The platform era and its impact on the retail industry

06 September 2017

Introduction:

Whilst change is nothing new to the retail industry, the rise of 'platforms' marks the latest chapter in the industry's story, and this is what the KPMG/Ipsos Retail Think Tank chose to explore when its member met in July 2017.

Briefly looking back to major developments within retail, Paul Martin, UK Head of Retail at KPMG, stated that since 1945, the industry has gone through as many as four main evolutionary phases.

Expanding upon these, Paul Martin pointed to the shift from independent retail stores to the chain-stores concept; the roll-out of extended chain-store concepts (known a multi-format retailing, including out-of-town stores and convenience stores), the emergence of e-commerce and digital marketplaces, and finally the more recent harmonisation between pure-players and physical retailers, in the form of the 'omni-channel' business model.

Today however, the focus is very much on retail platforms, as Dr Tim Denison, director of retail intelligence at Ipsos Retail Performance, stressed when he said that changing consumer behaviour had moved the conversation on from the "battleground between bricks and clicks" – the divide between physical and online retail.

He added: "today's reality is very different; the battle cries have been replaced by courtship and now marriage [between on and off-line retailers]. Shoppers have turned out to be channel agnostic, wanting a frictionless customer experience in which quality, price and service are consistent, whether they shop online, mobile or in-store". This, he said, has given way to the "era of the all play platform".

What is a retail platform and what is driving this new evolutionary phase?

Definitions of what constitutes a retail platform were varied among the RTT members. After all, there is no 'one size fits all' approach to innovation; nor is there one form of retail platform. There were however, a number of central themes that shed light on the direction of travel in this new era.

Starting with perhaps the most obvious, many of members cited Amazon as an example of a retail platform. Indeed Maureen Hinton at GlobalData suggested that Amazon's subscription service – Prime – was being adopted by other retailers, like Next, in a bid to 'lock' customers into their brand.

Paul Martin expanded upon this point of customer loyalty, suggesting that: "…the purpose of the platform is to keep the consumer within the ecosystem and target them with multiple propositions to maximise the customer lifetime value".

He added: "…the future of the platform is likely to involve an increased number of products and services along the customer value chains, such as banking and utility services, as well as travel and educational offerings. You can imagine an infinite amount of propositions that could be added to an end-to-end subscription model".

The vital question however, as raised by James Knightley, chief international economist at ING, was whether retailers would choose to develop their own 'ecosystem' or partner up with other retailers to create a platform.

Looking to the latter – retailers joining forces – Jonathan De Mello, lead retail consultant at Harper Dennis Hobbs, said that: "the spate of consolidation within the retail sector knows no end, with Sainsbury's mooted purchase of Nisa, following the game changing purchase of Booker by Tesco".

Indeed, many of the RTT members pointed to similar mergers and acquisitions, both new and old, as examples of platforms seeking to increase product and service mix to protect profitability in this new age.

Nick Bubb, retail analyst, pointed to the decade-old merger between wholesaling business Alliance Unichem and Boots the chemist. He said that: "no doubt there will be moves in the future to combine the retailing and wholesaling parts of other industries". He also pointed to the merger of Dixons and Carphone Warehouse in 2014, flagging that it was an example of two retailers exploring synergies.

Similarly, James Sawley, Head of Retail & Leisure at HSBC, pointed to other examples of collaboration. He flagged that many retailers were teaming up with experts to improve their food and beverage offering within stores, which consequently increases both the quality and dwell time of customers. He pointed to the M&S' partnership with Wasabi and the recently announced linkup between Next and Gino D'Acampo as examples of this sort of behaviour.

Martin Newman, chairman of Practicology, stressed that: "the platform era is not an entirely new retail sector trend, but the pace of consolidation and the merging of traditionally online and offline businesses is not something that has been seen before".

Many of the RTT members suggested that the creation of platforms was an extension of retailers aiming to be more multi-platform, with both a physical and online presence. Indeed, Tim Denison said that: "it makes absolute sense for physical retailers to collaborate with e-tailers to build platforms that combine the strengths of both sets of business processes, resources and skills".

He went on to add that e-tailers bring with them their cloud-based agility and speed, order fulfilment, digital infrastructure, customer knowledge, personalisation and deep data insights. Meanwhile, physical retailers have their established product supply chains, store estates, distribution and logistics, in-store team experience, and visual merchandising expertise.

