



BOOST REDPAPER - *Winter 2017/2018*

Everything an I.T. Channel Partner Needs To Know When Selling Into *The Retail Sector*

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Retail is one of the most high-pressured verticals, with a frenzied pursuit of digitalisation and the ever present threat of online giants such as Amazon forcing many smaller players and even some larger rivals, out of business as they struggle to keep up.

In this [redpaper](#) we look at what is keeping retail bosses awake at night, the pressures their own customers are under, and the role the channel can play in easing some of the pressure on IT decision makers in the sector.



About the Retail Sector

Retail is the UK's largest private sector employer with 2.9 million employees, and by the end of the year this figure will have increased to 3.3 million, according to retail employment agency *Retail Appointment*.

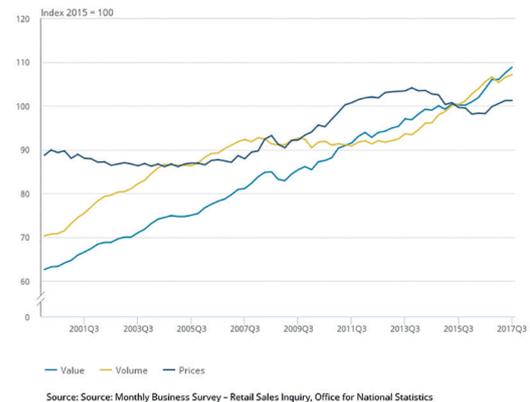
It is estimated that there are approximately 287,000 retail outlets in the UK, turning over a combined £321bn in 2016, and the role of technology is becoming ever more central, yet ever more complex for those in charge.

However, the whole sector relies on consumer confidence, and after a shaky start to the year, the outlook is looking more positive, albeit steady.

Kate Davies, senior statistician for the Office of National Statistics, said: *"There is a continuation of the underlying trend of steady growth in sales volumes following a weak start to the year and a background of generally rising prices. These increased costs are reflected in the more rapid growth in the amount spent when compared to the quantity bought."*

Figure 1: Quarterly growth for all retailing seasonally adjusted sales volumes, values and non-seasonally adjusted implied deflator

Great Britain, Quarter 1 (Jan to Mar) 2000 to Quarter 3 (July to Sept) 2017





Under pressure

Technology is driving change in the retail space, as bricks-and-mortar stores are expensive to maintain and the cost of running a store is hampered by eye-watering business rates and many other hidden charges. Every penny has to count, and each retailer is striving for the ultimate efficiency, both in their back office and customer-facing systems; and they are desperate to differentiate themselves from the competition. The omnichannel experience is the holy grail for retailers and the direction they should all be heading.

In addition, staff turnover is extremely regular, half of all staff are part-time, and a third of employees are under the age of 25, meaning HR management, and retaining key staff is a very real headache for larger retail employers, particularly when wages are so low.

Retail Market Key Stats (source 1):

PEOPLE

- The retail sector is the UK's largest private sector employer with 2.9 million employees
- 66 per cent of all retail employees work for the largest 75 retail companies
- Retail's gender profile is 58:42 women and men
- Almost a third of retail employees are under 25 years old
- Half of retail employees work part-time
- Eighteen per cent of all retail staff are managers or senior officials
- By 2017 the UK will have 3.3 million retail employees

SHOPS & SALES

- There are approximately 287,000 retail outlets in the UK
- Out of all VAT-registered businesses in the UK 9% are retailers
- Retail sales reached a total value of £321bn last year
- Nine per cent of all retail sales were internet-based
- More than a third of consumer spending goes through shops



It is fair to say that the UK has been hammered by a series of political events over the past year that has seen a huge number of consumers cut back on all but the essentials as their confidence in the economy and the amount of money they have in their pockets, fluctuates, particularly when inflation drives prices up and disposable income drops off a cliff. There is also a very real fear of interest rates rising which will push many people over the abyss as wages are not rising in line with inflation and are in fact, falling in real terms.

Food is the only exception to the rule in tougher times, and it is often an area that will see consumers cut back on other 'luxury' expenditure to focus on putting food on the table.

So, in a sector that relies on this shrinking consumer spending to survive and thrive, the quest to achieve ultimate efficiency in IT systems is very real, but also the role of technology will continue to grow in importance as retailers look to make shopping with them an experience that will keep customers coming back for more.

