

# Weathering retail's new perfect storm

How retailers can tackle three  
of today's biggest challenges



# New challenges – and new opportunities – for UK retailers

As we move beyond the pandemic, UK retailers have a whole new set of challenges to face: from a volatile and unpredictable supply chain to high inflation and employee disaffection.

At the same time, customer expectations are changing – not just of the shopping experience itself, but of the sustainability practices of the retailers they shop with. That creates opportunities for retailers that are able to differentiate their offerings and take a leadership position on sustainability.

This paper considers the challenges and opportunities retailers now face in three key areas:

## 1. Regaining control of the supply chain

Overcoming unpredictable lead times and cost volatility to get the right product to customers at the right time and the right price.

## 2. Adapting stores to new demands

Understanding how living, working, travel and shopping patterns are changing, and adapting store locations and formats to meet new consumer needs.



## 3. Achieving sustainability goals

Managing down carbon emissions, energy consumption and food waste – while at the same time driving down operating costs.

**Throughout, we look at how technology can help retailers to tackle these challenges now, while building a solid digital foundation for the future.**

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# Regain control of a volatile and costly supply chain

Supply chain issues continue to challenge the retail sector, even as consumer demand rebounds after the pandemic. Shipping backlogs and ongoing lockdowns in China are combining with disruption from the war in Ukraine, resulting in long lead times, spiralling transportation and warehousing costs, and shortages of key commodities.

In the fresh and chilled produce sector particularly, shipping delays can mean products deteriorate in transit, rendering them unsaleable on arrival. The impact on retailers is clear: 72 profit warnings were issued by UK-listed companies in Q1 2022, with 36% of consumer-facing companies on the list blaming supply chain disruption.<sup>1</sup>

To get the right products into the hands of consumers at the right price and the right time, retailers need firm control of the supply chain, yet many simply don't have the necessary visibility. Half of all clothing and footwear retailers don't know where items are in the supply chain, for example.<sup>2</sup>

Escalating costs combined with thin margins mean retailers feel they have no choice but to pass on higher costs to customers, with the BBC reporting in May 2022 that Primark, Next, Greggs and Superdry were all raising prices.<sup>3</sup>



34%  
of FTSE retailers  
issued profits warnings  
between April 2021  
and April 2022<sup>4</sup>

1. [UK profit warnings spike as spiralling costs hit consumer industries](#)  
 2. [Retail staff engagement and happiness problem can tech help](#)  
 3. [BBC reporting](#)  
 4. [Early 2022 sees record number of cost and supply chain profit warnings as companies face crisis as normal](#)

### Increase supply chain visibility

Is there anything retailers can do now to alleviate the situation? One practical solution is to use sensor-based asset tracking to gain granular visibility into where items are, how fast they are travelling, and what condition they are in.

A centralised asset tracking and monitoring solution not only makes it easier to keep customers informed of likely delivery dates, but can also show which other branches have the item in stock. For perishable items, the ability to track temperature and other environmental conditions in transit allows retailers to ensure it will be saleable on arrival. And insight into when a shipment is likely to arrive into a depot or warehouse allows for more efficient scheduling of staff.

### Reduce supply chain costs

Supply chain costs can be managed down in a myriad ways, with even minor reductions adding up. Smarter routing of vehicles can reduce fuel consumption and vehicle wear and tear, with a corresponding reduction in fuel, charging and maintenance costs. Fulfilling orders from stock held in other branches can reduce third-party warehousing costs, while remote monitoring and management of temperature and humidity can drive down waste.

Elsewhere in the supply chain, more significant cost savings and efficiency gains can be made through further warehouse automation. More retailers are following the lead set by Ocado, which uses robots to grab items from crates and is now looking into automating picking and decanting activities too, estimating that this could save \$9m per year per warehouse.<sup>5</sup>



### How we can help

**Asset Tracking & Monitoring** solutions use location-aware sensors to collect and report on asset conditions in real time. Sensor data is sent to a monitoring platform that allows you to track, monitor and manage assets automatically.

**IoT and PaaS** solutions offer a full set of building blocks to create bespoke solutions that increase supply chain insight. Our wide range of sensors allow factors like location, weight, temperature, humidity and much more to be monitored at container or pallet level, while our connectivity solutions ensure sensor data can be gathered from any location. Cloud-based processing, analytics and dashboards turn data into real-time predictive insight for effective supply chain management.

**Private Networks** solutions offer guaranteed low-latency connectivity to support advanced automation initiatives in warehouses and distribution centres. Our 5G private networks also enable ultra-fast communication for autonomous ground vehicles, automation, robotics, and warehouse applications.



<sup>5</sup> British online grocer Ocado known for its automated warehouses acquires two US robotics companies



## 2

# Re-evaluate store locations and formats

With business rates high and inflation spiralling, retailers need to get the most value out of every square foot of store real estate. That means making smart decisions about where to open, close and re-format stores, as well as what to offer in each store and in what kind of layout.

These decisions are front and centre of many retail strategies, with Next, for example, considering replacing loss-making stores with smaller click-and-collect locations to service online buyers.



“We have assumed we would keep open 195 loss-making retail stores. In reality, we would probably relocate these stores to smaller, less expensive collection shops with a very limited retail offer.”

Next Annual Report 2021<sup>7</sup>

6. [How online growth has reshaped the UK's high streets – and the effect on retail jobs](#)  
7. [Next PLC annual reports and account](#)

## Adapting store formats and layouts

People's reasons for going to physical stores are changing, as well as their expectations for what they find when they get there.

