

HOWARD KENNEDY

Innovative Resilience

SHAPING YOUR RETAIL & LEISURE
STRATEGY IN 2024



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Foreword

INNOVATIVE RESILIENCE IN UNCERTAIN TIMES: RETAIL & LEISURE TRENDS 2024

LYDIA CHRISTIE

THE RETAIL AND leisure sector has shown remarkable resilience and innovation in overcoming the difficulties posed by the pandemic, the Brexit transition, and changing consumer behaviour as well as a raft of other recent developments. As we look ahead to 2024, the economic outlook for the UK appears somewhat more favourable, giving us reasons to be cautiously optimistic.

In this report, we have drawn on the expertise of our network of industry specialists from brands including Joshu Kane, Joe & the Juice and Sellier, alongside insights from Howard Kennedy's Retail and Leisure lawyers, to provide you with insights and practical recommendations to help you navigate the complex and uncertain scenarios that lie ahead.

The theme of our report is based on the practice of 'kintsugi': the Japanese art and concept of embracing the imperfections in a work of pottery by repairing broken pieces with gold. It's the perfect metaphor for the retail and leisure sector in 2024, as businesses embrace sustainability and seek to transform challenges into strengths and advantages.

Our report highlights key trends that will influence the next 12 months – from the reshaping of bricks and mortar shops to the continued growth of resale – which will require innovative solutions and resilient responses from industry leaders. They represent pathways to not only maintain competitiveness but to excel in a constantly evolving market. Our 2024 events programme will look at these key trends and issues in more detail.

While the future is promising, it's important to remember that challenges like inflation and labour market tightness persist. Decision makers should remain agile and innovative, continually adapting to evolving consumer preferences and market dynamics. It's an interesting yet exciting time and with the right strategies, 2024 can truly be a success for retail and leisure businesses.

As key leaders and decision-makers, we hope this report will provide you with invaluable insights to make informed and positive board-level decisions in 2024.

The evolution of business restructuring processes – and how they can rescue your Retail Business

VERNON DENNIS & REBECCA STRATTON

FROM PRE-PACK ADMINISTRATION TO COMPANY VOLUNTARY ARRANGEMENTS



AS THE RETAIL industry continues to undergo significant changes, businesses in the sector face new challenges.

A tough labour market, increasing operational costs, interest rate rises and a cost-of-living crisis impacting consumer behaviour all mean that margins are squeezed, and as result many retailers are having to evaluate their business model to ensure that they remain fit for purpose. But in 2024, there are a plethora of restructuring options that can transform a business without causing too much disruption to both shareholders and staff. Pre-pack administrations are one such process. Administration is an attractive option for businesses facing a cash flow crisis and creditor action, providing breathing space to propose a rescue plan and perhaps securing additional funding, but creditors often demand a high price for supporting the distressed business. A pre-pack is the pre-arranged sale of the business and assets of the distressed company completed at the point of the administrator's appointment.

The success of any administration is often reliant on there being a viable purchaser available – as we have seen recently with Wilco. Rather than risking the total disintegration of a brand through a costly administration process – as seen recently with the disappearance of high street brands including the Arcadia Group (Topshop, Miss Selfridge and

Dorothy Perkins), Woolworths and Toys R Us – these arrangements usually ensure a smooth transition period from one owner to another, preserving shareholder value at the same time.

Unsurprisingly, pre-packs are often unpopular with creditors, who are commonly excluded from the process, particularly in circumstances where the purchaser is connected to the original management and/or ownership team. With regulatory tightening of connected party pre-pack sales, the process

Another option available is a Company Voluntary Arrangement (CVA), which preserves the company and not just its business – a move welcomed by shareholders.

continues to have the huge advantage of achieving a smooth transition of the business and assets to a buyer that (on the surface) allows for 'business as usual', with employees also automatically transferring to the new business.

Examples of successful pre-pack administration sales include HMV and Monsoon

Accessorize. One downside to consider is that pre-pack administrations can cause negative publicity for the business going forward and of course come with a change of ownership structure – but it is ultimately better than the business disappearing all together.

Another option available is a Company Voluntary Arrangement (CVA), which preserves the company and not just its business – a move welcomed by shareholders. It works by allowing a company to continue trading having reached an agreement with creditors to restructure its debts and repayment obligations.

It was a popular option during the pandemic, with various trading restrictions placed on retail and hospitality businesses during lockdowns, with CVAs allowed these businesses to exit underperforming stores and restructure rent obligations. The attraction for creditors is that it offers a better long-term return than a pre-pack administration.

There are negatives to consider, of course. There has been criticism that CVA proposals are often used in a way which is unfairly prejudicial to rights of landlords, their rights being compromised while ordinary supplier creditors remain unaffected. Judicial challenges (such as in Debenhams and New Look) have established a body of case law on this issue, and with careful navigation the compromise of leasehold liabilities is possible. Another potential obstacle is the return of HMRC secondary preferential status. Tax debts are often disproportionately large in comparison to trade debt and as part of HMRC approval they will need to be paid in priority to other unsecured debts. As a result, proposals which seek to compromise tax liabilities more significantly are more difficult to craft and have made the CVA rarer.

The final option to consider is the newly introduced 2020 Part 26A Restructuring Plan, similar to the US Chapter 11 and EU driven moves to promote company rescue. RPs are an amalgam of a Company Act Part 26 Scheme of Arrangement and a CVA and allow for a company to propose a rescue plan to various classes of creditors and/or its members that is then sanctioned by the court.



UNLIKE A CVA, the RP's unique feature is that with court approval the RP can compromise (by a cram-down process) dissenting classes. It may become a better means to distinguish different creditor classes of unsecured creditors than a CVA, where the current trend of CVA to be used to restructure leasehold portfolios with different treatment of unsecured creditor (i.e. trade creditors and landlord creditors) has been pushing boundaries as to what may be seen to be fair and equal treatment of creditors.

However, HMRC has been seen to push back against RPs where they are not paid in priority to other unsecured creditors, and/or where the ownership is seen to take undue advantage by taking a perceived unreasonable gain from a successful rescue.

Retail and hospitality businesses have been quick to adopt RPs with recent successful RPs being implemented by Prezzo (in which the court chose to exercise its discretion and cram down HMRC after it opposed the RP) Clintons Cards and Fitness First. Yet RPs are prohibitively expensive for the SME

market, though HMRC has confirmed it is working on guidance that will streamline the process and reduce costs – although there is no timeframe for this currently.

Our suggested reforms would include permitting ICC judges to hear RPs (instead of High Court Judges); reducing the hearings required by dispensing with the first convening hearing and having a single sanction hearing; spreading instructions across more junior counsel & IPs to allow more cost-effective advisors to gain experience in using RPs; and reducing valuation expenses by instructing a single independent valuation expert.

There are a myriad of options for businesses to consider when looking to restructure, with straight-forward administration often being the worst.

In summary, there are a myriad of options for businesses to consider when looking to restructure, with straight-forward administration often being the worst. In the future, RPs could become more fit for purpose, with promised reform by HMRC looking to make things easier for SMEs and large conglomerates alike.

Besieged: Inside the last days before administration

IAN SHEPHERD

THE LESSONS LEARNED BY SOMEONE WHO HAS BEEN THERE IN THE DYING DAYS OF A RETAIL BUSINESS



IN ERNEST HEMINGWAY'S novel, *The Sun Also Rises*, a character named Mike is asked how he went bankrupt. "Two ways," he answers. "Gradually, then suddenly." It's an apt way of describing the dying days of a business before it goes into administration, as so many on the high street have done in the past five years.

You might have experienced a few years of disappointing trading, seen your share price drop in response to missed forecasts and generally had a fairly miserable time of it, but for most of that period there has at least been hope. You have a turnaround strategy, you are pulling all the levers that you think you can and (for at least a while) your shareholders and lenders are supportive.

But then, suddenly, it all changes. A key lender, in response to a failed covenant test on their debt, suddenly wants to meet you, in their offices, tomorrow. A credit insurer, spooked by bad press, announces they are pulling cover from suppliers to your business. A key supplier, perhaps with US shareholders who are both very conservative about risk and very litigious, decides to withhold their products. In response

to any or all of these, the share price drops even further and the journalists start their "where did it all go wrong" pieces. If you run a retail business, you suddenly start getting direct emails from store teams asking what all this coverage means for their store and their jobs.