There is no such thing as customer loyalty - price is everything for cash-strapped consumers, and they will not hesitate to go elsewhere if they can save money. This is particularly true in the supermarket sector where budget stores like Aldi and Lidl have flourished, despite their larger, more established rivals spending millions on loyalty schemes and complex CRM systems.

Sadly for the retailer, customers really do not care how much has been invested in a particular system

or technology - to them shopping is shopping. But by making the experience as frictionless as possible, at least they will come back. Those retailers that fail to invest will be left behind. **And this is where the channel can really help to drive that change, by helping them invest in the right technology.**

The customer is in charge

The way shoppers pay is also accelerating change - and one of the most 'revolutionary' recent introductions to retail was contactless payments - according to the *UK Cards Association*, shoppers spent £2.32bn in 2016 using contactless payments, and this number will only grow. By 2024, cash payments will make up just 34 per cent of purchases, according to *Payments UK*.

It is the customer driving the direction of investment in the retail sector. For example, research among 350 UK, German, US and Japanese executive and senior retail decision-makers in 2017, carried out by analyst firm *Planet Retail* ([source 2](#)), revealed that 63 per cent of those questioned said that improving instore and online customer service would have the greatest impact on their organisation's profitability.

A further 65 per cent agreed that having a real-time view of and control over inventory throughout the supply chain is essential.

Indeed, all top five strategic priorities in the research were firmly centred around technology (see [Box 2](#)).



Top Five Strategic Retail Priorities (source Planet Retail):

1. Having a real-time view of and control over inventory throughout the supply chain is essential
2. Engaging consumers in the various ways in which they want to shop is challenging
3. Ensuring a fast check-out experience is important to gaining customer loyalty
4. Investing in an effective digital and mobile strategy to improve the customer experience is essential
5. Improving data capture capabilities throughout the supply chain can enhance product flow and on-shelf availability

However, an extra pressure likely to be high on the list of priorities for retail bosses right now – particularly the larger chains – is the ever-looming General Data Protection Regulation (GDPR) deadline next May. Retailers often keep the personal details of millions of their customers including credit card numbers, names and addresses, and just one single data breach after GDPR comes into force will result in crippling fines from the European Union and the very real threat of going out of business.

To this end, security is a massive priority for all retailers, as unscrupulous hackers target not only big businesses like Tesco and T.K Maxx, but also

SMB businesses because they are seen as an easier target. Consumers need reassurance that their details are safe and that their personal data will not be compromised in the event of an attack. Retailers are acutely aware of the need to ensure their security measures are ironclad, and this is an area where channel expertise is much needed.

According to the most recent figures available from the *British Retail Consortium*, the annual bill for UK retail crime hit £613m in 2016 – the highest level since records began, and three times higher than in 2007/8. Of that figure, 36 per cent is down to cyber-crime, and that will most certainly have increased dramatically in the next set of figures for 2017.

Therefore, it is unsurprising that so many retail businesses give up the ghost as the pressure of staying secure and trying to keep ahead of the competition, increases. According to a study by the *Centre for Retail Research*, 62,000 shops could fold in the next five years as online shopping is set to account for 22 per cent of retail by 2018, and if no action is taken to modernise, the report also hinted that UK retail store numbers could fall by 22 per cent – doubling the current store vacancy rate to 24 per cent.

But, thankfully it is not all doom and gloom for the sector. In a report entitled *Retail 2023: Trends affecting retail strategy over the next decade* (source 3), bank RBS surveyed a number of UK-based retail financial directors, and 74 per cent said they believed consumer spending would grow over the next five years.

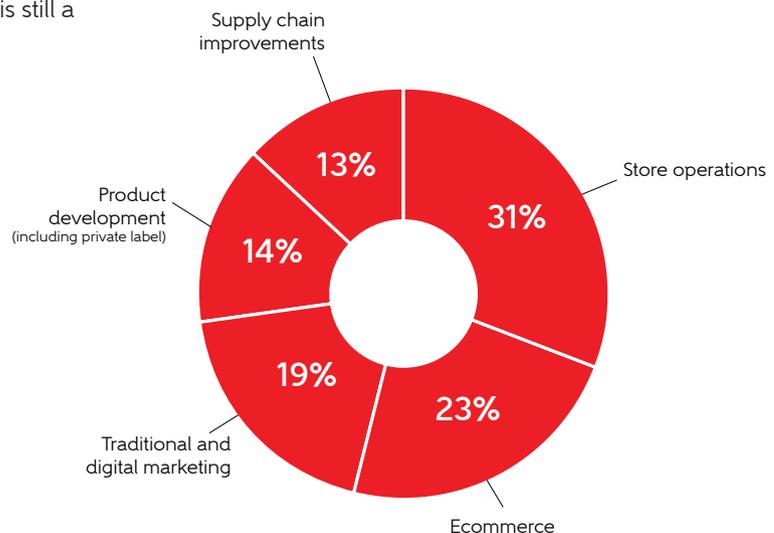
To keep their audience coming back, retailers are constantly thinking how they can use their stores better to their advantage and it is likely that a hybrid model of showrooms (stores) supplemented by click and collect services will be the most popular.