The growing attraction of experience shopping is leading retailers like Sports Direct, Sainsbury's and M&S to experiment with new formats. Sports Direct's flagship Birmingham store boasts an e-gaming room, Sainsbury's has revamped its in-store cafés working with the likes of Carluccio's and Gourmet Burger Kitchen, and M&S has installed "fill your own" stations in its Stevenage store.

Elsewhere, digitalisation and automation offer a different type of customer experience, with Tesco, following Amazon's lead into fully-automated "just walk out" stores, and McDonald's trialling personalised menus for drive-thru customers.

Decisions like these must be based on deep, reliable and up-to-date consumer insights. Retailers need to know the demographic of people that come into the store, how long they stay, which products and experiences they interact with, and where there are any points of friction that undermine the shopper experience.

### McDonald's personalises drive-thru menus

McDonald's has trialled a "digital drive-thru" concept that personalises menus to customers based on factors like the weather and what they've bought before. Number plate recognition allows the restaurant group to offer drivers their favourite menu items, for a faster and more efficient drive-thru experience.<sup>8</sup>



## How we can help

**Smart Spaces** solutions use video analytics and AI to monitor customer and staff movement and behaviours in and around retail locations. Use them to optimise the customer experience with anonymised insights into factors like movement around the store, dwell times, queuing, customer-staff interactions, and unmet accessibility needs.

**Spatial Insights** provides real-time insights into the demographics within the store. It can monitor dwell, occupancy, and movement to determine where people spend most of their time and how they move around retail environments. All of which can inform future merchandising decisions, marketing in catchment areas and window displays.

**IoT and PaaS** solutions can deliver a better instore experience. Our wide range of sensors allow factors like temperature, humidity, lighting and much more to be monitored ensuring a comfortable and optimum shopping experience is maintained.

**O2 Motion** uses aggregated, anonymised data on movement, profiles and preferences generated by 35% of the UK's population from billions of daily network events. Use it to understand demographics and footfall within a store catchment area. It's ideal for targeting marketing campaigns and to help identify new store locations.

8. [McDonalds digital drive thru favourite order based weather UK](#)

## Optimise staffing levels and activities

Staffing decisions are critical to the in-store customer experience. However, scheduling is becoming more challenging as high volumes of disaffected workers leave the sector – coming on top of a general downsizing during the pandemic, in which 135,000 traditional retail jobs were lost.

Retailers must make smart decisions about which staff members should be deployed where and when, and what support is provided to them to help them do their jobs effectively. By understanding peak times, and demographics of customers, retailers can adjust staffing levels and reduce stress levels when the demand on the store environment is greater. By acting on this insight it should improve rates of talent retention and employee engagement, hence additional efforts must be as focused on improving the employee experience as on improving the customer experience.

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traditional retail  
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pandemic<sup>9</sup>

### How we can help

**Lone Worker** solutions keep people safe in high-risk or lone working environments. Micro-wearables, cameras, lanyards and SOS buttons, backed with monitoring solutions and a 24/7/365 support centre, ensure that help is always close at hand.

**Spatial Insights** provides real-time insights into people movement and behaviour. It can monitor dwell, occupancy, and movement to determine where people spend most of their time and how they move around retail environments. It can also monitor queue length and time to help manage staffing levels and service times. And it could provide insights to optimise instore displays, PoS merchandise and venue design based on demographics.



9. [McDonalds digital drive thru favourite order based weather UK](#)



### 3

## Meet sustainability commitments

Retailers are keen to make and keep sustainability pledges – not just because customers and investors increasingly demand it, but equally because they believe it is the right thing to do for the future of society and the environment.

But making pledges is one thing; keeping them is another. And in a time when spiralling inflation and supply chain issues are racking up operating costs, retailers must find ways to weave sustainability into cost-containment and cost-reduction initiatives.

Fortunately, there are many ways to make an impact on both fronts simultaneously. Reducing power consumption lowers costs as well as carbon emissions. Wasting less inventory can have a positive financial as well as social impact.

The UK throws away around **9.5 million** tonnes of food waste a year<sup>10</sup>

10. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/994603/gbr-williams-shapps-plan-for-rail.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994603/gbr-williams-shapps-plan-for-rail.pdf)



## Use new technologies to meet sustainability goals while reducing costs

New technologies are emerging that can help retailers to manage down energy use, even for power-hungry utilities like refrigeration, air-conditioning, heating and lighting. Smart building solutions, for example, can detect everything from air quality levels to space occupancy and adjust equipment automatically – for example by switching off lights or turning down heating in unoccupied areas.

In stores and warehouses, preventative maintenance solutions can predict when equipment is at risk of failure, including monitoring for unusually high energy consumption.

Even relatively small changes – like connecting engineers to in-store technicians via AR link rather than calling them out, or only emptying bins when sensors detect that they are full – can contribute to emission reductions.



**How we can help**

**Our IoT and PaaS solutions** provide a platform, sensors and data analytics to build bespoke sensor-based solutions that support social and environmental initiatives. From temperature sensing and bin weight to air quality monitoring, and space occupancy, we can build solutions that help train operating companies meet their passenger experience goals.

**Remote Expert solutions** use a high-speed audio-visual link, headphones and a dedicated eyepiece to connect in-store technicians to experts who can help them resolve faults faster and more effectively.



## Talk to us about how we can help UK retail today

These are testing times for the retail sector – but while there are many new challenges to be tackled, there are also opportunities to attract new customers and take a leadership role in combating climate change.

We offer a wide range of enabling technologies and deep experience of developing future-proof solutions for leading retailers. To discuss how we can help you address the challenges of today while building a digital foundation for tomorrow, please get in touch.

Talk to your account manager or call us on  
**0800 955 5590**