And the great paradox of this predictable, slow building and yet sudden rush of bad news is that the result of it is that your external stakeholders suddenly demand a huge amount of your time, and that of your leadership team. Banks want to send in their pet management consultants to "help". Credit insurers and nervous suppliers want weekly and then daily meetings about your cash position. Despite working harder and longer

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hours than before to fix the problem, any part of your strategy which involved divesting profitable assets to pay back debt becomes impossible now everyone knows you are a forced seller. Eventually, you'll end up taking legal advice about wrongful trading.

As a business gets into difficulty, this is the key test directors need to apply – if you 'borrow' (either literally, or by taking supplier credit or customer deposits) when you know you are going under then you are in for a lot of legal pain, including personal liability. The strategy to avoid that is superficially simple – you need to have a board meeting every morning

to review the cash in the business and to conclude whether or not you can continue to trade - but of course the result of that is even more time spent in

meetings and even less doing anything that might result in customers buying more from you.

Occasionally this story has a positive end - a last minute offer for the business, a clever financial ruse to inject cash into the balance sheet, a big uptick in trade. But often it doesn't. A bankruptcy (or more properly an administration) doesn't necessarily mean the end either – someone may buy parts of the business and keep it going. But it will certainly mean a huge amount of pain - for small suppliers who lose their jobs, for colleagues who lose their jobs, for investors who lose their money, indeed for anyone with an interest in the business who was rooting for it to succeed.

SO WHAT WOULD I say to a leadership team who felt themselves heading in this direction and could see the hostile forces lining up outside their fortress?

LISTEN TO YOURSELVES
If there is a way through your predicament, it will most likely come from your own teams, your directors or

those advisors you've been working with for years and trust. There is a reason the people who work in the debt-recovery departments of banks don't run businesses – they are not going to suddenly come up with a brilliant plan, and if they do then it may well be a plan that suits them more than it suits your investors or other stakeholders. Don't be pulled from pillar to post by well-meaning advice from a dozen partially informed stakeholders – gather your best brains and work it out for yourselves.

COMMUNICATE MORE, NOT LESS
Communications experts will often tell you to communicate less with your teams in case the bad news you are telling them becomes a self-fulfilling prophecy or leaks to the press making things worse. My experience, however, is that the silent treatment is both strategically and morally wrong. Tell your teams what's going on, which bits of the press speculation are true and which are false and what you are doing about it all. If you do that, you'll be amazed and humbled by the wave of loyalty, support and goodwill that you and the business get back in return.

THIS TOO SHALL PASS
For anyone involved in a business in distress, from store teams to central support functions to the board of directors the experience can be a traumatic one. Attending to your own (and each other's) mental health both during and after the experience is hugely important. If the worst happens, and the business goes under, it will feel painful, humiliating and exhausting in equal measure. Finding the space and time to process all of that is important.

If you'd like to gain more insights on business strategy, in particular for consumer, retail and hospitality businesses, you can subscribe to the Moving Tribes newsletter - <https://movingtribes.substack.com>

The new staffing challenges facing the RHL sector in 2024

LYDIA CHRISTIE & ANNIE LONG

BUSINESSES ARE STRUGGLING TO RETAIN STAFF, WITH A NEW FOCUS ON DEI AND MENTAL HEALTH BEING VITAL FOR 2024

DURING THE COVID-19 pandemic, the Retail, Hospitality and Leisure industry felt unprecedented pressures, with the closure of bricks-and-mortar businesses resulting in mass redundancies and furloughing any remaining staff. When lockdowns ended, there was an ensuing boom in job vacancies, as businesses attempted to rehire to pre-pandemic levels. However, in September 2023, UK Hospitality reported that hospitality vacancies had fallen by a quarter in a year, while in the retail sector, 56,436 jobs were lost due to store closures and reorganisations.

One major problem facing employers is high staff turnover, with employees reporting feeling overworked and undervalued. As more repetitive tasks are automated in the pursuit of cost savings, higher skill sets are in demand, such as those with technology skills that can verify or utilise an AI's work, or those who are customer-facing. But high quality talent is in short supply, and with rising wages, it is increasingly difficult for businesses to make competitive offers to attract or retain new employees, so it is vital that they think of new benefits that they can offer.

In the post-pandemic world, employees are seeking more flexible working options, such as part-time hours or

compressed work weeks. In 2024, new legislation will come into force that gives workers more control over their working pattern, with a flexible working request able to be made from day one (Tesco is already allowing its staff to do this). Employees will be able to make two flexible working requests a year, with no explanation as to the effect on the business or a case to mitigate it, with employers required to consult with them if declining the request. Agency workers will also be able to request a more predictable working pattern.

A good example of a business anticipating these changes is M&S, who in November 2022 announced that, from January 2023, more than 3,000 retail managers would be given the choice of spreading their hours over five days, a four-day compressed week or a compressed nine-day fortnight. It is also making it easier for those seeking a job-share to connect with potential job share matches, via a new platform.

Career development opportunities are also important to workers – and not just promotions. Businesses can retain staff by redesigning roles, upskilling and reskilling, cross-training staff and creating job networks across sites. Obviously, these practices will benefit employers, too, with staff better able to fill any gaps in the business.



With a cost of living crisis, high inflation and high interest rates, a competitive benefits programme is also essential to help alleviate any financial concerns. For example, in November 2022, Ikea gave staff an average pay rise of 6 percent and a bonus equivalent to one month's salary ahead of Christmas. They increased staff discount from 15 percent to 30 percent and provided free meals in the workplace. Staff employed for more than six months were offered a flexible 'no questions asked' loan of up to £1,000 or 10 percent of their salary and an increase from 15 percent to 25 percent discount on a public transport season ticket.

In the post-pandemic world, employees are seeking more flexible working options, such as part-time hours or compressed work weeks.

CREATING A SUPPORTIVE and caring environment for employees is also vital, as issues surrounding mental health become more and more prevalent. The RHL sector is known for weekend working and shift work, with employees often spending long days on their feet. According to a survey by Hospitality Action, 40 percent of respondents had considered leaving the industry due to the impact of poor mental health on their lives. Unsurprisingly, the knock-on effect of poor mental health on the business is tangible, with reduced job performance and decreased productivity. By providing mental health training for managers, providing access to mental health resources and services and improving work conditions, employers can mitigate many of these issues before they come to a head. In addition, there has also been an increase in assaults on retail workers, with measures to reduce abuse – such as Tesco's body cameras – encouraged.

Prioritising DEI also has financial benefits for businesses, for both customer-facing relations and staff retention. Examples include Oliver Bonas, which has signed up to be an 'age-friendly' employer, promising it

will commit to prioritising age inclusion for older staff in the workforce, as well as Holland & Barrett, which has trained more than 4,000 colleagues to recognise menopause symptoms. Meanwhile Tesco has introduced kinship leave on full pay for 26 weeks for employees who obtained a Special Guardianship Order from a family court. Its maternity leave and adoption leave policies will also be

improved, rising from 14 weeks to 26 weeks on full pay, while those who adopt will also be able to take 26 weeks' leave on full pay.

As staff turnover remains high and salaries competitive, it is essential for businesses to

implement practices like the above that prioritise upskilling, career progression, mental wellbeing and DEI to remain afloat.

ACROSS OUR BUSINESSES we are increasingly seeing candidates looking to work at brands that align with their own personal values. More often than ever, people are continuing to ask themselves 'what makes me happy and whole?' and a person's work falls heavily into that.

In addition, thanks to technology, we are all more connected to the global community than ever. This connection makes team members hyper-aware of the problems the world is facing and driven to make change.

As an employer, we are being explicit about our values and ensuring that we live by them daily, so that team members actually feel what we're promising to deliver. We're exploring how we can further our ESG work and continue to work closely with charities local to each of our businesses.

ELLIE HICKLING
Head of People
White Rabbit Projects



Kaspar Basse, Founder, Joe & the Juice

Howard Kennedy in conversation with Ash Khan, Head of People at Joe & the Juice

LYDIA CHRISTIE

ASH KHAN, HEAD of People at Joe & the Juice talks to Lydia Christie, Head of Retail & Leisure at Howard Kennedy, about the importance of great people culture, why diversity matters in the workplace and how digitalisation is vital for growth.

Founded by Danish businessman Kaspar Basse in 2002, Joe & the Juice has become one of the most recognisable cafe brands on the high street, known for its soundtrack and upbeat atmosphere, not to mention healthy menu.

LYDIA CHRISTIE (LC): Joe & the Juice have seen record growth in 2023. What are the secret ingredients to your success and how did you leverage them to grow your business?

