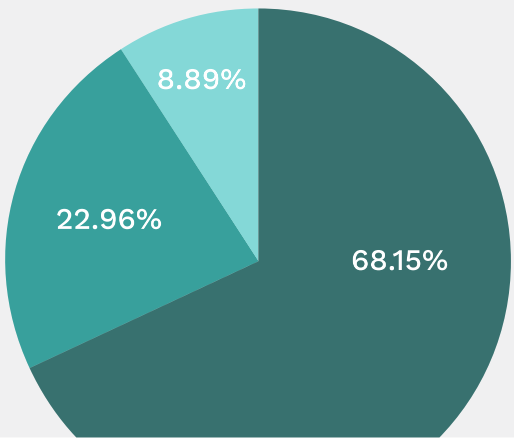
It's been a year of discovery for many businesses, as 32.59 per cent explored new territory, choosing to focus on a new product, category or customer segment. Others accelerated their existing plans (26.67 per cent) to take quickly advantage of new opportunities as they arose.

- We pivoted the business to focus on a new product/category/customer segment
- We fast-tracked our existing plans
- We are proceeding with our existing plans as scheduled
- We put our existing plans on hold and are sticking with the status quo
- Not applicable

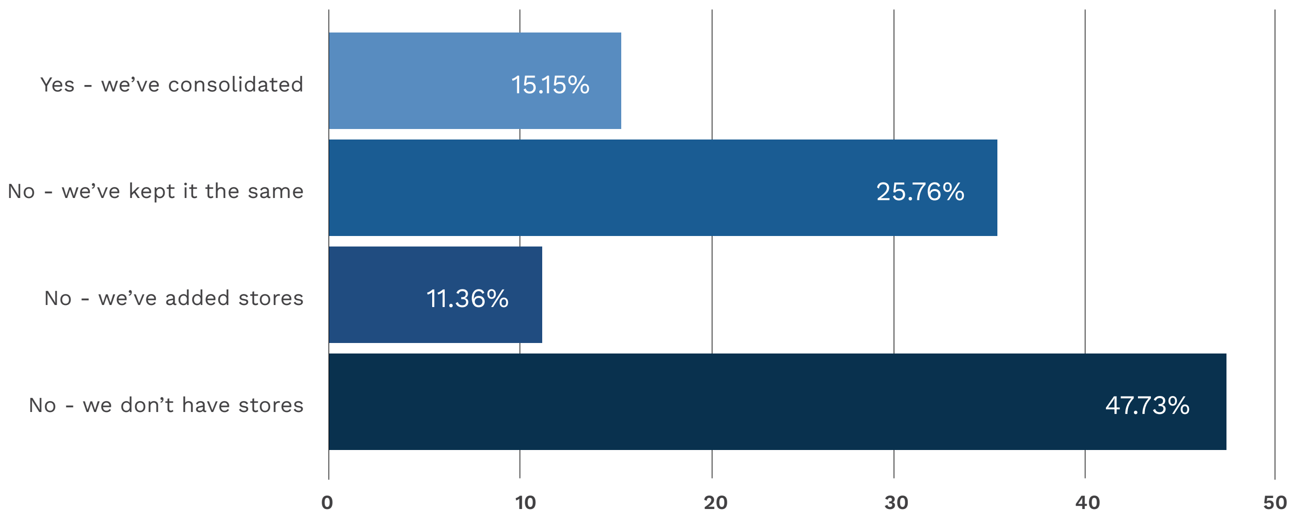
Q.12 As a result of coronavirus, have you invested more in your digital business?

While physical stores continue to open and shut as restrictions change and many consumers are choosing to avoid busy public spaces, it's likely that retailers will continue to invest more in digital.

- Yes
- No
- We don't have a digital side to the business



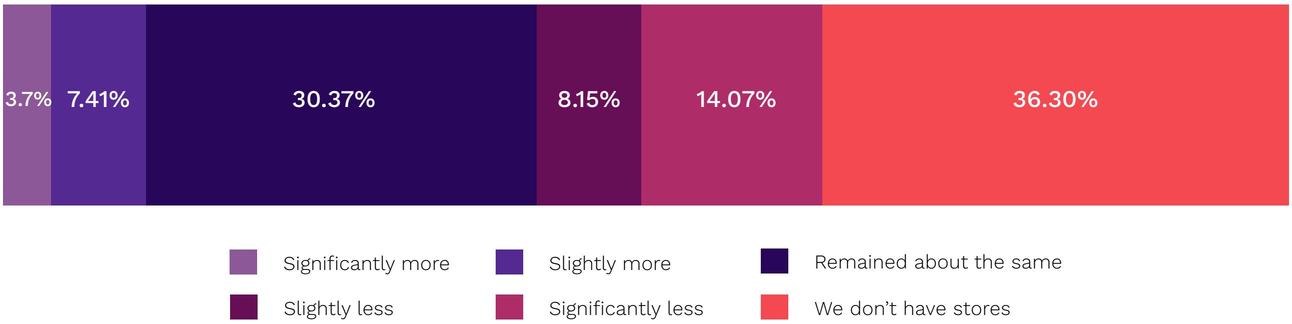
Q.13 If you have a physical store network, have you consolidated it as a result of the pandemic?



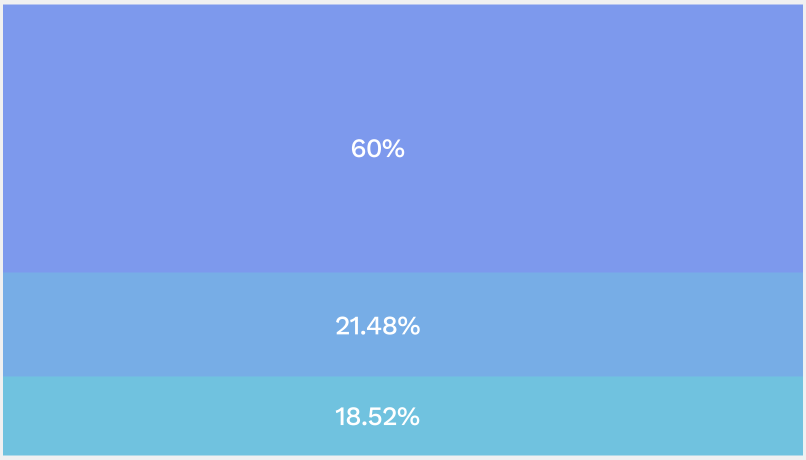
It's been a rollercoaster for physical store owners who have likely opened and closed their doors several times in the past 12 months. One of the biggest trends in retail in the past couple of years has been around moving towards an omnichannel model, where retailers can serve customers however they choose to shop, whether it's via social media or click-and-collect. ►

Q.14 Were landlords more willing to reduce rents this year?

Based on the experiences of respondents, it seems that landlords largely remained the same when it came to negotiating rent.



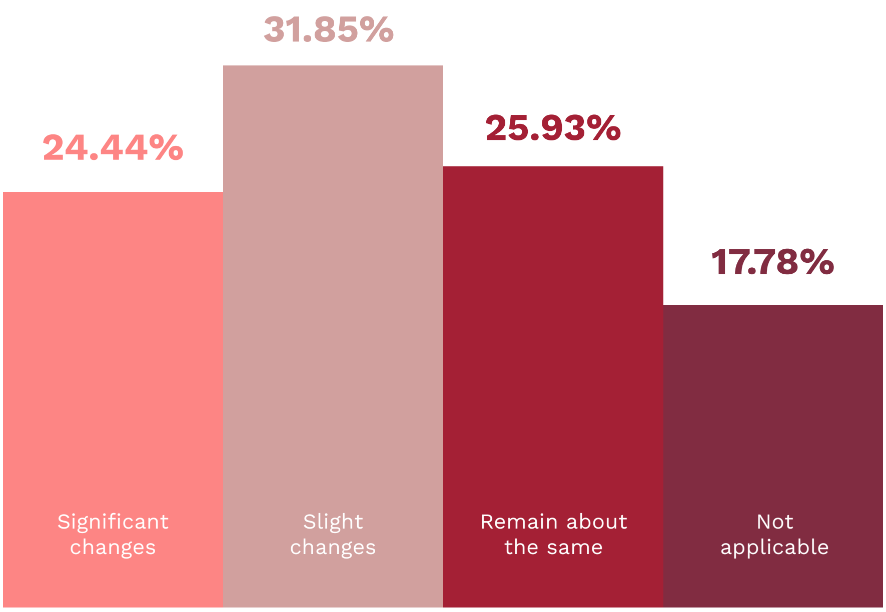
Q.15 Do you think relationships between landlords and retailers are more strained as a result of coronavirus?



While 60 per cent of retailers believe landlords and retailers continue to struggle throughout coronavirus, this is down from 80.57 per cent from last year's survey.

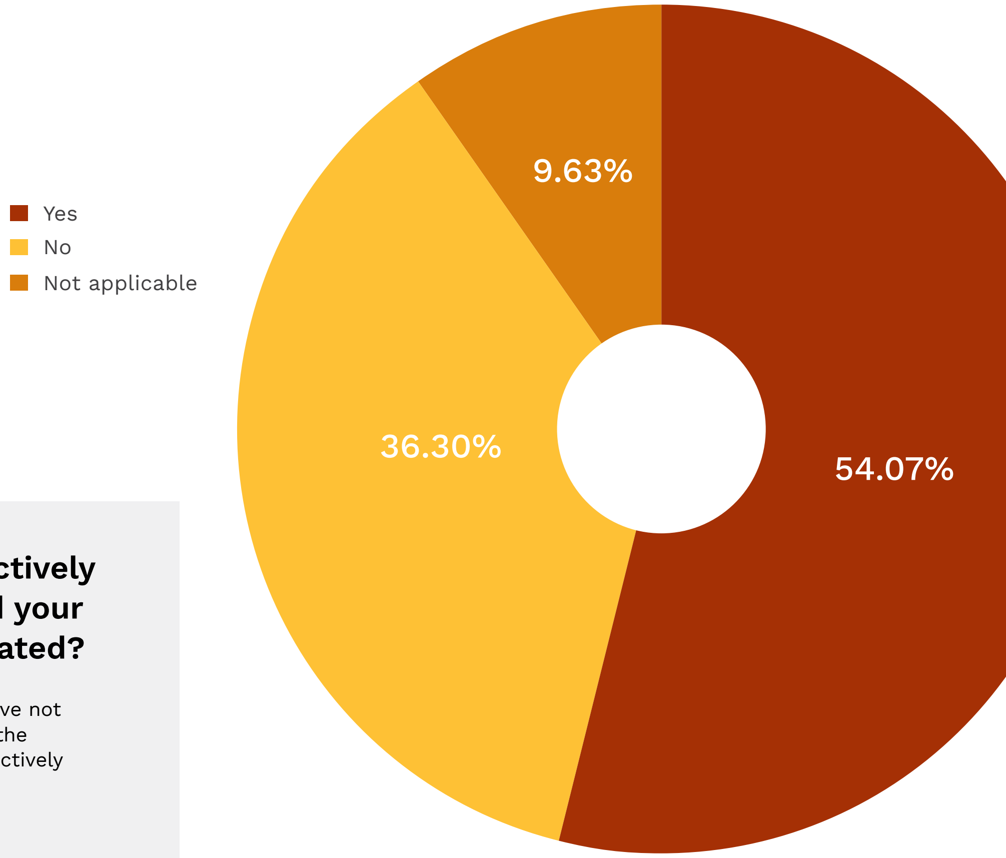
Q.16 How do you expect leasing terms to change next year?

Shopping centre foot traffic continues to be down and as a result, many operators are reconsidering their leasing strategies. According to more than half of respondents, we can expect further changes to leasing terms in the future. ►



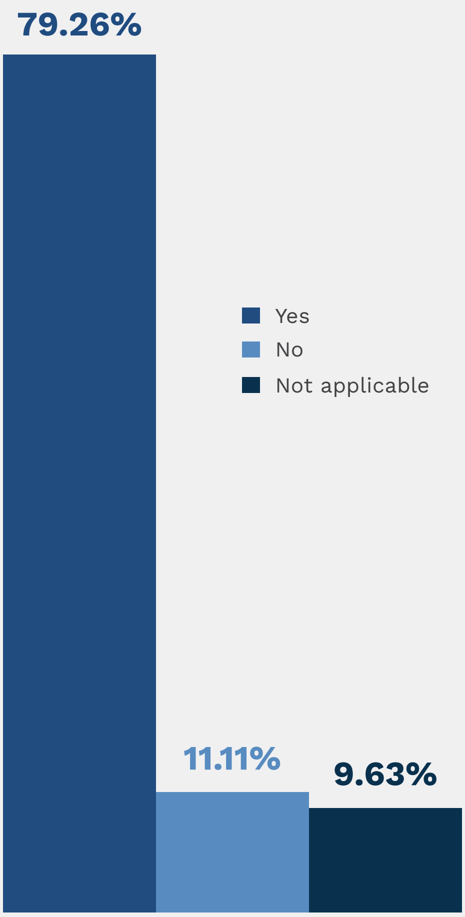
Q.17 Are you mandating the vaccine for all/ some of the staff in your business?

More than half of retailers (54.07 per cent) said they are mandating the vaccine for at least some of their staff. Last year, food manufacturing company SPC was the first Australian company to make vaccines mandatory for staff in September.

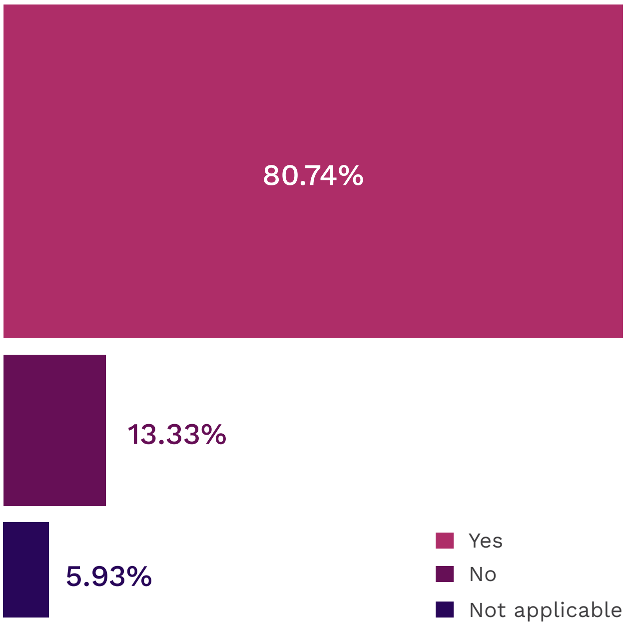


Q.18 Have you actively encouraged your staff to get vaccinated?

While almost half of respondents have not made vaccines mandatory for staff, the vast majority (79.25 per cent) have actively encouraged their staff to get shots.



Q.19 Will current global supply chain issues negatively impact your business?



The overwhelming majority of respondents (80.74 per cent) believe that the current global supply chain crisis will negatively impact their business. In the lead up to Christmas, many physical retailers had empty shelves, while online retailers struggled with major delivery delays. ■

COVID:

A time for reinvention

Coronavirus' call to transform

The pandemic has accelerated the pace of change in retail, creating an opportunity for businesses that can adapt faster and better than their peers. Managing stakeholders will be key.

James Stewart, Partner, National Leader Restructuring Services, KPMG
Gayle Dickerson, Partner, Restructuring Services, KPMG
David Hardy, Partner, Restructuring Services, KPMG

IT IS OFTEN SAID THAT THINGS ARE NEVER AS BAD OR AS good as we think they are. And if necessity is the mother of invention, it could also be said that COVID-19 will be looked at as the mother of reinvention for many retailers. As we gather momentum in 2022 and return to a 'new normal', retailers are looking to transform their business models to leverage a retail environment where consumer behaviours and expectations have changed at warp speed. However, the cost of transformation is real and there are operational hurdles to be overcome.

Supply and freight costs

Retail supply chains continue to be challenged by capacity constraints at major global ports and airports and record-high freight rates. This has affected Australian retailers' ability to import stock. We are seeing some retailers stockpiling inventory when they can to mitigate re-stocking issues during critical trading periods. The uncertainty around inventory management and supply issues creates complexity for cashflow forecasting. The risk for some retailers now is inventory hangover following the festive season if sales targets were not achieved. This could mean clearing more stock than usual, with the associated margin impact, as we gather pace into 2022. According to the Australian Retailers Association, supply chain issues are expected to continue for some time, likely through to 2023 and retailers need to be prepared for these. There will be increasing pressure on pricing and margins to reflect the increasing costs of doing business.

Back to business as usual

As we continue to respond to COVID-19, several relief measures that buoyed retailers through the worst of the storm will end (if not already), including government stimulus, landlord rent relief, and deferred liabilities. Some retailers will have to adjust to this after losing market share or suffering a permanent reduction in sales.

While many retailers reduced their cost base in response to the pandemic, some lost market share or have seen permanent reductions in sales, placing pressure on profitability as they return to business as usual. Retailers also have the challenge of managing deferred liabilities that may have built up during the pandemic and will need to be paid as normal trading conditions return. ►

COVID: A TIME FOR REINVENTION

ESG: retail's new ticket to play

The importance of ESG started pre COVID-19 but now the expectation dial of the consumer has shifted exponentially. Purchasing decisions are increasingly being influenced by ESG considerations and we have seen a paradigm shift over recent years in response to these demands. Implementing ESG initiatives across the entirety of an organisation comes at a cost; the challenge for retailers is bearing the initial cost (knowing it's one that needs to be made). Investment in ESG becomes a question of priority – do retailers allocate the money at a time of transformation and uncertainty? Given the shifting dial of consumer expectation, this will often be a 'yes' because it's simply a ticket to play.

