



RSA:  
THE RETAIL SERIES



## RSA: THE RETAIL SERIES

RSA HAS A LONG AND SUCCESSFUL HISTORY OF WORKING WITH RETAILERS GLOBALLY.

We have spent time over the last 18 months developing our understanding of what Retailers want and the issues they face. We know the Retail market is forever changing and we are committed to working with our Retail customers and brokers to continuously understand their changing needs.

This paper is the first in a series of short papers dedicated to what we believe are some of the most important challenges and opportunities facing Retailers. The papers have been produced by RSA Global Europe in conjunction with Retail customers, brokers, experts and researchers in the fields covered.

Our Retail journey gathered pace at our first Pan-European Retail Customer Seminar in Paris on 6th September 2011. Seminars like this give us a great opportunity to develop our understanding of the challenges facing the Retail market, and more importantly it gives our customers and brokers a forum to debate these issues and share learnings.

We spoke to leading experts and Retailers to pull together a compelling list of topics to discuss at the seminar. This first paper captures the messages from the experts and Retailers on the following topics:

- The Power of the Consumer
- Sustainability Challenges for Retailers
- The Future of Retailing
- RSA and Retail Insurance

The participants voted the seminar a resounding success. We have published the key points from the event, concisely, in this introductory paper. We will be delving further into each theme with a separate paper in the coming months.

We hope you will find this series of papers interesting and, as ever, we would welcome any feedback you have or suggestions for topics you would like covered in the future.



CHRIS SMITH

# THE POWER OF THE CONSUMER

## SESSION EXPERT



**PROFESSOR MERLIN STONE**  
UNIVERSITIES OF EXETER,  
DEMONTFORT, OXFORD BROOKES  
AND PORTSMOUTH.

Professor Merlin Stone shared powerful insights on how the changing consumer is having an impact on Retailers' businesses.

The world is changing more rapidly than we can imagine and the way that consumers are informing themselves and making purchase choices is complex and changeable. It is important that Retailers constantly review the consumer environment around them to drive the changes essential to move their business forward. Merlin provided the seminar attendees with his thoughts on the consumer changes challenging us all today.

## A FEW INTERESTING STATISTICS

- World Population 7 billion and growing, 500 million in Europe
- 2.43 new consumers each second
- Developing nations growing 30% faster
- By 2030 79% of middle class spending power will be in the developing world
- By 2050 the average age will be 38
- By 2014 women will control \$28 trillion in consumer spending.

*(The Neilson Company, 2011)*

## WE ARE BECOMING TRULY GLOBAL

Technology, industrialisation, trade and media have all contributed, in a major way, to the development of a much more global consumer. We can see evidence throughout the world of cultural convergence driven by multinational brands, e.g. Coca Cola, and by the media e.g. news channels and Internet search. Younger audiences are united globally around sport and music. Gaming and social media, are breaking down the boundaries between typical geographical territories of the past.

## THE EVOLVING CONSUMER PROFILE

"OLDER, LARGER, MIDDLE-CLASS, OVERCROWDED"

The challenges of our developed society are having an impact on our weight, yet we are living much longer thanks to improved healthcare. Life expectation is longer; but this still varies greatly across the world, and even within countries. The world's population is growing at a rapid rate and we are developing a stronger, larger-middle class worldwide, with more consuming to come.

We are beginning to see some of the effects of these changes on the behaviours of consumers in some areas of the world:

- People are generally more hedonistic, looking for stylish or pleasurable things or experiences, yet leading to more short-term thinking and acting.
- Consumers are becoming more aware of and attracted to specific 'mega-brands' such as Apple, Disney and Google.
- Altruistic or kind-hearted acts are coming under question more frequently as consumers become more insular and removed from the immediate community around them.

Environmental pressures are driving more conscious consideration for green issues; however, consumers are not initiating the sustainability agenda and often choose economics over sustainability.

In matters relating to politics and consumer spending power, there is an obvious balance shift towards the East. Developing nations have rapidly growing middle classes with money to spend.

When it comes to family units, there has been a major change in the way in which women, in particular, make decisions on spending. The earning power of women is also growing at a greater rate than that of the male population globally.

The shape and size of 'family units' has been, and is, changing dramatically. Many households have only one person in them. Families are more distributed and parents are not always living in the same household.



Work and the structure of the way people work has also changed; there are more portfolios of part time jobs, entrepreneurs and small business owners, and moves between typical career paths are more common. Changes to pensions are changing the way people plan for retirement and when they retire.

The changing face of the public sector and the investment in public services means challenges for health provision, particularly in later life.

Technology and mobile commerce has changed the way people research and buy goods as well as the way they receive service. It has also changed time restrictions for consumers – 24/7 you can buy what you want.