Ash Khan (AK): The biggest thing for us was our digitalisation and omnichannel growth, really pushing sales via our app and third party apps. Consumer

behaviour also helped, as there's a lot of love for our brand, but it's also down to our people – we've got a very loyal employee base that really care about the business and are extremely passionate about it. This year we had the highest retention rate of staff that we've ever had in the UK, with more employees staying on and going into more senior roles due to their length of service.

LC: How do you foster a positive and engaging work culture at Joe & the Juice?

AK: Heavy investment in people. We really put our people first. Whether it's family-friendly policies or offering great benefits, like discounted products. We really reward people too – we have a massive internal succession rate, 85-90 percent of our people have been promoted – our regional director and head of ops both started off as juicers!

LC: How do you recruit, train, and retain talent in today's competitive market?

AK: We actually never struggle to attract people to work at Joe – the brand has a crazy organic pull. We get thousands of applications every time we advertise a new role. I think people want to work for us because we're quite a fun, funky, fresh brand. We have a campus where everyone in the UK spends a week in a simulated learning centre, where they learn to make sandwiches, juices, coffees from the experts.

LC: How do you foster a positive and engaging work culture at Joe & the Juice?

AK: The culture is unlike any other – we don't do the whole corporate stuff, it's more of a family, which is down to our founder. Joe's DNA is that a juicer isn't a machine, it's a person. We have lots of staff events throughout the year – from fitness bootcamps to mental health workshops – we have a weekly

social calendar for our staff. There's two huge parties every year – we have a huge social budget.

LC: Joe & the Juice have a diverse and international team. What are the main

The main goal for us next year is to become known as a breakfast destination – we want to captivate that market.

benefits and challenges of this?

AK: The main benefit is that there's always someone to relate to at Joe – I think we probably have every nationality represented! We always get feedback about how included everyone feels and we're really proud of the fact that over half the workforce is female. In terms of challenges, Post-Brexit, it's more difficult for us to secure staff visas.

LC: How do you measure and improve employee satisfaction and performance at Joe & the Juice?

AK: We have an employee satisfaction survey four times a year which is completely anonymous. We ask people to measure their journey, from training onwards, and what we can improve on. The data is sent to our HQ in Denmark and they come back to each of the 16 markets and tell them what they need to be doing differently. It could be employee engagement with management, not having enough training, wanting higher wages.

Five ways that tech will influence retail in 2024

ALEX WATT

FROM THE EXPLOSION OF THE METAVERSE TO THE RISE OF AI, HERE'S WHAT YOU NEED TO KNOW

THE RETAIL INDUSTRY continues to evolve faster and faster, keeping pace with advances in technology, changing consumer preferences and global economic challenges. But which innovations will actually impact the way we shop? These are our predictions.

The Metaverse is finally here
The promise of a collective shared online space has been on the horizon for several years, but will 2024 be the year that it finally happens? If it does, then we can expect it to have a major impact on the retail sector, with the potential benefits including enhancing customer experience, increasing client base and creating new revenue streams.

Deloitte predicts that the Metaverse will enable retailers to offer personalised and immersive shopping experiences, such as virtual try-ons, product demonstrations, and social interactions. Of course, its impact will be less tangible on hospitality businesses, who require in-person interactions, but there might be some elements that are useful, such as virtual tours to entice guests to book.

The pros and cons of AI
The rise of generative artificial intelligence, known as AI, has been a major topic of debate over the past year. Arguments over its safety aside, it will offer retailers the potential for increased efficiency and therefore cost-effectiveness, not to mention fresh

Yet retailers must take a conservative approach to its use, not least because of the significant IP risks. Did the AI have permission to incorporate the IP? Did it have permission to adapt and use the IP once incorporated? And as a user of an AI platform – what rights do you have, what can you use safely without being sued? Much of this remains uncertain despite the reassurances of the terms of business for those AI platforms. Retailers must therefore ensure that the datasets used by generative AI platforms are free from protected IP materials used without the necessary licences and permissions. Similarly, to the extent that permissions are granted, retailers must also establish processes and systems to review and evaluate the accuracy, legality and accuracy of any AI-generated content.

The ad-advantages of ads
The retail media and advertising market is expected to grow considerably by 2026. Driven by the sharp rise in online retailing during the pandemic, retailers have started to capitalise on offering targeted advertising opportunities on their online platforms. Retailers will no doubt wish to benefit from this trend by monetising their customer data and generating additional revenue streams.

However, with the ICO taking a much more proactive role in the enforcement of Data Protection legislation, retailers in 2024 must also be careful to remain on the right side of the rules and regulations laid out in the relevant data protection and privacy regulations, as well as the ethical standards of their industry.

Data is (still) king
As retailers grapple with the challenges

HOWARD KENNEDY

that come with getting their omnichannel strategies aligned, we are expecting brands to increase their adoption of customer data platforms (CDPs) as they seek to optimise their operations, enhance customer experiences, and gain a competitive edge. CDPs collect, integrate, and analyse customer data from various sources, and are primarily used by retailers for marketing and personalisation purposes, but they can also be applied to other areas, such as logistics and supply chain management.

However, in addition to the usual data protection concerns (referred to above) the CDPs also raise IP issues, as the data collected and processed by CDPs may contain sensitive or proprietary information that belongs to the customers, the suppliers, or the competitors. Retailers must ensure that they have the proper consent and authorisation to use the data, and that they protect the data from unauthorised access, disclosure, or misuse.

The Metaverse will enable retailers to offer personalised and immersive shopping experiences, such as virtual try-ons, product demonstrations, and social interactions.

The evolution of influencer marketing
With consumer spending expected to drop in the first half of the year, and retailers expecting increased competition and pressure to reduce costs and increase sales, we expect brands to continue to look at partnerships as a means to differentiate themselves from their rivals, attract and retain customers, and create value for their stakeholders. Many retailers are already spending 40 percent of their budget on 'purchasing' influence via social media influencers.

We expect to see a continued increase in commercial partnerships between

retailers and famous individuals as both seek to leverage each other's strengths and capabilities. This means the deals that are being agreed are getting more and more varied, there will be more use of micro-influencers, but also more complicated deals with influencers with real following with payments predicated not only on their audience, but with scope for deals with fees predicated on the success of the campaign.

As ever, if your brand is considering such a partnership in 2024 (or indeed to leverage the data it has, or to sponsor something in the metaverse), we would be happy to discuss it with you in order to help you establish clear, robust IP protection mechanisms to safeguard your IP interests and avoid potential disputes or losses.



There's a tough road ahead for e-commerce pureplayers

IAN SHEPHERD

IT'S BEEN A WILD RIDE FOR THESE RETAILERS IN THE LAST DECADE – BUT THE SOLUTION MIGHT BE SIMPLER THAN YOU THINK

MUCH HAS BEEN written about how the Covid-19 pandemic transformed the retail sector. E-commerce and pureplayers boomed, while bricks-and-mortar shops struggled. But now that coronavirus is behind us, the e-commerce pureplayers are the ones facing difficulties – not least when it comes to remaining profitable. Let's take the story of Wiggle, the cycling retailer, as an example.

Back in 2011 when Private Equity investor Bridgepoint bought Wiggle, Britain was set to host the Olympics the following year, and British cycling was going from strength to strength – Bradley Wiggins was to win the Tour de France in 2012. As a specialist retailer, it must have felt that they had struck gold. The business crossed £100 million in revenues in 2012, and reached £360 million by 2021, on the back of organic growth, acquisitions (with the Chain Reaction business now rolled in) and international expansion. Except what the business hasn't actually done since then is actually

Covid put such a skew on many retailer's figures that it led to bad decision making.

make much money. Leadership has changed every few years, and despite international expansion, the sum total of all the Operating Profit generated by the business from Bridgepoint's acquisition in 2011 until it was sold to its current owners (Sigma Sports United) is just a fraction less than zero. In October 2023, Wiggle was in serious trouble. While its acquisition by SSU (a German company with

a US stock market listing) seemed like the beginning of a potentially exciting new chapter, it has come under all kinds of funding challenges of its own, with talk about 'winding down under-

performing assets'. On the back of that statement, Wiggle put itself into administration and is desperately seeking a buyer.

It seems to me there are a number of aspects of the Wiggle story which are highly relevant to all of us in consumer businesses. International expansion is hard, expensive and often ends up being a lot less profitable than you think it will be. We don't know from the outside



how profitable Wiggle's international operations were, but we can tell from the fact that they were the first thing shut down by the administrators that the answer is probably not that positive.

