

KORN FERRY
Institute

Turning the corner

The 2014
survey of UK
retail chairmen

BRITISH **RETAIL**
CONSORTIUM



Foreword

I am delighted that the British Retail Consortium continues to be associated with this important annual survey. It is based on interviews with many of the UK's most influential retail chairmen, which reveal a fascinating range of insights into the state of the retail sector, as it realises the challenges of technological change.

The survey gives us the personal perspective of thirty-three chairmen, whose companies account for nearly half of the nation's retail sales and covers all sectors and channels to market. Unsurprisingly they do not always agree among themselves and so the views they express are not always/entirely those of the BRC.

Yet, in spite of a healthy diversity of experience, it is heartening to find that so many of them share a common perception. The mood of the chairmen has become much more optimistic than it was a year ago, albeit still tinged with caution. It is gratifying to hear their account of how the sector has come through difficult times in good shape. It is especially pleasing to hear how many maintained or increased investment in skills training through the economic downturn. There is also a marked increase in perceptions that customers will be feeling more optimistic in the coming year, based on our experience of serving 60 million customers in 320 million transactions per week.

This is encouraging news and, from our perspective at the BRC, it is important that we draw the right conclusions.

One of these is around business rates—the outdated tax that everyone agrees is ready for review since it discourages both online and more traditional retailers from using property in ways that their customers now demand.

The BRC's options for change, which would allow the Treasury to help retailers by introducing a fair taxation system to encourage jobs and investment without losing vital tax revenues, will be laid out very clearly ahead of the Chancellor's forthcoming Discussion Document that was announced in the Autumn Statement along with the welcome measures to alleviate problems in the short term.

Suffice to say that we don't see signs of returning economic optimism as a rationale for putting the brakes on our work on business rates reform. In the retail industry we believe that recovery and reform are inseparable.



Sir Ian Cheshire
Chairman
British Retail Consortium

A handwritten signature in black ink, consisting of a stylized 'I' followed by a long horizontal stroke that tapers to the right.

Executive summary

A dramatic increase in optimism is recorded in the Korn Ferry survey of UK retail chairmen for 2014. Although economic recovery remains fragile and unevenly distributed across regions and sectors of retailing, the proportion of chairmen declaring themselves optimistic about the economic outlook has risen from 15 percent to 73 percent over the past twelve months.

Twenty-nine of the thirty-three chairmen taking part in the survey predict growth for their own business over the coming year and none expects a downturn in corporate performance. However, these more bullish sentiments are tinged with caution. Economic challenges remain front of mind. These include pressures on consumer spending caused by average earnings rising more slowly than the cost of living. There are also increasing cost pressures and retailers expect the market to remain fiercely competitive.

Technological change proceeds at a breathtaking pace. Two-thirds of the chairmen singled out growth in omnichannel as the most significant trend in their sector of retailing. They envisage that success will depend on the skilful blending of a multi-channel offer to customers. Trading from a conventional website is no longer enough, as many more customers want to shop on the move using tablets and mobile phones. This is forcing retailers to rethink their requirements for shop-floor space and focus hard on serving customers across all channels—and on international sales growth.

The chairmen express worry about the future of retailing in town centres if traders, landlords and local authorities do not work together to provide shoppers with a positive overall experience. Many are also concerned about the cost of business rates and would like to see reform in this area. At the same time, they are mindful of the need for government to reduce the budget deficit.

Retail chairmen are much more inclined than they were twelve months ago to give credit to the performance of the coalition government. Two-thirds say the government is doing at least reasonably well, compared with just one-third last year. According to the chairmen, the priority for government is “to keep a steady hand on the tiller”.

Retail chairmen want to engage with the government to help the politicians understand how consumers are feeling. As one chairman said: “Government may touch 50 percent of the voting population, but retail touches everybody.”

Scope of the research

This survey of thirty-three retail chairmen, between them representing thirty-nine retail companies, builds on earlier Korn Ferry surveys conducted during the pre-election period in 2010 and in the autumn of 2011 and 2012. Participants, who are listed at the end of the report, included the chairmen of the UK's ten largest retailers¹ and a cross-section of all retail sub-sectors: high street; out of town; multichannel; and pure-play online retailers. The companies covered have a combined turnover of £141 billion, which equates to 44 percent of the UK retail economy.²

The questions explore chairmen's views on the current state of the economy and their businesses—and the anticipated prospects for both—as well as their opinions on the performance of the UK government. For questions relating to their businesses, we asked chairmen for separate answers for each company they chair, and the data provided in the report is based on thirty-nine companies. Questions relating to the economy and the government are drawn from thirty-three individual chairmen.

The interviews were conducted between 18 October and 2 December 2013. It is worth noting that the Chancellor's Autumn Statement on 5 December 2013 included a series of announcements related to retail including: a 2 percent cap on increases in business rates for large businesses in 2014, a £1 billion package of support for UK high streets, and that reform of the system is on the agenda for the 2017 revaluation.

As in previous years, the interviews were off the record, allowing the chairmen to talk frankly about their hopes and fears for their own companies as well as for the sector as a whole. A number of chairmen have agreed to be quoted on some topics, but retain their anonymity on others. This flexibility has added greatly to the texture of the report.

The views in this survey are those of the individual chairmen who took part and not necessarily those of Korn Ferry or the BRC.

¹ Where the role exists and an incumbent is in the post.

² Retail Sales Index: Office of National Statistics January 2014 & Mintel UK Retail Rankings 2013

