

Lumina Intelligence

# Reimagining Retail: The Future of UK Department Stores

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# Overview

The UK department store sector, rich in heritage, is at a critical juncture. With a confluence of macroeconomic headwinds, pandemic disruption, and evolving consumer behaviours, these retailers are reimagining their strategies to stay relevant and competitive.

The future of UK department stores may depend on their ability to innovate and adapt to changing consumer needs. Embracing an immersive and experiential retail approach will likely be crucial in attracting future generations and ensuring sustained growth.

This Lumina Intelligence spotlight, brought to you by Retail Navigator data, delves into how department stores are indeed adapting, the challenges they face, and the innovative approaches shaping their future.





# Key issues affecting the sector over the last few years



## Macroeconomic headwinds

- Pandemic disruption
- Supply chain pressures
- Cost-of-living crisis rumbles on
- Government policies



## Channel shifts

- Online growth
- Store resurgence
- Channel agnostic shoppers
- Frictionless cross-channel experience



## Rising competition

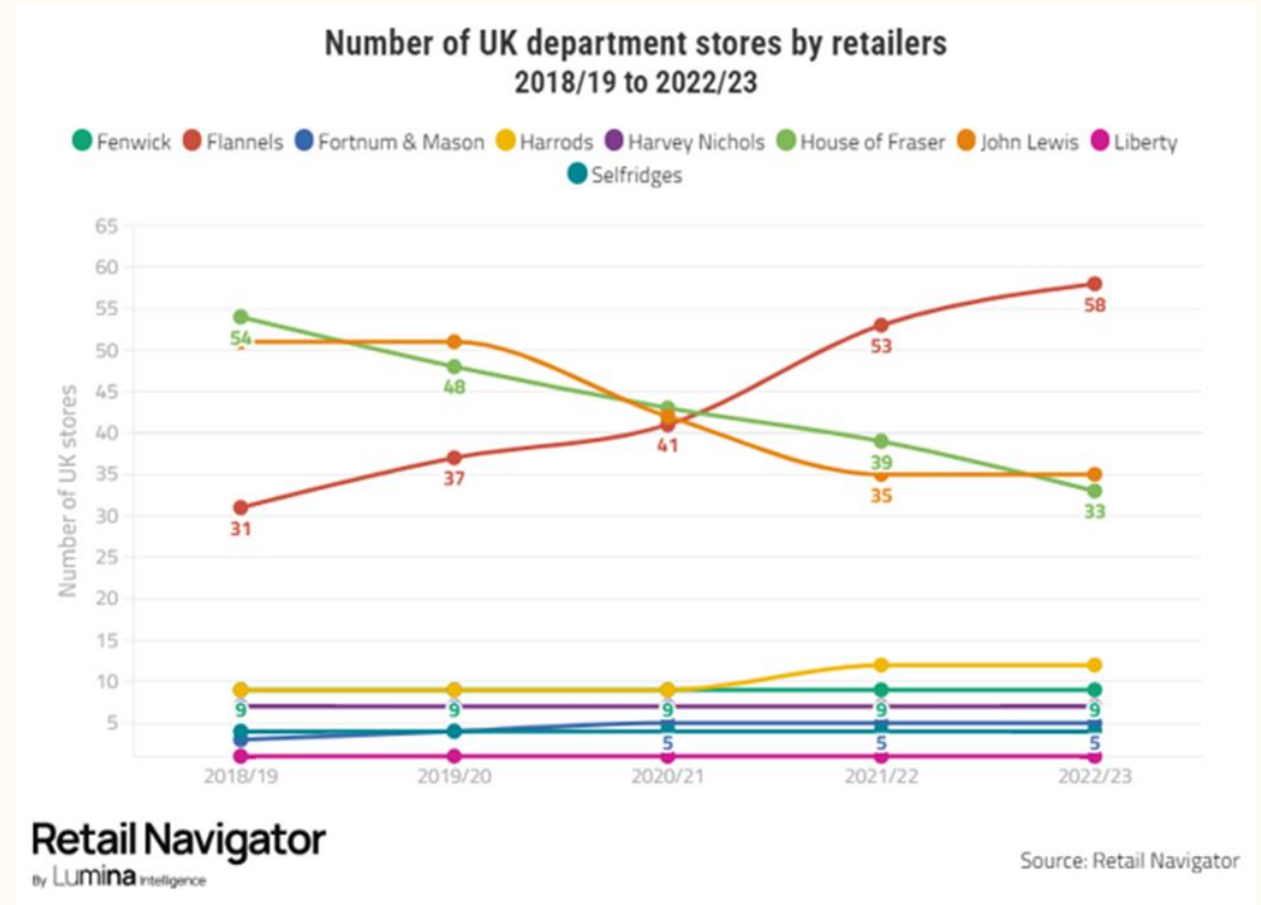
- Established retailers expanding offer
- Second-hand gaining traction
- Brand partnerships
- Online marketplaces