Brexit has made all of that harder – one of the features of Wiggle's recent results is the sheer pummelling their European sales took as new duties and administrative burdens meant that they became less price competitive. Debt can be a useful source of funding, but it can be very risky. At that peak point in 2021 Wiggle had £363m of net debt, which is simply far too much for a business which by that point had not really made much profit for years. Covid put such a skew on many retailer's figures that it led to bad decision making. In the case of Wiggle, like many pure-players, lockdown actually saw a big upturn in business, with 2021 being its only meaningful profit year since 2014. But the end of lockdown saw all of that fall away again, and just like all those pure-players who opportunistically floated themselves on the basis of their pandemic-fuelled profitability, 2022 and 2023 have seen the illusion burst.

It's actually incredibly difficult for e-commerce pureplayers to make profit. Using Wiggle as an example, it made very roughly 30% gross margin in recent years. So for every £100 from a customer (ex Vat) it costs the business about £70 to buy or make the goods being purchased, leaving £30 to cover the rest of its costs. Not bad, you might think, but we haven't done the difficult bit yet. Below that line in the P&L comes "Sales and Distribution Expenses" which for an e-commerce platform is likely to be where they put the cost of getting you to click on their website in the first place. That is where things have been really squeezed in recent years with strong competition from all sorts of entrants pushing up the costs of Google Ads, social media placements and other

sources of traffic beyond all recognition. In Wiggle's case, this cost line has hit 15% of revenues - so half of the gross margin we achieved on our £100 sale was actually spent attracting the customer in the first place. Still not bad, but there are loads of other things we haven't yet paid for - running the business, producing the accounts, managing suppliers, dealing with customer queries and more. All of this together would be bundled as "Administration" and in Wiggle's case it is, with some ups and downs, about another 15% of revenue.

In other words, all the work of generating hundreds of millions of pounds of sales amounts, once you've paid all the costs of servicing those sales, to no profit at all. What's the solution? It is very challenging to see how you could make anything other than quite marginal changes to those cost percentages whilst being a pureplayer. The digital marketing channels you are using are all well-trodden paths for your competitors, and as a result they are all expensive.

There is an alternative, though. What if instead of paying Google zillions of pounds to send 'clicks' to your website who might or might not buy from you, you invested some of that money a different way. Find a physical space, perhaps in a location that potential customers walk past all the time. Fill that space with your products, attractively presented and staff the space with colleagues you have trained to be enthusiastic advocates of the things you sell. As an alternative to the brutal, clinical, competitive world of e-commerce, that new model just might catch on. All we have to do now is come up with a name for it!

If you'd like to gain more insights on business strategy, in particular for consumer, retail and hospitality businesses, you can subscribe to the Moving Tribes newsletter -

<https://movingtribes.substack.com>



Why a boom in retail mergers and acquisitions is predicted for 2024

EVE GALLAGHER

PLUS HOW THIS COULD BENEFIT YOUR BUSINESS



IN THE DYNAMIC world of retail, distressed mergers and acquisitions – that is, the purchase of another company that is in financial difficulty, often at low cost – reflect a pessimistic economy. In the years since the global pandemic, with lockdown protocols closing down the high street, plus rising debt and a cost of living crisis, it is unsurprising that distressed M&A deals have become a mainstay of the industry.

Yet in positive news for retailers, the 12 months between 31 March 2022 and 31 March 2023 saw a 23 percent increase in conventional M&A deals, as well as a decrease from 50 percent to 33 percent in distressed deals from Q3 2022 to Q1 2023.

This decrease in distressed deals is evidence of buyers in the sector trying to solidify and future-proof their businesses and not just pounce on the business and assets of their distressed competitors. In addition, bricks and mortar shops have fared better than predicted, with their online counterparts hit by new difficulties, including the rising costs of deliveries as well as postal strikes resulting in unreliability.

2023 has marked a significant transformation in the UK retail sector, driven by an M&A surge, led by Next

and Frasers Group, whose robust balance sheets allow them to weather any economic risk. The factors motivating these acquisitions are multifaceted, encompassing economic opportunity, scale and market share expansion. After all, a diverse portfolio limits business risk, as in the event of declining sales for one brand or product, retail groups can rely on others within their portfolio to make up the shortfall.

As the retail landscape continues to evolve, these large players are poised to shape the industry's future, providing consumers with diverse options and driving innovation. Their continuous investment in technology and infrastructure provides capabilities across channels that smaller competitors can't easily match. This shared infrastructure and economies of scale enable them to unlock growth opportunities while adapting to changing consumer preferences. Partnerships between retailers also helps spread costs and share capabilities, allowing smaller players to punch above their weight.

As we look ahead to 2024 and beyond, the prospects for the retail sector's M&A activity appear promising. Various

international forecasts suggest that M&A activity is poised to rebound in 2024 and gather momentum, possibly reaching levels akin to the robust figures observed in 2021 and early 2022 by 2025. Several factors contribute to this optimistic outlook.

Firstly, continued economic recovery will drive further M&A deals, with businesses keen to jump on the moment. Non-trading activities are expected to account for up to 40 percent of retail revenues by 2030, so acquisitions that allow businesses to move into adjacent areas to their traditional operations is also important.

Another significant factor bolstering this positive outlook is that private equity is gradually returning to retail. With record levels of capital at their disposal, these financial entities are actively seeking acquisition opportunities and their involvement in M&A transactions is expected to inject further dynamism into the retail sector.

The potential for a resurgence in cross-border M&A is also on the horizon, as a period of international tension eases. However, it's important to acknowledge the challenges posed by international regulatory uncertainty. To navigate this landscape effectively and facilitate the anticipated M&A activity, establishing and maintaining a stable and uniform legal environment is crucial. Retailers and investors will need to collaborate closely with regulatory bodies to ensure that the M&A process remains compliant and efficient in the face of evolving international regulations.

Howard Kennedy x Sellier

In conversation with Hanushka Toni - Sellier Founder & CEO

LYDIA CHRISTIE

HANUSHKA TONI, FOUNDER & CEO of Sellier talks to Lydia Christie, Head of Retail & Leisure at Howard Kennedy, about her journey, her vision, and how Sellier is contributing to a more sustainable and circular fashion industry.

Sellier is a leading destination for preloved luxury fashion in the UK and beyond. Sellier offers authentic and highly curated items from brands from Hermès to Chanel. With stores in the heart of London's Knightsbridge and in Monaco, Sellier caters to those who appreciate quality, sustainability, and exclusivity.

Lydia Christie (LC): Hanushka, thank you for taking the time out of your busy schedule to talk to Howard Kennedy about Sellier and the amazing work you're doing to help the pre-loved market grow and thrive. Can you tell our readers what inspired you to start Sellier with your family?



Hanushka Toni, Founder & CEO, Sellier

Hanuska Toni (HT): We started Sellier as an alternative to the resale landscape at the time. I had been working as a solicitor before moving industries and working as a Creative Director in luxury brand marketing. I was personally buying a lot of pieces in the primary market and whenever I wanted to shop for preloved and vintage I found myself having to scroll through endless listings of products that perhaps weren't exactly what I was looking for and at the standard that I was after. I wanted to create a destination for people like me who wanted the best in class of preloved, meaning the right piece at the right price, where every single item on the website was appropriately curated. Sellier was therefore born as a destination for the discerning consumer who only wants the best of the best, but is also conscious about sustainability and making great fashion choices.

I think that one of my favourite aspects about the business is the fact that I get to work with my family. I'm surrounded by people who are so special and who really support each other whilst working for a common goal. The Sellier team is so much more than co-workers and we are all so incredibly close. I'm absolutely sure that these are friendships that we'll all keep for life.

LC: You managed to pivot from a bricks-and-mortar store to an online platform during the pandemic? What were the main challenges and opportunities you faced in this transition?

HT: At the beginning of the pandemic we still had an absolutely tiny social media account with around 1,000 followers. I started doing stories as a way to engage with a completely new audience that at the time was sitting at home and scrolling through their phones. Because we were doing something completely new and different at the time, the response was absolutely phenomenal. We really

didn't expect the account to grow at the rate it did and that's definitely not something that would be possible to emulate today.

LC: How do you attract and retain your customers and sellers?

HT: With a vast number of resale companies to choose

from, cutting through the noise and generating a loyal, repeat customer can be a huge challenge. At Sellier, we have positioned ourselves specifically as a luxury brand, which has enabled us to unlock an audience who continue to source their luxury goods exclusively from us. Our customer comes to Sellier for the best range of ultra-curated stock, as well as our guarantee of authenticity via our AI partner Entrupy. Giving customers peace of mind that they are receiving the best-in-market authentic luxury has been key to our success.

