

## ANALYSIS

Shop Direct was recognised as the AlixPartners Growth Retailer of the Year at the Retail Week Awards with Oracle last month. **Laura Heywood** reveals why

# Shop Direct pow

**B**est known for its single-minded ambition to transform from a catalogue business into a world-class digital retailer, Shop Direct is going from strength to strength.

Since 2007, the home shopping group has been busy modernising its business to give customers a digital shopping experience.

From replacing legacy IT systems and investment in personalisation, to launching a separate website for luxury shopping and axing the Littlewoods catalogue, changes have been plentiful.

It is a business with an operating model which, perfected over several years, has the scale and flexibility to flourish in today's dynamic environment, according to Dan Coen, director at AlixPartners.

"Shop Direct is a beacon for retailers looking to evolve and adapt their business models to match changes in consumer behaviour. It has made significant investment to support a best-in-class digital offering.

"This coupled with a willingness to make tough decisions regarding more outmoded routes to market is clear evidence of its ability to react to the needs of customers and grow market share at the expense of less dynamic competitors," he says of Shop Direct. The retailer was named the AlixPartners Growth Retailer of the Year at the Retail Week Awards with Oracle.

We reveal the top three reasons why Shop Direct is both award winning and market leading:

## A differentiated offering

Shop Direct trades through a number of brands that target different segments of the market. In 2015, it consolidated some of its smaller brands such as Isme and K&Co into its two power brands: Very and Littlewoods. Both brands offer goods on credit and carry a department store range across categories such as fashion, sports and leisure, home and garden, electricals, jewellery, toys and gifts.

The brands are most differentiated in their fashion offering. The young fashion brand, Very, competes head on with Asos and Next Directory and is now the group's biggest brand in terms of sales. Its appeal was widened in February 2015 through the launch of Very Exclusive, which is delivering on Shop Direct's commitment to democratise the luxury market by making luxury brands available on credit.

Littlewoods has an older target market than Very and describes its core customer as a busy parent who is attracted by the option to pay in interest-free, bite-size amounts each week.

## TOP 10 FASTEST-GROWING RETAILERS

The fourth AlixPartners Growth Retailer Report, produced in partnership with Retail Week, highlights the achievements of those UK retailers that have excelled at increasing profits in the past year. Who made the top 10?

- 1 Shop Direct
- 2 Savers Health and Beauty
- 3 Gemporia (The Colourful Company Group)
- 4 Edinburgh Woollen Mill
- 5 Tiger
- 6 Dune
- 7 VictoriaPlum.com
- 8 Space NK
- 9 Mint Velvet
- 10 Whistles

## Clear digital strategy

Following the cull of its last remaining catalogues in 2015, the group has become 100% digital. Web traffic broke the 1 million per day barrier during the most recent financial year. This is an impressive achievement considering catalogue sales accounted for three quarters of its revenue just three years earlier.

Recent results have shown that Shop Direct has made huge strides in its transformation into a digital retailer. The group reported that sales through its retail activities – which excludes its Yodel fulfilment business –

increased 2.6% to almost £1.3bn in the year to June 2015.

This growth was largely driven by Very, which achieved sales growth of 21.1% to £850m, although that was partially offset by declines at some of its smaller brands that have since been closed or subsumed into Very or Littlewoods. Mobile is also rising in significance, accounting for 54% of sales during 2014 to 2015.

The retail business also reported a significant improvement in profitability over 2014 to 2015. Over the year, pre-tax profit increased 75% to £56.3m, driven by investment in big data and personalisation.



For more news and analysis, visit  
**Retail-week.com**



# ers ahead



Alex Baldock,  
chief executive,  
Shop Direct

## Great leadership

Since 2012, the transformation process has been overseen by the group's chief executive, Alex Baldock, a former investment banker, whose appointment to succeed the highly regarded Mark Newton-Jones originally raised some eyebrows.

Always ahead of the curve when it comes to customer data, Baldock is investing heavily in technology, including algorithms that personalise webpages for customers. His IT vision also includes the automation of how products are added to the website.

Shop Direct aims to offer each customer an experience as unique as she is. Baldock says: "We've tailored her online experience including the marketing that brings her in, the online shop she enters, and the way we engage with her after she's bought. Our investment in big data and technology has started to pay off and is making these new levels of personalisation possible."

While Shop Direct has now reported a profit over its past three financial years, Baldock feels there is still more work to be done. He says: "We're nowhere near the finished article and we've only scratched the surface of the full potential here. The competition is ferocious so we will continue to invest heavily in our digital future and keep up the pace on our transformation. These are exciting times for Shop Direct."

## Previous AlixPartners Growth Retailer winners



The Hut Group's international expansion continues to be a driver of its growth. The retailer reported that its sales increased by a third to almost £250m in 2014 and the international business accounted for more than half of all sales. It is now gearing up for further growth through investment in a new distribution centre which will give it capacity to deal with sales of £1bn.



The Entertainer is continuing to invest heavily in its opening programme and now has more than 120 stores in the UK, while its international expansion has also taken off through franchise deals with partners in the Middle East and Asia. Sales reached nearly £125m in the year to January 2015 and it now has a 6% share of the overall toy market in the UK.



Aldi has continued its assault on the grocery sector and in 2015 overtook Waitrose to become the sixth largest food retailer in the UK. The price war in the sector has had a slight impact on its margins, but it remains in a much healthier position than many of the leading grocers. Its UK sales in 2015 are estimated to have reached £6.6bn.

## Download the full report

Find out in *The AlixPartners Growth Retailer Report*:

Which retailers are leading the way in UK retail

What are the common factors driving their success

What can other retailers learn from their strategies

Who are the inspiring leaders behind such impressive growth

How are they performing against vital key metrics



Download your copy of the **Growth Retailer Report 2016** by visiting  
**www.retail-week.com/growth**