# Macro-economic headwinds

The ongoing cost-of-living crisis is squeezing consumer spending power, significantly impacting discretionary purchases typically made at department stores. As households grapple with rising expenses, non-essential spending is curtailed, leading to a decline in sales for many department stores. This financial pressure is forcing retailers to rethink their pricing strategies and value propositions to retain their customer base.

The COVID-19 pandemic caused prolonged store closures, drastically shifting consumer habits towards online shopping. With physical locations shuttered, consumers turned to ecommerce, accelerating the digital transformation within the retail sector.

Changing government policies and support schemes also continue to directly impact the operational strategies and financial stability of department stores.



Sources: Retail Week / GfK

# Channel Shifts

The pandemic accelerated the adoption of online shopping, leading department stores to invest heavily in digital channels. This digital transformation has become crucial for sustaining sales and engaging customers in the post-pandemic era.

Despite the growth of ecommerce, there is a resurgence in physical store visits as consumers seek experiential shopping. Shoppers miss social and immersive aspects of in-person retail that online shopping cannot replicate. As a result, department stores are capitalising on this trend by creating unique in-store experiences, offering personalised services, and hosting events to draw customers back to their physical locations.

Today's consumers are channel agnostic, seamlessly switching between online and offline channels, expecting a frictionless cross-channel experience. To meet these expectations, department stores are integrating digital and physical operations, ensuring consistent pricing, availability, and service across all touchpoints.





# Rising Competition

Competitors such as Flannels and M&S are diversifying their product ranges and enhancing their service offerings. This strategic move not only helps them to retain their existing customer base but also appeals to new demographics seeking variety and superior service quality.

Collaborations and a presence on online marketplaces are becoming crucial for reaching broader audiences. Brand partnerships enable companies to leverage each other's strengths and expand their market reach. Meanwhile, listing products on popular online marketplaces allows brands to access a vast and diverse customer base, enhancing their visibility and sales potential in the digital age.

The growing popularity of second-hand shopping is drawing consumers away from traditional department stores. As more shoppers become conscious of sustainability and the benefits of thrift, second-hand stores and online resale platforms are witnessing a surge in demand.