Turnaround or transformation

Retailers are taking the opportunity to transform their business model to adapt to the new normal. We are seeing retailers undertake store rationalisation programs and invest heavily in digital offerings and infrastructure. These transformative costs will often not be provisioned for on the balance sheet. The question retailers need to be asking is, 'How do I unlock funds to transform my business while also meeting trading challenges, shifting consumer behaviour, expectations and stakeholder demands?'

Stakeholder management

Ultimately, any turnaround or transformation requires trust between a retailer and its stakeholders. Often stakeholders will resist change unless they can see the tangible benefits that it will bring. It is imperative for retailers to communicate well and manage their stakeholders effectively during transformative change. This means communicating with key customers and suppliers, financiers, and shareholders. Based on our experience managing stakeholders during times of uncertainty, stakeholder management should include:

1. Transparent communication of the key issues, challenges, and opportunities
2. Timely disclosure of key events or problems (a 'no surprises' policy)
3. A clear commercial strategy for how issues will be resolved, with timelines and targets that are measurable, to identify progress.

> “Any turnaround or transformation requires trust between a retailer and its stakeholders.”

While management is focused on business as usual and strategic initiatives, an independent expert adviser can help bridge the trust gap between borrowers and stakeholders, if the adviser is reputable, understands the industry sector and has the trust of both parties. Some of the key roles of an independent adviser are building stakeholder confidence that:

- Management is adopting appropriate strategies to resolve the issues at hand
- The underlying business is sustainable and capable of performing in the future
- The management team is capable, competent and able to execute on the plans going forward
- The financial forecasts are robust, and the underlying assumptions are reasonable and capable of being achieved.

It is not the role of the independent adviser to persuade third-party stakeholders to management's point of view on key issues. Rather, their role is to be the honest broker – the bridge between management and third-party stakeholders that both parties trust.

In 2022, while we do look to operate under a new normal, the retail trading landscape has changed permanently and there are new and hidden costs retailers need to keep in mind. At the core of any transformation are stakeholders and they should be taken on the journey. For many retailers, now is the time for reinvention. ■

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Personalisation is the new loyalty program

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Lisa Bora, Partner, Customer, Brand & Marketing Advisory, KPMG
Alex Moreno, Partner, National Lead Partner Salesforce, Technology Advisory, KPMG
Richard Gilson, Director, Digital Delta, KPMG

TODAY, CUSTOMERS EXPECT HIGHLY tailored and targeted interactions to be of value, they need to be personalised and timely, and must provide meaningful and relevant experiences. Traditional 'earn and burn' loyalty programs are expensive and are not leveraging the true power of personalisation to improve a retailer's business performance.

To deliver valuable and highly personalised customer communications and interactions, retailers need to capture all the signals that a customer displays through their engagement with the organisation. This is across the buying journey and over the lifetime of that customer's interaction with the brand. This requires creating a digital fingerprint that integrates the customer's profile data, captures their transactions, tracks all interactions across all channels, and can predict future behaviours, values, and preferences.

What is critical and differentiating is that personalisation extends beyond traditional marketing communication and flows right through to service delivery, merchandising, offer creation, and bundling of services. This ensures minimal discounting and margin erosion and true tailored service delivery. Those that embrace personalisation not only deliver on customer outcomes, but also on business performance.

The accumulation of points is no longer valued; it's about how loyalty programs can offer more immediate customer value and benefits, with personalisation as the means of delivery.

The value of personalisation

The power of personalisation is no secret. Amazon estimates that around 35 per cent of its revenue is solely based on targeted personalised recommendations when customers browse their website. Also, research by Gartner recently discovered that when used at the right touchpoint's, personalisation boosts engagement and increases revenue by up to 28 per cent and sales conversion by up to 71 per cent*.

As a result, many organisations and retailers are making significant investments in this area to develop contextual and personalised experiences to differentiate themselves in the market:

- **The Wine Collective** is an Australian brand on a mission to reform how the wine industry sells to consumers. To achieve this, it has developed an advanced personalisation engine that provides customised recommendations each time a customer shops. The result is a ►

- personal wine store, which reduces the brand's 10,000 products down to a targeted selection based on customers' behaviours, preferences, and previous interactions.

- **Best Buy** is bridging the on- and offline personalisation space with its app, which enters 'local store' mode and sends relevant personalised push notifications, tailoring the experience to the location's inventory. Using advanced analytics, Best Buy has honed its personalised emails' timing, frequency, and product to make sure customers never miss out on the items they like best.

How it's done
Organisations struggle to successfully integrate key capabilities to deliver true personalisation. Many possess the key skills, platforms, data, and analytics required, but lack the ability to use these assets to their full potential.

KPMG has identified capabilities that need to be aligned to develop deeply personalised customer engagement that responds to the key moments that matter for each interaction:

1. A cross-functional way of working that breaks down traditional structures to place the key capabilities (data, insights, CX, marketing, merchandising) in a more agile operating model that can quickly develop and test new initiatives and deploy them promptly into channels.

2. Collection of deep customer insights to inform the design of customer journeys, interactions, and treatment strategies, and identify future pathways, behaviours, value and needs.

3. Continual and transparent measurement to quantify in-market performance easily, provide prompt feedback, and support the ability to experiment with new ideas and designs and quickly assess their value to the customer. Testing and learning activities across personalised pricing and personalised bundling are key.

4. A scalable customer engagement platform that is enabled by a trusted, integrated, and comprehensive (transactional, contextual, behavioural) view of the customer, supported by the real-time capture of all channel responses. The platform must provide the ability to adapt continually to evolving market expectations, to optimise and orchestrate the experiences in each interaction.

   Investments in standard CRM functions and technology alone will not deliver the full benefits of personalisation for you, they will allow a single source of truth and segmentation capability but extending into decision-engine design is crucial to extract full value from multiple technology investments.

   For an optimum solution, imagine a layer cake, where the foundation layer is clean and trusted customer data, followed by a platform whose clever architecture allows it to adapt to the market quickly, a layer of efficiently designed processes, and lastly a layer of intelligent automation that can provide real-time insights to users while interacting with customers via assisted channels.

   That final layer can also use the same insights to automate tailored experiences via unassisted channels. Over time, you will be able to fine-tune this model as you observe what works and what doesn't.

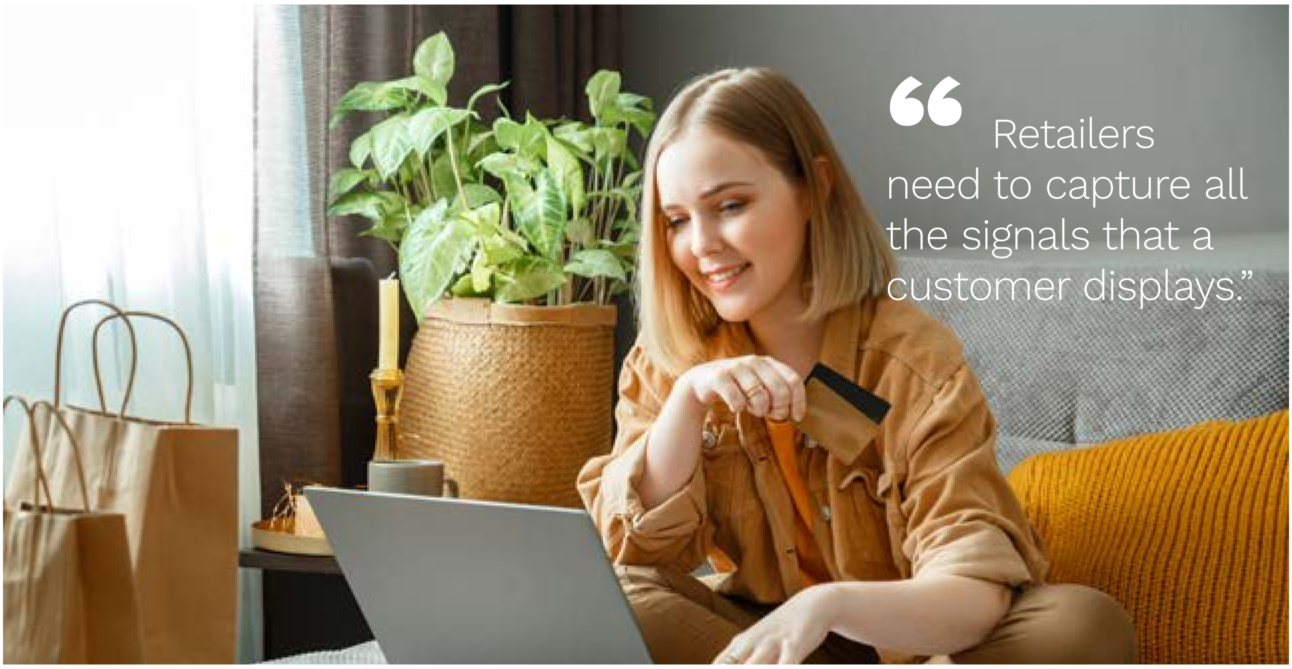
5. An emphasis on 'lights out' automation, to accelerate the development of new customer initiatives, mitigate the numerous hand-offs between teams across the value chain, and apply algorithmic intelligence to the decision-making process across all channels.

6. A focus on developing meaningful interactions that generate value for both the customer and organisation. Success is not to be measured in terms of volume of interactions but is based on a personalisation approach, which involves communicating less, with a focus on generating more value, as measured in loyalty, advocacy, engagement metrics, and conversions to revenue.

Although many retailers are beginning to develop their capability to deliver personalised customer interactions, very few have truly mastered the ability to deliver these consistently at scale.

Those that are successful possess the ability to quickly design and deliver great customer outcomes. Aligned to this is the ability to make use of the sophisticated adaptive analytics found in many customers' engagement platforms to automate, orchestrate, and personalise the experience across channels. ■

**Source: 'How to Improve Customer Experiences in Digital Commerce Payments', Gartner, 2020*



Omnichannel reporting evolves on fast forward

The integration of on- and offline makes real-time access to data between sales channels more important than ever.

Daina Klunder, Director, CFO Advisory, KPMG

A NEW RETAIL REALITY HAS EMERGED. ONE FILLED WITH MORE online shopping, click-and-collect and fast delivery options. Reliance on technology and new reporting capabilities has hit a new high due to the acceleration in volumes of online sales, which have now become the preferred channel for many customers. Finance functions need to adapt to ensure that they can provide accurate and relevant reporting in real time for their businesses.

The expansion for many retailers from a single sales channel (the bricks-and-mortar store) to an omnichannel offering has created the need for accurate profitability and forward-looking information on a channel-by-channel basis.

One big challenge is to accurately determine the sales each channel drives and attribute the respective costs of making the sale. As the cost to serve the customer through different channels varies due to the different activities necessary to fulfil the order, retailers are asking themselves whether they can easily determine what is the most profitable channel for making a sale and take appropriate action to amplify the opportunities.

Prior to COVID-19, many retailers were not set up to facilitate this. However, in the new age of measuring omnichannel sales performance, it is imperative for retailers to have integrated reporting across all sales channels, to allow decision-makers to confidently compare the profitability for online sales versus in-store sales throughout the value chain, so they can make informed decisions relating to operational adjustments, strategy, and investments.

Due to the fast pace of retail, data and insights need to be of the highest quality while also being readily accessible. This is critical to empower agile decision-making, which helps optimise business performance and inform future strategies, including investment decisions that come down to a choice of physical retail space vs infrastructure to support online business.

Move beyond manual reporting

We see many retailers spend significant time compiling reports in manual ways, unfortunately at the expense of quality time spent analysing performance and providing actionable insights to make impactful decisions. Critical information can often be delayed in reaching decision-makers by up to a month, which may result in missed opportunities. To be able to access sales performance, cost, and profitability analysis information in real time, finance functions need to continue to embrace the opportunities of automation and innovation. During the pandemic, successful retailers have embraced integrated budgeting and forecasting tools so they can make real-time decisions based on current and forecast sales volumes across their different sales channels.

> “It is imperative for retailers to have integrated reporting across all sales channels.”

Introduction of data visualisation platforms

Retailers who embrace the full capability of data visualisation platforms can produce management dashboards that deliver simple and meaningful insights. Visualisations allow finance leaders to eliminate some manual monthly processes while also interrogating reports whenever they need, through self-serve reporting. This gives them an instant understanding of key business drivers.

Dashboard tools allow for data to be pulled from multiple sources and presented in a precise, uncluttered visual format. Having the most current available data immediately enhances decision-making. Making rapid decisions based on good enough information is more valuable than making slow decisions based on ‘perfect’ information.

Real-time reports work on a ‘set and forget’ basis, where you build the report once and these reports are readily available at the click of a button. These can then be switched to reflect different date ranges, sales channels, and product SKUs – to name a few options – so performance in different time frames can be examined.

The transition to forward-looking information

Although historical financial reporting will continue to be important for retailers, the rapid pace and ever-changing environment often delays this data until it’s too late. Retailers need to understand the drivers of financial outcomes and finance teams should be empowering business users to assess performance drivers in real time, ensuring critical decisions are made immediately. Finance functions are now expected to play a bigger role in modelling future risks and opportunities to support decisions. Behaviour needs to move away from solely measuring and reporting on financial outcomes and veer towards measuring and reporting on the underlying drivers of financial performance. ■

The evolution of merchandise planning

Merchandise planning has changed in recent years, in response to the pandemic and big shifts in consumer habits and lifestyles. Here's how retailers are adjusting.

Phil Welch, Director, Operations Advisory, Consumer & Retail, KPMG

CUSTOMER LIFESTYLES ARE DRASTICALLY EVOLVING. THE pandemic continues to influence customer purchasing priorities and penetration in the omnichannel environment, which is affecting assortment mix and demand at each location.

This is creating new challenges for retail operations, including a particular demand for agile merchandise planning and supply chain processes. These activities require frequent decisions on product assortment, store, and floor-space allocations. Such decisions are not new; however, they are now occurring outside of typical planning cycles and with less data to guide them.

Here are some of the big trends and the merchandising moves they're forcing retailers to make.

The work-from-home phenomenon

Remote working is a new way of life and has disrupted retail, creating spikes in demand for product categories and high demand in new locations, with no historical data or trends to help prepare for this change. The trend of working from home is expected to continue, with many businesses realising they can find a new balance of working onsite and offsite. Meanwhile, the spikes in sales and locations have eased and retailers have established new buying patterns – but the volatile environment still exists, as the impacts of the pandemic are constantly changing.

> "Now more than ever, the heads of omnichannel are influencing merchandise and supply chain decisions."

Having adjusted for the impacts of working from home and a migration away from city centres, retailers are establishing their competitive advantage by focusing on customer experience strategies. Managing omnichannel complexities is how retailers will deliver on their customer promise and expectations.

The complex shift to omnichannel

Australians are shopping online more than ever. Customers now purchase online from brands they deem trustworthy. Because of this, retailers will reshape their online product profiles and reconsider their store footprint for products and categories. It is predicted that, by 2024, up to 10 per cent of floor space will be repurposed in department stores as the shift to omnichannel continues.

Retailers are finding omnichannel fulfilment complex. Merchants must adapt their allocation and replenishment models to support total demand, rather than basing them on sales units by location. The challenge for retailers is to adjust allocation for efficient and profitable fulfilment through the most appropriate methods, to prevent unbalanced inventory by store.

Customers' evolving expectations

Customer expectations and purchasing behaviours are changing rapidly, responding to new regulations placed on retail within a volatile trading environment and their own personal choices related to socialising in crowded shopping centres. Click-and-collect and curbside pick-up are now terms widely used in homes. Home delivery has increased, with the parcel carrier acting as an extension of the retailer. Retailers are being challenged to redefine their promise to customers and their in-store and online experience.

Leading retailers are establishing a competitive advantage by responding with agility in their operations and re-emphasising their customer-first approach across the entire organisation. This requires the whole business to buy into a seamless, end-to-end customer-centric view to deliver on the customer promise. Any remaining operational silos within a retailer are challenged to become totally customer focused.

The supply chain and last mile delivery are playing a key part in the customer journey and the after-purchase experience is important, too. This creates an added complexity for the omnichannel promise to the customer. Now more than ever, the heads of omnichannel are influencing merchandise and supply chain decisions.

Retailers are redefining their customer strategy, promise, and journeys based on an accelerated omnichannel environment in a disrupted retail industry. They are rationalising their assortment profiles and principles by channel, analysing their online and bricks-and-mortar ranges, ordering allocations and product space by location. It is important every part of the organisation, including supply chain and merchandise teams, become aligned on fulfilment methods and play their role to deliver on the customer promise. ■

Retail business models redefined

New business models have arrived. To make these ways of doing business deliver on their promises, retailers will need to start looking at the new metrics that matter.

Shae MacDougall, Director, Audit Assurance Risk, KPMG

THE RETAIL INDUSTRY HAS PROVEN IT CAN ADAPT AND INNOVATE TO MEET consumer expectations and invest in the technology to enable this. As store-based retail moves beyond its zenith, this ability to adapt is causing growth in platform ecosystems and omnichannel development – driving the next wave of competition and business-model evolution.

With an evolving range of new routes to market, today's retailers will need to decide which model they want to operate in the future or risk their business failing.

Current platform businesses and multinational retailers are transforming themselves into platform ecosystems, which we expect to take larger market shares in years to come. Platform businesses have grown in prominence over the last 20 years by harnessing the digital market. In some cases, platform business models facilitate the exchange of products and services between two or more user groups – a consumer and a producer. They are increasingly dominating the go-to-market channels and taking a broader approach to target both B2B and B2C offerings. Platforms provide a retail ecosystem offering customers numerous propositions – from retail products to banking services – to maximise customer lifetime value.

Omnichannel retailers will have to focus on the delivery of a seamless, customer-centric, channel-agnostic proposition. This positioning will be comfortable for many retailers and competition in this space will be fierce. A ruthless focus on costs will be required to maintain profitable offerings to customers.