Martin Hayward, founder of Hayward Strategy and Futures, reinforced the omni-channel argument further, stating that: "shops and online is the answer the consumer is looking for, and we are seeing the construction of newly integrated businesses or platforms that can offer the consumer a host of options for buying from a single retailer". He added that the challenge however, is: "…to integrate the two sides of the equation – physical and online – seamlessly to maximise their joint power".

The driving force behind this new era, Maureen Hinton said, is : "...finding a complementary business [to partner with]…[which] provides faster access to new sectors and channels than organic growth" - a key driver for any business.

James Knightley added that: “the most interesting aspect of the platform economy is the potential it provides to more efficiently match supply with demand”, and as Martin Hayward pointed out, much of this new era is being motivated by consumer demand.

How might the age of platform play reshape the retail industry?

The RTT members were in agreement that, like all major evolutions, this new platform era entails both opportunities and threats for retailers and consumers alike.

Firstly, looking to the upsides, the members suggested that the customer was not only a key driving force behind this new era, but was also a key beneficiary too. Indeed, many reaffirmed that the balance of power was now very much with the shopper, and that the platform era would only enhance this further.

Tim Denison suggested that if retailers successfully executed the move to platform play, we could expect to see the cultivation of relationships that go beyond the transactional, and rather create emotional connections that provide solutions and experiences that have deeper meaning with customers.

Mike Watkins, head of retailer and business insight at Nielsen UK, suggested that as we move into the platform age: “…we can expect more partnerships and more sharing of data across industries and platforms which [in turn will] enable common sets of supply chain, sales, media, customer and financial data to be fused across the retail ecosystem”.

This, Mike Watkins believes, will lead to platforms so well connected that algorithms will own customer relationships from discovery to persuasion, and finally to transaction. Furthermore, he stressed that it would ultimately lead to making retail operations more agile and efficient – a clear upside for retailers, particularly in the current challenging environment.

The platform era does leave room for non-platform retailers, like independents, as James Knightley suggested when he stated that such businesses are unlikely to be completely squeezed out due to their ability to address niche areas.

On the other hand, Jonathan De Mello flagged that: “all the consolidation we have seen, and will continue to see, points to an increase in retail vacancy rates across the UK”. He also added that: “new retailers will come in and fill these gaps… [and that] this is a natural correction of the supply/demand imbalance we have in the UK, with too many poorly configured, badly located, retail properties across the country”.

Against a backdrop of further mergers and acquisitions, Jonathan De Mello also highlighted that job losses and further store closures are inevitable. Using Sainsbury’s purchase of Argos as an example, he stated that this: “had already led to store closures and job losses at both businesses. [However,] this was necessary given the overlap in business functions such as finance and HR etc. [There was also]…considerable overlap in their respective store portfolios”. This, he believed, would most likely be a reoccurring theme as the industry looks set for further consolidation.

As pointed out by a number of the RTT members, filling in some of the retail real estate vacancies will be retailers striving to form platforms. Whilst physical retailers look to expand their online offering, online retailers will look to expand their physical presence.

Indeed, Martin Newman pointed to the likes of Farfetch, Missguided and Joe Browns as examples of previously online-only retailers now making forays into bricks and mortar in this new age. He added that: "…this is ultimately great news for the consumer, who really will have greater choice about how they buy".

Conclusion:

So where next for retailers in the platform era? Maureen Hinton suggested that in this currently challenging environment, with squeezed profits and ever-increasing costs, "…retailers have been forced to deploy some lateral thinking and consider how they can expand their businesses using complementary channels, services and sectors, and deliver then deliver under one brand umbrella".

Nick Bubb added that: "…diversification is likely to be the answer for mainstream retailers…and that would take many forms, via move into wholesaling, manufacturing or parallel markets". However, Martin Hayward suggested the big players could end up being very similar, irrespective of where they started.

The platform era should intensify competition, according to James Knightley. He suggested that this new environment is more susceptible to disruption, with new entrants being offered easy access due to the low barriers to entry technology allows. Conversely, he also stressed that the disruptive potential of such technologies may also give rise to the need for more regulatory oversight, should platforms dominate to such an extent as to constrained competition.