Optimism returns with growth

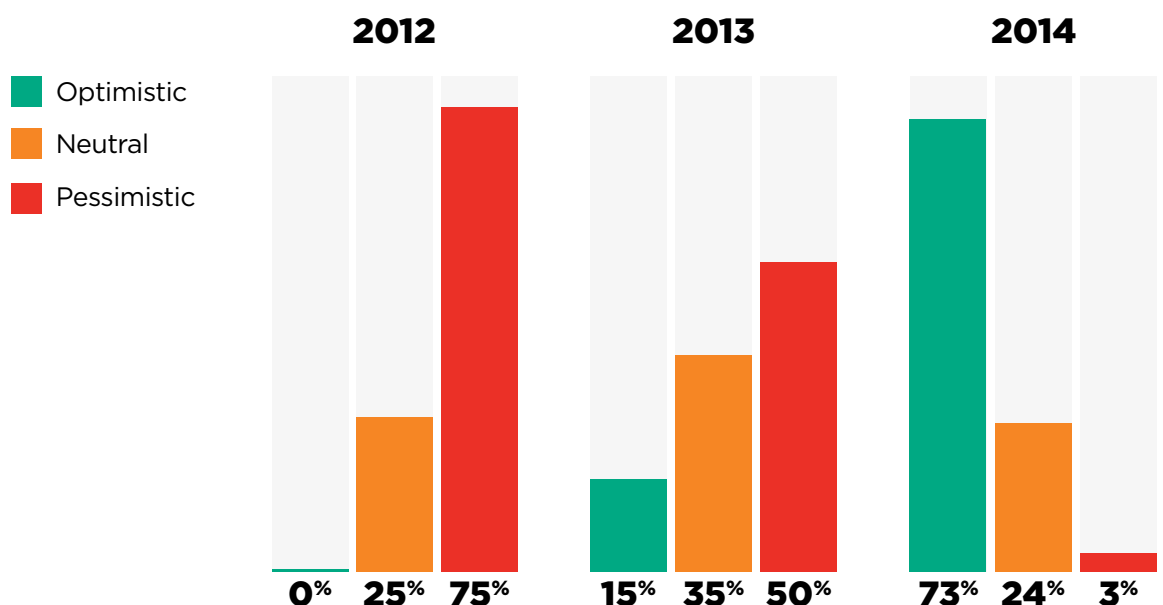
A modest uptick in the UK economy has contributed to an unmistakable change in the mood among the nation's leading retail chairmen. Two years ago Korn Ferry found none of the chairmen optimistic about the economic outlook of the year ahead. Last year the proportion expressing optimism rose to 15 percent, but half still felt pessimistic. This year, however, 73 percent fall on the side of optimism. Indeed only one of the chairmen in our panel described himself as pessimistic about the economic outlook.

Sir Stuart Rose, chairman of Ocado, Blue Inc and Fat Face, and former executive chairman of Marks & Spencer, calls himself very optimistic. "The economy has improved. For those retailers that offer value for money, the outlook is good," he says. Brian McBride, chairman of online fashion retailer ASOS, says, "Last year I thought it wouldn't get better or worse. This year I am more optimistic."

Korn Ferry's results are very much in line with contemporaneous research by the pollsters Ipsos MORI, which published its annual "Captains of Industry" report on 3 January 2014. It said that 93 percent of Britain's Captains of Industry think the economic condition of the country will improve over the next twelve months.

Figure 1

UK retail chairmen's prediction for economic outlook 2012 - 2014



Whilst these figures suggest the tide has turned, some chairmen temper their newfound optimism with a dose of caution. Nigel Northridge, chairman of Debenhams, says: "I'm hearing it, but not feeling it yet." Several say they hope the recovery will gain momentum so that consumers feel more confident about spending. At the same time, they acknowledge that the global economy is unpredictable, however, and many factors lie outside the control of UK government. Stefano Pessina, executive chairman of Alliance Boots, added: "There is always the possibility of external events triggering a new phase of stagnation."

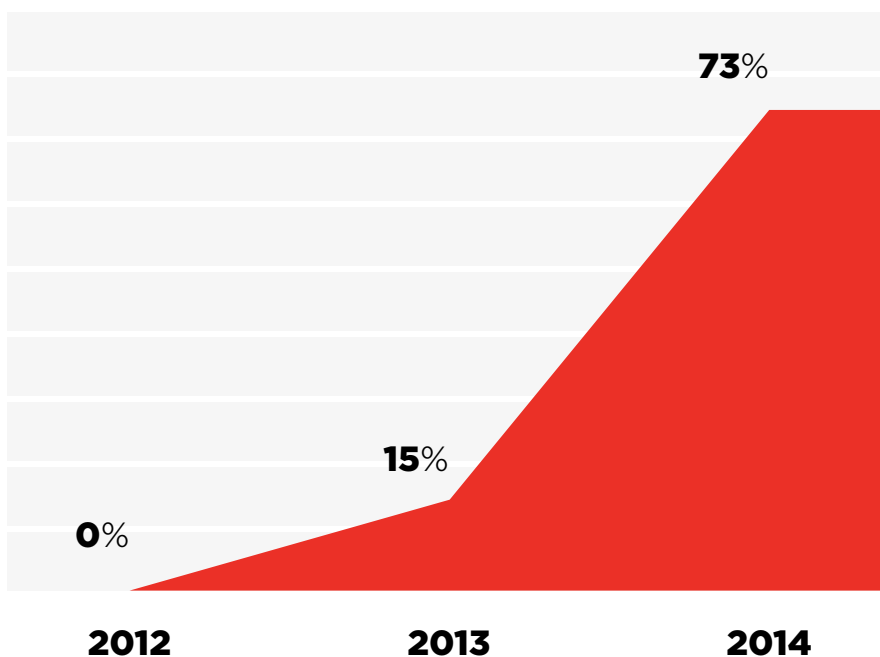
Several of the chairmen, noting the timing of the next general election, assumed that the politicians in power would not want negative economic news to surface in the run-up. However, some retail leaders are more guarded. John Barton, chairman of Next, says, "I'm neither optimistic nor pessimistic. I hope for the former, but I'm prepared for the latter."

"Last year I thought it wouldn't get better or worse. This year I am more optimistic."

Figure 2

UK retail chairmen's confidence index 2012 - 2014

The year-on-year increase in the percentage of retail chairmen who are optimistic about the economic outlook.



Economic growth

In the uncertain economic conditions that prevailed one year ago Korn Ferry asked the chairmen: “When will the UK economy return to perceptible levels of growth?” More than half of the chairmen did not expect perceptible growth until 2015 or beyond at that time.