Category specialists emerge

Meanwhile, category specialists and independents are positioning themselves to showcase their strengths as local, purpose-led organisations. We saw this emerging trend during COVID-19 lockdowns, as 'shop local' category specialists offered unique and focused products and services targeted towards a specific retail category or a defined customer. Category specialists

often offer considerable expertise in product innovation and enjoy a loyal customer base.

The transition to any of the three models – category specialists, platform ecosystems or omnichannel – will require pace, capital, and capabilities. With not all of these available in abundance for most organisations, many will need to pursue partnerships. Investors certainly seem to believe platform business models will continue to dominate the future business landscape. Essentially, these partnerships would serve as ready-made, relatively proven 'white label' platforms that enable retailers to evolve and scale without investing lots of capital to develop the capabilities in-house.

Metrics that matter

As retailers determine the model that will drive their success and the partnerships required to deliver it, a need to measure success differently emerges. This will cause a shift in focus from the metrics that matter today to a more holistic view of retail's staple metrics – sales, profit, and stock. For example, as cost becomes an increasingly important factor in competitiveness for all retailers, effectively measuring the true profitability of transactions becomes key.

Retailers have always measured transactions in terms of sales and profit but now the true cost needs to be factored in, too. In other words, how much does it cost to serve the customer. Factoring in this cost gives a true picture of where critical cost reductions can be gained, as well as providing a pure view of return on investment.

Integrating old and new

Traditional bricks-and-mortar metrics, such as gross margin per square metre, are becoming less important on their own, as they no longer tell the full picture in an omnichannel environment. Only when gross margin per area is combined with online metrics such as demand and cost to serve, can a retailer can begin to understand how space (across online and in-store) is driving outcomes.

In all models, there is a requirement to invest capital in stock and maximise stock turn. In the future, the importance of these measures will be around specificity. As stock moves through different parts of the supply chain, being able to measure it precisely will allow retailers to focus on stock by channel and react when it is outside of what is expected.

Regardless of the model, unlocking true value requires retailers to drive an analytics-led culture that leverages an integrated customer and product view. This needs to employ numbers that matter, not legacy metrics that no longer paint the full picture. As customers interact with retailers in different ways, measuring the impact of range across channels and price point in near real time becomes an essential part of decision-making. It enables the agility necessary to react to customers' changing needs. ■

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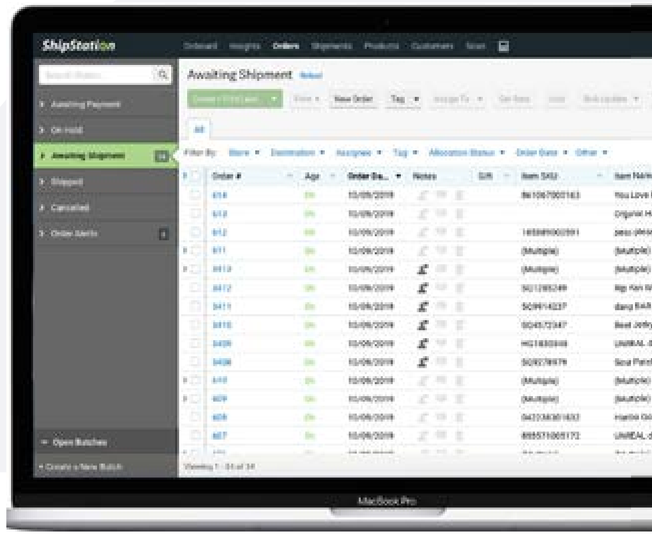

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Welcome to the supply chain of the future

A handful of major obstacles stand in the way of retailers being prepared for the demand and supply issues they will face going forward. Here's how businesses are clearing each hurdle.

Robert Poole, Partner, National Sector Leader, Consumer & Retail, KPMG

AS WE LOOK BACK AT THE PAST COUPLE OF YEARS FOR clues about what the future holds for supply chains, we see similar issues have become apparent across e-commerce and international logistics. Whilst 2020 was about dealing with the outcomes of the acceleration of e-commerce and omnichannel, in 2021, retailers were trying to cope with a perfect storm of demand and supply issues, including international shipping uncertainty, loss of capacity, increased costs – even a lack of containers and pallets.

This has resulted in a convergence of the challenges for retail and global logistics. The major challenges retailers are now working on resolving are:

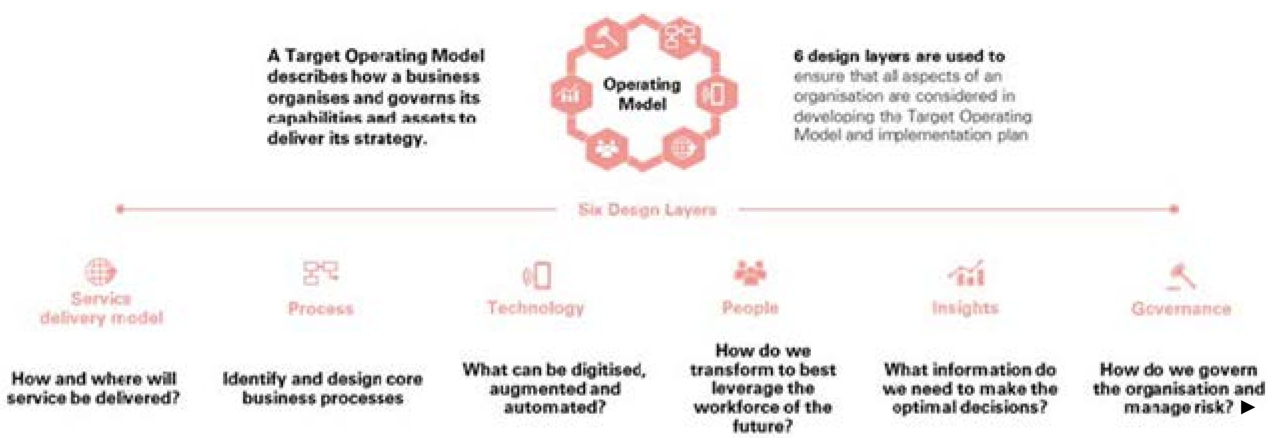
1. What should my future target operating model (TOM) for the supply chain be?
2. How do I incorporate process and physical automation throughout the supply chain?
3. How do I manage increased process complexity?
4. Understanding true channel cost and SKU profitability.
5. How do I integrate my new suppliers and third-party logistics partners?

Let's examine the solutions for each of these issues.

1 Building a new target operating model

One outcome of the challenges identified above is a new TOM specialised for agility and resilience, and developed based on the six elements shown below. This is being used to embed the agility that was required during the pandemic into longer-term operations.

What's in a target operating model?



This new TOM is oriented around end-to-end supply chain planning, predictive analytics, and greater investment in planning systems to optimise process, people, and technology.

Increasing numbers of partners are being integrated into the business model, resulting in a particular focus upon governance, performance insights, and the service delivery model.

2 Integrating process and physical automation throughout the supply chain

Higher levels of automation require a 'manufacturing' mindset to optimise the different automated elements across the entire value chain, and within distribution centres in particular. Each element of the value chain has different levels of productive capability and requires extremely high levels of co-ordinated, day-by-day, hour-by-hour planning to gain the full benefit of large capital outlays. Bigger retailers are facing challenges in managing network-wide capacity across multiple fulfilment nodes with different optimisation characteristics, and re-tooling workforces accordingly.

Certainty of delivery is now becoming as important as speed. Retailers are increasingly looking for ways to increase co-ordination across the supply chain, along with automation in fulfilment planning and execution. This increases middle- and back-office productivity, allowing more strategic decision-making from people.

> "Retailers need to optimise reverse networks just as much as delivery."

3 Managing increased process complexity

Retailers are investing in new sales and operations planning, along with replenishment methods and tools. This is tied to the need to consider alternative sources of supply – international and domestic – as part of holistic and dedicated supply chain risk management. Retailers now need to prioritise what stock gets delivered and when, due to capacity constraints. Increasingly, companies across many industries are integrating predictive analytics into supply and logistics planning to provide data for tough operational decisions.

Retailers are developing the flexibility to organise multiple channels to customers on short notice. Inventory deployment policies within fulfilment channels connected across the business have never been more important for the fulfilment of customers' baskets, where multiple products and categories potentially land.

4 Understanding true channel cost and SKU profitability

To make the right decisions about which channels and methods of delivery are the most profitable for products, retailers are implementing advanced analytics for the cost to serve and segmentation optimisation. These are then used to decide the optimal portfolio mix of products and services to profitably delight customers.

Increased visibility of SKU profitability via each channel – difficult to achieve in legacy systems – is allowing retailers to tailor product and service offers closely to individual customer demographics, locations, and fulfilment needs.

5 Integrating new suppliers and third-party logistics partners

To deal with the global supply crisis and explosion of omnichannel business models, retailers started with building capacity. Now they need to pick the winning suppliers – the best performers, who can maintain the new face of their brand (the delivery driver) – and integrate them into more automated logistics and merchandise planning. Barriers to entry in e-commerce are rising, driven by lack of capacity and increased compliance requirements for third-party logistics partners, in both physical products and customer data.

Reverse logistics is becoming more critical, driven by environmental, social, and governance requirements, and larger return volumes. Retailers need to optimise reverse networks just as much as delivery, often using different capabilities from their third-party logistics partners. For example, the delivery driver now has the added complexity of carrying out multiple tasks beyond just dropping items at your front door – from assembly and recycling to upselling and gathering customer experience data from individuals.

All businesses are on their own journey to manage these challenges, with the aim of developing agility and resilience beyond simple physical logistics and volume capacity. Increasingly, companies are looking to engage external expertise that can bring them global best practice – just as their customers 'shop the world' for the best value. ■

Level up: What's next for sustainability?

Find out how far your organisation has progressed down the path towards being an industry leader in corporate purpose and sustainability.

Robert Poole, Partner, National Sector Leader, Consumer & Retail, KPMG
Sarah Newman, Director, Sustainability Services, KPMG

IT'S NO SECRET THAT THE ENVIRONMENTAL, SOCIAL AND governance (ESG) expectation dial has shifted exponentially. The subject is dominating the media, with the retail sector firmly in the spotlight. In KPMG's *2021 Global CEO Outlook*, ESG and corporate purpose were the top two issues among the 1,300 CEOs surveyed across 12 countries, including 50 from Australia.

The importance of ESG considerations emerged before COVID-19 but has now escalated. Purpose, reputation, and integrity are playing an even larger role in consumer purchasing decisions. KPMG research shows that 80 per cent of customers now prefer to buy brands that align with their values and 54 per cent of customers say an organisation's environmental and social record has changed their purchasing decisions[1].

Brand purpose and how well ESG is integrated within an organisation can truly set it apart. Consumers are judging retailers on their treatment of employees, company diversity, human rights in the supply chain, environmental footprint, and resource circularity. All this has helped push consumer brands to prioritise ESG as a strategic business focus.

Based on KPMG's market observations and experience, we position most Australian retailers in one of the following three categories of ESG integration:

1 Need to review goals and priorities

Consumer brands that are newcomers to ESG are positioned at the entry level of the integration scale. Typically, their focus is keeping on top of regulatory and reporting requirements and they may lack resources or executive sponsorship for additional aspirations. There are more than 500 formal and informal sustainability frameworks globally, which creates a lot to manage. Adopting industry standard frameworks such as the UN Sustainable Development Goals, and certifications such as B Corp, can provide a formal framework to track progress.

A major consideration in this category is the risk of greenwashing – retailers publishing sustainability credentials, such as eco labels, but not actually having data to prove the claims they are making.

2 Need to operationalise ESG

Many retailers are in this second category; they meet or exceed their regulatory obligations and they understand the value proposition that a stronger focus on ESG can provide. These retailers also can attract green finance, as the volume of funds committed to sustainable investment strategies, like green bonds and sustainability-linked loans, continues to strengthen.

More Australian retailers have started integrating sustainability goals into the core of their business strategy. To do this, they have identified their priority ESG areas and set aligned targets, such as zero net emissions, increasing the diversity of the workforce, improving responsible sourcing practices, and circular innovation. Many have started to monitor progress, as consumers expect sustainability claims to be supported by data.

A major challenge for these retailers is incorporating ESG into their day-to-day operations. Data systems need to be built and business processes updated to underpin ESG measures. Examples of this include the data taxonomies required to drive Scope 3 carbon accounting, end-of-life recycling and full traceability and transparency of the supply chain. These retailers need to go beyond their sustainability report ►

and operationalise ESG – taking into account the governance and business case development required to invest and transform.

> “Data systems need to be built and business processes updated to underpin ESG measures.”

3 Leading on ESG
The third category is reserved for ESG standouts who are leading the way in building a sustainable and inclusive economy. They include disruptors and innovators.

Disruptors are newer companies challenging traditional business models with ESG and purpose at their core from inception. An example is the Zero Co start-up, which in late 2020 commenced delivering environmentally friendly cleaning products packaged in reusable and refillable containers made in Australia from recycled beach and ocean waste. In less than a year, Zero Co is achieving sales in excess of $1 million a month.

Innovators are existing retailers that have redesigned their business model to make sustainable change, with economy-wide impact. A number of local retailers are planning net-zero emissions by 2050. Internationally, Britain's biggest retailer, Tesco, has made the same commitment. The company's 2050 target, often referred to as Scope 3 emissions, covers not just the carbon from its own operations but also what comes from its food producers, suppliers, and other partners involved in the value chain. Reducing Scope 3 emissions involves creating partnerships to fast-track innovation and develop technology that doesn't yet exist – for example, a means of reducing methane emissions from livestock – thereby creating real economy-wide change.

Consumers prefer brands that reflect societal values and they have high expectations for how brands conduct themselves. Failing to place ESG at the heart of decision-making leaves retailers vulnerable to losing competitive advantage. Most retailers sit in the middle category of needing to operationalise ESG – they have goals and ambitions but now need to go beyond their sustainability report and embed ESG into their core operational functions. This takes planning, time and resources, but the benefits often speak for themselves. While the costs of implementing ESG initiatives may impact operating profitability in the short term, the cost of inaction may be greater down the line. ■

1. *Me, My Life, My Wallet,* third edition. KPMG publication.

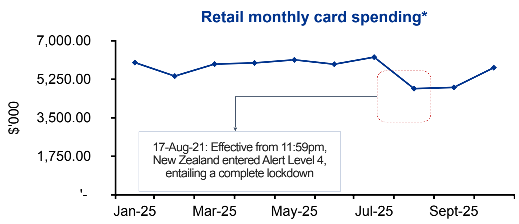
Hope lies ahead for New Zealand retailers

The coming year may offer the sector the chance to attract a cashed up post-pandemic consumer, but they'll have to clear many obstacles along the way.

Leon Bowker, Partner, Deal Advisory, KPMG
David Ossa, Associate Director, Deal Advisory, KPMG

AFTER A LONG RUN WITH NO ACTIVE COVID-19 CASES, NEW Zealand was hit hard by the Delta variant in the second half of 2021. The country faced the most cumulative days in lockdown since the pandemic began, especially in Auckland. This heaped pressure on retailers that were already dealing with supply chain disruptions, labour shortages, and increased staff costs. As New Zealand continues to reopen under the new traffic light system, retailers will also have to operate with additional safety measures in their workplaces.

Despite the government's financial initiatives to support businesses that COVID-19 restrictions have affected (including the Wage Subsidy, Resurgence Support Payment, Small Business Cash Flow (loan) Scheme and changes to rent relief measures for landlords and tenants), the extended periods of lockdown and travel restrictions across the country have already tested the resilience of the retail sector, especially smaller businesses with limited online presence and tight capital reserves. As New Zealand retailers gather pace into 2022, there are several challenges facing them this year and beyond.



*Categories include durables, fuel, motor vehicles, apparel, and consumables. It excludes hospitality.
Source: Stats NZ

Labour shortages and increased staff costs

Attracting and retaining staff has been a persistent headache for retailers across the country. Some have been forced to offer higher wages and additional benefits, such as in-store discounts, flexible hours, and career progression opportunities to retain their employees. This has proven particularly hard, especially in an environment where wages have continued to increase – the average wage in the sector is now NZ$25.05, compared with the adult minimum hourly wage of NZ$20.00 and the hourly living wage of NZ$22.75. Staff shortages across the sector have continued to challenge retailers, exacerbated by New Zealand's restricted borders, which have limited the influx of casual and permanent workers into the country.

Trading under the traffic light framework

New Zealand commenced operating under the new traffic light framework when all District health boards achieved 90 per cent double vaccination for the eligible population. The system imposed additional safety protocols, including capacity limits, recordkeeping and mask wearing. A key consideration for retailers has been whether to enforce vaccine mandates for employees in their workplace. On the customer side, there is consensus in the sector that requiring vaccine certificates from consumers would be challenging, due to the heavy flow of people in and out of physical stores. But deciding whether to require vaccinations from employees will require a comprehensive risk assessment. Retailers risk losing staff if they require vaccinations – not to mention the potential legal challenges that could come from this requirement – but not requiring vaccinations might keep some consumers away. Some retailers, such as the Warehouse Group, have already made vaccinations compulsory in their workplace from January 2022.

Havoc in the supply chain

The global supply chain continues to suffer from delays in fulfilment of critical orders, empty shelves, increased shipment costs, and customer dissatisfaction. New Zealand, where international trade represents roughly 60 per cent of the country's economic activity, has not been immune to the effects of this global phenomena. Amid the backlog in supply from lockdowns around the globe, local retailers are experiencing unprecedented surges in freight costs due to the increased economic activity government stimulus packages have caused. Some are being forced to carry additional stock to account for delays and interruptions. This has resulted in higher funding requirements and costs, forcing retailers to increase product prices (contributing to the current increase in inflation rates in the country[1]), which may affect consumer behaviour moving forward.

What does the future hold?