As pointed out by the majority of RTT members, the driving force behind much of this change is both technology and consumer behaviour, therefore it is only fitting to conclude that the industry needs to closely monitor the evolution of these two drivers carefully. As Tim Denison concluded: "these are genuinely transformative and liberating times for retailing. Not all will survive, but the end game for sure will be more satisfied shoppers".

Part II: In detail – Individual views of the KPMG/Ipsos Retail Think Tank members

James Knightley, Chief International Economist - ING

Like all major revolutions, the new Platform era creates threats and opportunities, but it is important for every company to have a strategy. Whether they choose to develop their own system or partner up with someone else is a key question, as is whether to fully embrace and try to go for growth or use it as part of a product mix in an effort to protect profitability. In any case, non-platform businesses are unlikely to be completely squeezed out due to their ability to address niche areas.

From an economist's perspective, the most interesting aspect of the Platform economy is the potential it provides to more efficiently match supply with demand. We can define efficiency in this regard as technology facilitating a better service at a lower price. Furthermore, this new environment, which is more susceptible to disruption with new entrants offered easy access due to the low barriers to entry technology offers, should intensify competition.

This "efficiency" should act as a constraint on price inflation, which central banks are already recognizing and factoring into their decision making when setting monetary policy. Hence most long-term "terminal" forecasts for interest rates in major developed markets are converging on the 2-3% range rather than the 4-6% range predicted a few years ago.

With the cost of debt set to stay low, this has implications for asset prices and financial stability. We are therefore likely to see a greater use of "macro-prudential" policies. An example of this fine tuning effect is the Bank of England's decision in June to raise capital buffers to limit the supply of unsecured credit to households. Another is capping mortgage availability in terms of loan to values, as used by some other central banks.

There are other issues that need to be addressed. The disruptive potential of the new technology means the need for significant oversight and potential regulation to ensure that major platform economies don't dominate to such an extent that competition is constrained and the positives it creates start to wane.

Then there are broader economic shifts that need to be managed. The greater "sharing" potential technology allows (I only want the use of a drill for a couple of hours, not for life) means that people may borrow or lease an item rather than purchase it. This is bad news for manufacturers and could see some businesses go out of business. It could have a dramatic impact on the labour market as a result.

Dr Tim Denison, Director of Retail Intelligence – Ipsos Retail Performance

When the first transactional shopping website went live 20 years ago, the future of retail threatened to become a battleground between bricks and clicks. Today's reality is very different; the battle cries have been replaced by courtship and now marriage, thanks to consumer behaviour. Shoppers have turned out to be channel agnostic, wanting a frictionless customer experience in which quality, price and service are consistent, whether they shop on-line, mobile or in-store. Welcome to the era of the "all play" platform.

It makes absolute sense for physical retailers to collaborate with e-tailers to build platforms that combine the strengths of both sets of business processes, resources and skills. Walmart, Tesco, Sainsbury, Amazon, Alibaba, to name but a few, have all recognised and acted on this belief. Debenhams has had the vision to appoint ex-Amazon, Sergio Bucher, as CEO. Physical retailers have their established product supply chains, store estates, distribution and logistics, in-store team experience, visual merchandising expertise. E-tailers bring with them cloud-based agility and speed, order fulfilment, digital infrastructure, customer knowledge, personalisation and deep data insights. The challenge for both becomes one of engaging with the right partner(s) and transforming operations by deploying a platform that enables shoppers to enjoy excellent, customer-centric experiences.

What does this mean for the customer, if retailers conquer platform design and execution? We can expect to see the cultivation of relationships between retailer and customer that go beyond the transactional, creating emotional connections and providing solutions and experiences that have deeper meaning. Future platforms will orientate retailers towards helping shoppers buy, rather than trying to sell. Today's shopper still values highly the expertise and experience of the retailer and the brand, but just wants to insert themselves into the equation. Digital connectivity through social media and online communities have become an integral means to facilitate dialogue and for retailers to explore, collaborate and gain first-hand knowledge of customer preferences and lifestyles. The Internet of Things (IoT) and machine learning (Artificial Intelligence) will take it a lot further, whereby technology will manage repeat ordering and retailers will be supplied with data relaying the context of consumption.

These are genuinely transformative and liberating times for retailing. Marriages that a few years ago would have been considered beyond the pale are now every day news. Not all will survive, but the end game for sure will be more satisfied shoppers.