LC: How do you differentiate Sellier from other platforms for pre-loved luxury fashion? What are the unique features and values of Sellier that set it apart from the competition?

Sellier is a leading destination for preloved luxury fashion in the UK and beyond. Sellier offers authentic and highly curated items from brands from Hermès to Chanel.

HT: Sellier is underpinned by the fundamentals of sustainability and our rigorous authentication processes. What differentiates Sellier from our competitors is our commitment to curating the rarest pieces in the market at the most competitive prices. Each piece is in top condition and has been authenticated by experts as well as AI authentication, so consumers can feel comfortable investing in our products. Unlike a lot of other resale platforms, we also have bricks and mortar stores, so that clients can come in and see products first hand as well as speaking to our experts.

LC: How do you approach marketing and branding for Sellier? What are the channels and strategies you use to reach and engage your target audience?

HT: TikTok and Instagram are our main avenues for reaching our audience. Our engagement on both is incredibly strong, with over 300k followers combined. Obviously like anyone else we see peaks and declines, but I think we realised how strong the account was when every single item we posted would be sold by the end of the day. That's how we came up with our slogan #fastestfingerfirst.

LC: What are the current and future trends and opportunities in the pre-loved luxury fashion market?

HT: The opportunities in the resale market are huge thanks to the circularity of fashion. Numerous times we've seen the resurgence of noughties and nineties fashion

and as a result website traffic has increased with searches for Fendi 'baguette,' Gucci 'Jackie,' and Dior 'Saddle' bags being the most popular. In terms of commercial opportunities, we're seeing more and more resale platforms partner with multi-brand retailers. This year, Sellier has worked with MATCHES and Flannels to power their resale offering. This is part of a wider trend of multi-brand retailers adopting resale into their strategy, leveraging their broad consumer data and brand rosters to mimic first hand sales

With a vast number of resale companies to choose from, cutting through the noise and generating a loyal, repeat customer can be a huge challenge.

experiences with secondhand products. There is also increasing interest from brands themselves to own the resale offering. This signifies a shift in consumer and brand behaviour, where brands may have

previously discouraged the resale of their goods, they are now adopting and encouraging it to ensure their ethos is aligned with their customer. This is just the start; we can expect to see many more luxury brands and retailers adopting resale as a fundamental part of their brand strategy in order to stay relevant and meet customer expectations.

LC: How do you plan to adapt and innovate to meet the changing needs and preferences of your customers and sellers?

HT: At Sellier, we've cultivated a really dedicated customer base who trust us to understand what they need from a luxury

resale platform. We're incredibly connected to our customers, both via our social media community and our physical presence in London's Knightsbridge and Monaco, enabling us to stay close to their shifts in needs and preferences. At the moment, we've had a number of new customers who have been burnt by dodgy resellers, so we knew that watertight authentication had to be at the forefront of our business, hence our partnership with Entrupy, our AI partner that ensures every item we sell is 100% authentic.

LC: And finally, where do you see Sellier in the next five years?

HT: We are always looking at ways to grow and expand. At the moment we are pretty happy with our presence in the UK and Europe. I think our next destination will probably be the Middle East, but it's too early to announce! More broadly, we also want to focus on our regional expansion to further reach the UK customer. The UK market for luxury is worth £48bn and preloved represents a growing part of this. We will be focusing on areas that are currently underserved but with strong demand for luxury brands, which outside London are fairly inaccessible.

LC: Thank you Hanuska, it has been a pleasure to learn more about Sellier and your passion. I look forward to following the Sellier journey!



Why we'll see a return to the High Street in 2024

ANTONIA FRANGAKIS

THE DEATH KNELL FOR BRICKS-AND-MORTAR STORES HAS BEEN OVERSTATED, WITH IN-PERSON SHOPPING EXPERIENCES LURING CONSUMERS OFFLINE



RETAIL HAS MADE a remarkable comeback in the last five years, becoming the top-performing commercial real estate asset class in 2023. However, there are still challenges facing the sector, from how physical retail deals with an increasingly digital world, to issues of oversupply, rent costs and debt levels.

Profits have soared for online retailers in the last few years, a trend that was accelerated during the Covid-19 pandemic, when bricks-and-mortar shops were closed. Physical stores suffered as a result, grappling with hefty overheads, including rent, staff costs and product expenses, as well as an outdated business rates regime.

Yet the death of the high street has not come to pass and consumers are increasingly recognising the value of in-store experiences, from exclusive events to an aesthetically-pleasing

shopping experience. Indeed, the significance of physical presence is evident as online-only retailers, such as Glossier, venture into the physical realm, and collaborations with high street shops become avenues for tangible engagement and direct customer

feedback. The trends throughout the year are expected to further blur the lines as retailers strive to perfect the omnichannel experience and deepen brand loyalty. Another key issue that has long faced retailers is the oversupply of retail space. Yet through limited development, selective repurposing and renewed occupier demand, some progress is being made, albeit slowly. Cost pressures will continue to be high, but strategic portfolio management will allow retailers to maximise on their core assets, by closing under-performing

or peripheral spaces. Rents have declined significantly, but rates have been revalued, not reformed, leaving some with unfair burdens. Similarly, service charges have barely changed at all, and still represent a significant cost. The outlook for retail rents is modest, as the market is still fragile and competitive. Retailers are now less indebted, partly because some of the most leveraged operators have gone

rust, and partly because private equity has become less interested in retail, however this is expected to change in 2024.

Of course, any discussion of retail in 2024 would be incomplete without referring to AI and the role of technology in high street stores. While it already plays a huge part behind-the-scenes, it will become more customer-facing, to provide a more immersive experience. Virtual fitting rooms and product recommendations are increasingly normal, with the ability to try clothes on or see how something would look in your home using AI. The use of digital displays will also be an increasingly used tool, as customers are drawn to the sensory experience which they are looking to get out of their days out, The Outernet being a beautiful example of this done on a large scale. No robots on the shop floor though just yet.

Retail has shown resilience and adaptability in the tough climate of the past five years, but it still has a long way to go before it can claim a full recovery. Retailers have to be smart, agile and innovative to survive and thrive in this challenging market.

Looking to future-proof your retail business? Sustainability is the key

FRANCOIS SOUCHET

HAPPY CUSTOMER, HAPPY STAFF, HAPPY BUSINESS



IN THE UK, 50 percent of businesses believe they have ambitious net zero plans, yet only one in ten believe they have an actionable sustainability strategy. Case in point, the fashion industry was recently called out for lagging behind on supply chain decarbonisation by Stand.Earth, with 68 percent of companies scoring a grade D or below for their efforts.

A significant barrier to progress is the difficulty of involving operational teams in the delivery of a sustainability strategy. Sustainability teams may set sustainability strategies, but the bulk of responsibility for implementation generally lies elsewhere and successfully transferring responsibilities and creating lasting engagement is complicated. From our experience advising in this field, we have seen several common challenges – but there are also best practices emerging that could increase success rates.

A key blockade

Sustainability strategies are often developed independently from the core business strategy and do not really tell a story. They are mostly a set of reduction targets that do not project a relatable vision for the future of the company. This in turn does not help stimulate the imagination of the teams about the future that they want to build for the company.

The answer, then, is to create a relatable vision for an aspirational future. At the Ellen MacArthur Foundation, we saw a rapid adoption of the concept of a circular economy because people could envision what applying the principles meant, and how that could create a better future. Exploring the storytelling potential of a sustainability strategy, and helping teams picture what it means for the future of the company can be a great first step in bridging the ambition-action gap.

Three perceptions hindering progress

1. "IT IS SOMEONE else's problem": Sustainability goals can sit as unactioned intentions or uncommunicated achievements due to the perception that accountability and ownership lies within the sustainability 'team' and not with the operational teams.

2. "IT'S AN expert topic and I don't know enough to act": Teams and individuals struggle to see how their work contributes to existing sustainability goals or have a feeling that they do not know enough on the topic to take action. This perception can be reinforced by the technicality of the vocabulary.

3. "IT IS too complicated and nothing is ever good enough": The scrutiny and finger pointing that is currently happening, alongside contradictory messaging around all things ranging from carbon capture to plastic packaging, is creating confusion and a sense that inaction might be the safest approach. These lead to disengagement and disconnection on sustainability, despite growing interest from people to add purpose to their work.



