

Lumina Intelligence

# How UK Retailers are Shaping the Future of Shopping



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# Overview

In 2024, rising costs, fierce competition, and changing customer demands are putting retailers under continued pressure.

UK retailers are navigating a landscape marked by significant shifts in economic conditions, consumer behaviour, and technological advancements.

Through an analysis of Retail Navigator data, this whitepaper will explore the strategies employed by leading retailers to adapt and thrive amid these changes, highlighting key trends, challenges, and innovations shaping the industry.



# Headlines affecting retail



## Inflation easing

Gradual reduction in inflation rates offers a more stable pricing environment for both retailers and consumers.



## General election

The new government introduces a layer of uncertainty but also potential policy shifts that could impact the retail sector.



## Surging retail crime

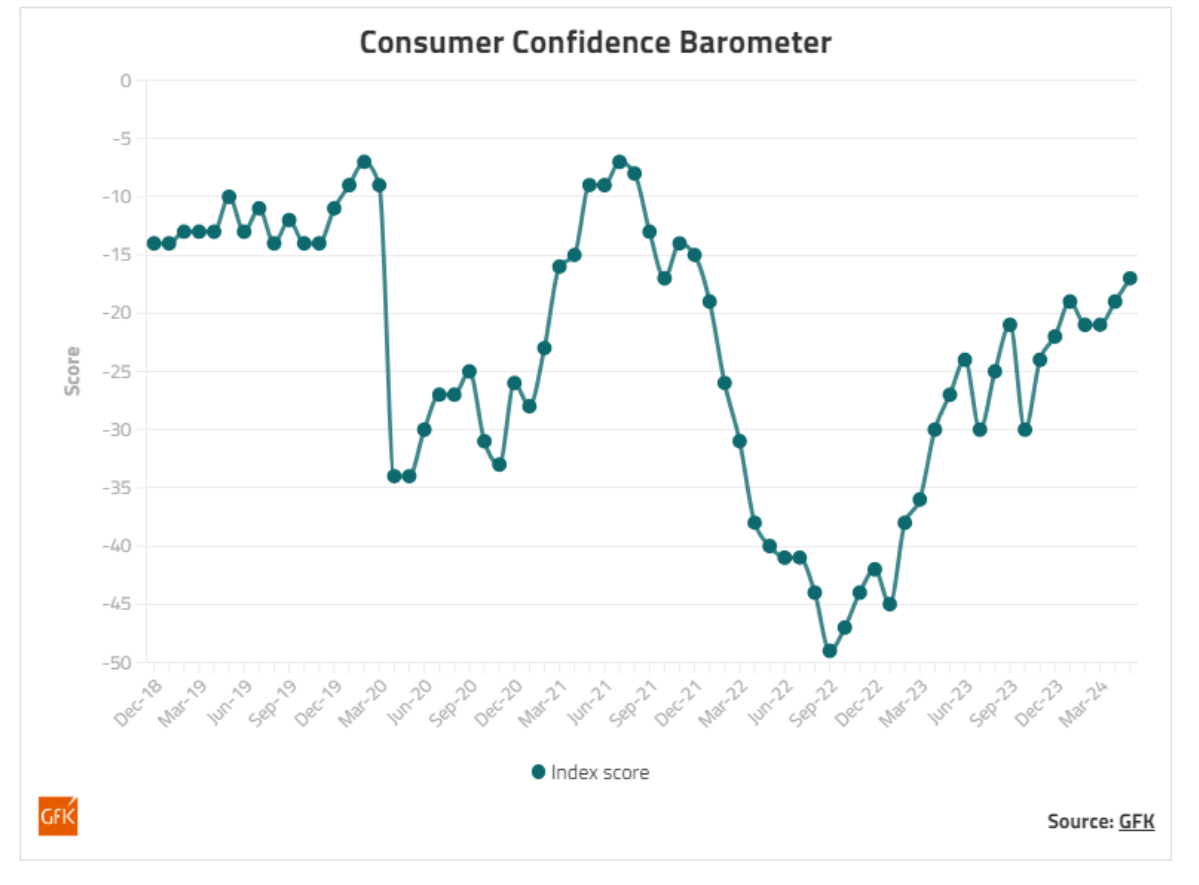
Increasing incidents of retail crime are prompting retailers to enhance security measures and invest in loss prevention technologies.



# Consumer Confidence Rising

Consumer confidence in the UK is experiencing a notable uptick, as evidenced by the latest Consumer Confidence Barometer, which inched up by two points in May. This improvement aligns with the easing of inflation, providing a more favourable economic environment for both consumers and retailers. The decline in inflation has helped to stabilise prices, enhancing purchasing power and reducing financial uncertainty for households.

