

Tech, the high street's enemy and saviour

The plight of the UK high street retail has been widely reported and analysed. But how significant is the shift to online shopping, and are other factors, and opportunities, being overlooked?

Temps de lecture : minute

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Physical retail has been in decline for some time, and is showing little sign of turning around. The British Retail Consortium (BRC) reports that footfall has fallen 10% over the last 7 years. 106,000 jobs have been lost since 2016, and a further 900,000 are expected to vanish over the next decade.

Some big names have announced significant store closures, including M&S, Debenhams, Homebase, New Look, House of Fraser, Tesco, Sainsbury's, Waitrose and Boots. Others such as Toys R Us, Maplin, Poundworld and Mothercare have left the high street entirely, with many brands entering administration.

This depreciation is commonly attributed to the rise of online shopping whose spend rose to 19.9% of all retail last year and can be expected to rise to 53% by 2028 according to a report commissioned by Womble Bond Dickinson.

Ecommerce isn't the only factor though - A&M and Retail Economics suggest that costs associated with rent, wages and business rates have increased by 10.8% since 2014. The number of empty high street stores hit 10.3% in 2019, with retailers such as Monsoon and Primark appealing to landlords for rent reductions.

Bucking the Trend

A bleak outlook for physical retailers, then, but there are some notable exceptions to the rule. Gyms, vape stores and takeaways stand as examples of physical outlets on the rise, while supermarket chains Lidl and Aldi continue to open stores at an accelerating rate.

All of the above have notably responded quickly to new behaviours and technological stimuli. Many newer gyms specialise around particular disciplines and classes, which have proven popular - as demonstrated by the success of startups like ClassPass, which offers monthly credits to be redeemed at a range of participating gyms and fitness classes.

Meanwhile, several food outlets have flourished by joining partnerships with app-based delivery services like Just Eat, implementing in-store technological innovations such as self-service, and preparing Instagram-ready meals.

Meanwhile, Aldi and Lidl increased their market share from 6% to 14% between 2011 and 2018. Both chains notably base themselves around low prices and avoid branded goods - meanwhile in 2019 food was the only main area of retail spending which increased nationally from 2018. Despite remaining fairly low-tech, stripped-down aesthetics, efficient service and novel products have served to disrupt a stagnant market, and drawn shoppers from a range of incomes.

Experiences, not things

Consumers increasingly prefer to spend their money on experiences rather than things - 52% of them, according to a 2018 Barclaycard survey. Some traditional retailers have recognised and acted on the urgent need

to adapt - with a renewed focus on the experience of store visitors, rather than products or attempts to compete directly with e-commerce.

Sainsbury's recently unveiled its first 'on the go' store, including dine-in options and till-free shopping. Primark has opened its first pop-up store in Shoreditch, alongside its organically sourced Wellness collection. Adidas' new flagship branch offers interactive changing rooms and digitally customisable designs, while Tesco has introduced same-day home delivery.

IKEA, having recently announced its first UK store closure, is venturing into augmented reality (AR) with its Ikea Place app, which allows customers to virtually view furniture placed in their own homes before purchase.

A number of startups are also taking advantage of the changing retail landscape. YR Store, for example, offers an interactive app to allow shoppers to digitally customise products in partnered outlets. NearSt is an app which enables shoppers to search for products stocked by physical stores near them, which they can purchase and collect instantly.

However, other startups remain poised to compete with physical retailers. Cambridge-based Metail crafted a digital changing room which creates 3D models of customers, who can virtually try on clothes purchased online. Thread is an online clothing service which uses AI to algorithmically recommend outfit purchases.

Physical retailers will continue to face stiff competition from online services but are shifting focus towards the truly immediate accessibility of high street stores through more sophisticated digital reinvention, as well as increasingly personalised in-store offerings.



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Groceries of the future

This may be well and good for the non-food areas of the retail sector - but what does progress look like for the regular food shop? While takeaways have adapted to the digital age, household food retail appears stagnant by comparison.

Alongside the rise of Aldi and Lidl, online grocer Ocado has surged into the FTSE 100, while the 'Big 4' are experimenting with novel and more technological store formats and online delivery options.

Despite the low-tech success of discount retailers, supermarkets face competition from a variety of digitally-minded home-delivery startups. Gousto is a subscription-based service which allows users to select recipes online and have the precise ingredients delivered. Allplants offers a similar service, but exclusively provides vegan meals, which are pre-

arranged and delivered frozen. Mindful Chef is another startup in this vein but tailors its meals towards those looking to maximise nutritional value and eat healthily.

Despite rarely undercutting supermarkets on price, recipe box delivery services do offer an edge in convenience and personalisation. Customers with specific dietary requirements or nutritional goals can offset the time and risk of peering through finely printed ingredient lists. Waste is also minimised - a plus for increasingly ecologically and ethically minded shoppers. Sustainability is particularly important to Oddbox, a vegetable box delivery service which consists entirely of veggies which fall short of retailers aesthetic standards, and would otherwise go to waste even before reaching the shelves.



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Is bounceback likely?

Investors are betting against any return to form for the high street in the near future - hedge funds have put £1.6B against any such recovery. Meanwhile, the UK government has announced a re-examination of business rates due to the struggles of the sector.

However the sector fares in future, it's clear that complacency is no longer viable. Retailers will need to continuously adapt to maintain relevance.

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