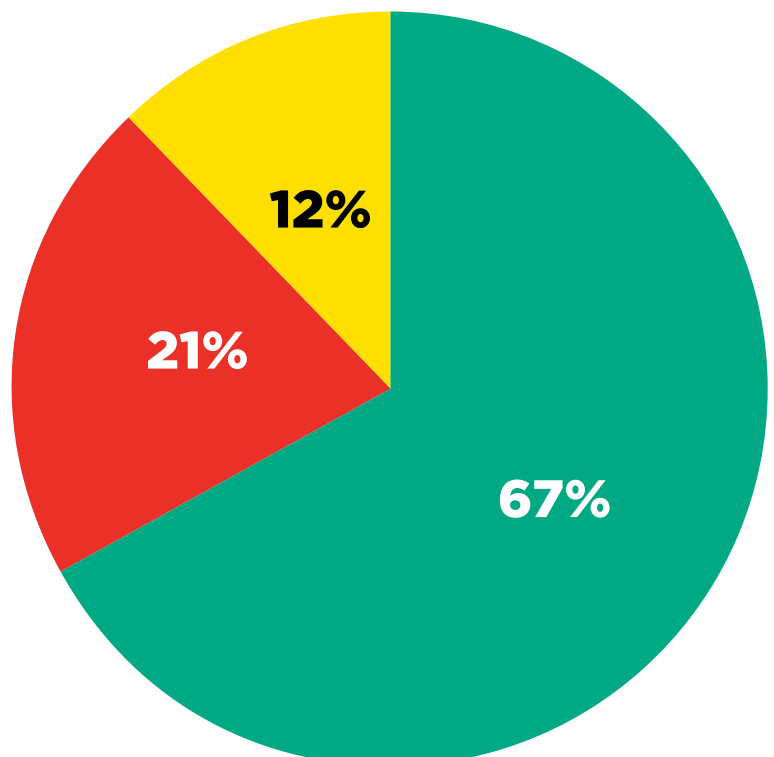
But they are changing their view. Geoff Cooper, chairman of Dunelm, says, “The economy is growing, more so than people realise.” Indeed 67% of chairmen think the UK has now returned to economic growth.

Economic reports confirm their instincts. In the Chancellor’s Autumn Statement on 5 Dec 2013, he announced modest consumption-led growth in the UK economy of 1.4% in 2013, compared with a forecast of 0.6% last March. The Office for Budget Responsibility also raised its forecast for growth in 2014 from 1.8% to 2.4%. The results may therefore be interpreted as a direct reflection of their trading experience rather than reporting current thinking in Whitehall.

Figure 3

Is this a return to growth?

- Yes
- No
- Don't know



The perception of growth did vary across different retail sectors. Their attitudes were also influenced by geographical factors, since growth is not spread evenly across the UK and some businesses are concentrated in particular regions that are doing better or worse than the average. Sir Ian Gibson, chairman of Morrisons, says, “We have become a two-and-a-half-tier economy – inner London, greater South-East and the rest of the UK, but step outside that and you don’t see signs of renewed economic activity.” John Allan, chairman of Dixons Retail, also says growth varies by location. “It’s not explosive growth,” he says. “Wages are rising slower than prices and real incomes are still falling.”

Even if many chairmen believe the economy has returned to growth, caution remains. David Tyler, chairman of J Sainsbury, says, “The economy is in growth and is stronger than I anticipated it would be but the general economic backdrop does still remain uncertain for many.”



The consumer mood

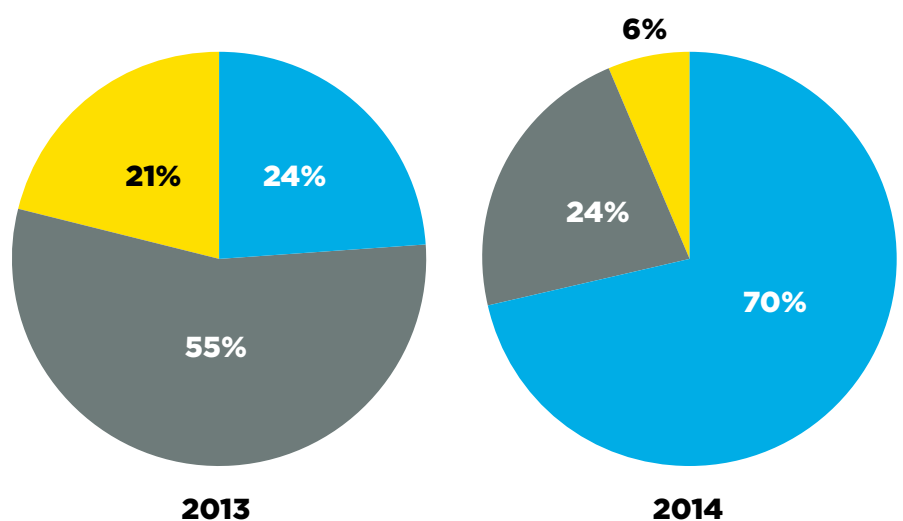
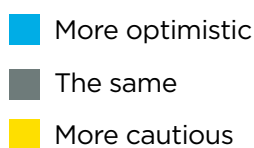
A year ago Korn Ferry found retail chairmen divided about the mood of their customers: 21 percent expected customers to become more cautious; 24 percent said they would be more optimistic. This year the outlook is more buoyant, with 70 percent expecting customers to be more optimistic.

Daniel Bernard, chairman of Kingfisher, says, “Customers will be more optimistic—but they will still seek out deals.” Sir John Peace, chairman of Burberry, says he expects spending to go up. “It will be interesting to see where they spend it—in shops, online, or on moving house, or on a holiday they have not had for a few years?”

Only 6 percent of chairmen thought consumers would be more cautious in the coming year—though several thought they had reason to be. Robert Swannell, chairman of Marks & Spencer, notes, “Confidence is certainly higher but, with inflation outstripping wages, the same isn’t yet true of consumer spending power.”

Figure 4

Will customers be more cautious or more optimistic over the next 12 months?



Retail trends

Two-thirds of the chairmen singled out growth in online sales as the most significant trend in their sector of retailing. They envisaged that success will depend on the skilful blending of a multi-channel offer to customers, with stores and online working together to provide a seamless service and experience.

Trading from a conventional internet site is no longer enough. Many more customers want to shop on the move using tablets and mobile phones. Recent figures from the IMRG and Capgemini e-Retail Sales Index suggest a tipping point has been reached in the digitisation of the consumer: all growth in online sales is now coming from sales via mobile devices. “The most significant trend is the increase from mobile,” says Brian McBride, chairman of ASOS. “These are inexorable trends. If you don’t have a mobile strategy, you won’t be around in two or three years. It’s about e-mail, Twitter, Instagram, Facebook, Google Plus—how you drive customers to your site.”