## Retail Navigator has identified five key areas shaping the market in 2024



Evolving the model through services



Adapting online channels amid physical stores' resurgence



Harnessing data for an elevated offer

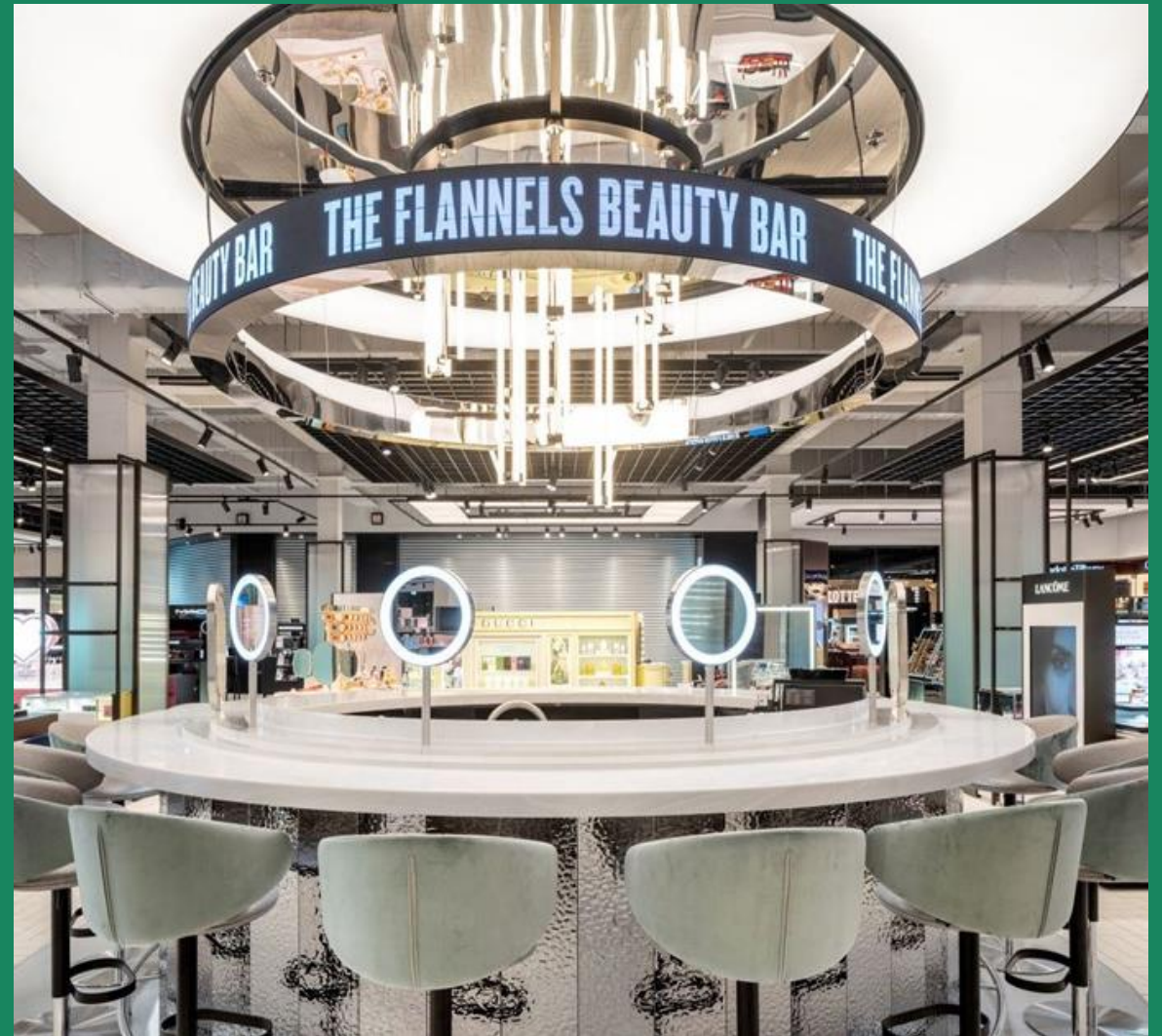


Partnerships to drive growth



Rising competition and new players

# Evolving the model through services





# Case study : Harrods H Beauty

## Leaning into its beauty offer

Harrods has launched a standalone beauty concept, creating a dedicated space that focuses exclusively on beauty products and services. This new venture allows for a more tailored and immersive experience for customers, setting it apart from traditional retail formats.

Utilising advanced technologies, including AI “magic mirrors,” the beauty concept integrates cutting-edge innovations to enhance the customer experience. These AI mirrors provide personalised recommendations and virtual try-ons, making the shopping experience both interactive and convenient. In addition to product offerings, the concept includes a range of treatments and services. Customers can indulge in various beauty treatments, from facials to professional make-up sessions, all provided by trained experts in a luxurious setting. Further enhancing the experience, the beauty concept serves cocktails alongside beauty treatments.

This unique combination transforms the space into a social hub where customers can relax and enjoy a drink while receiving their chosen beauty services.