While conditions in the sector have been difficult, it is becoming apparent that larger, well-established retailers have performed well. Conversely, smaller businesses with limited e-commerce capabilities and less bargaining power with suppliers and landlords have been struggling. However, there is reason for optimism in the short term, due to a strong economic bounce back after months of lockdown late last year – similar to that experienced after prior lockdowns – and accumulated savings by consumers during lockdowns. The real test this year will be retailers' ability to adapt to a post-pandemic normalcy marked by higher online sales, in-store safety requirements, vaccination certificates, and escalating labour costs. Getting the formula right could mean the difference between survival and failure for many retailers. ■

[1] Data from Stats NZ shows the CPI rose 2.2 per cent in the September 2021 quarter, the biggest quarterly movement since a 2.3 percent rise in the December 2010 quarter.

Working out your workforce

Expect a big retail rebound in the coming year, but not without a happy, engaged workforce. Here are some expert insights on how to get and keep one.

Belinda Robson, Director, Management Consulting, KPMG

FEW AREAS OF THE ECONOMY HAVE BEEN AS AFFECTED BY COVID-19 as the retail sector. Non-food retailers have been forced to close, switch to online or click-and-collect, and switch back again.

Food retailers became essential frontline workers and dealt with a time of booming sales and insatiable demand. There has been volatility, uncertainty, frustration, and panic buying. But despite the unpredictable environment, retailers saw staff continue turning up to work, day after day. The debilitating absenteeism predicted based on US and UK experiences didn't happen in Australia. Incredible resilience surfaced in workplaces, backed up in many cases by a new style of compassionate leadership. As we now look ahead to 2022, there is an overarching sense this year will be one of regrouping and rebuilding as the retail sector rebounds. People leaders will be considering how these market conditions can be harvested in a sustainable way.

Speaking to a number of human resources personnel/ people leaders across the retail sector, three key workforce considerations for 2022 emerged.

1 Burnout: Our two biggest cities, Sydney and Melbourne, emerged from extended lockdowns only late last year, and are still collectively processing the challenges, mental health and otherwise, this caused. Immediately following the lockdowns, many retail staff launched straight into peak trading season, which was amplified due to pent up demand and an exuberant return to physical retail spaces.

Retailers will undoubtedly want to take advantage of the predicted rebound in retail spending. However, it will need to be done in a sustainable way to avoid further burnout, absenteeism, and attrition. In the short term, it will be important to engage and prepare teams adequately for what's ahead, and to generate excitement about what can collectively be achieved. Communications should focus on inspiring teams by connecting to organisational purpose, ambitions, and vision. At a tactical level, leave and shifts will need to be actively managed for maximum coverage but also to allow time for personal restoration.

2 Culture: New cultural attributes that have formed within organisations over the past two years have, in many cases, created unique levers for high performance and provided a platform for organisational resilience. Many retailers saw new leadership styles emerge that were more compassionate, vulnerable, and inclusive. This style embedded itself in organisational values and behaviours and created motivation for people to uphold momentum. At the same time, significant efforts were made to create and maintain connections across dispersed teams and bridge the (real or perceived) gap between frontline employees and support employees, executives, and middle managers. Creating cohesive teams, which are so critical to successful retail environments, will drive improved wellbeing, resilience, and performance. Retailers should be looking to define their cultural drivers and consciously nurture those cultural elements that carried them through the pandemic, into 2022 and beyond.

Source: Australian Bureau of Statistics Job Vacancies, August 2021

3 Retention: ABS data shows that from February 2020 to August 2021, job vacancies across the retail sector rose by nearly 78 per cent. The retail sector has not been immune to the skills shortage that is being felt across the economy and many people leaders reported emerging signs of the so-called Great Resignation, where employees have begun reassessing their priorities and questioning their career ambitions.

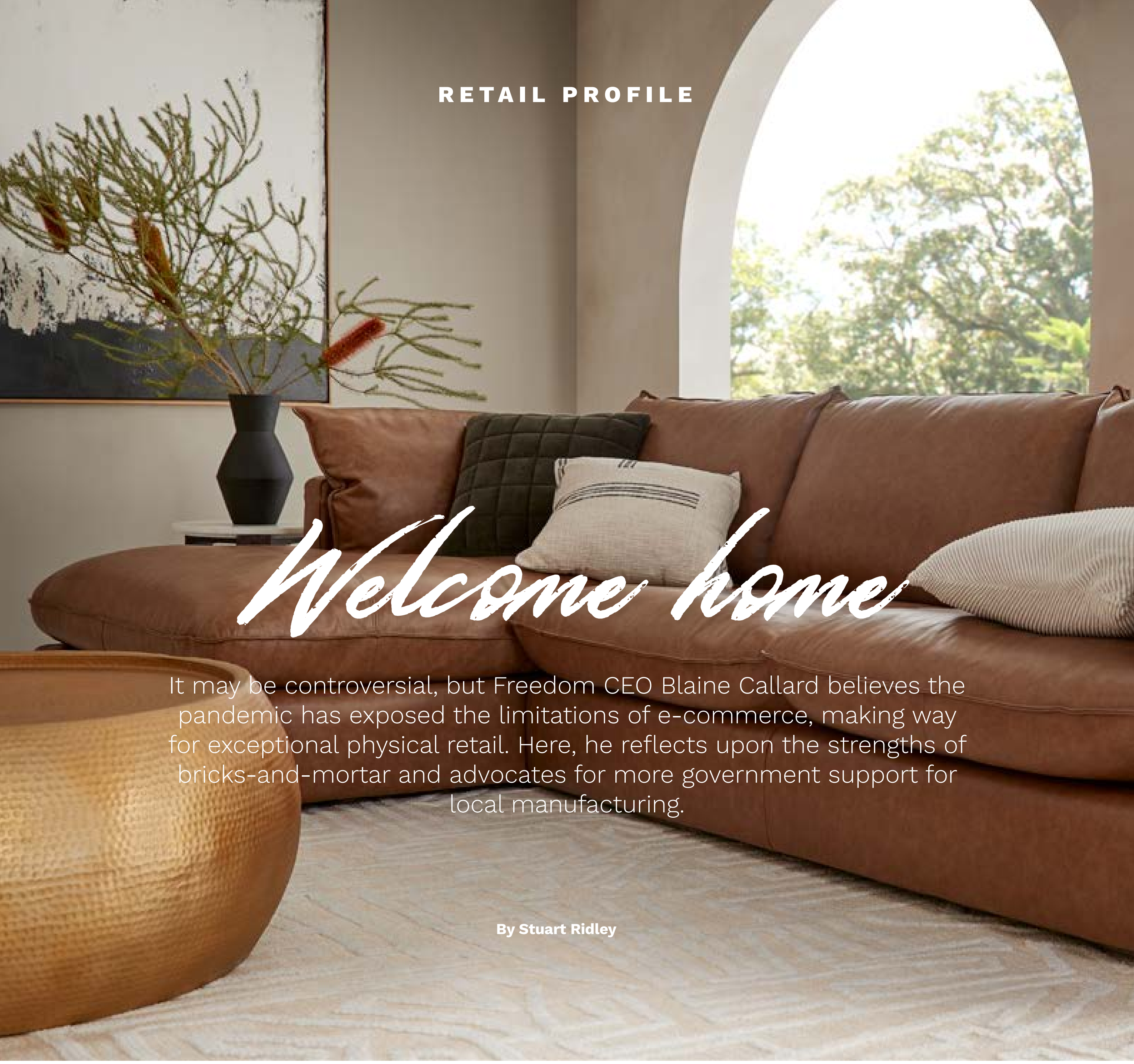
This all makes a strong case for focusing on retaining employees and keeping turnover as low as possible. Many retailers are starting from a strong position, having reported vastly increased engagement scores during 2020 – particularly at the store manager level – that continued to rise through the pandemic. Efforts to maintain this momentum have focused on reward and recognition programs, with a trend towards personalisation and wellbeing, even in large workforces. For example, in place of generic gift cards, high-performing individuals receive a voucher for their favourite local restaurant, or a team receives a series of Friday afternoons off. This generates maximum impact for comparably low cost.

Meanwhile, the tight labour market has led organisations to focus increasingly on building their internal talent pipelines to fill roles rather than recruit. They are seeking high-potential individuals and carving out career and development pathways. Not only does this fulfil a role requirement, it deepens loyalty and engagement across the organisation.

For those organisations looking to recruit, competition is fierce. Even retailers that have historically attracted top candidates effortlessly are reporting difficulties. Many organisations report being let down by their recruitment processes. Candidates are awash with offers and organisations are losing out to competitors with more seamless processes that were able to make genuine offers quicker. Retailers need to optimise and streamline every step of their recruitment process to be competitive.

With a predicted rebound in the sector this year, retailers should use this unique opportunity to shape workforce outcomes deliberately and consciously for a sustainable 2022. ■


RETAIL
Profiles



Welcome home

It may be controversial, but Freedom CEO Blaine Callard believes the pandemic has exposed the limitations of e-commerce, making way for exceptional physical retail. Here, he reflects upon the strengths of bricks-and-mortar and advocates for more government support for local manufacturing.

By Stuart Ridley

***Australian Retail Outlook*: How did COVID-19 change the way consumers think about and interact with Freedom and which changes will stay? Which ones will go?**
Blaine Callard: I think the pandemic has meant both challenge and opportunity, and that's not only about the health and readiness of any specific retailer, but also about which vertical we are discussing. Freedom is in the furniture and interiors space where, in my view, we have seen a structural and permanent shift in the way we view our homes. Our homes have now become our safe spaces, our sanctuaries, our workplaces. We have re-centred around our homes, making them even more intrinsic to our identities.

That uncomfortable sofa we've put up with for years now has to go. That dining room also needs a refresh, every detail of our homes has been magnified in importance. Couple this with more spare cash from less travel and entertainment, and that's driven a lot of furniture buying.

The other big shift, and this may be somewhat contrarian, is that lockdowns and the isolation of the pandemic have shown us the limitations of e-commerce and that it's unlikely to ever really replace bricks-and-mortar shopping. Of course Freedom, like most omnichannel retailers, saw triple-digit growth in online sales.

But as locked-down consumers, armed with iPads and every product at our fingertips available via super-fast delivery, what did we all crave? Going to the shops. I can't imagine a better experiment to show the difference between shopping and buying, to highlight our need for human connection, for social experiences out of the house, for touching and feeling, and for the event of shopping. Retailers and their shareholders should heed this easy-to-miss pandemic learning.

ARO: How has the overall furniture category evolved in the last couple of years, since COVID-19 hit?
BC: Differentiated and design-led assortments are now almost a hygiene factor for survival, as we have all become more discerning about our homes, fussing to make beautiful spaces that are uniquely ours. Web-savvy consumers with endless choice will find the cheapest price for that interiors piece they love, so furniture retailers selling someone else's product, or the same things that are everywhere else, will continue to see painful margin erosion. Freedom's assortment is almost all our own – designed by us, developed by us – and we are, thankfully, DTC ►

[direct-to-consumer]. This is now where you want to be in the furniture game; we've seen it in the fashion industry, too. But it takes more than a slick website, you need deep capability in design, product development, and sourcing.

The other trend we are seeing is a subset of sustainability, in that consumers are looking for things that last. Quality has become more important. Furniture from discount brands, which is disposable after only two or three years, is often ending up in landfill. So what may look cheap at time of purchase is a huge problem environmentally. I think consumers are connecting the dots, plus we're seeing that customers are being more considered and are wanting a sense of permanence about their furniture, a timelessness and craftsmanship, which all helps give a home its soul.

We can't talk furniture industry and the pandemic without mentioning supply chain disruption, port congestion, factory lockdowns, container costs, and availability issues, which have hit many industries and retailers hard. What I think is changing now, however, is that customers are starting to get it and they are more understanding of these factors. They may have read about it or seen long delays for cars or building materials and so they are more prepared to wait if they love a particular piece. This shift benefits retailers like Freedom enormously, as we do a lot of made-to-order, which is also very working capital friendly.

ARO: In 2021, what were some of the most remarkable insights you learned about your customers? How will you capitalise on this knowledge in 2022?

BC: Just prior to the pandemic, we completely overhauled our loyalty and customer analytics program. We now have over half a million myFreedom members, and that's in just two years. This has given us an unprecedented view of our customers, who they are and how they shop with us. We know, for example, that club members spend almost 50 per cent more with us than non-members. Our focus now is on deepening connection, turning customers into better customers, strengthening cross-category shopping, improving segmentation, including by taste, and smarter bespoke targeting.

But despite all this [customisation from] big data, our customers increasingly still want to interact with humans, whether that's via live-chat, virtual interior design consultations, or face-to-face browsing and seeking advice in store. That has made our people our most important competitive advantage and capability. They are ambassadors for our brand. I guess in some ways, others may see that as low-tech, but it's a critical insight. Data becomes even more powerful when you overlay it with personal and immediate interactions.

The other insight is about how people are shopping for furniture. It's an increasingly complex journey with no one single path, a rich mix of online and offline touchpoints. We are definitely seeing the consideration and research phase conducted more online – over 80 per cent of the time – where great retailers have rich content, including video, amazing photography, and enticing copy. This also means fewer store visits for, say, a sofa purchase. But then customers are still predominantly testing, touching, making the final selection, and transacting in store. So higher in-store conversion and basket size is a double payoff for stronger digital capability!

> “This is about creating scalable emotional value, more than just product.”

ARO: What would you like to see change in the Australian retail industry in 2022?

BC: My sense is that the pandemic has been a wake-up for retail landlords, not only because of disruption and shake-out in terms of unviable tenants, but also an abrupt end to 25 years of unsustainably high rents, ever ratcheting upwards. We are likely to see more equilibrium in terms of negotiating power in future. There are only so many nail bars, massage services, gyms, and mobile-phone shops you can jam into a shopping centre before you permanently damage the shopping vibe. Landlords will come to understand that the only real value of bricks-and-mortar is the economic value generated by viable businesses that operate within. It's viable, thriving tenants that underpin valuations; this is well understood in other markets, but a painful new reality for Australian commercial landlords.

I'd also like to see more policy support for Australian manufacturing. The pandemic and ensuing supply chain disruption have meant skyrocketing interest in any domestic production of furniture and interiors. But Australia has almost no upholsterers, very few furniture carpenters, and certainly no apprentice pipeline. This is a moment in time for government to support and even subsidise local manufacturing, a sort of JobKeeper for producers – let's say a JobMaker program. It makes sense that it should be competitive to produce a sofa in Australia versus ship it halfway across the planet in a container, even allowing for differences in labour costs. The pandemic has given rise to a once-in-a-generation opportunity for correction.

ARO: How are you feeling about 2022? What are the challenges and opportunities coming up that you're preparing for?

BC: I am very bullish about 2022. The biggest danger for any retailer is to become boring and lose relevance. It's not digital that is killing physical retail, it's boring shops and consumers spoiled for choice. Customers want to be inspired by retailers and brands and have remarkable experiences – experiences worth remarking on. In that sense, brands need to have emotional resonance and be storytellers and curators of surprise and delight. It's not about those New York flagships with basketball courts or two-storey digital screens, this is about creating scalable emotional value, more than just product value.

And obviously there is a question mark about what happens to discretionary spending as international travel normalises, and who will win and who will lose. Again, brands that made hay during the pandemic need to be ready and agile in terms of what comes next.

My firm view now is that great omnichannel retail is now the dominant species, and I think we will see pureplay online retailers struggle with runaway marketing and acquisition costs, burgeoning return rates, and shrinking margins. Never more than now have great shops been the future of successful retail.

Finally, I think we're all watching these volatile supply chain and shipping conditions and whilst it feels like there is more to play out, we might see costs and congestion ease towards the end of calendar 2022, but that won't drop to consumers' pockets until at least 2023. Freedom has been working hard to protect value for customers in what is a chaotic supply environment.

ARO: What innovations and exciting plans are coming up for Freedom in 2022?

BC: Covid was not, ironically, the biggest challenge facing Freedom over the last two years. Rather we have been focused on turnaround and reinvention of our brand, assortment, digital, technology, and store operations. That's all being driven by our people, and our talent underpins everything for us now. Reimaginging Freedom is an ambitious change agenda that we are probably only halfway through, so we have a clear roadmap of what we need to do in 2022. That includes continued investment in digital, including new digital channels, the opening of a trade and commercial division, more design and brand collaborations, including in the fashion space, category expansion, plus further expansion of our full-format store network, and we're exploring some innovative smaller store concepts. We're going to be busy. ■

InStitchu: A good fit with room to grow

Having established themselves as stars of tailored fashion for the digital age, InStitchu's James Wakefield and Robin McGowan have big plans for 2022.

By Stuart Ridley

INSTITCHU'S BUSINESS MODEL – AND ITS CLOTHES – HAVE BEEN TURNING heads since James Wakefield and Robin McGowan launched the brand in 2012. And as the custom-made label heads into its second decade of business, the team is getting ready for an initial public offering to rocket its omnichannel customer experience:

"Our whole business model is in examining and challenging the traditional pain points of retail: avoiding holding stock, being too reliant on either in-person shopping or online shopping, operating on a reliance on heavy sales periods," Wakefield explained.

"Through lockdowns, obviously that meant more of an online model, where shoppers could use the measurements saved to their profiles without a hiccup, and we were able to push our casual ranges, rather than formal suiting."

Soon after lockdowns ended, InStitchu re-opened all its Australian showrooms, boosted its staff levels, and got back into what it does best: helping customers get the perfect fit in clothes made to measure and made to last with sustainable materials.

"Everyone is now realising there are alternatives to fast fashion and through brands like InStitchu you can purchase tailored clothing for the same price as off-the-rack mass-produced garments – less clutter for the customer, less waste for brands, and less impact on the environment," Wakefield said.

> "People are keen to get back into a suit and out of their tracksuits."