Another trend, according to the chairmen, is that customers use online pricing to become more astute in seeking out value. “Retailers have taught British consumers to be very savvy,” says Paul Mason, chairman of Cath Kidston. “Successful businesses are those where the customer recognises transparency in the offer.... Targeting consumers by age is less relevant than it was. It’s now about catering for very eclectic tastes.” Successful retailers will also use their knowledge of consumer preferences to reach out to customers, rather than relying on them to come unprompted into store.

Online growth also means these retailers are now selling around the globe, not just in the UK. Sir John Peace, chairman of Burberry, notes that the global middle class is expected to expand from about 2 billion consumers today to about 4.9 billion by 2030—much of that in Asian markets. Their choices of products, brands and travel destinations may have an enormous impact on some retail businesses.

“The most significant trend is the increase from mobile.”

Strategic priorities

“Having a good online offer is now the price of entry.”

Asked about the top strategic priorities for their companies in 2014, half our panel included international growth.

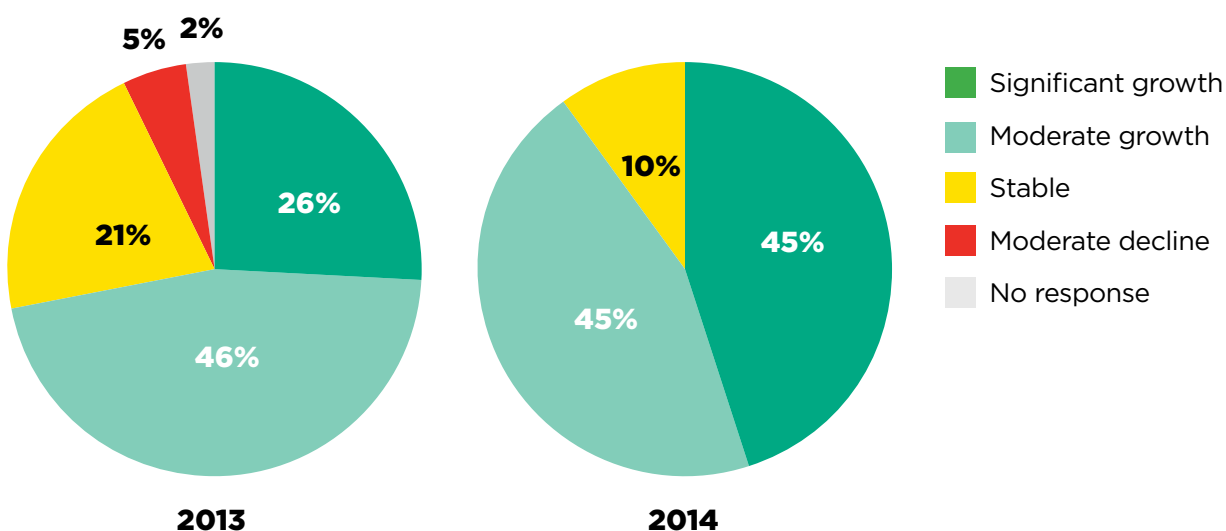
That said, the chairmen more frequently cited strengthening the core business, differentiating it from competitors, getting the offer right to give customers what they want, and having the best leadership team to deliver results.

Another common theme was the need to build up the multi-channel offer. For some chairmen, that will require opening new sites, or investing in technology and in staff training to help customers place online orders in store. For others, the priority is still on developing a digital side of the business. “I didn’t mention online because our offer is now developed,” Godfrey Davis, chairman of Mulberry, says. “Having a good online offer is now the price of entry, not an optional extra.”

In spite of the uncertainty about the mood of customers in general, the chairmen were optimistic about their own companies’ performance. The forecasts for 90 percent of the companies represented were for either moderate or significant growth. Four chairmen predicted stable results; none mentioned a downturn in their own corporate performance. The most noticeable change from last year’s survey is in the number of chairmen predicting significant growth for their business—up from 26 percent to 45 percent.

Figure 5

What is your prediction for your company's performance next year (in the UK)?



Where would this growth come from? International sales, online trading and enhancement of the multi-channel offer. Chairmen in businesses preparing to open new stores unsurprisingly saw them as an important contribution to sales growth.

Sir Charlie Mayfield, chairman of John Lewis Partnership, says different parts of the business will grow in different ways. “For John Lewis, online will continue to be very significant, but it’s the same customer shopping across channels,” he says. “For Waitrose, it’s about new stores, improved price perception, and more targeted promotional investment.”

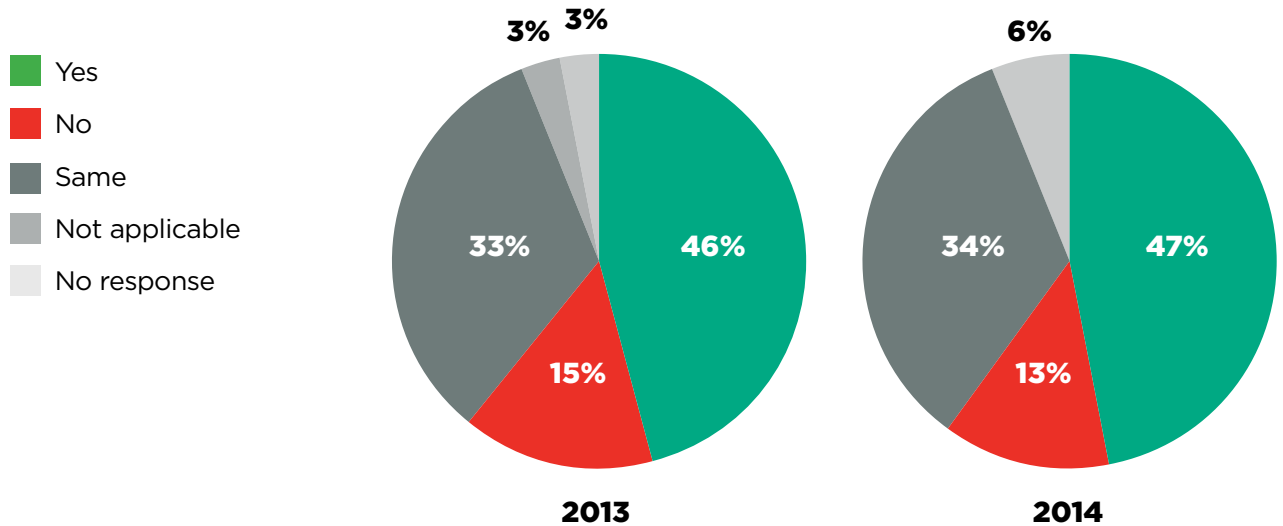
Others mentioned improvement of the product would drive sales increases. Tony Campbell, chairman of T M Lewin and The White Company, says their growth will come from “new markets and newness in the offer to customers.”

