

The logo for IBDO, consisting of the letters 'IBDO' in a bold, white, sans-serif font. The letters are slightly shadowed and have a thin white underline. The logo is positioned in the top left corner of the page. A vertical red bar is located to the right of the logo, extending from the top to the middle of the page.

IBDO

A person's hand is holding a brown paper shopping bag with black and white horizontal stripes. The bag is the central focus of the lower half of the image. The person is wearing a light-colored t-shirt and black leggings. The background is a blurred street scene with a brick-paved sidewalk, a green utility box, and a white car parked on the street. A vertical red bar is located at the bottom left of the page.

**RETAIL
THRIVE GUIDE
A CHANGING WORLD**

AS A NEW ZEALAND RETAILER, YOU WILL KNOW ALL TOO WELL THAT THE RETAIL ENVIRONMENT IS GOING THROUGH AN UNPRECEDENTED PERIOD OF DISRUPTION.

Devising a business strategy that allows for both the adoption of opportunities and response to threats posed by local and global trends and technology is key to thriving. The changing expectations of customers must also be addressed in your strategy whether you are a brick and mortar operator or a predominately online business.

As you peruse this guide we suggest you consider questions such as:

- ▶ Is your SWOT analysis on your business current and complete?
- ▶ Is your competitor analysis considering trends and technologies adopted?
- ▶ Is your business plan realistic and up to date?
- ▶ Do you share your plan with management so they are engaged and aligned with it?
- ▶ Do you measure your results (both financial and non-financial) against previous years?
- ▶ Do you monitor sales growth in your region/ industry and compare them to your own?

- ▶ Are you getting the most from the resources you have available?
- ▶ When was the last time you had a fresh set of eyes walk through your plan or through your business?
- ▶ Where are you in your journey, given the fast-paced change in trends and technology?
- ▶ Beyond trends in your products, do you have an understanding of retail trends?

Technological changes are a big risk if things are implemented poorly or when you're left behind by competitors adopting or new players arriving. But what are the upsides and what is achievable in terms of time to implement and cost?

This guide is designed to get you thinking about these issues and help you to devise a plan that will future-proof your business. We hope you find it helpful.

Tristan Will
Head of Retail
BDO New Zealand



DETERMINING YOUR SALES STRATEGY

To give it its most basic definition, Retail is the process of selling consumer goods and/or services to customers through single or multiple channels of distribution to earn a profit.

Therefore a sales strategy encompasses goods and/or services, customers and channels of distribution.

GOODS AND SERVICES

Applying the KISS methodology of "Keep it Simple, Stupid", are your goods/services still desired by customers. Some key questions to ask.

- ▶ Do your goods and services meet the wants or needs of customers?
- ▶ When did you last review your business' mix of goods/services?
- ▶ Are there any products which are not moving off the shelf but are taking up valuable space?
- ▶ What are the substitutes to your goods/ services? Are these offered by other retailers?
- ▶ Are there any complementary goods/ services that you should be offering? Are these offered by other retailers?
- ▶ If you have a brick and mortar presence and have spare space, could you rent it out to retailers offering complementary products?



WHAT CHANNELS ARE CUSTOMERS USING?

BRICK AND MORTAR: STILL THE NUMBER ONE DISTRIBUTION CHANNEL TO CUSTOMERS.

New Zealand's retail industry generated \$92.3 billion in sales last year of which \$87.8 billion was generated from non-online sales.

Risks:

- ▶ Being inefficient – this does not mean cost cutting at all costs, rather reviewing the costs to see if they contribute to the value chain for your customers
- ▶ Human interactions need to add value to your customer – there is nothing more frustrating than visiting a store to understand a product and your research means you know more than the expected experts
- ▶ Dwindling foot traffic and/or customer counts
- ▶ Holding excess stock or slow moving stock at sites

Considerations:

- ▶ What can you provide that competitors or online cannot?
- ▶ How do you create and maintain customer loyalty?
- ▶ Brand image is becoming more important so how do you present your brand to the market?
- ▶ Is your team's knowledge of your products and/or services comprehensive and up-to-date?