Emerging best practice

There are a few important elements that we see to maximise engagement and results. First, understanding how people access and engage with content, for example what devices and platforms they use, and how much time they spend on those. Second, assessing the type of content that generates maximum engagement, such as short or long form articles, videos, podcasts. Third, defining the level of interactivity that maximises interest and engagement, for example a Q&A with experts, forums with peers, games.

It is vital to help people integrate sustainability in their decision process. Trying to simplify sustainability to a checklist or a list of dos & don'ts rarely works. Instead, it is often more helpful to create a decision framework, helping people ask themselves the right questions and providing insights from theories and research that could help inform the team's thinking. This is all the more important as there are few perfect solutions, most are contextual and often require tradeoffs.

For example, is it better for a beauty brand to use a refill pouch made from a non-recyclable plastic blend, or to use single-use plastics, made from HDPE, one of the most recycled plastics? Is it better to have more plastic but entirely recyclable, or to save plastics by introducing non-recyclable ones? It's also useful to delegate responsibility, creating ownership and accountability within operational teams. Some businesses have even created sustainability responsible roles, who report directly to the unit manager, but have a dotted line to the sustainability team. They have sustainability as part of their job description and time allocation

and are the expert of reference for their own team. They are also the contact point for the sustainability team, keeping up-to-date with latest developments.

When developing these roles, it is necessary to protect the time they can dedicate to sustainability. One of the challenges we see is that when other business imperatives arise they will take precedence over sustainability, if that time is not protected. Finally, make it worthwhile to be sustainable. An increasing number of companies are linking executive compensation to ESG performance and a number of studies show the benefits of this approach.

Food for thought

An important attention point when embedding sustainability, especially when the company already has a thorough strategy, is making sure that engaging the teams does not derail progress by opening the Pandora box of

It is vital to help people integrate sustainability in their decision process. Trying to simplify sustainability to a checklist or a list of dos & don'ts rarely works.

blue sky thinking. It is important to align with what is already there and to create engagement and ownership while respecting the existing direction. As such the approach is more about understanding what a team can practically do, aligned with strategic direction

and budgetary constraints, rather than starting back from zero. At a time where employee engagement is at an all time low, and where many are looking for better, more purposeful opportunities, embedding sustainability can not only help companies achieve ambitious agenda, but also reinforce connections with and retention of key talent.



Why Brand Community is Everything to Gen Z Consumers

VANESSA LAUNDON

PURCHASING HABITS ARE BECOMING MORE MEANINGFUL IN THE FACE OF THE ENVIRONMENTAL CRISIS

In 2024, there's not only an economic crisis, but an environmental one, and as a result consumers are increasingly fussy about where they will spend their hard-earned money. In order to succeed, brands need to offer much more than just quality products –for Gen Z, it's as much about who you are buying from as what you are buying. Discerning consumers are seeking out brands that speak to them, with the benefit to brands themselves immediate and obvious. By creating a thriving community on social media, brands

eliminate the need for traditional print or television marketing, instead communicating directly with the consumer online. There are benefits to the consumer too, offering like-minded connections as well as preferential access to discounts, sales and events. One of the best examples of this technique is Sweaty Betty, the womens' athleisure

brand. Its 'Insiders' Club' not only gives advance access to discounts and exclusive collections, but also offers an events programme dubbed 'Insiders'

Week', with a 5k run followed by drinks at its Battersea flagship. Mindful of its consumers' need for green credentials, it also offers legging recycling. Peloton was able to capitalise on its rapid rise to fame during the pandemic and the increase in home workouts by establishing a cult-like following for its instructors. Now, such is the power of the Peloton community, it can even drive its fans to stay at certain hotels, simply because they offer one of their bikes in its gym. Via the Peloton Hotel function, the brand has opened up a whole new revenue stream in an otherwise finite marketplace, with the brand getting a percentage of every guest made through the app.

And it is not just consumer brands which are benefitting from the communities built around them. Bancone, a London-based fresh pasta restaurant, utilised its 100,000-strong Instagram following to raise over £900,000 for an expansion into Borough Yards, showing that communities can generate revenue as well as footfall.

While in the past it was only mega global brand names like Apple who might benefit from a loyal following, with the increasing role of social media in everyday life, smaller companies can take advantage too — the best thing being that once you reach a certain level of engagement, the marketing takes care of itself.

By creating a thriving community on social media, brands eliminate the need for traditional print or television marketing, instead communicating directly with the consumer online.

The beauty of trademarking

POLLYANNA SAVVA

WHEN IT COMES TO MAKING YOUR MARK IN THE BEAUTY INDUSTRY, IT'S VITAL TO HAVE A STRONG BRAND – AND A STRONGER TRADE MARK



COMPETITION IN THE beauty industry is fiercer than ever. From the plethora of celebrity brands, like Hailey Bieber's Rhode, to high-fashion make-up lines like Chanel, or brands that got big on TikTok, like The Beauty Crop, it's essential for newcomers to the market to have not only a strong brand name, but also legal protection through a rigorous trade mark strategy to deter copy-cats.

From a legal perspective, a strong brand is unique and memorable, and does not describe a characteristic of the products. These attributes also help to distinguish a brand in the marketplace. Examples include indie beauty brands Disciple and Centred, which have a certain resonance and no obvious meaning in relation to skincare or haircare products.

It is common practice within the beauty industry for founders to name their brands after themselves. Although this gives the brand a personal touch, it can present legal challenges if the founder parts ways with the company. For example, founder Bobbi Brown was contractually prohibited from re-entering the beauty market under her own name due to a non-compete agreement with Estee Lauder Companies Inc., buyer of Bobbi Brown Cosmetics. Bobbi Brown has since launched a new line of cosmetics under the name, Jones Road.

As important as the brand name itself is legal protection. In the UK, a valid trade mark registration gives the owner the exclusive right to use the mark for the registered products and services. It can also provide legal recourse if someone tries to use or register a similar brand for the same or related offering in the UK. Many retail platforms, such as Amazon, require a trade mark registration to investigate reports of potentially infringing listings.

One example of a retailer with an exemplary trade mark strategy is Beauty Bay. Not only has it registered its headline mark and logo with the UK Intellectual Property Office and elsewhere, but it has also registered product names such as SET IT DON'T REGRET IT and MAKE IT RAIN, as well as their loyalty program TRIBE.

Essential for brand owners starting out is to conduct a clearance search of the UK trade mark register and other relevant online platforms in order to avoid infringing an earlier trade mark, because even if an honest mistake, the repercussions can be serious. Even Kylie Jenner, founder and co-owner of Kylie Cosmetics and Kylie Skin, could not escape legal proceedings over her brand name.

Once a trade mark is registered, it is crucial to monitor relevant trade mark registers for new applications, as well as retail and social media platforms for third party use, both of which may conflict with your rights. It is better to take action sooner rather than later to avoid potential sales diversion, damage to brand reputation and a public health risk as a result of counterfeit products.

A strong trade mark strategy is therefore pivotal to the success and survival of a beauty brand in the UK market. By ensuring that your brand name is unique,

available for you to use and register, legally protected and monitored for potential infringement, you will have the strongest chance of upholding the integrity of your brand and posing a deterrent to enterprising infringers.

A priority for beauty brand owners in 2024 should be to keep an eye on the 'dupe' market – is your product comparable to a higher-end product and capable of benefitting from the 'dupe' craze without infringing IP rights or is your product itself being 'duped' to the extent that the 'dupe' is encroaching on your IP rights?

It is common practice within the beauty industry for founders to name their brands after themselves. Although this gives the brand a personal touch, it can present legal challenges if the founder parts ways with the company.

A scoop on beauty

JANET MILNER-WALKER, BESPOKE ADVANTAGE

IF THERE ARE TWO WORDS TO SUM UP THE CURRENT STATE OF THE BEAUTY INDUSTRY, THEY ARE 'RESILIENT AND BUOYANT.'



IT IS EXCITING to see the shifts across consumers, retailers, and products. In 2022 the global beauty industry which includes skincare, hair care, fragrance and cosmetics was forecast to be worth \$430 billion.

Growing at a trajectory rate of 6%, it is valued at \$580 billion by 2027 and attracts the likes of investors, celebrities, business entrepreneurs – from doctors to lawyers and financiers. Everyone is looking for a share of the pie. The landscape has changed significantly over the past few years, with a shift in consumers shopping habits coupled with the cost-of-living crisis and in 2023 retailers have been reviewing their category mix, pricing, and brand portfolios, to gain a clearer understanding of what, where and how to maximize profits.