Post-COVID fashion trends

Even before the pandemic, many workplaces had adopted fairly casual dress, though as the founders of InStitchu are quick to observe, casual doesn't equate to careless. So those old T-shirt and jeans combinations won't cut it for professionals returning to the office. Instead, they suggest the same focus on quality, materials, and fit people look for in a suit can be applied to chinos, blazers, or knits:

"Performance fabrics – wool with a little stretch or a high-quality knit – are proving to be really popular as an in-between option, because they're comfortable, functional and versatile," McGowan said. "Having said that, by far our biggest focus is suiting and workwear. It's really clear from our sales that people are keen to get back into a suit and out of their tracksuits."

Plus, InStitchu has a two-year backlog of wedding parties to suit up, along with fitting new suits for guests whose fashion tastes or measurements have changed during lockdowns.

A well-tailored customer experience

Visitors to InStitchu's physical showrooms get to experience the visceral pleasures of a traditional tailoring experience, with what Wakefield describes as a touch of technology.

"Flicking through beautiful fabrics you can touch, inspecting the lapels on a mannequin, chatting with someone who knows their trade, and doing it all with a whisky in your hand is part of our brand," he said. "And our Perfect Fit Guarantee empowers our staff to go above and beyond for our customers – they know they're going to get something they love, with no extra or hidden expenses around tailoring."

Thanks to proprietary technology that manages customer relationships offline and online, when a customer visits a showroom, InStitchu's stylists can review their digital and real-world interactions, previous selections, and even which fabrics they've checked out.

"Their measurements and shopping follow them across the whole process," McGowan said. "If you think about a wedding party, that's a pretty rare service. Groomsmen can go to their local showroom together or by themselves, or if they're busy or in another city or country, they can do it all online with the click of a few buttons. If you come to a showroom, you get a dedicated stylist per customer – that's a pretty luxurious and personalised experience, particularly considering our very reasonable pricing."

2022: Big stitches in store

InStitchu opened its second Perth showroom at Claremont in 2021 during lockdowns, and remarkably, the whole launch was run entirely over Zoom:

"Our staff put in amazing work in executing the launch, and it's pretty incredible they co-ordinated an amazing launch in the prestigious Claremont Quarter entirely remotely," McGowan ►

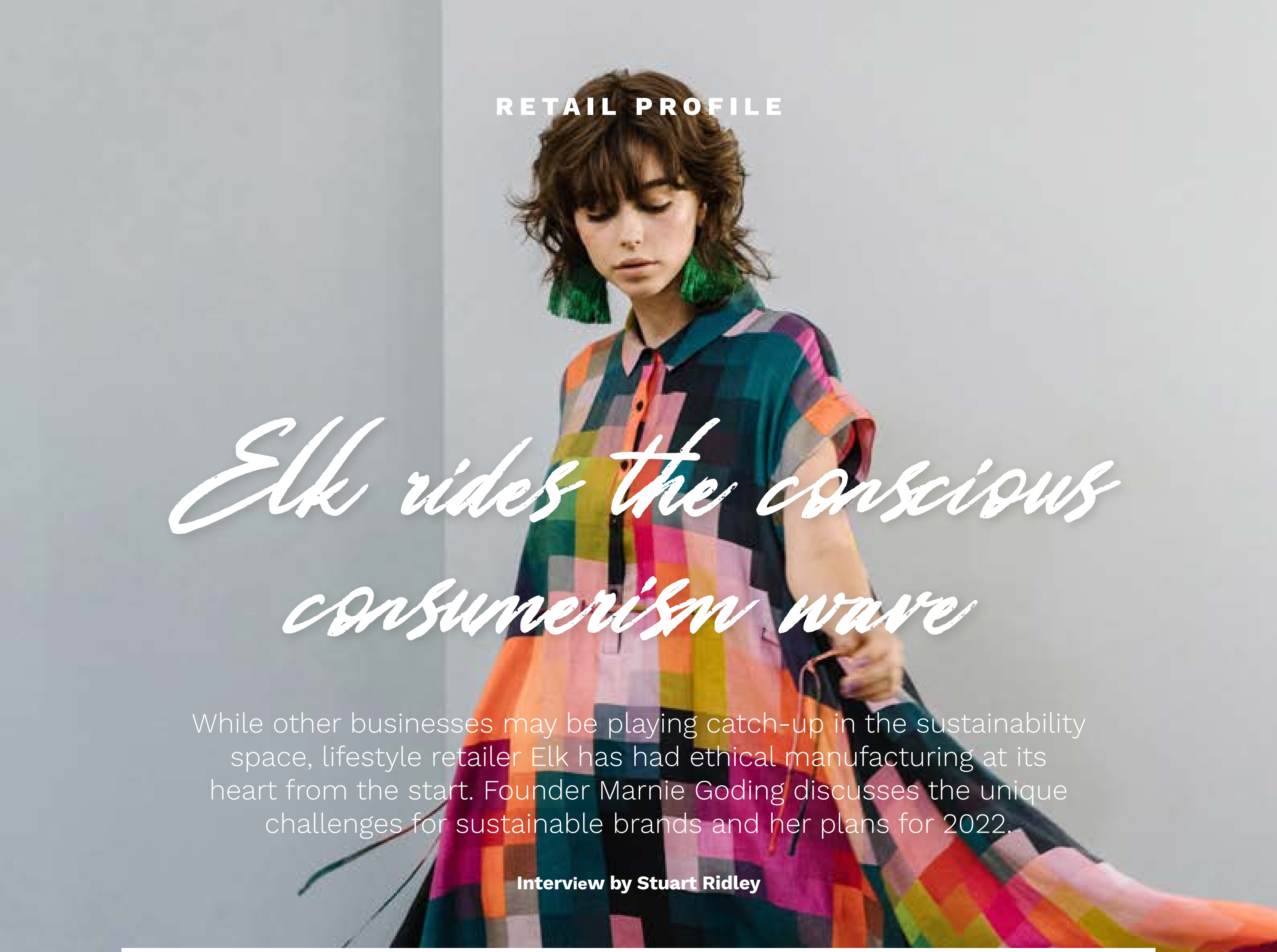
said. "It's also a very public signal we're going to continue to service our customers in person – and that we're going to continue to expand on the other side of this pandemic."

They're also predicting the big retail trends for 2022 will include several things already in their domain, including:

- Customisation aided by sizing technology, which they'll bolster with new ranges of customisable products and many more design and fabric choices
- Sustainable fashion
- Phygital (interactive experiences across both the physical and digital worlds), such as augmented reality.

"We're also incredibly excited about the strategic partnerships we've got in place ahead of an IPO round – we're really confident in our position and our relationships," Wakefield declared.

McGowan added: "The pandemic definitely changed international expansion plans for a lot of retailers. We still see a lot of orders coming from online, so we'll look to add more retail locations to service those customers, but we still see a lot of opportunity in Australia, so it's fair to say we're going to continue to focus on our national expansion." ■



Elk rides the conscious consumerism wave

While other businesses may be playing catch-up in the sustainability space, lifestyle retailer Elk has had ethical manufacturing at its heart from the start. Founder Marnie Goding discusses the unique challenges for sustainable brands and her plans for 2022.

Interview by Stuart Ridley

***Australian Retail Outlook*: How did Elk fare in 2021 – what were some of the challenges and highlights?**
Marnie Goding: It was a year we are proud to reflect on, because despite its challenges and the industry taking hits we will never recover from (such as months of closures), we not only survived, but actually kicked some huge goals. This is testament to the tenacity of our team, a clear company vision and amazingly successful collections. The challenges were numerous, with products delayed, major retail disruptions, raw material pressures in pricing and procurement, and seeing major projects stalling...again.

Equally, the highlights are worth celebrating: we joined as members for 1% for the Planet, we welcomed many new staff into the business and launched a profit-sharing initiative for our permanent employees. Through our paid volunteering initiative, our team cultivated and planted thousands of seedlings for Tree Project, then funded the planting of 31,000 more. We launched two beautiful collections which helped see good growth online and we opened a new store in Melbourne. We also launched two charity collaborations for the Asylum Seeker Resource Centre and Positive Change for Marine Life raising funds through the sale of dedicated product.

ARO: How are you feeling about the year ahead and what are you looking forward to?
MG: The year ahead feels more positive and hopefully will see us operating more normally, as long as our stores and our wholesale stores stay open. The reality though is that the disruption seen in our supply chain will remain and our team will continue to be affected as Covid spreads rapidly through the community. What we have realised though is that with collaboration, communication, leadership and planning we can get through anything!

Our mandate for this year is to keep our projects and plans on track so we can see some of the stalled vision come to life. We are mid-renovation of a purpose-built office space and design room, which is exciting after 17 years of working from makeshift space.

This year, we'll also submit our B Corp application, open several new retail stores, achieve good growth online, launch new charity collaborations, introduce more Australian cotton into the collections and produce more locally made product, as well as release our fourth transparency report. There is a lot going on, but we are acutely aware of the need for a slow and steady pace because the last two years has taught us that we need to remain nimble and should things change again, we need to be ready to pivot should we need to.

ARO: How has business been in your physical stores and what are your plans for it in the future? Has Covid made you rethink bricks-and-mortar?
MG: The stores and our retail team have been the hardest hit over the last 12 months. The resilience our staff have shown is humbling and it has been wonderful to see their energy back on the shopfloor with the beautiful hum that comes from customers and staff interacting again. Elk is a very customer-focused brand and the connection we have with customers is increased by the opportunity to have them in our space. We love the physical connection that comes from seeing products on different people, discussing how things are made ▶

and seeing how they connect with our collections.

Our plan to open more retail doors has actually been strengthened from the recent success of our latest site that opened in Carlton in December.

Making fashion is not a one-way transaction. We want to deliver products that people actually want to keep wearing and which make them feel great. Retail lets us get a feel for how people are thinking, it helps us hone our craft and make better ranges. E-commerce relies on data and analytics which helps us make decisions but there is nothing like having 100 people trying on your product and deciding why or why not to buy something; this is powerful and influential 'real' data that drives change.

ARO: This year, Elk launched the Jardin collection, which went up to a size 20 and featured a diversity of models from backgrounds and ages. What motivated this decision and how will it play out in the future?

MG: We have always been proud of an incredibly diverse customer demographic at Elk but I don't think we have been good enough at making the effort to represent this. Our creative production schedules became a bit too routine, so we are pushing to be more diverse as the feedback from our customers has been overwhelmingly positive. We would like this year to consult with a specialist to understand which of our styles are suitable for less able-bodied customers – it would be wonderful to illustrate which styles are adaptable. There is so much more we can do to champion the diversity in our community and among our own customers.

ARO: Elk has already done a lot in the sustainability space – what new initiatives do you have coming up?

MG: We have set the business and our teams up with processes and the structure to make decisions with sustainability front of mind, so much of the change and improvements we are seeing are business-as-usual for us; always with our 2025 goals guiding us.

For the year ahead, one of our big projects is to get our B Corp certification. The process to get the application ready is huge and we have been working on it for months already in the hope to have a submission in by the third quarter of 2022. This will further our commitment to accountability and transparency and help us measure our goals.

We have also made the decision to move to the Science Based Targets Initiative (SBTi). Post COP26, it will be great for us to demonstrate strong climate leadership by setting ambitious targets and publicly supporting a net-zero approach.

ARO: What have been some of the ways Covid has changed you as a leader for the long-term?

MG: The shock of the first lockdown in 2020 saw us go into some sort of a reclusive state but we realised quickly we needed to be more present than ever before. We have set our business up with great managers and teams who keep the wheels turning and help us realise our plans, but they still need us as founders to keep the bigger picture in mind and to keep the road ahead in sight. We recently introduced a profit-sharing model which gives all permanent employees the opportunity to share in the successes of the business. This has been a positive way to improve team engagement and share the responsibility of decision making and accountability. The pandemic and the closures it brought have seen us as leaders give more of ourselves and be more open and transparent in our thoughts and decisions.

ARO: It seems like more businesses in retail are publicly addressing sustainability. In your view, how much of it is genuine, and how much of it is greenwashing?

MG: There is a lot of genuine, positive change but there is a long way to go. We are seeing a generational change with new designers and brands making sustainability core to their businesses, younger consumers demand alternative options such as second-hand, and larger businesses are being pressured too. We are seeing a shift to more conscious consumerism as the topic becomes more mainstream.

Sadly, there will always be an element of greenwashing, but I think transparency is key to understanding a brand's position or work. Information is king for consumers to make an educated decision and see through any shallow claims and avoid greenwashing. Websites, instore information and product labelling are all great ways for brands to share knowledge. While greenwashing is an issue, the bigger concern is the pace of change – it's simply not fast enough and this scares us.

ARO: What are some of the big challenges for a brand that is ethical and sustainable?

MG: Supply chain transparency is one of the biggest challenges. The biggest impact we have as a brand comes from our products and the materials we use. We are working hard still after many years to map our supply chain back to the farm for every fibre. It is a moving target, with seasonal material changes, and pressures out of our control such as environmental impacts. It's somewhat less complicated to be ethical and sustainable when you are making a product or operating a business in Australia as you have direct connections to suppliers and can access reliable information to verify. Elk has a hugely diverse product range and manufacturing group, so getting to the bottom of each material and maker is a huge challenge.

ARO: What are your plans for 2022?

MG: We have our plans mapped out and they include moving into our new office, opening new retail stores, launching our Re-New program in February with preloved Elk products, running two new charity collaborations, the B Corp application will be completed and we hope to be involved in Melbourne Fashion Festival again. Along the way, we will continue to keep the conversation around transparency and responsible business alive, we will share our knowledge, voice our challenges and celebrate our wins. We have a busy year ahead. ■

Mirvac: Community and connection

Shopping centres have long been a meeting place for people from all backgrounds, but now it's time to up the ante as consumers are yearning for human connection more than ever, says Kelly Miller, general manager of retail at Mirvac and director at the Shopping Centre Council of Australia.

By Stuart Ridley

***Australian Retail Outlook*: Mirvac has done some great work bringing the community together in its centres. What are some initiatives you're most proud of?**

Kelly Miller: Our Mirvac Retail Voice of Consumer Survey tells us that creating a sense of belonging is the number one attribute for satisfaction and at Mirvac we've doubled down on our focus to be a force for good:

- Our portfolio contributed to Mirvac becoming net carbon positive nine years ahead of target, with all shopping centres providing renewable electricity
- We've delivered more than 450 community programs and relaunched our family and friends program, Together & Co, to be more ►

- inclusive of all modern Australian families
- Our Shelter@Mirvac program partners with some of our country's most inspiring organisations to drive change throughout our communities – for example our partner SCR Group provided 2700 items of culturally appropriate clothing to 970 Afghan refugees arriving in Australia
- We provided space to OzHarvest for volunteers to pack 13,275 hampers containing 112 tonnes of food
- In partnership with Reckitt Benckiser we supported First Nation communities in Western NSW through the Dharriwaa Elders Group by delivering 12,000 units of Dettol hygiene products to help in mitigating the spread of COVID-19
- We've continued to respect and love our LGBTQIA+ community with our 'Welcome Here' partnership in all centres, in cooperation with Australia's largest sexuality and gender diverse health organisation, ACON.
- We announced a five-year partnership with the Biennale of Sydney, enabling invaluable opportunities to connect and inspire our communities by delivering more than 60 culturally rich experiences.

Partnering with forward thinking values-based organisations is critical for our business. They push us to contribute in new ways, provide more meaningful support and inspire our local communities, and we are honoured to work alongside them.

ARO: What are some big trends in how consumers interact with retail?
KM: We are all re-evaluating our lives, how we spend our time and money, where we want to live and our impact on the planet. Real-life experiences are valued, and our customers are prioritising human interaction and genuine connection without distraction. They want a place to come and be inspired to do good, while recharging in a safe and easy way.

The key trends we're seeing include:

- Service: We are in the age of the customer, which means great service, a personalised experience, a quality product, and human connection are must haves. COVID fast tracked the importance of service, from contactless pickup to efficient navigation and clear communication. We also found our customers will change loyalty for better service.
- Choice: Sometimes we want to take time to browse, touch and feel, and other times we want to pick something up quickly and conveniently.
- Purpose: We support inclusivity and being a force for good. Sustainability and governance enable our partners and customers to align their investments and spend to their values, while providing a platform for our retail partners to grow and do the same.
- Fun and learning: COVID has reignited the love of fun and learning in our communities. We launched WeMake to support this very desire with a wide variety of affordable, accessible and fun workshops.

ARO: How are shopping centres helping retailers in this challenging environment?
KM: For customers, we became a place for essential services, medical and health visits, and a place to simply get away from home for the short period of time allowed.

Retailers were dramatically impacted, so our role changed to become a financial supporter, hygiene enforcer and provider of critical information to support the survival of their businesses.

A big priority was mental health, and we extended our Employee Assistance Program to our partners and their families.

With the support of the SCCA, our industry played a significant role in deciphering safety information and its impacts on day-to-day operations of small to medium sized businesses. Support extended beyond business information to facilitating complex state-based government support legislation for financial grants.

ARO: What are some of the ways Mirvac is embracing omnichannel retail?
KM: We see omnichannel as an extraordinary opportunity for business owners in retail to grow and so we have been undertaking the following initiatives:

1. Our retail and industrial arms offer fulfillment by Mirvac
2. Central collection points and parcel hubs in partnership with Australia Post
3. Dynamic storage options for partners
4. We offer rapid delivery design and build solutions for stores, with smart store support to provide critical data and insights for our brand partners.
5. We launched WeShow, our flexible, rapid turnaround and sustainable retail model, which makes it easy for small businesses with limited capital and digital-only brands to overcome traditional barriers to entering physical retail.

ARO: What innovations are coming up for Mirvac in 2022?
KM: Our ambition is to be more than a property solution: we can share data, insights and ideas; add value by co-creating solutions; reimagine financial contracts; bring partners together for the betterment of the collective; develop new business models; and offer solutions that play to our cross-disciplined expertise.