When we consider today the major consumer related issues impacting Retailers, we become very focused on the economic pressures facing all of our markets. These are, without doubt, affecting the way consumers are able to make spending choices, however, many more of these consumer changes above combine to provide Retailers with challenges and opportunities to build their businesses of the future.

#### MERLIN'S 5 KEY CONSIDERATIONS FOR RETAILERS

1. Careful planning of the physical/web balance making sure there is a carefully orchestrated integration of the approach.
2. Ensuring you lead with information, advice and value and don't become a follower.
3. Ensuring you find ways to engage customers, from their journey to purchase to their life journey.
4. Making sure you consider how to create/sustain loyalty.
5. Improving your insight to support these challenges of the future.

#### CASE STUDY



**MIKE VANEKER**  
MARKETING DIRECTOR  
SMB EUROPE, OFFICE DEPOT.

Office Depot/Viking Direct has been seriously considering the challenge of getting closer to customers. The company is active in 56 countries and is the world's number four E-tailer, as well as having more than 1250 Retail stores. They have been driving a major programme of change to ensure that they are able to get closer to their SMB (Small/Medium Business) customer base.

**“OUR DATA TOLD US WHAT THEY HAD BOUGHT, BUT DID NOT SHARE WHY”**



**THE VIKING DIFFERENCE –  
“OUR PROMISE IS TO BE THE BEST IN HELPING  
OUR CUSTOMERS TO GET THE MOST OUT OF  
THEIR WORKING DAY, ANYWHERE, ANYTIME.”**

Both Merlin and Mike agreed, the Retailers that are succeeding are investing in customer knowledge and developing a more targeted customer proposition and experience.

We will be looking at the Power of the Consumer in more detail in our next paper.

# SUSTAINABILITY CHALLENGES FOR RETAILERS

## SESSION EXPERT



**DAN CROSSLEY**  
PRINCIPAL SUSTAINABILITY ADVISOR,  
FORUM FOR THE FUTURE.

Sustainability is the capacity to endure. For humans, sustainability is the long-term maintenance of well being, which has environmental, economic, and social dimensions, and encompasses the concept of union, an interdependent relationship and mutual responsible position with all living and non living things on earth.

*Wikipedia*

The environment and global warming are very important issues for us all and many Retailers are at the forefront of finding innovative ways to transform critical systems and processes to meet the new emissions and energy challenges facing us. The examples and guidance Dan provided show very clearly that a sustainable approach is much more about embracing a holistic strategy and driving innovation and ideas. Sustainability is becoming a great opportunity for Retailers that get it right, as well as a major challenge.

Dan set out five key trends emerging in Retail sustainability at the moment and shared some inspiring examples and stories of those organisations taking the initiative.

## 1. SHIFT TO WHOLE LIFE APPROACH

As a business, it is important to consider a broader model for sustainability. Larger Retailers dealing with many suppliers and delivery companies need to consider how they can work together in partnership to be more environmentally friendly.

An example provided is Tesco in the UK. Tesco includes its suppliers and its customer footprint in the total CO<sub>2</sub> plan and targets. Building a plan of action that is much more effective than simply reducing their own store related CO<sub>2</sub> emission reductions.

“Through working with our suppliers and helping customers play their part, we can have an effect over 100 times our direct emissions.”

*Tesco*

The customer ‘emissions footprint’ is, by far, the largest opportunity for Retailers, and yet is often difficult to affect. Some, innovative Retailers are working together with suppliers to offer products that are more cost effective for customers, or that enable the customer to be more environmentally conscious themselves, e.g. a water saving shower, energy saving light bulbs, and eco- programs on washing machines. The customer becomes more engaged in the sustainable option as a result, and becomes more aware of their personal energy footprint.

## 2. REDUCING IMPACTS AND SAVING MONEY

It is often the perception that going green can be too expensive. There are Retailers who have clearly shown that saving money can be a direct result.

## CASE STUDY



**JOHN WINDSOR**  
RISK MANAGER, M&S.

M&S has been working on a programme of sustainable business for a number of years, and has truly infused the approach throughout the organisation and their employees.

Plan A (because there is no Plan B) was launched in 2007 and is all about developing more environmentally friendly processes and so reducing the impact of the Retailer and its suppliers and customers on the environment. It is also about developing new and sustainable products and services that did not previously exist.

M&S have saved around £50 million by being more efficient.

“CUSTOMERS CAN SEE THAT  
PLAN A IS NOW INTEGRAL TO  
THE SPIRIT AND SUBSTANCE  
OF MARKS & SPENCER –  
SOMETHING THAT REALLY CAN  
BE FOUND ONLY AT M&S.”

