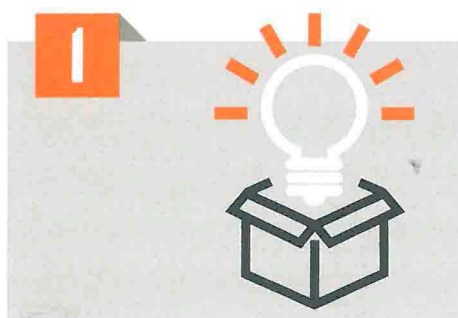


## ANALYSIS

# ways to navigate post-election uncertainty

As the retail sector's current state of uncertainty looks set to continue, **Emily Hardy** identifies seven things retailers can do to successfully navigate these choppy waters



## 1 Experiment more

As insight gleaned from the rearview mirror becomes insufficient, Michael Jary – partner at strategy consultancy OC&C – says retailers should experiment more.

“One of the joys of being in retail is you have a huge amount of ability to trial things and get instant feedback,” he says.

This, he points out, is true for bricks-and-mortar retailers that have the capability of testing new concepts in-store, as well as online operators.

But, according to Jary, retailers tend to underplay this capability and under-invest in experimentation.

He suggests retailers step out of their comfort zones and take the occasional gamble: “You often hear retailers speaking about ‘no regrets’ moves – moves that are the right thing under any circumstances.

“But these are almost certainly not enough at this time. You have to place some bets. I don’t like the phrase fortune favours the brave, but...”



## 2 Speculate to accumulate

A seemingly counterintuitive piece of advice is to spend more money.

According to RAH Advisory director Richard Hyman, the only way to get through this period is to “take business from the bloke next door”.

“And the only way you can do that in a sustainable way is to be better than them,” he says.

Hyman suggests being candid with stakeholders and encouraging them to support a business by investing more and allowing it to spend more.

“They should put their money where their mouth is, demonstrating they really have confidence in the brand and its ability to be in the winner’s enclosure when all this turmoil is over,” he says.

“The winners will have strengthened their brand proposition. But unfortunately, the casualties enclosure will be the bigger of the two.”

In the aftermath of the election, which brought the unexpected outcome of a hung Parliament, confusion and uncertainty abounds.

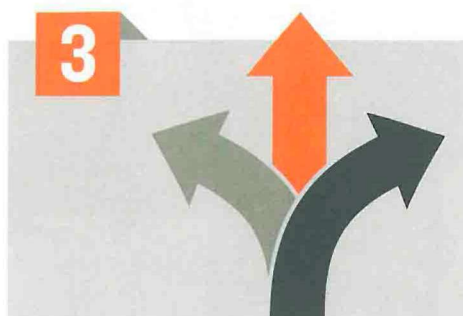
As Prime Minister Theresa May failed to win a clear majority, retailers are yet to be given any of the answers they’ve been hoping for since the Brexit vote almost a year ago.

If anything, we know less now than before about how the complicated divorce negotiations with the EU will play out.

After the election result, the frustrated retail fraternity expressed concerns about the threat of prolonged uncertainty. Even without political turmoil dampening shopper sentiment and business confidence, retailers are facing enormous pressure, as ecommerce transforms the sector, inflation eats into disposable income, footfall slips, the slumped pound drives up sourcing costs, the housing market slows and overheads rise. But, although the future is difficult to predict, now is no time to stand still. So what can retailers do?



For the latest news, analysis  
and data on retail policy  
[Retail-Week.com/Policy](http://Retail-Week.com/Policy)



### Adopt a flexible approach

Jary says managing a retailer, or any business, through a period of uncertainty such as this requires an entirely fresh approach to strategy and planning.

On the one hand, an unpredictable economic climate can encourage a living-for-the-moment mentality that Hyman says is “bad for business”.

On the other hand, traditional approaches such as laying out a strategy every five years and ‘sticking to the knitting’ are “probably not fit for purpose” during a period of such rapid change, Jary says.