> “We are all re-evaluating our lives, how we spend our time and money.”

One of the movements we are heavily investing in is fashion start-ups and social-commerce platforms that connect brands with humans. We recently invested in Mys Tyler, which is an app building a community of body empowered women across the globe and creating a better fashion experience for them, while also tackling the fashion industry's $1 trillion returns issue. We truly believe the future of fashion will integrate sustainability, convenience, and physical and digital spaces. ■

BBQ Galore turns up the heat

With an award-winning new store design and a digital transformation already in place, CEO Angus McDonald says the brand has big plans for its customer experience in the year ahead.

By Stuart Ridley

***Australian Retail Outlook*: What were some exciting developments at Barbeques Galore in 2021?**
Angus McDonald: During 2021 we continued the rollout of our new store format, which recently won Gold at the Sydney Design Awards. We have three new stores and several more being refurbished or relocated in the new design.

We also completed the implementation of Salesforce, which delivers significant improvements in our ecommerce experience and supports our new loyalty program: the BBQ Legends Club.

ARO: BBQ Galore revealed its new physical store concept recently. What are your plans for the store network in 2022?
AM: We are really excited to continue the rollout of our award winning new store design. As we look into 2022 we already have plans in place to continue refurbishing stores across our network, delivering significant improvement in the inspiration, engagement and experience for our customers. We also have some further new store locations in the pipeline and look forward to bringing these to life in 2022 and beyond.

ARO: What was the thinking behind your new loyalty program, the BBQ Legends Club?
AM: It's all about encouraging the growth of a community for those who are passionate about barbequing. Thousands of members are signing up each week and we're looking forward to building engagement with those who join, including through online cooking classes, in-person events, and member-only deals and competitions.

ARO: What were the biggest changes in retail during the pandemic – and which trends will continue?
AM: Throughout COVID, we have seen a new wave of customers shopping online for the first time, accelerating the e-commerce share of retail sales.

Even as shoppers return to shopping in-store, we are seeing increased adoption of click-and-collect and digital interaction before and after an instore purchase. The integration of our digital channels and physical store network allows us to make the best of both worlds in providing an engaging customer experience.

> “We have been working to provide better visibility around inventory availability.”

The other trend we will see continue is more flexible attitudes to work. For some, this will mean going fully remote or somewhere in between working from home one or two days a week, which means people will spend less time commuting and have more time for leisure.

ARO: What were the main business drivers for your digital transformation?
AM: Even before the accelerated adoption of ecommerce during COVID, as a high-involvement, high-engagement category, most of our customers were already researching online before visiting our stores.

It was a very high priority for us to deliver a seamless omnichannel experience and so we set out an ambitious agenda:

- We completed the implementation of our new ERP system in 2020;
- In 2021 we deployed a new Order Management System, Salesforce Marketing Cloud, Service Cloud and Commerce Cloud in 2021 and made several changes to our fulfilment processes;
- In November, our first marketplace sellers went live on the Barbeques Galore website;
- We are trialling new in-store technology including touchscreens to give access to extended ranges, along with online video consultations.

In all, we are looking to deliver a more seamless customer experience bringing together the best of our online and in-store experience, while helping make in-store processes more efficient to allow our team to spend more time with our customers. While we have achieved a lot in the last two years or so, we know we still have much more to do and have another busy year ahead.

ARO: What makes for a great digital customer experience?
AM: We have been working to provide better visibility around inventory availability, while putting more efficient fulfilment processes in place.

The aim is to provide a much better experience for delivery and click-and-collect as well as for those simply researching online before purchasing in-store. This is particularly important as we take a more sophisticated approach to assortment planning: with more localisation of ranges, we want customers to see the options available on each product. Our back-end processes need to be sophisticated enough to route the order to the most appropriate fulfilment location in the network.

ARO: What did you learn about your customers in 2021 and how will you capitalise on this knowledge in 2022?
AM: While technology is a great enabler our customers still really appreciate the opportunity to get back into our stores and speak with one of our experts.

When we look at our Net Promoter Score results, the most important factor continues to be the knowledge and service provided by our team. The expertise and passion of our team remains our most important asset and will continue to be at the heart of the experience we aim to create for our customers.

Even prior to Covid we've seen an increase of our in-store customers doing research on our website before travelling instore, which I expect to continue as customers become more and more informed and have even greater expectations of their retail experience.

At the same time, brands are becoming more tribal. Those who can build a highly engaged community of enthusiasts around their brands will be the winners. On the other hand, brands which do not have any specialisation or category expertise or are unable to build an emotional connection with their customers, will find it increasingly difficult to differentiate themselves. ■

Toys 'R' Us makes an international play

After a major upgrade of its e-commerce operations, the toy retailer is now planning its return to the UK.

By Stuart Ridley

TOYS BRING JOY FOR YOUNG AND OLD ALIKE, SO IF YOU WANT TO see true happiness on a kid's face, forget the candy store and let them explore the cornucopia of playful and educational delights in a massive toy store.

In 2022, that experience is just as likely to be online as physical, with companies like Toys 'R' Us ANZ focusing more and more on digital-first retail:

"With further shifts to e-commerce, particularly in toys, competition will become increasingly intense," Toys 'R' Us ANZ CEO Dr Louis Mittoni says. "Separate to technology needs, and particularly as we emerge from disruptions shaped by the pandemic, we believe unique retail experiences will form a very important part of how children and families seek out and engage with highly beloved brands such as Toys 'R' Us."

The iconic retailer went big on e-commerce in 2021, following a merger into a larger business that listed on the Australian Stock Exchange with possibly the cutest ASX listing code: TOY.

Mittoni reports support from shareholders allowed the business to capitalise and restructure its operations across Toys 'R' Us, Babies 'R' Us and Hobby Warehouse, including signing a lease to design and build a 20,000sqm e-commerce centre and headquarters, which will incorporate the first Toys 'R' Us and Babies 'R' Us experience centres.

The business restructure was driven by the brand's desire to focus on direct-to-consumer sales and involved selling assets such as its B2B confectionery distribution business and the ►

intellectual property of Chill Factor. Mittoni originally thought the process would take at least a year, so he's chuffed most of the reorganisation was completed in just six months.

"In August, Toys 'R' Us commissioned its first state-of-the-art autonomous mobile robot fulfilment warehouse – an incredible milestone," he says. "Shortly thereafter, we proudly launched Babies 'R' Us as a separate e-commerce website. The most significant initiative for the year, and potentially one of our greatest for years to come, was to secure exclusive licensing rights to operate Toys 'R' Us and Babies 'R' Us in the UK, the largest toy market in Europe and fourth largest in the world, with a total addressable market of £3.3 billion in 2020."

Global supply chain challenges

Disruptions to the global supply chain at the start of the pandemic, in 2020, triggered a mass cancellation of orders and forecasts by retailers and suppliers, Mittoni observes. He says because the business hasn't fully trusted supply since June 2020, the chief operating officer and inventory planning team have worked with partners to place orders and forecasts for the 2021 holiday peak season as early as October in some categories.

"In the toy e-commerce industry, we experienced increased demand," he says. "It inverted the switch on the supply-demand equation, creating huge deficits in everything from puzzles, board games and crayons, through to bicycles and trampolines. Oh, and toilet paper."

Robots for Christmas

Businesses with huge logistics centres are increasingly bringing in robots to do the heavy lifting of inventory between warehouse and pick areas. Toys 'R' Us is no exception.

Commissioning the first Toys 'R' Us automated logistics hub before the holiday peak period was one of the most important, and certainly most challenging, achievements for 2021, Mittoni notes. The logistics team had to adopt new engineering and robotic approaches rapidly, while moving inventory from four separate warehouses into two centres.

"This achievement proved critical to support the business during the peak trading season just weeks later," Mittoni says. "And it has freed up team members to concentrate on improving other processes. With just a few well-trained operators, we can already accommodate a much greater variety of toys and toy orders than we used to achieve with a team four to five times larger."

Big plans for 2022

Toys 'R' Us will open a new experiential store in Victoria in 2022, which Mittoni explains is being developed with some of the world's leading retail designers to stimulate emotional connectivity through interactive experiences.

Meanwhile, the business is also focused on re-establishing the brand as the market leader in the toy sector and a top-two choice for consumers in the baby sector. Babies 'R' Us will draw on consumer feedback about which categories are important to them, Mittoni says:

"We are patient, but still passionate, and well capitalised. This allows all our team shoppers and suppliers to grow with us over the medium-term horizon."

Mittoni says the business is well-placed to capitalise on the big toy retail trends for 2022 and beyond, including:

- E-commerce expansion to offer 'almost endless aisles' across the whole market
- Physical retail experience centres that will become 'must visit' attractions
- Extension of 'phygital' (customer experiences that span the physical and digital worlds) to offer "all the range, price and practicality of online, with the emotional connection of a great in-store customer experience".

"Our edge is our passion for the sector and focus on the shopper, supported by innovative technology," Mittoni says about the return of Toys 'R' Us to the UK. "The previous Toys 'R' Us businesses in Australia and the UK achieved revenues of almost $900 million across nearly 150 stores. The UK holds enormous opportunity for Toys 'R' Us in 2022 and beyond, and there are millions, if not tens of millions, of former loyal shoppers and fans that hold a deep affection for the brand. The UK has one of the most advanced e-commerce markets globally and the retail environment is also fiercely competitive. Consequently, the technology and systems we employ, plus the experiences we provide to our shoppers, will be vital to our success." ■

How Every Human is making fashion for everyone

In 2021, the brand expanded on its mission to make fashion that feels good accessible for the 1 in 6 Australians with disabilities, CEO Matt Skerritt explains.

By Stuart Ridley

EVERYHUMAN'S ONLINE PLATFORM HAS BECOME THE GO-TO DESTINATION FOR PEOPLE WITH DISABILITIES LOOKING FOR products that fit well and look good. The brand has also grown a strong online community with its motto: "Fearless. Optimistic. Candid. Humans."

"It's a space that allows people who are alike to connect and for kids to see older versions of themselves," EveryHuman CEO Matt Skerritt said. "I'm extremely proud that the community we created facilitates authentic and empowering conversations."

Before EveryHuman was launched in November 2019, the industry for adaptive products barely existed. People with disabilities had to pay extra to get items altered or tailored if they wanted something slightly better than tracksuits. Sure, tracksuits can be comfortable, but they're rarely stylish. And frankly, as Skerritt noticed in the nursing homes his family owned and managed, there's no dignity in wearing daggy trackies every day.

Now, thanks to the business networks and advocacy efforts of Skerritt and the EveryHuman team, people with disabilities can find clothing and footwear that makes the dressing process easier – they can even save money if their NDIS plan includes a low-cost assistive technology support budget.

"The sector is building momentum and there is significantly more conversation now," he said, adding that the US adaptive product market is two years ahead, led by the likes of Tommy Hilfiger Adaptive, Nike, and Hush Puppies in the fashion space and L'Occitane in the beauty category with its Braille labelling.

"The work these brands are doing is incredibly important, as people with disabilities are no different to anyone else on this planet," Skerritt said. "They want to wear clothes that make them feel amazing, and facilitating that choice is the inspiration for creating EveryHuman."

Local brands catching up

Australia is quickly closing the gap on the US, Skerritt notes. He points to boutique brands such as Jam The Label and Christina Stephens, which are creating interesting pieces for people with dexterity and mobility challenges.

"While we are still yet to see major Australian brands enter this space, I believe we are at a tipping point where brands are starting to realise the importance of an offering for people of all abilities," he said. "It is not only the right thing to do, but also good business, as 1 in 5 people around the world have a disability."

Skerritt advises the best ways for brands to represent people with disabilities authentically are:

- Employ people with lived experience who will be able to build strong connections with customers
- Consult people with disabilities as part of the process from the beginning
- Include people with disabilities as part of your team behind the scenes
- Make accessibility a fundamental consideration for your brand moving forward, not just for the one campaign.

"The first thing to acknowledge is that mistakes are going to happen from time to time," he said. "I'm a believer that this is how we get better as a community and accessibility will improve in the future."

"Our aim in 2022 is to continually collaborate with mainstream brands to create designs that will cater for all. Working with brands people recognise daily will go a long way to changing the mindset that making things accessible is too hard."

New product lines

In 2021, EveryHuman acted on conversations with customers to source several new product lines and launch a few fashion initiatives.

First up were makeup brushes with straight edges, to meet the needs of people with arthritis and other dexterity challenges who find circular handles hard to grip. There were also wheelchair-attachable bags and other mobility aids that are as fashionable as they are useful.

Then, in September, EveryHuman launched Unpaired, Australia's very first single and different shoe program, which Skerritt said was born out of emails from loyal customers who'd previously had to buy two pairs of each shoe they liked because they have different sized feet, or they have one prosthetic foot slightly different to their other.

"They were pretty sick of buying shoes they couldn't wear," Skerritt recalled. "Our customers tend to be quite vocal, which some businesses might find off-putting, but I love it – it's how we improve and grow."

EveryHuman assigns an individual SKU to each shoe, which not only indicates the size and style, but also whether it's a left or a right. Customers can then add a left shoe and a right shoe to their shopping cart. To reduce the risk EveryHuman will end up with inventory that it will struggle to sell, the business is focusing on shoes that won't go out of style.

In November 2021, EveryHuman partnered with Melbourne Fashion Week to bring an accessible fashion show to the runway, which Skerritt declares an incredible win for accessibility, diversity, and inclusion.

> "Greater representation is how conversation begins."

EveryHuman's show featured shirts with magnets in place of buttons, pants with zips on both sides, and laced shoes with hidden fasteners as examples of new adaptive fashion.

"Greater representation is how conversation begins and is the first step towards creating change," Skerritt said. "The new offering is there to improve choice and is designed to change the way disability is perceived, making disability fun, cool and sexy." ■

Re-purpose, recycle, repeat

Sustainability and the healthy foods trend will continue to be huge focus areas for Harris Farm Markets as it expands nationally, co-CEO Tristan Harris says.

By Stuart Ridley

FAMILY-OWNED HARRIS FARM MARKETS HAS ALWAYS BEEN ABOUT PROVIDING providing premium quality food to Australians who want the best-of-both-worlds experience of a fruit and vegetable market offering in-season produce and their local providore's fine array of meat, cheese, and accompaniments.

It's also deeply committed to sustainability across the business. In early 2021, Harris Farm Markets ran a Regenerative Agriculture campaign, which educated customers about environmentally aware food production, while also encouraging farmers and producers to adopt methods that actively reduce carbon emissions.

"We believe strongly in doing – not saying," co-CEO Tristan Harris says. "The Re-Purposeful Picks campaign is a good example: instead of saying we are going to reduce food waste, we've just jumped in and done something about food waste. This initiative, along with Imperfect Picks, is part of an ongoing program that has so far saved millions of kilograms of food from going to waste."

Introduced in late-Spring 2021, Re-Purposeful Picks involves taking products before they get to the end of their shelf life and upcycling them into longer-lasting food, such as garlic bread, salsa verde, and kale chips.

An old market trend is back on top

The biggest food trend of 2021 and beyond is actually an old one, which Harris is particularly pleased to see still going strong.

"It would seem the underlying megatrend is health and wellness – that has not changed for decades now. In line with that, we have introduced much more stringent health requirements on every line that we range."

The pandemic simply brought the megatrend home, across three areas:

1. **Cooking from scratch at home:** Harris Farm Markets substantially increased its baking range and experienced a good uptake in alternative flours
2. **Plant-based proteins:** meat alternatives continue to grow in popularity
3. **Snacking vegetables:** fresh, uncooked vegetables are definitely "a thing" Harris noted, particularly snacking carrots, beans and tomatoes – all healthy options.

> "We believe strongly in doing – not saying."

National expansion

In 2021, Harris Farm Markets launched online into Victoria and physically into Queensland, including opening a new Gold Coast store just before Christmas. In early 2022, it will open a store in Sydney's Lane Cove and it plans to set up new locations later in the year.

Although a few major players have been experimenting with smaller footprints in CBDs, Harris says the business doesn't intend on joining them. Instead, it's more focused on local communities outside CBDs.

"Our footprint is traditionally smaller than an average full-line supermarket (but some of our newer stores are tending towards that size)," he said. "The smaller footprint offers the opportunity to be more embedded in small local communities, which is something we believe we've always done pretty well. Our ultra-fresh offer is also well suited to the top-up shopping occasions that local stores are great for."

While food markets were among the few essential businesses allowed to stay open during pandemic restrictions, opening new stores was a major challenge, due to state border closures and travel restrictions.

Every time there was an outbreak in either Victoria or NSW, the borders became tighter, some team members found it challenging to get onsite and the business lost some customers. To mitigate the impact, Harris Farm set up overstaffed rosters, to be ready for the times when borders opened and customers were free to travel again.

"For our store opening in Queensland, we couldn't have any CEOs or other family members present because of the border restrictions," Harris recalled. "Fortunately, the team on the ground in Queensland has been sensational, a few people have really stepped up and taken control and we are confident they are going to execute brilliantly."

More expansions plans for 2022

One for Harris Farm Markets' big insights during 2021 was just how 'sticky' customers can be once they're used to something new.

"Whether it is online shopping or new categories they engage in during lockdown, those habits do not disappear once the lockdowns ease up," Harris reported. "That gives us more encouragement to try new things and then do all the necessary work and incur the cost of getting the customers to participate."

Harris says a key focus for the business is to constantly enhance its offer at each new location as it continues to expand nationally, including building on the Re-Purposeful Picks range and in-store cooking facilities.

"We also have some exciting concession partnerships in development we hope our customers will love," he concludes. "In addition, we have just started a 'store of the future' project, where we get to really let our hair out. Big omnichannel ideas and outrageous category hero presentations are flying around on Zoom. Let's wait and see how many make it all the way to reality." ■

Style by design

After two years of riding a rollercoaster of challenges from delivery delays to quickly pivoting to online initiatives, Witchery managing director Simon Schofield is hopeful about the future of the business.