Capital investment

The chairmen's forecasts of capital expenditure over the next twelve months are similar to last year.

Figure 6

Will you invest more in your business over the coming year compared to the previous year?



The future of high streets

The chairmen are concerned about the future of retailing in town centres if traders, landlords and the local authority do not collaborate on creating a positive experience for shoppers. Customers need improved access to town centres, reasonably-priced parking and a broad range of amenities, as well as an attractive range of stores to visit. In too many high streets they don't find this appealing mix.

As a result, the chairmen expect a polarisation of fortunes. The strong streets will stay vibrant, but other locations will struggle to retain a strong retail presence. Local authorities may have to consider converting parts of the high street into residential and other uses to keep the area alive.

Retail chairmen also reflected on the impact that online sales may have on town centre footfall. Click-and-collect strategies, where a customer buys online but picks up a pre-packaged order in the store—could bridge that gap, so long as customers are looking for a reason to go to the town centre.

“People who go to town centres think: Can I park? Will I get a fine? Will I be rained on? Is there a good choice of shops and can I get a coffee? These are the issues to fix,” says Andy Higginson, chairman of both N Brown and Poundland. “Click-and-collect is a solution that is needed for online, but whether it's an advantage for town centres remains to be seen. The collection point could just as easily be a local newsagent as it could town centres.”

Some chairmen suggest that if high streets lose more retail chain outlets, that could allow a resurgence of independent retailers. “Customers will get tired of homogeneity in the high street,” says Geoff Cooper, chairman of Dunelm. “Maybe town centres will specialise in a particular sub-sector. Economics will correct retailers' costs by giving lower returns to property owners. Tertiary locations will struggle.”

There was a divergence of views on the long-term outlook for the high street. “The concept of what a town centre is will change,” says Alan Parker, chairman of Mothercare. “We may evolve to what there is in North America where there isn't a high street.”

But Debbie Hewitt, chairman of both White Stuff and Moss Bros, says she sees town centres changing to have a greater focus on residential development and health care. “It will be key for the government to optimise the opportunity this provides for more vocational training. There will still be a place for successful retailers. Click and collect will be an essential part of the town centre offer and this should be an opportunity to improve service to the consumer and increase sales.”

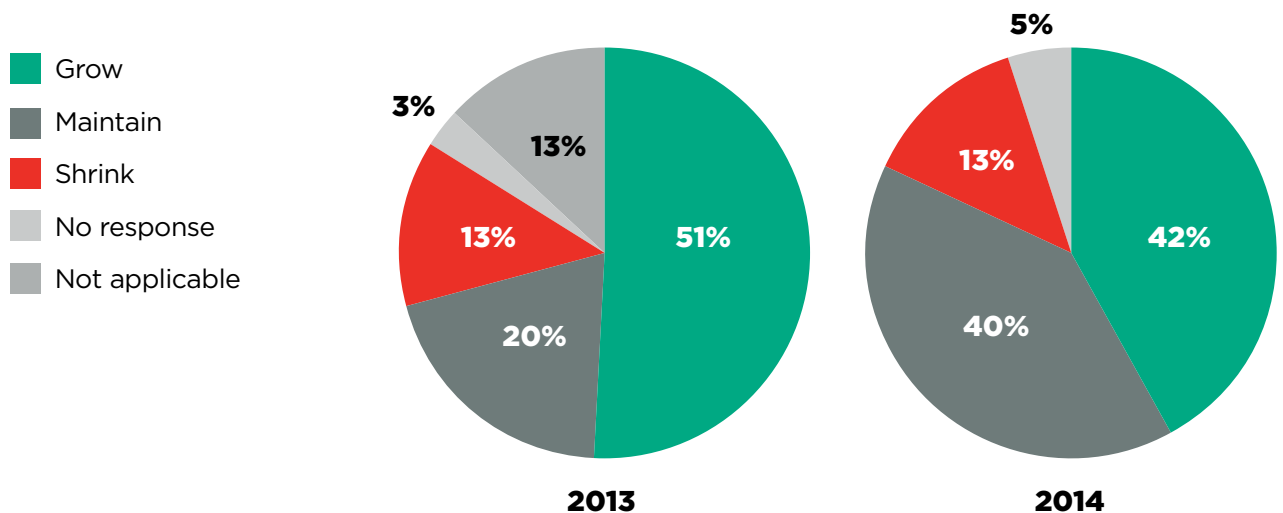
“The concept of what a town centre is will change.”

Store portfolio

In spite of pressure on the high street and increasing emphasis on online trading, 42 percent of chairmen expect their store portfolio to grow in the UK in 2014—down slightly from 51 percent last year.

Figure 7

Will the store portfolio in the UK grow/shrink/maintain?



Moreover, 47 percent say they expect to expand the number of stores overseas.

“The UK opportunity is to use stores as an asset in a multi-channel world”, says Alistair McGeorge, executive chairman of New Look. But Brian McBride, chairman of pureplay retailer ASOS, can’t be lured to invest in bricks and mortar. “If you didn’t have stores, you wouldn’t invent click-and-collect. It’s a strategy for physical retail to get money out of the assets they have, but you don’t need stores. There’s lots of other ways to address the delivery challenge.”