On the IT side this requires them to move to a real-time, single stock view - a challenge for businesses of all sizes, but again a challenge that the channel should be taking up on the retailer's behalf.

Despite advances in technology, many shoppers still like to see and feel their purchases before they buy, and the more mature customers in particular prefer the traditional method of on-site shopping, with online relied on more for convenience buys such as grocery shops or impulse buys. So there very much is still a need for physical stores.

Then there is the question of biometrics - figures released by *WorldPay* this year revealed that 49 per cent of shoppers questioned would like to pay for future purchases using fingerprint, palm or iris scanners (*source 4*). How realistic this is to achieve, obviously depends on budgets and clever use of technology, **but it is a point worth considering by the channel when speaking to retail customers.**

So where are retail decision makers spending their money? *Planet Retail* asked its 350 respondents to signal what percentage of their organisation's IT funding will be allocated to specific areas in the coming years, and the results were a fairly even split, with in-store operations and ecommerce the top priorities.



(source Planet Retail (2))



Channel action points

As mentioned throughout this **redpaper**, retailers need their trusted technology advisors to help them pick the right technology for their business, and navigate their way through what must seem like a solutions minefield.

Indeed, the opportunities are plentiful, whether this is selling security solutions to ensure GDPR compliance and battle cyber-criminals, physical solutions for greater in-store security, PoS offerings, or complex omnichannel solutions that enable the retail customer to monitor stock in real-time, formulate customer buying patterns for future business planning and generally improve the overall shopping experience for their own customers.

The appetite for investment is definitely there on the part of the retailers, but as with all customers, the right approach to selling is needed.

Listening to your retail customers' concerns and understanding their business needs is essential, rather than just telling them what products you think they should invest in.

Also sell them an outcome, rather than just a solution; if you can explain how a particular technology is going to actually benefit their business and outline what the main benefits will be, they are more likely to make that investment. Talking feeds and speeds is the quickest way to disengage a customer's brain.

Knowing your market, and being able to share insights with the retail customer will certainly help during the sales process. Customers naturally want to work with experts and they can soon spot those who are winging it. Suppliers that are confident in their market and product knowledge, and who can prove early in the sales process that their solutions will really make a difference to the customer will not only earn the trust of that particular client, but are likely to be recommended to others.

Being honest - if something they want isn't right for them, tell them, rather than selling technology for the sake of it - customers might not like to hear it, but they will thank you in the end if the finished solution not only streamlines their business, but saves them money too. Similarly if you don't have the technology needed in your portfolio, consider collaborating with a peer that does, to ensure you don't lose a deal. This is an activity that a lot of vendors are encouraging among their partner bases.

Finally, bear your customer's budget in mind - most businesses do not have a wodge of cash lying around to pay up-front for a big technology investment, but by offering commercially creative solutions, on a monthly billing basis, not only does it ease the strain on the customers' wallet, but gives you, the supplier a recurring revenue stream as well.

Specialist technology-orientated sales training organisations, such as Sales Gym 360 (www.salesgym360.com), will be able to help you on



your transformational journey by helping to improve the capability of your IT salespeople and your Sales Managers. The business was founded by ex-Bytes Managing Director, Darren Spence, and since its launch it has helped hundreds of channel salespeople improve the way they engage with their customers and sell up the value chain.

Conclusion

There is no doubt that retail is going through a tough time at the moment thanks to reduced consumer confidence and economic pressures, but the appetite to spend is definitely there, provided the sales approach and the technology itself, is right.

By following what might appear to be overly obvious rules such as listening, knowing the market, and ensuring customer needs are a priority, the channel opportunity is definitely there for the taking.



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