In the UK, a market worth over £27 billion, retail is segmented into online and bricks and mortar retailers, speciality health and beauty retailers, pharmacies, department stores, supermarkets, and value retailers. The global pandemic has been a catalyst for eCommerce, accelerating the shift to online shopping. Retailers have increased their online offering significantly since the pandemic, and this looks set to continue, with several of them focusing on introducing new categories such as wellness. Nine out of ten health and beauty shoppers still purchase products in store, but the spend is shifting online with online sales said to reach £3.1 billion.

UK consumers spent on average £487 per head on health and beauty products in 2022 (Global Data), and over the next five years consumers are willing to invest even more leading to an additional £73 per head. This makes this one of the fastest growing sectors in the UK.

UK Beauty Retail Landscape 2023 was a year filled with change, in a positive way.

ASOS partnered with brands including Lush, Marks & Spencer invested in bringing on board more established beauty brands like Clinique and Benefit, and we have also seen retailers investing in training their staff about health and wellness like Holland & Barrett. There is a heightened interest in supporting black-owned beauty brands. Sustainability is a focal point with many questioning the sustainable

In 2022 the global beauty industry which includes skincare, hair care, fragrance, cosmetics was forecast to be worth \$430 billion.

credentials of a brand. Supermarkets are heavily investing in their beauty categories and we have seen Boots and Superdrug launch online marketplaces, to support the growth of indie beauty brands.

M&S has always had a strong own-label beauty offering including Apothecary which performs well. They have invested in premium beauty brands, and introduced Clinique and Benefit counters to key stores. M&S collaborated with beauty recycling expert Handle Recycling to introduce a 'Beauty Takeback Scheme' for recycling beauty packaging empties across forty stores in the UK, allowing customers to deposit their hard-to-recycle beauty packaging materials and components that would otherwise end up in landfill. The collected empties are recycled and turned into new packaging and products.

Supermarkets have certainly seen the value in making beauty products accessible to your weekly shop. Shopping for beauty in a supermarket, doesn't provide an exclusive or a premium experience - and perhaps this isn't a priority for some of us. Over the past few years, we have seen supermarkets heavily invest into building their beauty category - from one end of the scale to the other. On the budget

side, Aldi has their strong own brand offering, Lacura, and Lidl, has Cien, both have great beauty dupes, based on iconic beauty products.

We have seen the likes of Ocado Group investing in premium beauty through introducing brands like Bamford, Cowshed, Votary, Daylesford. Waitrose & Partners, part of the John Lewis Group, has also built a good albeit small beauty offering with premium beauty brands including Neal's Yard.

Sainsbury's has invested in their beauty category over the past few years, launching this specialised division in 2018, and their premium beauty offering is now available across 250 stores, with dedicated aisles, with wooden fixtures, soft lighting, and expert beauty teams. They have also introduced the largest selection of serums in their serum bars, available across 106 of their stores.

Tesco recently announced that they are introducing over 300 new beauty brands online, and this is only the tip of the iceberg, and they intend to extend this category by thousands of new products in the new year. Superdrug launched a marketplace, to promote over 10 000 products, supporting indie beauty brands in launching into retail. Superdrug unveiled plans to invest in 25 new stores as they expand their bricks-and-mortar footprint, with their largest store opening in the Northwest at Manchester's Trafford Centre. This includes an extensive fragrance counter and Beauty Studio area, where customers can access "professional treatments at affordable prices". British customers welcomed the new Sephora store in March, following the launch of its website and app in autumn 2022. Located in the largest retail destination in Europe, Westfield London, the store introduces next generation design features to further enhance the retail experience.

Battersea Power Station opened to the public last October. Almost 40 years after Battersea Power Station's lights were switched off, the icon is back and set to become one of London's top retail



and leisure destinations. Shoppers are spoiled for choice with a variety of British and International brands including the likes of Jo Malone, Space NK, Aesop, Rituals along with many more. The Perfume Shop reported an outstanding sales period for Father's Day with a record 224,000 bottles sold over 14 days in the run up to the big day on the 18th of June 2023. This equates to approximately 11 sold every minute.

their Licensee L'Oreal Luxe, with the launch of an edited line of products including Prada Augmented Skin The Cream, The Serum, The Cleanser and Makeup Remover in Selfridges, Harrods and Douglas. Marc Jacobs has signed a Licensing deal with Coty for cosmetics, a great addition to their existing relationship for Marc Jacobs fragrances.. Farfetch who only recently launched into beauty, after acquiring

Charlotte Tilbury launched their first app, aiming to make beauty more accessible and simplified for everyone. The Charlotte Tilbury app is an interactive platform that combines Charlotte's artistry expertise with artificial intelligence to educate, inspire, and reward customers. It offers personalised beauty recommendations and is designed to deliver an immersive and empowering beauty experience.

Supermarkets are heavily investing in their beauty categories and we have seen Boots and Superdrug launch online marketplaces, to support the growth of indie beauty brands.

IPO'S, Mergers and Acquisitions

Glossier announced their first UK international partnership exclusively with Sephora, in their Westfield store. This follows the opening of Glossier's store in Covent Garden and the launch of their website Glossier.com. Glossier had a trail blazing launch in Sephora US, across 640 stores in the US and Canada, and was one of the most searched for brands on Sephora's website. The UK is their second largest market, and launching with Sephora exclusively in the UK was a natural fit.

Violet Grey, has exited this category, a year after launch. Much has been in the news regarding Natura, who acquired Aesop and divested of The Body Shop to the Aurelius Group for £207m. Kering bought out Creed fragrances, Elf Cosmetics acquired Naturium, Kao acquired Bondi Sands to strengthen their positioning in this sector, and Coty divested of Wella as part of their deleveraging strategy.

There is a lot taking place in the UK across beauty retailers – in a positive way – leading to some interesting opportunities for brands and investors.

There has always been a natural synergy between beauty and fashion – and Prada has tapped into this, alongside



Howard Kennedy in conversation with Alexis Cepeda Maule, former MD of Reformation

LYDIA CHRISTIE

ALEXIS CEPEDA MAULE, the former MD at fashion brand Reformation, talks to Lydia Christie, Head of Retail and Leisure at Howard Kennedy, about the importance of a strong DEI strategy, why businesses should be sustainable from the beginning, and the need for an 'Eat Out To Help Out' type of initiative for shopping.

Reformation is one of the leading green fashion brands in the world. Founded in Los Angeles in 2009, it began by selling vintage clothing in its tiny boutique, before evolving to create timeless pieces from deadstock fabrics. It's worn by celebrities including Sienna Miller, Taylor Swift and Kendall Jenner.

Lydia Christie (LC): Can you tell us about your career path that has led you to where you are today?

Alexis Cepeda Maule (AM):

I actually started in investment banking at Credit Suisse in New York. It was really good to get a robust skill set and work ethic early on. Then I switched gears and went to Stanford Business School and I fell in love with the union of technology and consumer goods, and that's when I did my summer internship at Amazon and was introduced to e-commerce. Afterwards, I went to Italy to work at Yoox – later the parent company of Net-a-Porter – and I ended up staying there for seven years! Fashion was always on my radar – in high school I'd been the editor of my school newspaper's fashion column – and I'd always read the New York Times Style. In university I was the executive producer of a fashion show, Harvard's largest student-run event with over 1,000 attendees. However, I didn't know how



Alexis Cepeda Maule, former MD, Reformation

HOWARD KENNEDY



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to get into the industry, but it all ended up working out nicely together when I joined Yoox Net-A-Porter, working for the founder and CEO.

LC: Can you share insights into the challenges and opportunities you've encountered in your career, particularly in steering companies through growth?

AM: My most recent challenge has been opening a regional office in London – not only with the 8-9 hour time difference of the company's L.A. headquarters, but also the cultural challenges between the two regions. When companies look to expand into burgeoning markets, and open regional offices, the people in the satellite office have to work harder to build relationships. The flipside has been that by joining a company with physical stores and distributors you learn more about wholesale and bricks and mortar channels that build a true omni channel presence – I do think that's the model that will work going for fashion brands moving forward.

LC: What do you predict the main challenges will be for the Retail sector in 2024?