Paul Martin, UK Head of Retail – KPMG

Since 1945, retail has gone through four evolutionary phases. Today, these four phases all still exist along-side the traditional form of retailing, in the shape of independent stores.

The first phase was the chain-store, which has successfully expanded across many markets around the world over the past seven decades. The next evolution meant that many chain-store operators extended their operations across multiple store concepts such as 'big-box' - out-of-town destination stores, urban convenience store concepts, to name just two examples becoming multi-format retailers.

With the emergence of the internet, the development split into two branches. On the one hand multi-format retailers (as well as single format players) started moving towards multi & omni-channel business models. On the other hand pure-play e-commerce operators and online market-places entered the stage and are increasingly expanding into physical channels.

The latest development has been the emergence of commerce-platforms. Indeed, the platform business model takes a much broader approach to the market and targets both business-to-business and business-to-consumer across multiple physical and digital channels, whilst also incorporating social channels alongside product offerings and ancillary service propositions such as payment mechanisms, logistics solutions, content production and delivery services and so on.

The purpose of the platform is to keep the consumer within the ecosystem and target them with multiple propositions to maximise the customer lifetime value. Today's platform operators are pre-dominantly technology-led businesses who are different from traditional retail businesses that have often evolved from phase-1 to become what they are today.

Currently all four phases co-exist, although it is easy to imagine the platform business model taking a dominant position in the not so distant future. As described, the evolution initially followed a sequential development path but after phase-2, split into two separate branches running parallel to one another.

The future of the platform is likely to involve an increased number of products and services along the customer value chain, such as banking and utility services, as well as travel and educational offerings. You can imagine an infinite amount of propositions that could be added to an end-to-end subscription model. The future of multi/omni-channel players is less sure though. Could there be another evolutionary development or will this branch be absorbed into the platform business model going forward?

Martin Hayward, Founder – Hayward Strategy and Futures

For years the basis of retail valuation was heavily reliant on the amount of real estate that a retailer held – more square feet meant more sales. More recently that view has come under pressure, as online sales have accelerated, and valuations have been much more influenced by the scale of a retailer's online presence.

As happens with every trend that is supposedly going to change everything, we are now seeing a correction in perspective that acknowledges that actually both capabilities are crucial. Consequently, we are now entering a new phase where it is the degree of integration between both shops and online presence where value is seen.

Amazon, widely credited with the destruction of bookshops, is now opening – wait for it – bookshops. This is merely a reflection of the correction in the marketplace, driven by consumer demand for the opportunity to browse and enjoy the purchase process. Electronic book reader sales are declining because the reading experience is not as good as a hard copy, and Waterstones and others in the UK are reporting an uptick in book sales off the back of renewed consumer demand and new store openings.

Amazon has also bought Whole Foods – not Ocado, as the shareholders may have hoped – because they understand that food retailing requires different skills from online fulfilment of non-food, but also that online food delivery is unlikely to exceed 10% of the marketplace in the foreseeable future. Consumers are shifting to more frequent smaller shops, uneconomic for delivery and again sometimes more fun to browse for in person than online.

So Amazon, the giant of online is embracing the power of physical retail at the same time that the physical retailers are doing their best to embrace online. One-hour delivery, more local stores, and a wider range of online merchandise are all being pursued as Sainsbury buys Argos and Nisa and Tesco looks to acquire Booker.

Potentially the big players all end up being very similar irrespective of where they started. Shops and online is the answer the consumer is looking for and we are seeing the construction of newly integrated businesses or 'platforms' that can offer the consumer a host of options for buying from a single retailer. This is ultimately great news for the consumer, who really will have greater choice about how they buy, and good news for high streets and shopping centres, as we better understand the role for physical alongside online retail.

The real challenge will be to integrate the two sides of the equation seamlessly to maximise their joint power. This will require retailers to get a lot better at gathering and understanding customer data. (A UK clothing retailer who recently wanted to move more customers online found that shutting stores adversely affected online sales in that area, so they are now re-opening).

Equally, we should also watch out for the further evolution of consumer online behaviour, just as it is with books, and we may well see the thrill of rapid home delivery diminishing, the social benefits of going out to shop being re-assessed and the real costs of home delivery becoming more apparent.