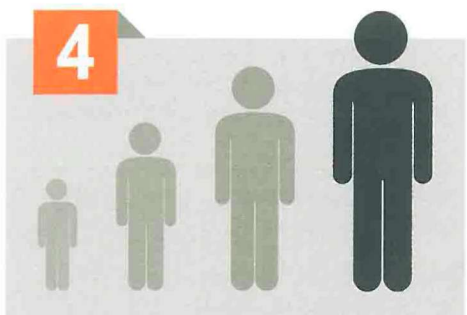
He suggests that retailers throw out the mechanics of their planning process and develop new, more continuous, dynamic ways of working.

“Otherwise, by the time you finish, the world has changed again,” he maintains.

The key, he says, is to keep two things in mind: the long-term vision and the short-term reaction.

“If you only have one of those, then you’re ill-equipped. If you’re obsessed with the long-term vision, that doesn’t allow you to be reactive, and if you only have the short term in mind, you can easily get knocked off course.

“The challenge to retailers is holding both of these in their minds simultaneously.”



### Don't sacrifice people

While it is essential for retailers to create further efficiencies in some areas, experts argue that cutting back on staff would be a bad move.

Hyman urges retailers to treat employees as an asset rather than a cost.

“Cutting staff makes numbers look good in the short term, but in the long term is potentially suicidal. It’s a very old-fashioned thing to say, but if you have good people selling relevant products, you’ll be in a strong position. It’s no

coincidence that the beauty sector, which is heavily staffed, is doing better than most,” he says.

Dreams boss Mike Logue mirrors that sentiment, explaining that investing in people and company culture has been the key to navigating rough waters in the past.

“Don’t cancel your conference, your roadshow, that extra bit of customer service,” he advises.

“Find efficiencies, but not with your colleagues and not with your customer. If you want to grow market share, you have to be exceptional in those areas.”



### Resist the urge to slash prices

Retailers should resist the temptation of heavy promotional activity, says KPMG head of retail Paul Martin.

“There’s been a slowdown in sales – online sales slowed significantly last month. But, in my view, it’s not wise or helpful to go into the vicious cycle of markdowns because this will put even more pressure on margins.

“Spending more money on products and selling them for less does not seem a sensible option.”

Martin suggests focusing instead on optimising the cost base and increasing productivity. “This is only achieved by having a true understanding of your customer and knowing exactly what it is that differentiates you,” he says.



### Control the uncontrollable

Martin says businesses should think in practical terms about the different scenarios they could soon be facing, in an attempt to “control the uncontrollable”.

“Scenario planning is key for businesses,” he says. “They need to be thinking about, for example, what an exit from the [EU] customs

union means for them, and looking into the regulations around showcasing content online in other territories.

“Will this still be governed under the same trademarks as it is today, and what could Brexit mean from an employment and immigration perspective?” he asks.

“Retailers can’t wait around for the answers to emerge,” Martin implores.

“It is important to find solutions to these potential problems and plan for the various possible scenarios now – the worst case, the best case, any available quick fixes, or a plan B.”

Martin adds that retailers must also look beyond their own organisations, and consider the implications of Brexit on the businesses they are dependent on.

Even if a retailer is well-insulated, its third-party logistics supplier, for example, may be heavily reliant on an EU national workforce, or vulnerable to currency headwinds, he points out.



### Don't waste a good crisis

Amid the uncertainty, there are opportunities to be found.

A challenging trading backdrop is often the catalyst for a radical change in direction that benefits a business in the long term.

Many of the retailers that have survived previous downturns were not afraid to make difficult decisions and adapt to meet rapidly changing consumer demands.

It is also an opportunity for retailers’ voices to be heard.

During the complicated and long EU divorce process, the Government – facing thousands of questions – is likely to opt for transitional solutions to problems.

So, take it into your own hands, Martin says.

“If you, as a retailer, have some sensible recommendations, you are likely to be heard. If you just say ‘nothing is working’ and hold your head in your hands, nothing is likely to be sorted.”

While it is true some businesses are better insulated than others, none are immune to the impact of prolonged uncertainty and the cocktail of pressures impacting the sector.

According to Hyman, when the fog has cleared, there will be clear winners and losers.

So retailers that wish to be in the former camp should take action now. **RW**