By Stuart Ridley

***Australian Retail Outlook*: What are some of the things Witchery has worked on in 2021 that you're most proud of?**
Simon Schofield: Witchery has had an incredible 2021. I'm most proud of our new concept store design, which we premiered in both Westfield Bondi and Westfield Doncaster this year, designed by our very own in-house teams. The feedback from customers and media has been phenomenal. They have absolutely loved the new look and layout and we can't wait to roll this out even further in 2022.

Customers can also now shop Witchery on The Iconic, which gives us an opportunity to bring the brand to even more customers through this famous marketplace.

This year also marked our 13th-annual White Shirt Campaign, in partnership with the Ovarian Cancer Research Foundation. Comedian and social-media sensation Celeste Barber faced the campaign, and Australian designer Toni Maticevski designed the iconic White Shirt, raising over $500,000. To date, Witchery has raised over $14 million for the OCRF, with all funds going directly to the charity to fund vital research into finding an early detection test for ovarian cancer, something we are incredibly proud of.

ARO: What are some of the interesting challenges Witchery is focusing on for 2022?
SS: Witchery's biggest focus has been welcoming customers back into our stores in the safest way possible. Our retail team has co-ordinated a huge piece of work here, ensuring team members are educated and confident about managing the ever-changing regulations head on. It was a tricky year with extended delays in delivery schedules, which is no surprise, given the shift in customers shopping online more than ever.

In 2022, we're hoping to put all the shipping delay and delivery issues from last year in the past and we're focusing on our online delivery timeframes being quicker than ever. With shipping lead times and availability continuing to be a global challenge, airfreight costs at an all-time high, we're also looking at our critical path to make sure we have enough buffer to account for this and still get our range months into store on time.

ARO: What are three of the most exciting opportunities for the Australian fashion industry in 2022?
SS: The fashion industry has been very quiet since this pandemic started and we have really missed seeing those large-scale consumer and media events. Whilst we've seen some amazing virtual events, particularly fashion shows, I think 2022 is going to bring the re-introduction of all major fashion events and I personally am really excited for that.

Sustainability is top of mind for all major retailers at the moment and whilst it is one of the biggest challenges for our industry, it's also one of the biggest opportunities for brands to showcase what they are doing in this space and their plans well beyond 2022. For Witchery in particular, we've been working on some incredible Australian designer collaborations for 2022, with our first-ever designer collaboration launching early in the new year, so stay tuned.

ARO: Now that WFH is likely to be a permanent part of life, how has that impacted Witchery's store network? Are you looking outside of the CBD and more into suburban and regional areas?
SS: Witchery already had a vast store network pre-Covid, covering all major CBDs in Australia and New Zealand, as well as larger outer suburbs and regions; however, we have seen a shift in the way our customers are shopping, with less traffic in our CBD and airport locations but increased footfall in bigger suburban centres, such as Doncaster in Victoria and Castle Hill in New South Wales, strip sites like Camberwell and Balmain, and our regional locations. This is something we're mindful of and taking into consideration for future refurbs, relocations, and closures.

ARO: What are some of the interesting changes you're seeing in your customers' lifestyles and wardrobes, and how is Witchery responding to these changes?
SS: There has been a distinct shift since lockdowns have eased. Her mindset has changed and she's definitely ready to dress up again, so we reflected that in the collections ahead of the Christmas and party season. We're embracing print and colour and ensuring the key runway trends are translated in a way that is easy for her to replicate in her own wardrobe. We are leaders in 24/7 style and aim to have her entire day-to-night wardrobe sorted, with versatility being key. Whether she is heading to work, or to brunch on the weekend with friends, Witchery has her wardrobe covered and she can rely on us for that.

ARO: Please share some insights into new product categories Witchery is exploring that you're excited about – what innovations will we see?
SS: Over the coming months, you'll see a shift into sustainable fabrics, with a focus on recycled polyester and recycled polyester blends. Swim is another exciting category for us, where we see the introduction of recycled nylon and organic French linen in our resort pieces. It's important that we empower our customers to make informed choices when it comes to the sustainability of the garments they buy.

We want to re-shape her wardrobe as she heads back out onto the social scene post lockdown, so we've lined up some incredible Australian designer collaborations for 2022 and we're also looking at expanding our range to a size 20 next year. This is something our customer has been asking for, so I think she is going to be thrilled to see this in-store and online for Spring Summer 2022.

> "We're hoping to put all the shipping delay and delivery issues from 2021 in the past."

ARO: Diversity and inclusion are top of mind for many people in the fashion industry right now. We know Witchery has been working on formalising its Reconciliation Action Plan in 2021. What are some insights into the work the brand is doing to support the First Nations community and ensure that diversity and inclusion are a genuine part of the business?
SS: We want to ensure that our customers feel that our product, our stores, and our community are accessible and inclusive. As part of the Country Road Group, we are currently developing a comprehensive diversity, equity and inclusion strategy that will guide our approach to how we are inclusive of the diversity of our employees, customers, and community. We are also finalising our first 'Reflect' Reconciliation Action Plan, focused initially on how we build our own cultural awareness and competency around First Nations knowledge and culture.

ARO: What are the key elements for excellence in fashion retail in 2022?
SS: An impeccable customer service approach for both online and in-store is the most obvious. If we can ensure her shopping experience is seamless and enjoyable every time, then we know she's going to continue coming back. For Witchery, it's about staying true to who we are. We are a brand who stands for inspiring and quality-led design, with the objective of empowering women to look and feel confident every day. Being a source of daily inspiration and dressing women every day sits at the heart of what we do. ■

Superdry brings TikTok into its comfort zone

The apparel brand settles into its core leisure offerings while appealing to youth with strong social media and bold sustainability plans, CEO Antony Hampson explains.

By Stuart Ridley

AUSTRALIANS SWITCHED UP THEIR STREETWEAR DURING ROLLING lockdowns in 2020-2021. It became more about dressing for fitness and leisure in the open air than casual socialising in the city centres.

So it was beautifully serendipitous that Superdry already had its Performance Sport and athleisure projects well under way.

"We are doubling down on the core of the brand being our Original and Vintage style choice, whereby we can present the true DNA of Superdry," Superdry CEO Antony Hampson said. "That said, there is always a requirement for brands to attract and talk to a new, potentially younger consumer. We see this opportunity in the athleisure space, with both our Performance Sport range and our Superdry Code style choice, which delivers a contemporary spin on classic styles across jackets and sweats – all crafted in a wider offering of standout colours."

In Autumn/Winter 2021, the iconic streetwear brand ran an above-the-line campaign called 'The Jacket to Own Winter', showcasing a wide range of jacket styles for any occasion on billboards nationally, radio ads, and stadium advertising during the AFL season.

Then in October 2021, Superdry launched its first Performance Sport concept in Melbourne, as part of Myer's 'Movement' rollout, which Hampson explains features a mix of the brand's more technical products, as well as its athleisure range:

"Given the comfort element to Superdry's product offering, we see sport as an incremental opportunity to continue our sales growth, tap into a new customer, as well as offer something ►

new for our existing customer. We are really pleased with how we are presented in this space alongside some other great international brands."

Trending on digital channels
Superdry's digital presence across e-commerce and social-media channels was already expanding rapidly before COVID-19 arrived – the pandemic simply helped accelerate it, Hampson reports.

"I do expect there to be some levelling off of online demand; however, I think this shift in consumer behaviour has forever changed the landscape of retail," he said.

Huge growth in digital media means retailers are targeting consumers with many more ads – so getting cut through is quite the challenge, Hampson admits. Therefore, Superdry is focused on personalising its communications so they're relevant and welcome; the brand is enjoying great success on social media, especially on ultra-short video platform TikTok.

"Across 2020-21, Superdry collaborated with NZ music artists eleven7four and Universal Music, with influencers sharing viral dance routines on TikTok, generating millions of views and engagements over our key winter period," Hampson said. "The brand also saw 300 guests line up for more than three hours at a store opening in Melbourne's eastern suburbs, producing more than 1,200 pieces of content and generating 2,000 followers over the course of a single day."

Superdry gets cut-through by localising strategies to each platform and its community without compromising its own brand DNA or the integrity of the platform's community. The brand is now experiencing a higher level of buying intent among its customers since stores reopened post-lockdown; consumers have researched online and know what they want before they enter the physical store. As a result, in-store conversion rates and transaction values are both up.

2022 and beyond: a sustainable future
Superdry's goal is to become the most sustainable listed fashion brand on the planet, which Hampson says will be helped by several initiatives, such as:

- Changing all branded satchels to either a recycled plastic or biodegradable material by mid-2022
- Lowering waste by using packaging only when necessary and ensuring it is 100 per cent reusable, recyclable, or compostable by 2025
- Sourcing only 100 per cent organic cotton by 2030
- Using recycled and low-impact materials at scale across the whole Superdry range, with a big push during the brand's AW22 jacket campaign

As Australia and the world emerge from many months of lockdowns and restrictions, Hampson anticipates increased footfall in Superdry's physical retail stores and a slight easing of online demand.

"We're certainly seeing some strong KPIs coming out of stores at the moment," he said. "And with borders reopening over the next 3-6 months, those locations that rely on both domestic and international tourism should see a good spike in shopping."

Early in the new year, Superdry will officially launch an athleisure installation alongside Myer, accompanied by a gift-with-purchase offer and plenty of social-media coverage gained through influencer gifting.

> "The brand is now experiencing a higher level of buying intent among its customers."

"We are also hopeful of having some high-profile AFL players make an appearance on the day," Hampson mentioned in passing, before announcing the brand's 2022 plans. "We'll take the lessons from last season and turn up the dial for AW22. We will be talking more about the sustainability of our jacket collection, partnering with some exciting local talent, continuing to look for new store opportunities. And we're looking to roll out our Supercrew loyalty program in early 2022!" ■

EXPERT *Forecasts*

Economic outlook 2022: optimism, growth

The forecast for the year ahead largely depends on how the pandemic evolves. If the nation's economy and borders can remain open, a surge ahead is on the cards.

Brendan Rynne, Partner and Chief Economist, KPMG

AUSTRALIA HAS WEATHERED THE GLOBAL PANDEMIC BETTER THAN MOST OTHER COUNTRIES, IN TERMS OF BOTH HEALTH and economic outcomes. The adoption of strict policy measures aimed at curbing the spread of COVID-19, including work-from-home orders, closure of all non-essential retail shops, and severe limits on the flow of people into and out of Australia, have helped minimise the devastating health effects of the disease.

The government response during this period has also been central to the minimising of economic harm. As the Greek philosopher Hippocrates said, "Desperate times call for desperate measures", and the Australian government adopted never-before-seen fiscal and monetary responses. These included JobKeeper, JobSeeker, and cash rate settings at the effective lower bound. All were aimed at keeping the economic structure as whole as possible through this period of great uncertainty.

Retail sales have had a rollercoaster ride during the pandemic, with the biggest movements occurring in discretionary spending areas, like clothing, footwear, and personal accessories, and also in people-contact businesses, such as cafes, restaurants, and take-away food services.

The labour market showed an initial decline of around 850,000 in the number of people employed, with a corresponding increase in the unemployment rate from 5.1 per cent at the start of 2020 to 7.4 per cent by the middle of the year. While the economy is still in recovery mode, the labour market strengthened through most of 2020 and 2021, with total employment at the end of October 2021 just slightly shy of the pre-COVID peak of nearly 13 million.

Compare that with the last economic downturn, when the unemployment rate peaked at 11.2 per cent at the end of 1992. It took more than three years for total employment to reach pre-recession levels again and nearly 10 years for the unemployment rate to fall below 7 per cent.

What this has meant is that Australia's labour market has remained largely unscarred by the pandemic, and that households and businesses, which have broadly held up in the downturn, are now wanting to purchase a vast array of goods and services. ►

The cost of pausing immigration

Unfortunately, there is one policy response that has been a strong factor in minimising the spread of COVID-19 in Australia but has also had the perverse effect of hurting the domestic labour market. Borders closed to foreign migrants and returning Australian residents, combined with foreign workers returning to their home countries, brought net overseas migration down by nearly 100,000 people during the 12 months to the end of March 2021. In comparison, in the 12 months to the end of March 2020 there was net positive overseas migration of nearly 240,000.

Australia has benefited from foreign workers migrating here since the post-European settlement. Skills, experiences, culture, and ideas have been exchanged between migrant groups and our resident population, lifting productivity, living standards, and ultimately wages.

These benefits have been on pause for the last two years. And that pause is now causing business leaders to scramble for the talent they need to fulfil the demand now coming from domestic consumers and from foreigners seeking to import goods and services produced here.

> “Australia’s labour market has remained largely unscarred by the pandemic.”

What lies ahead

What does this all mean for the Australian economy and the retail sector in 2022? To a large degree, it depends on what happens with the coronavirus pandemic: whether it continues to evolve into lower-mortality strains and eventually turns into an influenza-like endemic, or a higher-mortality strain emerges to reverse the hard-fought health and economic gains achieved to date.

Assuming the optimistic scenario, or the least-worst case, KPMG expects economic growth to power ahead throughout 2022, albeit with a slight pause at the start of the year reflecting a break in spending following all the expenditure brought forward by various stimulus packages, such as Homebuilder.

KPMG is expecting consumption to grow by 8 per cent in 2022 over 2021, with business investment also expected to increase by an above-trend rate of 5 per cent. Government expenditure is likely to moderate during the next 12 months, as stimulus and COVID-specific spending starts to abate. Net exports over the coming year are likely to decrease, as growth in imports outpaces exports – breaking from recent trends. Overall, KPMG is forecasting real GDP growth of about 4.0 per cent through 2022, which is about double the growth anticipated for 2021. ■

The information contained in this document is of a general nature and is not intended to address the specific circumstances of any particular individual or entity. Appropriate professional advice should be obtained before acting on this information.

Three steps to shoring up the supply chain

Global logistics may be in for another tough year, but there are three major moves retailers can make to build resilience into their supply chains this year.

Peter Liddell, Partner, Global Operations Centre of Excellence Lead, KPMG

IN 2022, AUSTRALIAN BRANDS WILL NEED TO ADJUST THEIR supply chain strategies and then revise their business continuity plans.

Leading retailers will learn from past events and define better strategies that shore up supply and enhance customer fulfilment. Each alternative strategy should be evaluated to balance cost, customer service, financial impacts, and risk factors. This means understanding what new capabilities will be required to protect these elements into the future.

While strong headwinds still exist, those who lean into these questions and respond with agility will come out on top.

Global logistics disruptions stemming from the COVID-19 pandemic continue to challenge retailers, as the flow of consumer goods into Australia is restricted by shutdowns of major global ports and airports, largely in China, South Korea, and the US. Congestion at key connecting ports along the US West Coast has produced an unparalleled backlog, with a record 65 cargo ships forced to queue and wait in September 2021 (there were media reports that this reached 80 ships by November).

Queuing at ports has increased wait times, which now often exceed eight days on average. This situation is far more challenging than any pessimist could have forecast 12 months ago, when the pandemic was considered at its peak, before the vaccines launched.

At the same time, US shipping freight rates continue to rise and have hit record highs. This has increased the ►

price of consumer goods and escalated the risk of cancellations of Australia-bound freight, as global shipping lines are attracted to the more lucrative China-US freight routes.

These disruptions create a ripple effect across global supply chains that ultimately causes goods to pile up in storage. Ships on their way to Australian ports are being diverted or slowed down as they arrive at major transit hubs, restricting global trade flows and limiting access for retailers to products they need to refill their Australian stores.

Putting further pressure on retailers is the continued managing of the deteriorating diplomatic relationship between Australia and China, which many believe to be at its lowest point in decades. Any additional tension may start to further disrupt trade flows into Australia because global shipping companies use the South China Sea and neighbouring oceans to bring products from North America and Europe to Australia.

None of these problems are a revelation. In fact, media sources have reported them frequently since as far back as March 2021, but their effects may persist for longer than previously anticipated. For example, many reports highlighted the very high likelihood that the December 2021 and January 2022 festive season would be severely affected by restricted access to imported products. But the challenge for Australian retailers may go well beyond the next few months. There is a likelihood emerging that these disruptions will continue well into 2022 and possibly beyond.

At the end of last year, there were numerous warnings made to Australian households to prepare early for Christmas. The message was clear, if your family prefers imported products, buy early or potentially miss out. What will surprise many households is the possibility that Australian retail shelves may not return to normal now that the festive season has concluded. There are so many participants and trade activities within regional and domestic supply chains that must get back to performing at peak volumes and high standards before we start to see any normal trade flow into and within Australia.

Many economic, trade, and operational issues across the region could become the next catalyst for major trade disruption. Will China work though its short-medium term energy challenges and be at peak manufacturing capacity? Will Chinese ports have sufficient resources to load ships and export products to Australia? Can the Australian transport and logistics industry ramp up capacity to fast-track store replenishment once items finally arrive at Australian ports? Can the stevedores at key global and Australian ports accelerate unloading and unpacking to get through the impending backlog of ships arriving? Are there enough courier drivers available to deliver domestic and international e-commerce orders? These are just some of the questions keeping many retailers up at night.

Are we just one new COVID strain away from further supply chain breakdowns? Global economists have raised real concerns that another outbreak could further undermine the Chinese economy and add to the world's supply chain problems. It's not just grocery, apparel, and personal items that face disruption. Businesses will also struggle to replenish spare parts, tools, electronics, and construction materials. Many households that need items repaired will also feel the impact of these shortages, as their damaged or idle cars, heaters, lawnmowers, tools, televisions, entertainment devices and more will potentially sit around the house without repair for many months.

> “The challenge for Australian retailers may go well beyond the next few months.”