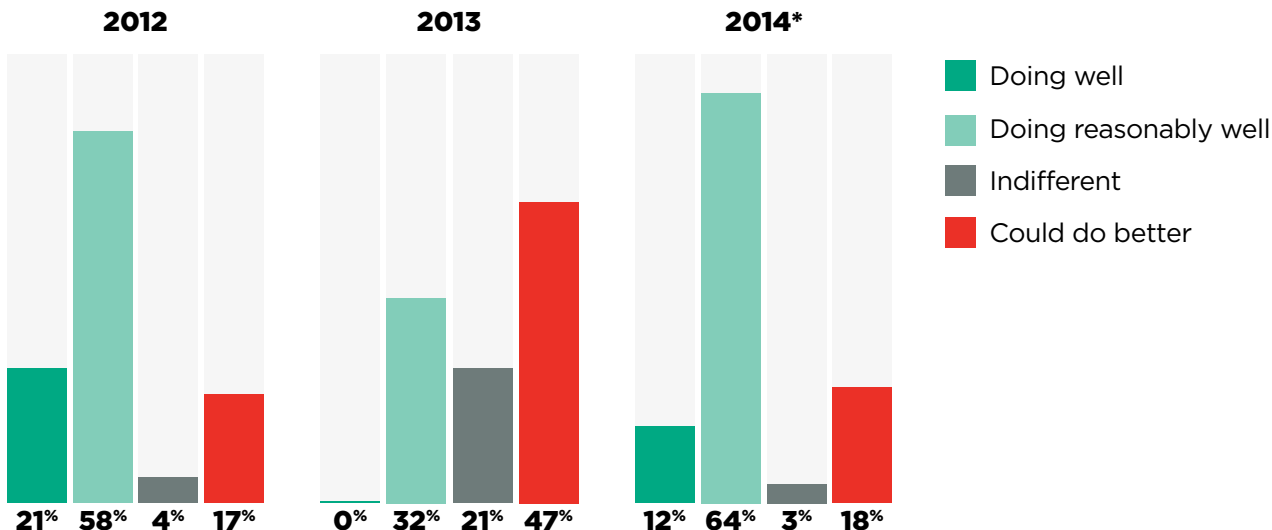
The political pulse

Retail chairmen are much more inclined than they were twelve months ago to give credit to the performance of the coalition government. In this year's survey 64 percent said the government is doing "reasonably well" since coming to office and a further 12 percent say it is "doing well." That represented a positive verdict on ministers' performance by more than three-quarters of retail chairmen.

Last year no chairmen reported that the government was "doing well." Half said it "could do better." The proportion expressing similar negativity this year was only 18 percent.

Figure 8

How would you describe government performance since coming to office?



The government's reputation among retail chairmen has almost returned to where it was two years ago, when four-fifths expressed a positive view. This suggests that chairmen perhaps became disenchanted with the government's handling of the economy in mid-term, when the pains of austerity were more evident than the gains. Last year the chairmen wanted the government to do more to stimulate the economy by investing in infrastructure and jobs. This year the emphasis is on keeping a steady hand on the tiller and the majority of chairmen think the government has got it right.

* Percentages do not equal 100% as one interviewee declined to comment

“Compared with Continental Europe, the UK government has done well.”

“They’ve done exceptionally well in difficult circumstances. They’ve stuck to their knitting and it seems to be working,” says Nigel Northridge, chairman of Debenhams. Debbie Hewitt, chairman of White Stuff and Moss Bros, is broadly positive about how the government is balancing the books. It’s “not spectacular, but OK,” she says. “The coalition government was not an exciting prospect, but I guess they’ve done better than expected, given the cards they were dealt.”

The government also looks good by comparison, according to Daniel Bernard, the chairman of Kingfisher who is based in France. “Compared with Continental Europe, the UK government has done well,” he says.

Sir Charlie Mayfield, chairman of John Lewis Partnership, offers a more nuanced response. “They were right to hold the line on austerity and public finances. They were right to encourage liquidity measures. Because growth has returned to a degree, there’s less need felt for a long-term plan for growth—but it’s still very much needed. It needs to come from business and I’m supportive of moves to encourage industrial leadership. The government should take every opportunity to encourage that.”

Priorities for government

When asked what the priorities for government should be, there was widespread support for the view expressed by Robert Swannell, chairman of Marks & Spencer, who said: “Keep the economy on an upwards trajectory.”

Other common themes included:

- Changing public attitudes towards business and wealth creation.
- Building better infrastructure.
- Promoting exports and attracting inward investment.
- Addressing long-term structural issues such as the ageing population.
- Cutting red tape, reducing costs and avoiding excessive interference from Whitehall.

David Tyler, chairman of J Sainsbury, called on the government to create a vision for growth. He said: “We should make the country famous above all for services, capitalising on our English language, our legal system, our cosmopolitan atmosphere. We should be the banker to the world, its insurer, its provider of services – marketing, design, IT, legal, and so on.”

In relation to the retail sector specifically, many chairmen are looking for reform on business rates, and would like that to be on the agenda, even as deficit reduction continues. Their answers, of course, were gathered shortly before the Chancellor announced a 2 percent cap on the increase in business rates in 2014 and a £1 billion support package for high streets. The 5 December 2013 announcement also set business rates reform on the agenda for 2017, with a discussion paper scheduled for spring 2014.

That timeline may not assuage all the chairmen. Henry Staunton, chairman of W H Smith, says, “If the government is serious about [supporting] the high street, the straight facts are that rating valuations need to be more realistic. Don’t postpone the rates revaluation. Accelerate it.” David Bernstein, chairman of Ted Baker, points out how serious the high street situation is getting. There are “vacant properties; desolate town centres; parking seems increasingly difficult and puts consumers off,” he says. “Rates are part of the same problem. The cost of opening high street units is too high. It is out of kilter. We need to restore health to provincial high streets.”

“We need long-term sustainable policies that create growth.”

However, the chairmen were also mindful that the government needs to reduce the budget deficit—and that fair taxation will be a complicated affair. “We need to look at the totality of VAT, business rates, corporation tax and employee taxes (including pensions) and then adjust the system to find a fair way to apply to all business models,” says Phil Wrigley, chairman of Majestic Wine and Hobbs. “By doing so we could avoid disproportionately taxing retailers with property.” Another chairman warns, “Of course we’d like to pay less, but it behoves us all to think very carefully before pursuing self-serving fiscal change.”

Other priorities raised by the chairmen included high street regeneration, parking, reduction of red tape, skills training, labour market flexibility, a more sympathetic planning regime and easier access to tourist visas.