Maureen Hinton, GlobalData

UK retail is one of the most competitive markets in the world and is at the forefront of retail development, as both consumers and retailers embrace change. It is a mature sector with low overall growth, and has become even more competitive as power has switched to the consumer who now has unlimited choice and access via the internet.

Furthermore, behaviour is changing. As a mature economy, the vast majority of consumers have an abundance of products and are shifting their spending to leisure and entertainment rather than more shopping. Following the recession, years of government austerity and the uncertainty over Brexit, consumers are far more considered about spending than in the early years of the 21st century.

Combine these factors with retailers' profits that have been squeezed so much they are only just covering rent, rates and operating costs, and a supply chain that has become far more expensive because of the devaluation of the pound, and retailers have been forced to deploy some lateral thinking and consider how they can expand their businesses using complementary channels, services and sectors, and deliver them under one brand umbrella.

Being online is essential in the platform era, despite it only accounting for 16%* of all retail sales in 2017 (though this varies across sectors; for instance 25% of clothing & footwear sales are online and 51% of electricals). Which means stores are still an essential part of the retail proposition; while 84% of retail sales are via stores, another 5% of online sales are dependent on stores (via click & collect and browsing instore).

Finding a complementary business provides faster access to new sectors and channels than organic growth, as Sainsbury's did with its acquisition of Argos. It boosted its non-food and online sales and has provided new outlets for the Argos business – just as Amazon's tie up with Wholefoods gives Amazon a wide spread of physical locations for non-food collection, as well as a greater inroad for its fledgling food & grocery business. Indeed, Amazon is setting the agenda for physical as well as online development. Its model of a subscription service (Prime) is being adopted by retailers (most recently Next) in a bid to lock in customers.

While its creation of Amazon original entertainment has yet to be adopted by a retailer on the same scale, original videos created by brands, such as Ted Baker's Mission Impeccable, are tapping into the power of You Tube and how media is now consumed. And to meet the shift in spending retailers have been increasing their instore facilities with bars, cafes, restaurants, spas and creating social events.

Retailers that have maximised their share in their core markets are being forced diversify to grow and the challenge will be combining and managing these diverse elements under one cohesive brand.

Martin Newman, CEO – Practicology

The platform era is not an entirely new retail sector trend, but the pace of consolidation and the merging of traditionally online and offline businesses is not something that has been seen before.

Amazon buying Whole Foods is one global example, but there is plenty of activity in the UK too.

The Hut Group (THG) it is an ecommerce platform provider as well as a retailer; and its acquisition of technology services provider UK2 in May this year leaves it poised to create 1,000 technology-related roles in three years. UK2's services will be used to underpin the proprietary ecommerce platform created by THG, that it sells as a white label offer to other retailers, as well as for the sites it trades itself.

THG another interesting acquisition in 2016 – of leisure and health facility Hale Country Club – is a UK example of an online retailer buying into bricks and mortar. At the time of the acquisition THG said the investment had been made to support its Myprotein and Lookfantastic online retail brands.

Other online retailers making forays into bricks and mortar include Farfetch, Missguided and Joe Browns, all who have opened stores in select locations. This strategy is unlikely to transform the retail property market, as the number of stores involved is relatively small, but it does create a footfall draw for the flagship locations and schemes that can attract these brands.

There are clear back-end and operational benefits from some of the other market developments we are witnessing; Tesco with Booker or Sainsbury's and Argos (providing supply chain benefits and allowing Sainsbury's to leverage the non-food expertise of Argos' head office staff and better space utilisation in its property portfolio).

Meanwhile, Wal-Mart's numerous technology and ecommerce acquisitions including Jet.com are reportedly to allow it to compete with Amazon in the USA. Investors certainly benefit when acquisitions diversify a retailer's revenue base away from the wafer-thin margins associated with selling commoditised products through physical stores.

From the customer's point of view, things only really get interesting once consolidation leads to genuinely joined up propositions being created.

For instance, with the Sainsbury's acquisition of Argos, the benefits of the platform era only come to fruition once there are developments such as a single sign-on to the two brands' websites, Argos products delivered with a Sainsbury's grocery order or a combined loyalty programme.