MARC BOLLAND, CEO  
MARKS & SPENCER

### 3. COMING TOGETHER TO TACKLE SYSTEMATIC ISSUES

New Retailing partnerships are being developed to tackle sustainability problems. Examples of this are: Charity Oxfam has teamed up with M&S to deliver a clothing-recycling scheme. [www.lovefoodhatewaste.com](http://www.lovefoodhatewaste.com) has been built together with Sainsbury's in partnership with Asda and Morrisons and other major food brands to address food waste and packaging issues.



### 4. GREATER APPETITE FOR MORE RADICAL CHANGE



The environmental and sustainability challenge has set the scene for a number of completely innovative schemes to emerge. Examples of these emerging are Zipcar; a clever car rental/sharing scheme to enable people to pick up a car when and where they need one. Customers look at where they are and locate a car online. There are similar schemes for bicycles such as Velib in France.

Retailers are looking to these innovations and considering potentially radical ways to develop new services. Some are already offering new services, for example, considering how to rent out the use of items instead of selling them.

### 5. PROMOTION OF SUSTAINABLE CHOICE

The trick to getting consumers engaged will be to offer value, and real benefit for green choices. Some Retailers are developing ways to do this through loyalty points for green choice products or customer-only offers on green renewable items and refills, e.g. Tesco has begun rewarding with loyalty points for green choice products.

#### Dan summed up with his own agenda for sustainability in Retailing:

- DO: go beyond the risk agenda (and encourage others to)
- DO: start an opportunity register
- DO: embrace partnerships through the value chain
- DO: come together to tackle systemic issues
- DO: promote sustainable choice
- DO: be radical in your new product development
- DO: engage with consumers on sustainability

Dan and John's presentations generated a lot of interest and debate at the seminar and provided us all with a lot to think about. We will be exploring the issue of Sustainability in a lot more detail in one of our future Retailing papers.

# THE FUTURE OF RETAILING

## SESSION EXPERT



**CLARE RAYNER**  
THE RETAIL CHAMPION  
FOUNDER AND MANAGING  
DIRECTOR OF RETAIL ACUMEN.

Our Retail 'crystal ball' came in the shape of Clare Rayner, a respected champion and adviser to the Retail industry. We know that the future of Retailing is already here. We were keen to set out three important trends to watch in the near future.

1. MOBILE
2. PERSONALISATION
3. IN-STORE EXPERIENCE

The themes chosen are seriously changing the face of Retailing now and we can see a new Retailing world in the years to come.

**MOBILE IS THE ENABLER – RETAIL INNOVATION DRIVEN BY ACCESS TO THE INTERNET ON THE MOVE**

Consumers have an increasing appetite for access to the Internet anywhere. There is a proliferation of phones and other electronic devices that will now enable us to connect to the web in almost any location.



“SMART PHONES ENABLE SOCIAL SHARING, MOBILE SEARCH, RESEARCH, TRANSACTIONS AND REVIEWS – AND THIS CAN BE BEFORE, DURING AND AFTER THE ‘SHOPPING’ HAS TAKEN PLACE, OR, INSTEAD OF ‘SHOPPING’ COMPLETELY.”

CLARE RAYNER

The acceptance of using mobile for so much more has led to innovation in other areas – SMS marketing and SMS purchasing methods – bypassing the need for a reliable Internet connection completely.

Retailers that are not seriously considering how 'mobile' can fit for their business will miss out on future business. Being accessible, innovative, and proactive will be key to success in this area.

## PERSONALISATION FORCES RETAILERS TO THINK DIFFERENTLY ABOUT ENGAGING WITH THEIR CUSTOMERS

The loyalty card has developed the ability for Retailers to store and manage data about consumers with their consent. The consumer looks to the Retailer to use the information well and make appropriate and specific offers and provide rewards. This is personalisation of the Retailing offer to customers.



RETAILERS ARE ALSO NOW FINDING CLEVER WAYS TO PERSONALISE PRODUCTS, FOR EXAMPLE, NIKE ENABLING CUSTOMERS TO DESIGN THEIR OWN SHOES

The next stage may well be personalisation of the whole shopping experience, a little like Disney.

In order to deliver personalisation, it is crucial to listen, collect information and use the information well to tailor the proposition to the customer.

## A PREFERENCE TO SHOP ONLINE HAS MADE RETAILERS GET MORE CREATIVE ABOUT IN-STORE EXPERIENCE

Many customers collate information on products, develop shopping lists and buy online. It is now more important that ever for Retailers to consider the experience they offer to customers when they shop in store. Retailers are developing experience stores where customers can engage with service or products and enjoy them. Apple is a good example of this. They have made their stores much more 'tactile' and welcoming. Others such as Adidas have begun to combine web with store. Adidas have added an iPad interaction experience into stores to enable customers to tailor their products.