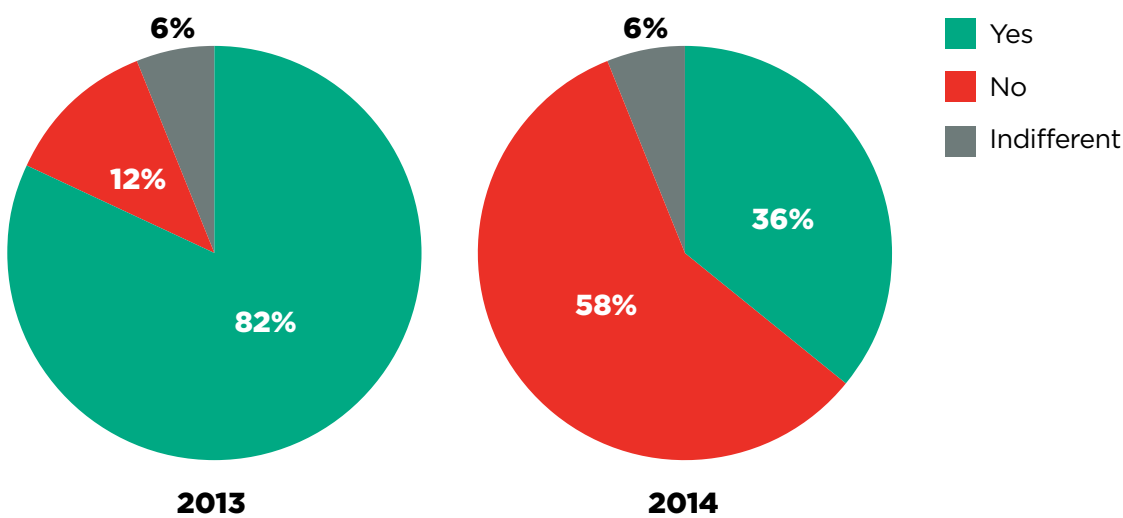
A priority for some chairmen was boosting consumption by encouraging more employment, more disposable income and less tax. Dennis Millard, chairman of Halfords, suggests finding “a way to put money in the pockets of the masses—those earning £30,000 or less. You don’t need to cut the top rate of tax to below 45 percent; rather put more money in the pockets of those at the bottom end of the tax bracket.”

Yet most chairmen—58 percent—think the government does not need to do more to stimulate growth and consumer confidence. As Figure 9 shows, this contrasts sharply with results last year, when 82 percent were seeking more stimulus.

Ian Durant, chairman of Greggs, says there is room for the government to do more in “encouraging private sector employment through inward foreign investment and infrastructure programmes. We need long-term sustainable policies that create growth and momentum in economic activity.” But Geoff Cooper, chairman of Dunelm, says it is “not the government’s job” to artificially stimulate demand. Sir Charlie Mayfield, chairman of John Lewis Partnership, says what the economy needs now is “a steady hand on the tiller.”

Figure 9

**Should the government be doing more to stimulate growth/
consumer confidence?**



So, what can a political party do to win the votes of retail chairmen at the next election? It was evident that any political party wanting to woo them would have difficulty satisfying their desires on a succinct pledge card. Answers we gathered included:

- Managing the economy well.
- Reducing debt.
- Offering a clear long-term vision for Britain.
- Addressing structural issues such as the ageing population.
- Spending more on front-line services and less on departments.
- Holding an EU referendum.
- Abolishing faith schools.
- Getting business people to teach in schools.
- A senior commission to develop a long-term growth agenda for retail.

“We are at the sharp end of the relationship with the nation.”

Rt Hon Michael Jack, the former Conservative Minister who now is chairman of Topps Tiles, offers some advice to politicians of all persuasions. “When it comes to your next manifesto, be realistic about what you can do,” he says. “Don’t over-promise otherwise the public will see through this. Keep it simple and make sure you can measure your delivery.”

Likewise, retail chairmen believe they have a responsibility to represent the UK consumer to the government.

“The role of retail is to make it clear that we are at the sharp end of the relationship with the nation,” says Sir Ian Gibson, chairman of Morrisons. “Government may touch 50 percent of the voting population, but retail touches everybody. Retail should be a route for government to understand what’s really happening as opposed to what they think is happening.”

Sir Charlie Mayfield, chairman of John Lewis Partnership, says retail companies need more consensus if they are to drive change. “The automotive sector have done it brilliantly – we make more cars now in the UK than in the ’70s because of the way that sector has worked with government to create a common vision for the future of the industry. We need more of that in other sectors,” Mayfield says.

The challenges ahead

Retail chairmen were frank about three big challenges facing the sector: economic challenges; the technological challenges brought about by the digital revolution; and the challenge of building the capability of organisations to succeed in a sector that some chairmen perceive to be handicapped by a “dearth of talent.”

The economic challenges include:

Pressures on consumer spending. Average earnings are rising more slowly than the cost of living. This is shrinking purchasing power, particularly among lower income groups. As John Barton, chairman of Next, put it: “I’m concerned about the continued squeeze on consumers.”

Rising costs. Retailers find they can no longer rely on lower-priced supplies from China to offset increases in rent and rates. Pent-up demand for wage increases for retail staff may also add to the cost pressures. Andy Higginson, chairman of N Brown and Poundland, says, “China is inflating, the cost base is rising, so retailers will find it more difficult to hold prices down.”

Competitive pressure. With over-capacity in many parts of the market, and new retailers coming from overseas, the UK today is perhaps the most competitive retail market in the world. “I struggle to see countries where there is tougher competition than in the UK (and possibly Germany),” says Stefano Pessina, executive chairman of Alliance Boots. “The US is supposedly a country of competition, but is actually soft compared with the UK.”

At the same time, technology is creating fundamental changes in customer behaviour. Challenges emanating from online and mobile shopping, as well as internet culture in general include:

Keeping up. The pace of change is breathtaking. Customers use social media to talk to each other about trends, prices and the desirability of particular items. Retailers have to engage this digital shopper in a whole new way. “Nothing in our past has prepared us for the future,” says Simon Burke, chairman of Bathstore, “and consequently the industry is somewhat adrift in my view.”

“The leadership needs of retail are changing.”

Managing for multi-channel. Simply managing shopfloor space to account for rising online sales and declining footfall is enormously complex. There are opportunities for growing click-and-collect sales and for encouraging customers to buy in store and have their goods delivered. However, many companies feel they have excess real estate, which is leading to a polarisation between thriving city centres and struggling tertiary locations. “On the high street there are so many obstacles to overcome, it will take five to ten years to solve,” says John Allan, chairman of Dixons Retail. “Maybe a generation.”