ONLINE: GROWING CHANNEL EVERY YEAR

The annual online spend is up to \$4.5 billion. Retail New Zealand expect that by 2030, 13 percent of all retail sales will be through online channels.

Risks:

- ▶ Not being able to connect with customers beyond digital
- ▶ Cybersecurity – data breaches and attacks on sites or inadvertent exposure of data
- ▶ Product availability and distribution of product to customers in an efficient manner

Considerations:

- ▶ How do you continue to develop your platform to keep up with technology changes (e.g. chat bots for customer service) and customer changing needs and desires for experiences?
- ▶ How do you enhance the customer experience and therefore your brand?
- ▶ Some people prefer to hold a product before they buy it to understand the characteristics so how do you fulfil that need?

OMNI-CHANNEL: THE BEST OF BOTH WORLDS?

Omni-channel describes the approach of incorporating both aspects of brick and mortar and online channels for targeting and engaging with customers. And it's not just brick and mortar retailers going online – some online retailers around the world are using pop-up stores to connect with customers.

We're seeing more and more businesses operating different versions of omni-channels too. Recently New World supermarkets rolled out both click and collect and home delivery options for its online channel and Pak N Save supermarkets have just announced click and collect is coming.

There are plenty of organisations reporting on the internet that a great online experience improves the number of visits by customers to physical stores as well. If you are searching for a product and have a great experience finding it or are able to research it on a retailers website, are you more likely to visit their physical store or a competitor?

Risks:

- ▶ Not committing to e-commerce strongly enough or on a systematic basis. When customers are not enjoying the experience you have a problem as it can easily turn a customer off a brand altogether.
- ▶ The entry into online increasing a retailers internet presence also raises the risk of a cybersecurity breach.
- ▶ Selecting a technology at the top of, or later in, the cycle and once you're committed to the investment you must see a return.

Considerations:

- ▶ How do you ensure you benefit whilst your customers get the best of both worlds?
- ▶ What technology is the best match for your customers' demands?
- ▶ What is the purpose of the technology adoption – will it differentiate you from competitors and are there barriers of entry for them following?



CUSTOMERS - IT'S ALL ABOUT EXPERIENCE!

Customers are increasingly demanding a more immersive, personalised experience when shopping.

So how could you achieve this?

- ▶ **Destinations:** Make your store a place to visit. As an example, Germany retail giant Metro have created an in-house farm where customers can come and pick their own fresh produce
- ▶ **Pop-up stores:** This could be a temporary extra sales location for a brick and mortar retailer or a physical presence for an online retailer to build brand awareness
- ▶ **Adopting Beacon (proximity-based) technology**
- ▶ **Educational experiences:** A location where customers can come and learn about the products on offer including the Why. As an example a UK beauty brand retailer has opened a flagship store where it offers an 'ultimate wellbeing experience' for its customers and is running wellness workshops, where clients can learn about the best food, the best breathing techniques and simple exercises to enhance wellbeing
- ▶ **Complimentary services being offered** aiming to increase foot traffic and customer dwell time whilst encouraging them to spend on services or events. For example fitness classes for a fitness brand retailer
- ▶ **Customer loyalty is key** to bringing people into either your physical or digital store. Some retailers do this through group loyalty schemes (such as Fly Buys) and others use digital techniques such as email. As an example Rebel Sports will get you to sign up for emails through a prize draw offering and then every week you receive emails of what is on sale that weekend – a good potential foray into an omni-channel.

INFLUENCERS AND SOCIAL MEDIA

In this increasingly consumer-centric environment, social media influencers can wield a lot of power. Which social media channels does your target demographic use and are you engaging with them in an authentic way via their preferred medium?

Consider engaging with key influencers that resonate with your audience. This could be as simple as gifting your goods for bloggers in that sphere to review online; or engaging an influencer as your brand ambassador.

ANYWHERE, ANYTIME

Consumers are increasingly turning to online independent customer reviews to influence their purchasing decision, especially with bigger ticket or luxury items. If you have an online presence, does your website allow customers to provide honest, unedited feedback and do you have the time to respond/address any concerns?

With the availability of online channels growing, customers have a myriad of ways to get their goods:

- ▶ **Delivered to home or another location**
- ▶ **Click and collect,** picking your goods up from a retail store avoiding the lines
- ▶ **Third party pick-up,** becoming more popular overseas where you get your goods delivered to a central location.