AM: The main challenge for the retail sector in 2024 is the economy – especially in the UK & Europe where a plethora of factors are suppressing consumer demand. There's high inflation and the cost of living crisis, which has impacted not only people who have mortgages, but also renters. Brexit has made it really complex for e-commerce and businesses

operating between the UK, the rest of Europe and other regions. Then there are business rate taxes that apply to physical stores in the UK, which are forecasted to increase and put an extra burden on high street brands. You also have the lack of tax-free shopping in the UK which was enforced in 2021 – since then tourists are reportedly coming to the UK, staying in a London hotel, but then catching the Eurostar to shop tax-free in

France. With all of these factors plus the energy crisis, political upheaval in Russia, Ukraine and now Israel and Palestine, people are waiting to see what happens in the UK and the US elections – it's no surprise that the amount of shopping

and conversion is quite low in the region. We need some kind of initiative that encourages the retail sector again, like 'Eat Out To Help Out' did for the hospitality industry.

LC: Congratulations on your recognition at the Black British Business Awards! How significant do you think such awards are in promoting minority talent and encouraging individuals to pursue their dreams?

AM: It was a really big honour to be nominated, especially as I am an expat and have only lived in the UK for six years. It's so important to continue to invest in community-wide DEI initiatives across all industries and raise awareness.

LC: As a leader known for promoting diversity, what advice would you give to other brands to increase diverse representation in their business?

Reformation... began by selling vintage clothing in its tiny boutique, before evolving to create timeless pieces from deadstock fabrics.



AM: I think the most important thing is to have a meritocratic culture – when you’re looking at new roles, you need to cast a wide net. Brands also need to invest in their learning and development internally so employees have a chance to succeed. There needs to be a goal and a budget for DEI. The first thing that usually gets cut when businesses are struggling are DEI initiatives – and it’s critical to prioritise DEI from the top down.

LC: Balancing sustainability with staying on-trend is a key focus for many brands. How do you approach this challenge at a strategic level?

AM: What Reformation has done really well is being sustainable from the very beginning and looking at the entire supply chain – the vendors, the sourcing, everything from when the garment is made to delivered. There are opportunities to infuse sustainability into the entire process – although it does come at a cost, which is why not every brand does it. That’s why you see brands who focus on sustainability typically having a premium price relative to fast fashion and mass retailers. Consumers are now more aware of brands that are truly invested in sustainability and it’s great that they are willing to invest in their products as well.

LC: How do you envision the future of sustainable fashion evolving?

AM: I think more and more brands are building sustainability into their DNA from the early stages of the brand production and development. I think the boom of companies involved in resale and recycling is great for supporting businesses and their sustainable agenda through circularity.

LC: Integrating technology into in-store experiences is a notable move. How have you seen this impact customer engagement and the commercial success of brick-and-mortar stores? How do you foresee it evolving in the future?

Consumers are more aware now of companies that are truly invested in sustainability, so they are more willing to invest in their products, too.

AM: Technology has always been incredibly important for the retail experience but not all brands have prioritised it. Reformation has had virtual

fittings rooms for several years. Brands should look at ways to integrate AI into the customer experience, both in stores and behind the scenes, and make sure they are able to put aside budget for solutions that maximise roi.

LC: Lastly, if you could provide readers with one piece of advice to flourish in 2024, what would that be?

AM: Double down on investing in your teams and people, also be louder about changes that need to be made for the industry to thrive again in the UK & Europe.



Howard Kennedy in conversation with fashion designer Joshua Kane

JULIAN HINDMARSH

FASHION DESIGNER JOSHUA Kane talks to Julian Hindmarsh, Chair of the Real Estate Sector and Partner at Howard Kennedy, about starting his own eponymous brand, finding his niche in fashion and the advice he would give the Next Gen of designers.

Following stints at some of the biggest names in tailoring and mens fashion, Joshua set up his own fashion house in 2014, quickly making a name for himself as one of the most exciting young designers on the London scene. Since then, his pieces have been worn by everyone from David Tennant to Tom Holland, Cara Delevingne to Laura Whitmore.

Joshua Kane,
Fashion Designer



Julian Hindmarsh (JH): You started your fashion career at Brooks Brothers' in New York before moving on to Jaeger, Burberry and then Paul Smith. What inspired you to start your own brand?

Joshua Kane (JK): My father would always say to me when I was younger, "I think you're going to be very unemployable when you're older", and that's always stayed with me because I'm very headstrong! I loved working for those amazing brands and learning the ropes about the industry from them but for me I've always had an amazingly specific vision of how I wanted to create my own designs from a really, really young age, as an artist and then training in the fashion industry and applying that same perspective to things.

For me it was always going to be a matter of time. Even when I was working at those brands, seven days a week, I always had my sewing machine at home and was making my own bespoke suits for myself, which I was wearing on a day-to-day basis. I'd work through the night just to have my own creative outlet – doing it for myself and not having to compromise in any way.

The transition naturally ended up happening – the more events that I went to wearing my own suits and the more people that I met, it just naturally gained interest. I had a few celebrity friends that I just picked up by being out and about in London networking and looking a bit different, and the more I was around that creative London scene, the more people were asking where I got the suits from. For quite a few years people would

ask me where they could order them and I'd have to say, "sorry, I've got a full time job!" I was around 28 when I decided it was time to take the risk! It just happened organically, which was a very nice way to do it. It wasn't about securing a certain amount of funding, going through pitch deck after pitch deck, getting enough business cards... it was just natural.

JH: How did you develop your signature Joshua Kane style of tailoring and craftsmanship?

JK: I love historical fashion – that of the dandy, from a time when men took more care with how they dressed – you can see that from some of the designs,

obviously. I'm a bit of a chameleon, I dart in between my many interests – from playing semi-pro football until I was 21, to becoming a skateboarder to a high level and playing video games. I put all of that into creating my own label with my own aesthetic, walking a fine line between referencing history while making it modern. **JH:** How do you balance your creative vision and your business strategy as a designer and a brand owner?

JK: Look, there's definitely times when I've got it right, and times when I've got it wrong. I like to be my own worst enemy and make myself work really, really hard to get it right. I have to have two heads on the same shoulder as both the designer and also my brand's chief financial officer. There are some days when one character walks in and works with the team, and other days it's the other – sometimes it can change even within the same meeting!

The transition naturally ended up happening – the more events that I went to wearing my own suits and the more people that I met, it just naturally gained interest.



Jokes aside, you have to be very, very strict, the older the business gets and the higher the financial risk gets. If I'm investing in buying the materials and crafting everything from scratch, the margins are much larger, and the pressure on how the audience will perceive it is much higher.

JH: It's like that saying, 'you're only as good as your last collection!'

JK: You're only as good as you were yesterday it feels like! It's a case of a couple of scrolls on Instagram or TikTok now – when in the past collections were analysed and written about for months.

JH: You launched your latest collection, 'The Shipwrecked Tailors' in November, which the team at Howard Kennedy got to enjoy. How has the new collection been received?

JK: Personally, it's my favourite collection ever and it's been received really well! The show was the smallest audience I've ever done – between 160-180 guests – which I did on purpose. A lot of people look back at some of the other shows I've done, for example, our biggest one was 2,500 people at the London Palladium, and assume that's the best because of the grandeur of it all with the

live orchestra, but looking back at that, they weren't the best garments I've ever done. For me, the smaller the audience, the more bespoke the experience is – and therefore the more luxurious.

JH: Can you tell us what's on the horizon in 2024 for Joshua Kane?

JK: I've got ginormous goals off the back of this collection. This year it's our 'decade' collection, marking 10 years since I sold my first suit with my name on it, so that's really, really special. It'll hopefully

celebrate all the different faces that have represented the brand along the way, accumulating into four brand activations – including a big runway show, as well as lots of other surprises and tricks!

JH: Can you give one piece of advice for NextGen designers looking for their break in 2024?

JK: Work hard. When I was at university I was never the top of the class, I was never the best at drawing, but my passion and desire made me work harder and longer hours. I ended up with a First Class Honours, and that was from my want to learn and challenge myself.

For me, the smaller the audience, the more bespoke the experience is – and therefore the more luxurious



Thank You

THANK YOU FOR READING OUR
RETAIL AND LEISURE TRENDS 2024
REPORT. WE HOPE YOU FOUND IT
INFORMATIVE AND INSIGHTFUL



IF YOU HAVE any questions or comments for the team, or if you would like to learn more about any of the topics covered in this report, please feel free to contact us at [Howardkennedy.com](https://www.howardkennedy.com) or via email at matthew.lamb@howardkennedy.com

We would also like to express our gratitude to all the contributors who shared their expertise, insights, and experiences with us. Without their valuable input, this report would not have been possible.

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