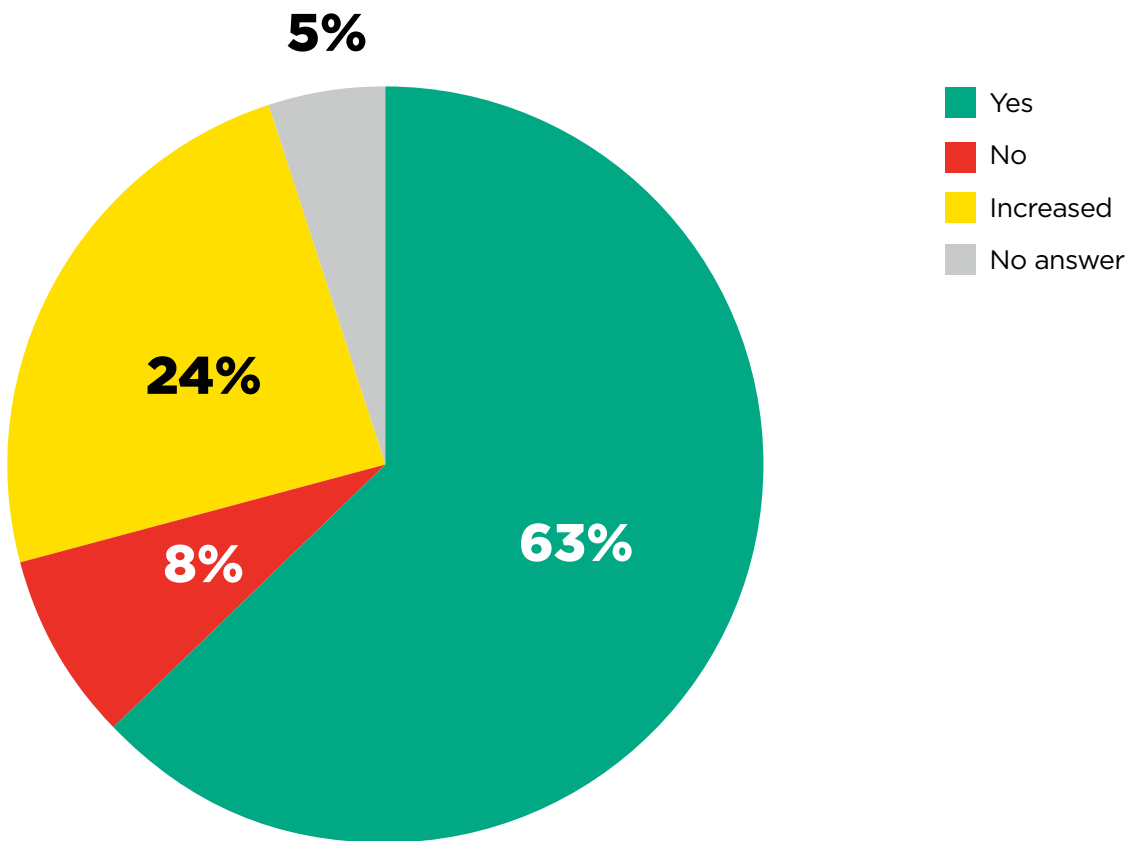
The availability of talent, business leaders and human capital issues also weigh on the mind of many retail chairmen. While they praise the commitment and energy of their employees, they aren't sure they are attracting the skill sets required to cope with the economic and technological challenges hitting the industry.

As one indication of how crucial the talent issue is for retailers, two-thirds of the chairmen said they had not reduced investment in jobs, skills and training during the economic downturn. Indeed, 24 percent of chairmen said they had increased spending in this area.

Debbie Hewitt, chairman of White Stuff and Moss Bros, said the problem was “understanding exactly which skills you are looking for in digital as they do not typically fit the traditional retail model—and then convincing those people to join you.” Ian Durant, chairman of Greggs, agrees, adding that “the leadership needs of retail are changing. There is a lot of experience of reducing costs, less experience of how to manage growth.”

Figure 10

Have you managed to retain the same level of investment in jobs/skills/training through the economic downturn?



Inspiration: people, products and propositions

Finally, Korn Ferry asked the retail chairmen what they found inspiring during the past year. Ten said they were inspired by their own companies. Those who were inspired by companies other than their own named John Lewis, ASOS, Burberry, Primark and Amazon.

Others found inspiration in the people, innovative spirit, and opportunities around them:

“The impact of technology.”

Phil Wrigley, Majestic Wine & Hobbs

“The race to fulfil customers’ needs and dreams; it is the most exciting time to be part of this great industry.”

Sir Stuart Rose, Ocado, Fat Face & Blue Inc

“The pace of change and the sense of possibility.”

Ian Durant, Greggs

“The vision and commitment of the people I have the privilege to work with.”

Keith Hellowell, Sports Direct

“The revolution we are witnessing, with consumers taking charge of multi-channel and the way that retail is responding.”

Nigel Northridge, Debenhams

“The sheer explosion of demand for retail services through mobile devices.”

David Tyler,
J Sainsbury

“The independent retailers taking spaces left behind by multiples. People still see opportunity in the sector.”

Simon Burke,
Bathstore

“The hard work, endeavour, spirit and optimism of people who work in the sector – the energy that goes into delivering what the customer wants.”

John Barton, Next

“The power of innovation. However difficult the market, if you have product that customers want, you will be successful.”

Tony DeNunzio,
Pets At Home

“Seeing how enthusiastic and committed our people are to do the best they can for customers.”

John Allan, Dixons

“The way retailers continually re-invent the proposition.”

Henry Staunton,
WH Smith

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White Stuff
Moss Bros

Andy Higginson

Poundland
N Brown

Rt Hon Michael Jack

Topps Tiles

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Cath Kidston

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About Korn Ferry

At Korn Ferry, we design, build, attract and ignite talent. Since our inception, clients have trusted us to help recruit world-class leadership. Today, we are a single source for leadership and talent consulting services to empower businesses and leaders to reach their goals. Our solutions range from executive recruitment and leadership development programmes, to enterprise learning, succession planning and recruitment process outsourcing (RPO).

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The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth and success.

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About The British Retail Consortium

The British Retail Consortium is the lead trade association for the entire retail industry. Diverse and exciting, our industry spans large multiples, independents, high streets and out of town, from online to bricks, selling goods across all sectors from clothing, footwear, food and homeware to electricals, health & beauty, jewellery and everything in between, to increasingly discerning consumers.

Our mission is to make a positive difference by advancing vibrant and consumer-focused retail. We stand for what is important to the industry and work in partnership with our members to shape debates and influence outcomes.

We work with government to create the right conditions for growth and innovation, we champion great careers and we promote responsible retail's vital role in the community.

For further information, visit www.brc.org.uk