The key thing with these options for getting your goods is that you must meet the customer expectations or exceed them.



TECHNOLOGY

Retail is in the middle of wide-scale technological disruption, driven by the evolution of mobile commerce and changes in consumer shopping habits. Mobile apps, robotics, data analytics, and advanced e-commerce platforms are helping retailers to improve the customer experience, optimise the supply chain, and drive down costs. Digital transformation is changing the industry at all levels and touchpoints. Retail business owners should keep a close watch on the following technologies.

ENGAGEMENT TOOLS

Automation and AI Self-checkouts have become the norm in grocery, home improvement, fast food, and discount department stores, while online chatbots continue to grow in use and sophistication. In stores, Walmart is working with Bossa Nova Robotics on robots that assist with inventory and operations, while Lowe's is rolling out customer service robots called "LoweBots." On the fulfillment and logistics side, Sobeys and The Hudson's Bay Company (HBC) have invested significantly in automation to improve productivity. Four of Sobeys' distribution centres are almost fully automated with robots that pick, pack, and ship product.

VIRTUAL AND AUGMENTED REALITY

Brands looking for new and creative ways to engage customers are turning an eye to virtual reality (VR) and augmented reality (AR) — and it appears to be working. According to a study by Digital Bridge, one third of shoppers said that using AR technology makes them more likely to purchase. Retailers can use platforms like Apple ARKit and Google ARCore to create apps for consumers to test products, compare reviews and pricing, play games, and more. IKEA and Lowe's have rolled out AR apps that help consumers visualise furniture and décor changes to their homes, and Bic's "DrawyBook" brings children's real-life drawings to life. VR is seeing increased use with retailers like North Face, who offered customers a virtual sled to test out winter and hiking gear.

BEACON TECHNOLOGY

Retailers like Macy's and HBC use beacon technology to send personalised deals and proximity-based promotions through a mobile app. Beacons, which are relatively simple to install and maintain, send signals to nearby Bluetooth-enabled smartphones with discounts, rewards, recommendations, or store guides. Used right, the technology can drive sales and improve the shopping experience.

PREDICTIVE DATA ANALYTICS

Big data is the lifeblood of many industries, and retail is no exception. Retailers like Amazon and Target use predictive data analytics and CRM (customer relationship management) systems to analyse search queries and previous purchases to predict what a consumer will buy next. That information can then be used to create campaigns, promotional offers, and special events.

MOBILE PAY

As mobile commerce grows and contactless payment becomes more popular (and lucrative), service providers are rolling out new options designed to make the customer experience easier, such as Apple Pay and Google Pay. MasterCard is taking things one step further with its Identity Check — also known as “Selfie Pay” — which allows users to verify transactions through facial recognition or fingerprint scans on their smartphones.



COMPUTER VISION

Retailers continue to look for ways to get a better understanding of their customer behaviour, staff performance and resources required to gain critical advantage in a competitive marketplace. We are now seeing counting of visitor numbers using computer vision and rostering to these visitor numbers become commonplace in many retail brands. This method uses overhead video cameras to feed images back to a computer. Images are processed by an advanced tracking algorithm to record people movements within the picture frame. Using a combination of computer vision and advanced data visualisation technology, an accuracy level of above 98% can be achieved.

As online retailing continues to grow, retailers must apply the same intelligence and insights in their brick and mortar stores that they are using to measuring success in their online store. The overhead of operating brick and mortar stores is significant and achieving a satisfactory return on this overhead is paramount to retail success. Retailers can now get the same insights in their brick and mortar stores and drive even higher performance with optimal staffing and exceptional customer service.

Predicting visitor numbers at any given point of time has been a challenge in the past but now retailers can use computer vision platforms like Reveal to maximise conversion rate and sales through demand-based rostering and significantly increase insights.

- ▶ Beacon technology uses Bluetooth to connect with customers' mobile devices, giving them personalised adverts, recommendations and discounts.
- ▶ Alternative payment options such as Apple Pay or Google Pay allows customers to avoid queues.
- ▶ Predictive data analytics allows you to enhance your inventory and stock management, as well as optimise store layout.