## Clare summed up: Why are mobile, personalisation and Retail theatre going to be the future of Retail?

To quote Eric Schmidt, Executive Chairman at Google "If you don't have a mobile strategy you don't have a future strategy."

To quote Lauren Freedman, President of the e-tailing group "Consumers value the convenience, time savings and ease from a more relevant interaction."

The learning curve is huge for Retailers, working through new channels, managing customer data, personalising offers, creating entertaining experiences. There are exciting pilots and launches happening all over Europe and it will be very important to stay abreast of these, and other exciting future developments for Retail. We will cover this topic in more detail in one of our later papers on 'Future Trends in Retail'. Please join in by letting us know of any exciting developments.

## RSA AND RETAIL INSURANCE

THE RELATIONSHIP RSA HAS BUILT WITH MANY RETAILERS ACROSS THE WORLD HAS BROUGHT A MUCH CLEARER UNDERSTANDING OF THE SPECIFIC INSURANCE CHALLENGES FOR RETAIL.



**CHRIS KERR – RSA**  
GLOBAL CONSULTING MANAGER.

“Risk Management for Retailers is even more important than other industries because of the competition in the Retail market. If a shop is affected by the loss of a distribution centre, loss of a shipment, damage to the store or damage to the Retailer’s reputation, there are competitors waiting to take over their customers.

Retailers fight daily for the attention of the consumer; any distraction can have an immediate impact upon sales, and this impact could be long lasting. It is all too easy to lose a customer, and often hard to regain them.”

To close the seminar, Chris Smith, Director of Risk Solutions Europe for RSA thanked the Retailers and Brokers from across Europe for attending and for their questions and debate. He highlighted the breadth of Retail risks and losses that the RSA team have experience of dealing with, including; arson, electrical faults, water damage, vandalism, theft, slips/trips and falls and theft.

Chris also shared his thoughts on how risks are changing for Retailers as their businesses evolve. Many, for instance, have more focus on reputation, information and technology than before.

He provided the audience with a reminder of just how important the risk management relationship has become for Retailers. RSA is pushing the boundaries of typical ‘commercial insurance’ and building specific solutions for and together with customers in specific segments, Retail being one of the most important.

And importantly, he showed his and the team’s passion for understanding customers and delivering service.



**JUDIE STRINGER – RSA**  
CLAIMS MANAGER, RS EUROPE.

“When customers buy their insurance protection they buy a promise...A promise that we will keep their business moving when the worst happens. When a claim does occur, Retailers need their insurers to help them to recover quickly and efficiently.

We know that Retailers want to use their capital to trade goods, not to cover damages whilst waiting for an insurer to pay up. As a market leading claims provider we are committed to delivering an effective and efficient claims service focused on getting our customers back on their feet as quickly as possible.”

The final paper in our series will share more of our experience in risk management in Retail, and importantly, how the trends and themes outlined in other papers are bringing new challenges and risks for our Retail customers.



## TO SUM UP

### THE POWER OF THE CONSUMER

The Retail consumer has, and is, changing at a rapid rate, Retailers need to be closer to their customers and keep their fingers on the pulse of changing consuming habits and markets, as well as relating more closely to customers in order to personalise their experience.

### THE FUTURE OF RETAILING

Developments in technology, mobile, customer-personalisation and experience are bringing us towards the future of Retail, a new Retailing world. Retailers will need to consider a new model, to test and learn and to build new partnerships to deliver their own, new Retailing world.

### SUSTAINABILITY CHALLENGES FOR RETAILERS

Managing the challenges of our environment is bringing sustainability to the forefront for Retailers. It is crucial for Retailers to consider a more holistic approach to sustainability and drive more consumer value, therefore 'pull' for sustainability and sustainable products.

### RSA AND RETAIL INSURANCE

A broader risk management plan and relationship is crucial for Retailers. Typical risks faced by Retailing businesses are evolving as their businesses change, it is important to work in a relationship to protect the business and keep it moving.

The purpose of this first Retail paper was to introduce some of the key areas that are having an impact on Retailers and the Retail market. Over the next few months we will be working with Retail experts to look at each of these topics in more detail. The Retail market is forever changing and we are committed to sharing with you the latest trends and developments that may have an impact on your business.

We hope you have found this paper interesting and we look forward to sharing our future papers with you over the coming months.

If you have any feedback on this first paper then please email [smc.europe@uk.rsagroup.com](mailto:smc.europe@uk.rsagroup.com).