In the face of all this uncertainty, many key Australian ports recently announced plans for significant investments in infrastructure development over the next five to 10 years, such as new container facilities in Melbourne, expanded capacity of Port Kembla in Wollongong, and automation technologies for freight processing at Port Botany. Importers will need to ensure they can capitalise on new freight space, shipping availability, and port infrastructure to shorten lead times and securely deliver goods.

But these enhancements are a way off, and even assuming disruptions recede and access to sea and airfreight reverts back to pre-pandemic levels, it will take some time before things simply return to normal. What we can expect in the meantime is higher prices (as excessive freight costs are passed on to the consumer) and longer waits for retail shelves to be restocked, especially with imported, branded product. Consumers will need to reset expectations, as items requiring repairs and maintenance will also be delayed in lengthy service queues.

What retailers can do

So how should retailers seek to build resilience into their supply chains in 2022?

1 Refresh the domestic supply chain

One of the few benefits arising from the severe slowdown of regional and global transport operations during COVID-19 was the growth of local businesses as consumers showed their support for domestic brands last year. Companies will need to enhance their operational performance to ensure that customers don't migrate back to global brands when transport volumes open back up. Retailers must assist Australian brands in harnessing the pivot to online, ensuring that their future network design supports the fulfilment of both physical stores and online channels and that they identify more flexible domestic partners that can support the transport and logistics requirements of an omnichannel offering.

2 Double down on technology investment

The initial investments made in the last 24 months were aimed at automating key nodes within the supply chain, including stores, warehouses, manufacturing facilities, and even corporate office buildings. This year, we expect to see accelerated investment as businesses seek to enhance critical supply chain planning. This will be done by adopting more advanced digital enablers, such as cognitive planning and AI-driven predictive analytics, and by adding more security and integrity to supply chains with blockchain and advanced track-and-trace technology.

Many supply chain managers are challenged by a lack of visibility, as there are so many nodes and participants within the extended chain. Leading organisations are using advanced technology to improve visibility and become far more responsive to major disruption and variability within their domestic, regional, and global supply chains.

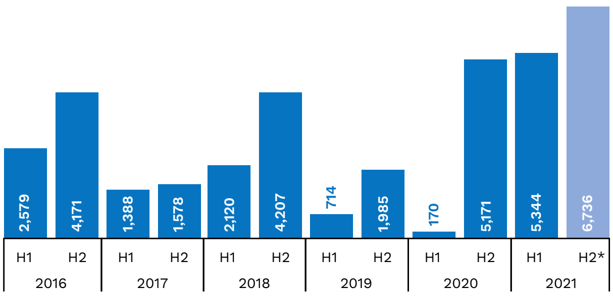
3 Test and validate business continuity plans: many BCPs failed during the pandemic, as they were not designed for such disruption. What caught many businesses out was that some had no BCPs to cover major risks and others hadn't tested or understood the impact of their defined BCPs. During the pandemic, some were found to be overly complex or costly to implement and others simply failed to support the business adequately. ■

Your guide to going public in 2022

Here's what you need to have in order if you're considering jumping on the IPO train in the coming year.

Cecily Conroy, Partner, Head of Equity Capital Markets Advisory Australia, KPMG
Camille Fauthous, Associate Director, Equity Capital Markets Advisory, KPMG

MANY BUSINESSES ARE CONSIDERING GOING PUBLIC AND we think that strong trend will continue into 2022. Equity market investors in Australia continue to support high-quality retail businesses to IPO and list on the Australian Securities Exchange (ASX) despite disruption from COVID-19 and other macroeconomic factors. IPO activity in 2021 was strong, with $6.7 billion raised in the half-year to 30 November 2021.



**Total issuance to 30 November 2021 (Source: Dealogic)*

We have been fortunate to work with a number of retail businesses on their IPO journey over the last 18 months. We believe there are five key considerations anyone should know before embarking on their own IPO journey.

Know your objectives

Prior to commencing formal IPO preparations, it is critical to begin by identifying your objectives and priorities to ensure they are reflected in your overall IPO strategy.

Ask yourself:

1. **What are your main reasons for listing?** Brokers and investors will almost certainly ask you this question and it is important to have a compelling response.
2. **How much capital is required and when?** How will the company use the proceeds raised at IPO and does this tie into your equity story?
3. **What is the optimal timing?** Consider business performance and outlook. Is the company undertaking any major strategic initiatives?
4. **What other factors are important to shareholders?** Liquidity, valuation, timing, escrow?
5. **Should other alternatives to an IPO be considered?** For example, a pre-IPO placement or a dual-track sale process?

Timing is key

Traditional IPO windows of March to July and September to mid-December are often busy with companies battling for investor attention. Businesses looking to IPO should determine, with their advisers, the optimal time to commence the marketing phase and launch their IPO having considered the company's objectives, readiness, and prevailing market conditions.

Early preparation is important to give you as much flexibility around timing as possible.

Apply a capital-market lens to your business

As you are working through your IPO strategy, objectives and indicative timing, management will benefit from looking at the business through a capital-market lens. This means applying the same level of scrutiny that the investment community (public market investors, research analysts and investment banks) will.

Ask yourself:

- What is your equity story?
- How do you differentiate from your listed peers?
- What are the key drivers of value (such as active customers or average order value)?
- To what level are you affected by seasonality and key sales events, such as Black Friday?
- How will you give investors confidence in your ability to deliver on the growth strategy?
- How will the strategic decisions you make today shape your ability to list in the future?
- Do you have a business plan and robust budgeting process that can underpin the financial disclosure in the prospectus?

Assess your IPO readiness

Companies often underestimate the timeframe required to prepare for an IPO (up to 12 months). If you are thinking about an IPO, you should evaluate your readiness to commence formal IPO preparations and your ability to meet the obligations of being a listed company.

- **Management team, board and governance –** ensure there are adequate resources and experience within the company and Board to adapt to life in a listed environment and that robust governance systems are in place.
- **Company structure and entity to be listed at IPO –** complete work on the sustainability of the current corporate organisation and assess the need for a pre-IPO restructure.
- **Develop your equity story –** ensure your business plan is updated and underpins the basis of your equity story and that you have anticipated potential investor concerns, so you have time to address them.
- **Financial information –** availability of audited historical financial information (usually three years' worth) and forecast financials, including a detailed financial model.
- **Key value drivers and disclosure –** consider which metrics ▶

"How do you differentiate from your listed peers?"

- are relevant to investors and will need to be disclosed in the prospectus (for example, customer acquisition costs, marketing spend, conversion rate, like-for-like store sales) and ensure you have systems in place to report these important metrics.
- **Appointing the right advisers –** choose an experienced team, including an independent financial adviser, broker, legal counsel, investigating accountant, and tax advisers, to help your company prepare for an IPO. The right team of advisers can have a direct bearing on the success of your IPO.

Develop your equity story

Building a clear, differentiated and compelling equity story, also known as an investment thesis, will make a case for why investors should invest in your company. A strong equity story is critical in maximising value, getting the right level of attention and engagement with investors, achieving a quality shareholder register and ensuring a healthy aftermarket. Investors will continue to seek high-quality retail and e-commerce businesses with the following investment themes:

- A large and growing addressable market with opportunities for product or geographic expansion
- An attractive value proposition for customers, such as quality products, top-tier customer service, or best-in-class dispatch and delivery times
- Ethical, environmental, and social focus, such as products with a minimum impact on the environment, ethical manufacturing, compostable bags, and ESG certification
- Solid and growing brand awareness and a clearly articulated marketing strategy
- Favourable operating metrics, such as high customer retention, increasing revenue per repeat customer, and increasing average order frequency
- A demonstrated track record of revenue and earnings growth over time, plus a strong growth outlook
- A strong management team with a proven track record.

We hope this provides plenty to think about if you are weighing up a sale or IPO of your business in the near or medium term. ■

Leading retailers and banks are making **paper receipts a thing of the past**

Brimming with insights and dynamic functionality, the Smart Receipt is made for the new era of in-store retail and hospitality.

Shifting from paper receipts to Smart Receipts is enabling retailers to turn the end of a transaction into the beginning of a personalised conversation. Being able to send itemised tax compliant receipts straight to a customer's bank app or via SMS enables smarter commerce, all while taking a positive step towards greater sustainability.

Through a multi-bank channel model, more than 13 million Aussies will have access to Smart Receipts in the bank app by the end of 2022. NAB is the first to deploy the feature for their app users in late 2020, with other top tier banks and buy-now-pay-laters coming soon.

94%
prefer to receive a digital receipt over a paper one.

72%
prefer receipts to be automatically sent to their mobile banking app.

87%
say positive digital experiences impact their brand loyalty.

#1 issue
Aussies are extremely concerned about is the environment.

Case Study: **Chemist Warehouse**

Each year Chemist Warehouse prints approximately 114.4 million paper receipts. This equates to 114.4 million missed opportunities to connect with their customers.

As an innovator and pioneer in retail, Chemist Warehouse recognised that receipts are an untapped opportunity to improve their customer experience and launched Smart Receipts in early 2021.

Results

- All **470+ Chemist Warehouse stores** switched on Smart Receipts, delivered via bank app (for NAB and DiviPay customers) or SMS.
- Seamlessly delivered **850,000+ Chemist Warehouse Smart Receipts** direct to their customers mobile, with 51% sent directly to a customer's mobile banking app.
- Expected to **save at least $200,000 a year** by reducing the need for paper receipts. Chemist Warehouse uses 180,000 rolls a year.
- The Smart Receipt has been ignited as a NEW channel to reach their in-store shoppers with a **23% repeat view rate.**
- **34% view rate of offers** presented in Smart Receipts.
- **5% increase in basket size** MoM post first viewing a Smart Receipt.

Source: Slyp and Chemist Warehouse 2021.

"Slyp's unique Smart Receipts solution has enabled Chemist Warehouse to deliver unparalleled digital experiences for our customers in store. Slyp has also unlocked a new digital channel allowing us to extend our connection with the customer beyond the point of payment. This reduces our cost, increases marketing opportunities, and opens a new opportunity to identify and engage customers."

Jack Gance, Chairperson & Co-Founder, Chemist Warehouse

No matter how big, small or specialised your business is, Slyp has a solution for you. Join the Slyp network today: **info@slyp.com.au**

Slyp

How to combat the rise of cyber fraud

As cyber criminals become more sophisticated and e-commerce continues to grow, the need for top cyber protection and skills is on the rise.

Luke Eason, Partner, Technology Risk & Cyber, KPMG
Matthew Quick, Director, Technology Risk & Cyber, KPMG

CYBER SECURITY CONTINUES TO BE ONE OF THE MOST CRITICAL BUSINESS RISKS in Australia. As retail continues the acceleration towards digital, and the threat landscape continues to change rapidly, retailers need to consider how to build a cyber-resilient organisation that is also able to deliver great customer experiences.

Ransomware raises the risk

The *Australian Cyber Security Centre Annual Cyber Threat Report 1 July 2020 to 30 June 2021* noted that, “Ransomware has grown in profile and impact, and...recorded a 15 per cent increase in ransomware cybercrime reports in the 2020-21 financial year.” As retailers are delivering more digital and online services, the scope for a ransomware attack to cause immediate and critical business impacts continues to grow.

Ransomware defence requires an in-depth and multi-faceted response across all aspects of the cyber lifecycle – it requires significant investment in user awareness, technical defences, detection, and recovery. The retail sector in Australia has often cited smaller profit margins as a limiting factor on their ability to invest in cyber security to the same level as other sectors, such as financial services. However, the ACSC’s data reveals that the retail and financial/insurance sectors were responsible for the same percentage of reported cyber security incidents. This is food for thought as retailers look to the year ahead.

The digital retailer

In the last two years, online presence and services have grown rapidly, and there have been huge rises in transaction volumes. Whilst this has provided great opportunities and benefits for retailers and consumers alike, it also introduces new cyber security challenges.

To win the digital customer, agility and speed to market are key. Traditional development lifecycles are no longer suitable for new web services and features that are needed to engage your customers before competitors do. The time from idea to deployment is rapidly reducing from months to days. This almost continuous deployment of new services (development operations or ‘DevOps’) blurs traditional lines between system development and maintenance. Building security into the solution from inception through to deployment is critical. This requires new ways of working – from the moment of launch, embedding security capability and supporting software into systems development is key to delivering a secure experience for retailers and customers.

As the online customer base grows, it is increasingly important to know who your digital customers are, and to offer them a secure, smooth, and personalised digital experience. Cumbersome sign-ons, password resets, and lockouts can frustrate your customers. Yet a perceived lack of security will make your potential customers look elsewhere. Deployment of a customer identity platform is increasingly essential to give your customers the experience they want. It will allow them to access your services quickly and seamlessly using the latest biometric technologies, such as facial and fingerprint scans, which are inherently more secure than passwords and offer a far better user experience.

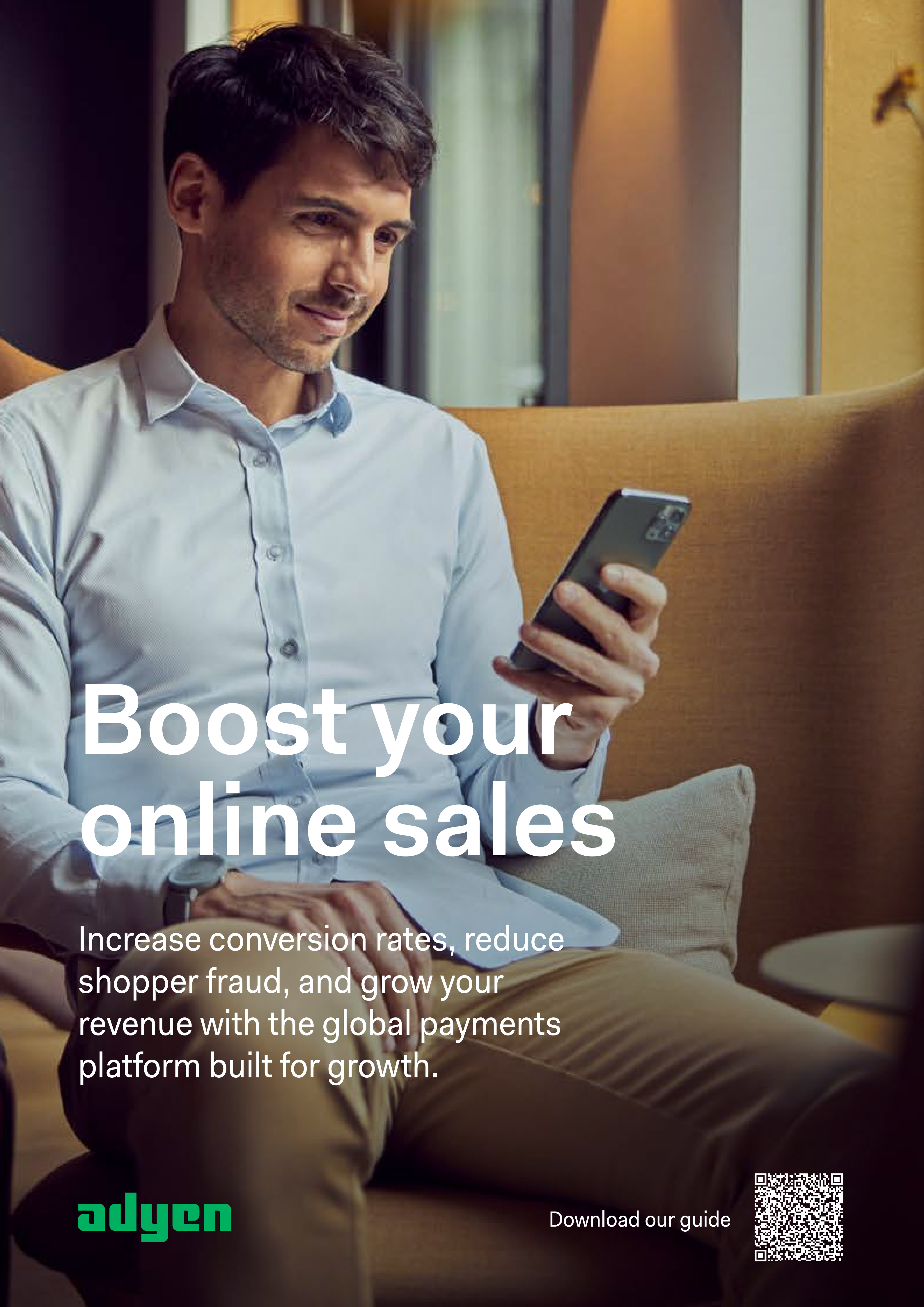
The unfortunate downside of rapid acceleration of e-commerce is that it has provided more opportunities for online crooks to get creative and target your customers through increasingly sophisticated scams, such as phishing and social engineering. This can be unnerving for customers and can have a negative impact on your brand. Effective communication to your customers about the risks and how to identify and report suspicious activity are important to maintaining their trust and engagement.

New retail, new skills

Greater reliance on digital capability means retailers are increasingly required to source new types of cyber skills to ensure that services are secure and resilient. Retailers are accelerating the migration of their data processing capabilities to the public cloud. This requires contemporary skills in security architecture and operations. The rise in fully automated facilities such as distribution centres and warehouses increases the reliance on operational technology to run equipment and devices. Securing these facilities from unauthorised interference requires specialised skills.

Accessing modern cyber skills, which are in high demand across the globe, increasingly requires retailers to compete with technology-intensive industries such as financial services and telcos. Retailers will need to think creatively about their employee value proposition to harness and retain these skills, which will be key to their success.

As we head into 2022 and beyond, retailers need to continually reassess whether they understand the cyber risks facing their business, how they source and retain the necessary skills to address these risks, and how they manage the risks whilst improving the customer experience. ■


Boost your online sales
Increase conversion rates, reduce shopper fraud, and grow your revenue with the global payments platform built for growth.
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