Source : Harrods

# Adapting online channels amid physical stores' resurgence





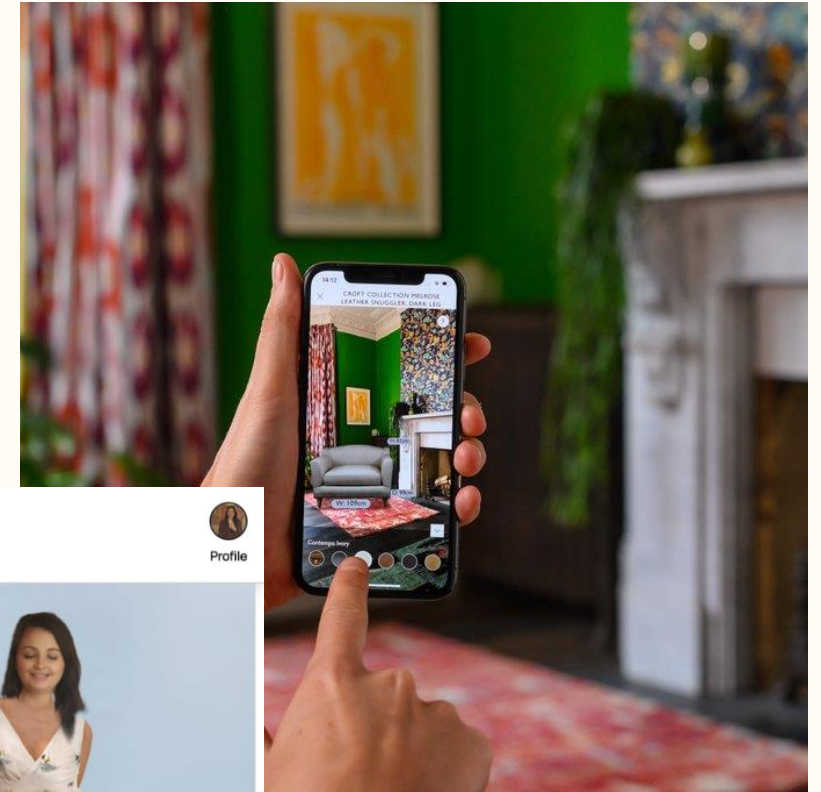
# Case study : John Lewis

## Enhancing online through technology

John Lewis' Partnership Plan targets 60% of sales through its online channel. In the 2023/24 period, online sales represented 57% of total sales, a notable decrease from the pandemic peak of 81%. To enhance its online shopping experience, John Lewis is incorporating advanced technologies such as augmented reality (AR) and virtual try-on (VTO).

Recent trends indicate a shift in consumer behaviour, with a resurgence in physical store visits. Over the past year, store sales have increased by 8%, driven by a notable 11% rise in footfall, particularly on Saturdays when families visit stores for a day out.

Reflecting on the evolution of John Lewis's sales channels, data from the Shop, Live, Look report reveals a significant shift. In 2013, the year the report was first published, online sales accounted for just 25.9% of total sales. This figure steadily climbed to 42% before the pandemic. During 2020, as department stores faced prolonged closures, online sales surged to 81% of total sales. Since the end of lockdowns, there has been a clear return to high street shopping, with online sales now comprising 57% of total sales.



Source :John Lewis



# Harnessing data for an elevated offer



# Case study : Frasers Group

## Building digital ecosystem

Frasers Group is undertaking a comprehensive overhaul of its digital infrastructure to enhance its online presence and streamline operations. This initiative is part of a broader strategy to improve customer experience and operational efficiency across its various brands.

Central to this effort is the introduction of **Frasers Plus**, a new customer credit and loyalty proposition designed to offer added value and rewards. With Frasers Plus, customers can accumulate points through purchases across multiple Frasers brands, making it easier for them to benefit from their spending across the group.