NEW TECHNOLOGY TO HELP OPTIMISE THE USE OF PHYSICAL SPACE

New technology is helping retailers to optimise their physical space, create more joined-up omni-channel propositions and bring excitement to their store environments. For example Nike has invested heavily in instore technology to make a more novel shopping experience. Technology such as a table which gives the details and information about its products, and allows customers to order in any colour combinations, have proven popular with millennials.

WHY IS IT IMPORTANT TO UNDERSTAND THESE TECHNOLOGIES?

What are the potential threats arising for your current retail strategy as these technologies become more commonly used by your competitors?

What could you utilise or what unique offerings could you bring to your store to stand out from the competition? As technology becomes more readily available, the costs generally decrease too, which could make use of specific targeted technologies ideal for your retail strategy.

Balancing people and tech: As we explore next, your people are still or have potential to be one of your biggest assets – don't underestimate the benefit of quality human interaction on the sales process.

PEOPLE

An important aspect for brick and mortar stores is the human factor. Brick and mortar retailers can offer a more unique, personal experience than their online counterparts - this is a crucial competitive edge that should not be underestimated.

KNOWLEDGE OF PRODUCTS (AND SERVICES)

Think about some of your worst interactions in a store with a sales person. What is your response when the staff member knows little to nothing about the product and/or service they are selling? It can make for a very poor customer experience.

With product knowledge so fundamental, investing in a consistent training programme for all staff (including weekend and night shifts) is key.

CUSTOMER SERVICE

A healthy team culture is vital in a brick and mortar environment. Overseas, a recent study by Gallup indicated the following huge improvements that were driven by cultures that have strong engagement levels:

When compared with business units in the bottom quartile of engagement, those in the top quartile realise improvements in the following areas:

**20%
HIGHER
Sales**

**21%
HIGHER
Profitability**

**41%
LOWER
Absenteeism**

**28%
LESS
Shrinkage**

When people enter your environment, they will quickly detect a bad atmosphere and it can impact sales. Ask yourself, what would great engagement look like to your customers?

It is equally important that your day shifts, night shifts or weekend shifts display the same, consistent culture and availability.



FINANCIAL PRESSURES

Staffing at brick and mortar stores can be a significant portion of expenses.

The New Zealand Government have recently announced the minimum wage increases for the next three years, effective 1 April.

This will undoubtedly put pressure on the cost of wages for many retailers. Considerations will need to be given to streamlining processes to reduce inefficiency or eliminating processes which add no value.

In order to further drive productivity, whilst meeting basic customer service expectations, retailers also should consider thinking about staff rosters. Retailers must understand when staff are needed and what the sales pattern requires to meet customer expectations.





TIME TO PLAN

Take the time to determine some key actions on the back of the information from this guide.

To help you on your journey we've included a simple table on the next page. When considering each of the key areas this guide has explored, ask yourself what your business should **start** doing, **stop** doing and **keep** doing.

Below are some initial questions/prompts to consider when completing the table:

Sales:

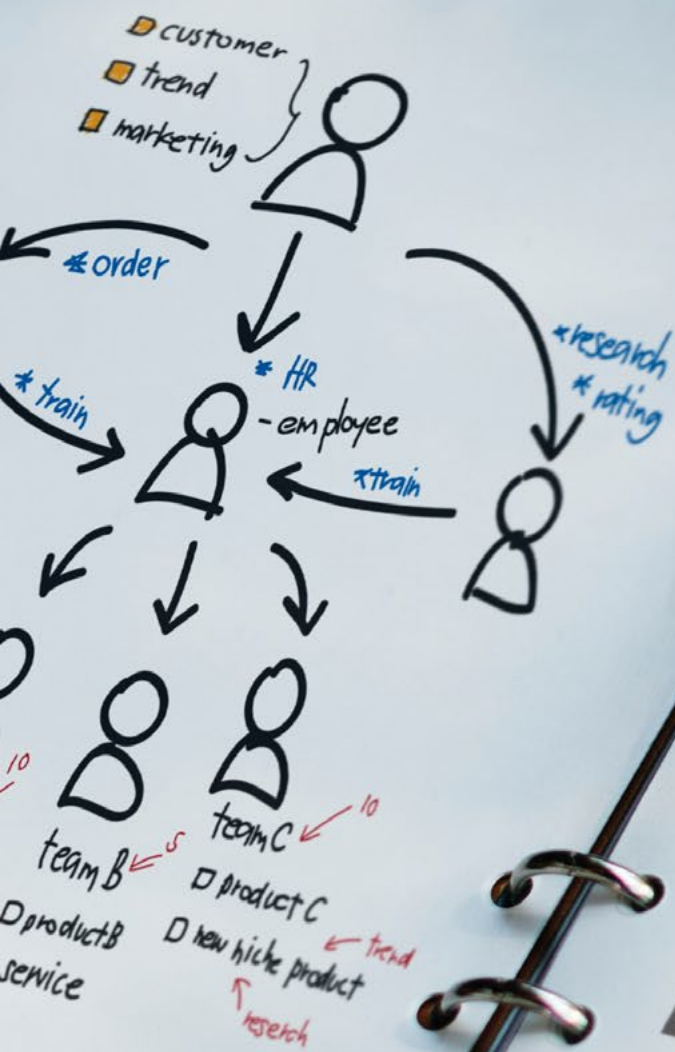
- ✓ Do I measure my sales patterns versus competitors or the economic environment?
- ✓ What products sell well and generate the best margin, for the space they occupy?
- ✓ What has my margin been over time?
- ✓ How do I best engage with my customers?

Trends and Technology

- ✓ What trends and technology are we using or should we be?
- ✓ Is our adopted trend/technology effective?
- ✓ What trends and/or technology do I need to consider adopting or protecting my business from?
- ✓ Is my online presence sufficient, adding value to my offering or protecting my business?
- ✓ Is our ordering and transit of stock appropriate in today's environment?
- ✓ How do we get our product to customers?

People:

- ✓ Are my people knowledgeable and engaging with customers?
- ✓ Can I utilise my people differently?
- ✓ Are my people an asset or a cost?
- ✓ Do we have a good culture and is it centred on the right aspect?



WHAT ACTIONS SHOULD YOU TAKE	START	STOP	KEEP
SALES			
TRENDS & TECHNOLOGY			
PEOPLE			
OTHER			

BDO'S RETAIL SERVICES

BDO's retail advisory services include:

- ▶ Performance improvement
- ▶ Cash flow management advice and forecasting
- ▶ Debt repayment and structuring advice
- ▶ Process review and mapping
- ▶ Merger and acquisition services
- ▶ Business recovery and insolvency
- ▶ Forensic services
- ▶ Corporate Finance
- ▶ Risk management
- ▶ Succession planning
- ▶ Valuations
- ▶ Technology advisory

Our tax and accounting services include:

- ▶ Compliance
- ▶ Indirect taxes (e.g. GST and PAYE)
- ▶ Pre year-end tax planning and tax returns
- ▶ Tax provision and deferred tax preparation and review
- ▶ Tax policy advice
- ▶ Traditional and technical accounting services

Data is an integral part of our retail advisory offering. Using the latest technology, we can gather a broad range of information to help your business improve:

- ▶ Product mix by considering product margins.
- ▶ By using cutting edge analytics software, we can map key traffic points and times to assess how customers are interacting with your store. Using this information, we can work out where to place high value items. This also enables you to optimise staff rosters to better meet customer needs.
- ▶ Use your point of sale system to guide you on individual sales staff performance and commission structures
- ▶ Gather data from other businesses in the same or similar industries to offer additional insights
- ▶ Identify trends and act on them

In addition, our technology advisory service will offer you recommendations on which retail technologies will help your business reach its wider strategic aims and how best to leverage these with your current cash flow.



CONTACT US

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For more information on BDO's Retail Services, go to www.bdo.nz/retail

KERIKERI

WHANGAREI

AUCKLAND

WAIKATO

TAURANGA

ROTORUA

GISBORNE

NEW PLYMOUTH

NAPIER

PALMERSTON NORTH

WELLINGTON

CHRISTCHURCH

INVERCARGILL