In the same way that early multichannel retailing was very siloed, where customers would have been mistaken for thinking they were buying from a different business online to its stores, there is little immediate benefit to the customer from the platform era unless it translates through to the proposition and relationships that retailers are trying to build.

Mike Watkins, Head of Retailer and Business Insight – Nielsen UK

The 21st Century shopper has different expectations. The mantra for retail is to invest in omnichannel with new customer platforms that make shopping quick and easy, with secure payment transactions, and to offer convenient delivery which includes click and collect.

The also means re-inventing the purpose of the store to reduce costs and to allow technology to better serve the customer.

However, one of the biggest challenges for retailers faced with disruption from the technology titans and the fragmentation of the existing path to purchase, is to open up their existing data platforms.

In the digital age loyalty is harder to earn but the rewards can be higher, so we need different thinking. It`s important that internal sales and customer data is now linked by technology to external data, so retailers are able to act quicker and efficiently. This requires connected systems built on collaboration models.

Looking ahead we can expect more partnerships and more sharing of data across industries and platforms, which enable common sets of supply chain, sales, media, customer and financial data to be fused across the retail ecosystem.

The benefits include leveraging the best data to measure and improve performance and to quickly diagnose what's happening to customer spend and why. Then using real time analytics and predictive modelling, backed up by shopper insight, to think about `what's next`.

No single platform or data set can deliver on this promise. In the future, platforms will become so connected that algorithms will effectively own the customer relationship from discovery to persuasion and to then to transaction.

The balance of power is now with shoppers, which is why the platform era means the need for better connected systems that quickly identify growth opportunities.

The upside for the retail industry is that having blended data held on the retailers` own or partner platform is an imperative for the personalisation of the shopping experience as well as making retail operations more agile and efficient.

Jonathan De Mello, Head of Retail Consultancy – Harper Dennis Hobbs

The spate of consolidation within the retail sector seemingly knows no end, with Sainsbury's mooted purchase of Nisa following the game changing purchase of Booker by Tesco. These acquisitions - both in the grocery sector - make eminent sense, though the rationale behind Sainsbury's purchase of Argos, or Amazon's acquisition of Whole Foods, is more tenuous.

The oldest of these acquisitions - Sainsbury's purchase of Argos - has already led to (mainly Argos) store closures and job losses at both businesses. This was necessary given overlap in business functions such as finance, HR etc.. - and considerable overlap in their respective store portfolios, with Argos in the very long term likely to be mostly found in concessions within Sainsbury's rather than their own physical stores. This is very likely to happen with the other acquisitions also to varying degrees, with the exception of Amazon's acquisition of Whole Foods - as I believe Amazon will invest in ramping up Whole Foods' expansion considerably; consequently increasing Amazon's physical footprint and delivery-to-store fulfilment capability. There is a strong possibility in doing so that Amazon might seek to broaden the shopper base that Whole Foods sells to - which is generally focused on affluent shoppers at present. In the UK, Amazon may seek to expand Whole Foods' relatively fledgling estate, or buy another UK grocer with a more extensive physical store network.

Tesco's purchase of Booker (trading as Premier, Londis, Budgens and Family Shopper) could lead to the largest spate of store closures, given a combined 7,900 convenience stores including Tesco's current c-store portfolio. The better located Booker stores are likely to be rebranded to Tesco, and where overlap exists it is more likely the Booker store would close given Tesco c-stores are generally located in more prominent (albeit more expensive) areas. Booker stores in residential locations away from core retail areas with low footfall are likely to be closed or converted to residential properties - this would help finance the merger.

It is hard to see the same thing happening with Sainsbury's purchase of Nisa however, which appears to be a very reactive attempt to compete with Tesco/Booker, done without even basic due diligence (which is apparently in progress now - after the event). Nisa ironically sees itself as a 'family of independent grocers' and the antithesis of chain supermarkets. Its members own and operate circa 2,500 shops and though many would likely welcome the opportunity to rebrand as Sainsbury's (given stronger brand equity - not to mention buying power) most would fiercely reject any store closures Sainsbury's might want to plan, despite receiving a pay-out on acquisition, given their store is essentially their livelihood. This - plus the fact that Nisa has circa half the amount of stores Booker does - makes Sainsbury's purchase of Nisa a less favourable acquisition on balance.