Additionally, Frasers Group has formed a strategic partnership with THG. This collaboration aims to leverage THG's expertise and technology to further bolster Frasers Group's digital capabilities and expand its reach in the ecommerce space. Through this partnership, Frasers Group is positioned to enhance its digital offerings and deliver a more integrated and engaging shopping experience for its customers



Source : Frasers Group

# Partnerships to drive growth





# Case study : Fenwick

## Partners with Greggs on fine dining experience

Fenwick has partnered with Greggs to introduce an exclusive fine dining experience at its flagship store in Newcastle. This collaboration has resulted in the launch of the Greggs Bistro, a unique dining concept that stands out as a “one of a kind” venture in the retail and dining landscape.

The Greggs Bistro offers an innovative fine dining menu that reimagines classic Greggs items. By transforming these familiar favourites into sophisticated gourmet dishes, the Bistro provides a fresh and elevated dining experience, blending the comfort of beloved classics with the refinement of high-end cuisine.

This new venture aims to attract both devoted Greggs fans and new patrons, setting a new standard for retail dining experiences.

Source : Fenwick



BREAKFAST & BRUNCH	
Served daily until 12pm	
<b>Greggs Croissant</b> With a Choice of Seville Orange Marmalade or Strawberry Preserve & Netherend Butter	£3
<b>Full English</b> Greggs Sausage Roll, Grilled Bacon, Portobello Mushroom, Roasted Tomato, Baked Beans & a Choice of Scrambled, Fried or Poached Eggs	£7.5
<b>Full Vegetarian (V)</b> Greggs Vegan Sausage Roll, Grilled Halloumi, Portobello Mushroom, Roasted Tomato, Baked Beans & a Choice of Scrambled, Fried or Poached Eggs	£7
<b>Full Vegan (VG)</b> Greggs Vegan Sausage Roll, Smashed Avocado, Portobello Mushroom, Roasted Tomato, Baked Beans & Harissa-Scrambled Tofu	£7
<b>Greggs Benedict</b> Greggs Sausage, Bean & Cheese Melt, Smoked Ham, Poached Cacklebean Eggs & Sauce Hollandaise	£8.5
<b>Greggs Spicy Veg Curry Bake</b> Hot smoked Salmon, Rice, Poached Cacklebean Eggs & Coriander	£8.5
<b>Sharing Brunch "High Tea" for two</b>	£16
Greggs Peach Melba, Greggs Yum Yum Bites with Chocolate Sauce & Banana	
Greggs Croissant & Pain au Chocolat	
Greggs Sausage, Bean & Cheese Melt & Greggs Sausage Roll with Brown & Red Sauce	
LUNCH & DINNER	
Served daily from 12pm	
<b>Greggs Christmas Lunch Soup</b> Served with Grilled Greggs Stottie, Finished with Honey-Roasted Chestnut	£5.5
<b>Greggs Sausage Roll</b> Piccalilli Dressing, Pickled Carrots, Cauliflower & Cucumber	£4.5
<b>Greggs Vegan Sausage Roll (VG)</b> Chicory & Pear Salad, Pickled Walnut Ketchup	£4.5
<b>Greggs Steak Bake</b> Truffled Dauphinoise Potatoes, Green Beans & Almonds	£9.5
<b>Greggs Festive Bake</b> Duck-Fat Roasties, Smoked Pancetta, Chestnuts & Sprouts	£8.5
<b>Greggs Spicy Veg Curry Bake (VG)</b> Saffron Pilau Rice, Kachumber	£8
<b>Greggs Yum Yums</b> Caramel Sauce & Macadamia Brittle	£5
<b>Greggs Peach Melba</b> Raspberry Coulis & Brandy Crème Diplomat	£5.5
<b>Greggs Caramel Shortbread Mess</b> Meringue, Crème Chantilly	£5
<b>Greggs Sweet Mince Pie Affogato</b> Espresso, Greggs Mince Pie, Vanilla Ice Cream Rippled with Greggs Mince Pies	£4.5
<b>"Tea &amp; Cake"</b> Earl Grey Crème Brûlée with a Greggs Christmas Cake Slice	£5.5

# Rising competition and new players



# Case study : Wolf & Badger

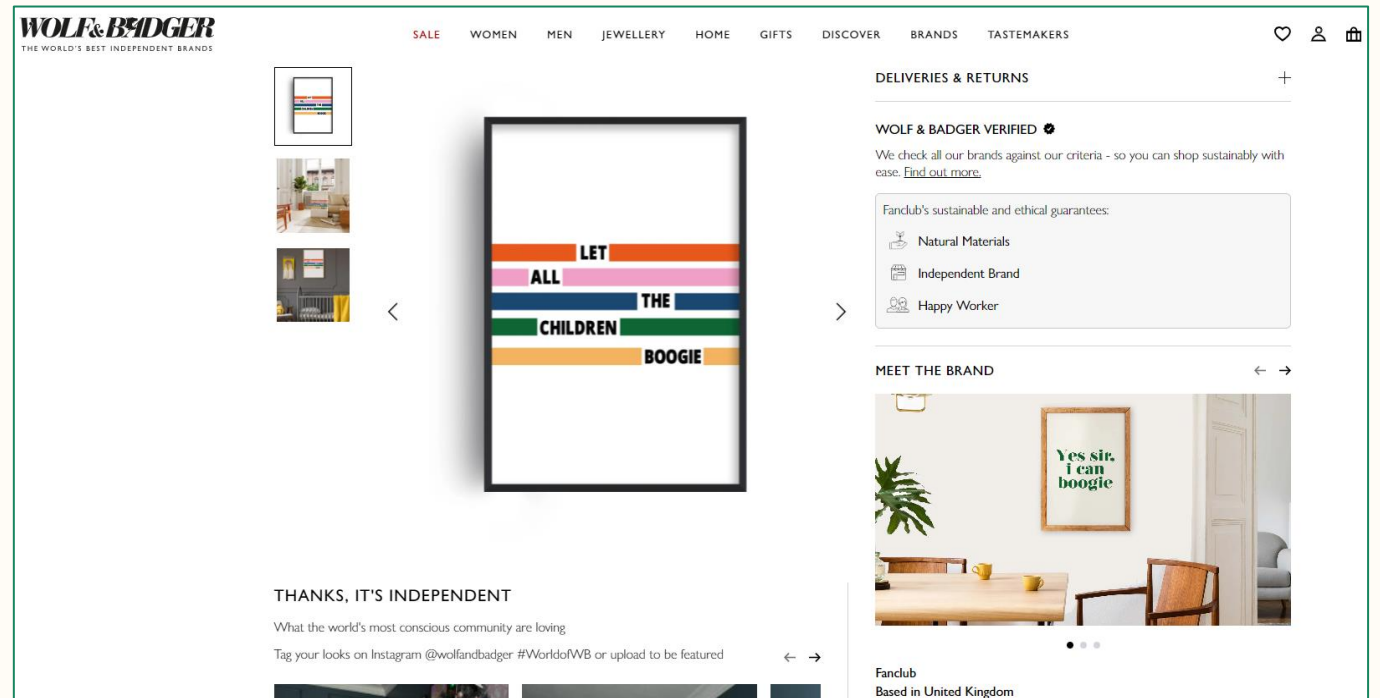
## Curated offer with a purpose

Wolf & Badger is renowned for its curated retail offer, which is meticulously selected to align with a purposeful ethos. The store features an edited range of products, ensuring that each item reflects the brand's commitment to quality and ethical values.

This thoughtful curation allows customers to shop with confidence, knowing that every product meets stringent standards of sustainability and craftsmanship.

Integral to Wolf & Badger's mission is the Guarantee Index, a set of sustainability criteria that are clearly signposted throughout the store. This index helps customers make informed choices by highlighting products that adhere to high environmental and ethical standards.

In addition to its thoughtfully chosen merchandise, Wolf & Badger stores create a welcoming and vibrant atmosphere by housing florists and cafes.



Source : Wolf & Badger



**To learn more about how Retail Navigator can support you in the Retail market, please use the contact details below.**

## **Get in touch**

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