All of the consolidation we have seen, and will continue to see, points to an increase in retail vacancy rates across the UK. New retailers will come in and fill these gaps, but only in the main/stronger retail centres. This is a natural 'correction' of the supply/demand imbalance we have seen in retail space in the UK, with too many poorly configured/badly located retail properties across the country as a whole. Britain post Brexit will catalyse this imbalance and will exacerbate this 'flight to prime' - with the stronger centres getting stronger at the expense of weaker retail locations.

Nick Bubb, Retail Consultant

The way in which Airbnb and Uber have disrupted the hotel and taxi industries should warn against any complacency amongst traditional retailers that consumers will still come to their shops and websites.

New ways of providing goods and services will always succeed if they offer genuine convenience and value, but sometimes the good old supermarket down the road offers things just as easily and at a fraction of the price: the various home delivery Flower providers in London are perhaps a case in point.

And at a time when online shopping on smartphones seems so ubiquitous, it's worth remembering that mighty Primark is doing very well without having any ecommerce business online, and that it simply succeeds by providing very cheap fast fashion in very attractive stores.

But as many markets become ever more competitive, it is only natural that the big retail players are responding by going backwards or forwards into the value/supply chain.

The Tesco move on the wholesaler Booker is the current talk of the town, but it is more than 10 years since that arch M&A guru Stefano Pessina engineered the merger of his pharmaceutical wholesaling business Alliance Unichem with good old Boots the Chemist. No doubt there will be moves in the future to combine the retailing and wholesaling parts of other industries.

And part of the thinking behind the merger of Dixons and Carphone Warehouse in 2014 was to explore the synergies in combining two parallel retailers of consumer electronics.

Not that long ago it was all the rage for clothing and footwear retailers to dump their manufacturing operations or move them offshore, but post-Brexit that could change, as Clarks are showing. And although grocery retailers like to push their suppliers around, Morrisons have shown that vertical integration, in the form of their fresh food manufacturing operations, has some merit.

Talking of grocery retailers, it is fashionable to mock the moves by the previous Tesco management regime to move into the café and restaurant business (via Giraffe and Harris & Hoole etc), to exploit the boom in eating out, but the idea wasn't completely stupid. It is interesting that the former Waitrose boss Mark Price said recently that one of his biggest regrets was not buying the Eat sandwich chain.

So diversification is likely to be the answer for mainstream retailers in the platform era and that could take many forms, via moves into wholesaling, manufacturing or parallel markets.

-ENDS-

Notes to Editors:

Members of the RTT are:

- Nick Bubb – Retail Consultant
- Dr. Tim Denison – Ipsos Retail Performance
- Jonathan De Mello - Harper Dennis Hobbs
- Martin Hayward – Hayward Strategy and Futures
- Maureen Hinton – GlobalData
- James Knightley – ING
- Paul Martin – KPMG
- Martin Newman – Practicology

info@retailthinktank.co.uk

- James Sawley - HSBC
- Mike Watkins – Nielsen UK

The intellectual property within the RTT is jointly owned by KPMG (www.kpmg.co.uk) and Ipsos Retail Performance.

First mentions of the Retail Think Tank should be as follows: the KPMG/Ipsos Retail Think Tank. The abbreviations Retail Think Tank and RTT are acceptable thereafter.

The RTT was founded by KPMG and Ipsos Retail Performance (formerly Synovate) in February 2006. It now meets quarterly to provide authoritative 'thought leadership' on matters affecting the retail industry. All outputs are consensual and arrived at by simple majority vote and moderated discussion. Quotes are individually credited. The Retail Think Tank has been created because it is widely accepted that there are so many mixed messages from different data sources that it is difficult to establish with any certainty the true health and status of the sector. The aim of the RTT is to provide the authoritative, credible and most trusted window on what is really happening in retail and to develop thought leadership on the key areas influencing the future of retailing in the UK. Its executive members have been rigorously selected from non-aligned disciplines to highlight issues, propose solutions, learn from the past, signpost the road ahead and put retail into its rightful context within the British social/economic matrix.

For media enquiries please contact:

Max Bevis, Tank PR
Tel: +44 (0)1159 589 840
Email: max@tankpr.co.uk

Simon Wilson, KPMG Corporate Communications
Tel: 0207 311 6651
Mobile: 07785373397
Email: simon.wilson@kpmg.co.uk