Furthermore, the change in government following the last general election could further bolster consumer sentiment. Historically, shifts in political leadership often bring renewed economic policies and reforms aimed at stimulating growth, which in turn can foster greater confidence among consumers.

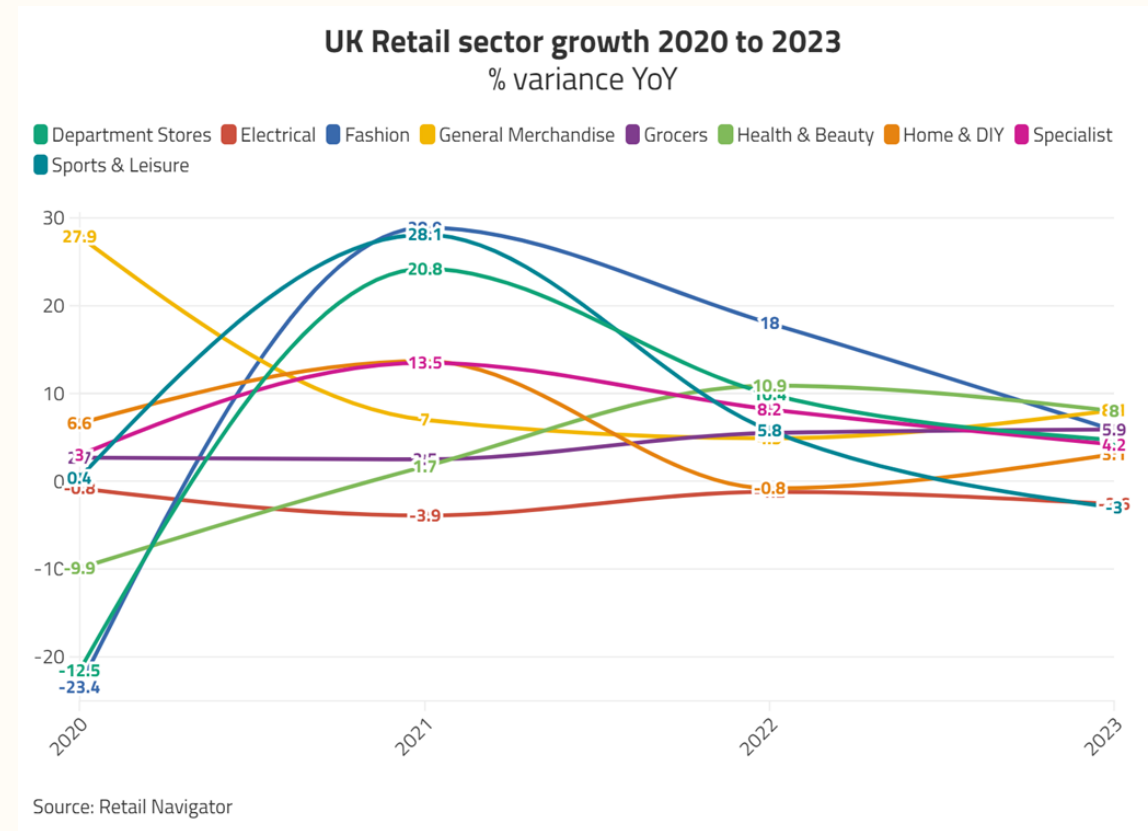


Sources: Retail Week / GfK

# Key Metrics

The UK retail landscape, as captured by Retail Navigator's comprehensive coverage of over 150 retailers, reveals a complex and evolving performance profile. During the height of the pandemic in 2020, the sector experienced clear polarisation: department stores and fashion retailers suffered significant setbacks, while general merchandise retailers saw substantial gains as consumer priorities shifted towards essential goods. As the initial pandemic shock has subsided, performance across the sector has levelled out.

However, the ongoing cost of living crisis is exerting a dampening effect on consumer spending, particularly in big-ticket sectors such as Home & DIY. Consumers are becoming increasingly cautious about their expenditure on high-value items, prioritising essential and smaller discretionary purchases instead. In contrast, the health and beauty sector is poised for growth, driven by a combination of pent-up demand and a renewed focus on personal well-being and self-care.



Source: Retail Navigator - these numbers are compiled from actuals and Retail Navigator forecasts of 150 retailers' UK sales

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



Customer obsession  
drives everything



Elevated in-  
store experience  
remains critical



AI adoption, still  
just scratching the  
surface



Sustainability remains  
hot topic

# Customer obsession drives everything





# Case study: Abercrombie & Fitch

## Deeper understanding of its customers fostering next stage of growth

Abercrombie & Fitch has embraced a “customer first” mindset, which is evident in their recent initiatives aimed at fostering growth and deepening customer engagement, such as their ‘Denim Your Way’ campaign, which was launched in response to customer feedback.

This campaign is part of Abercrombie & Fitch’s broader ‘Always Forward’ Plan, which outlines a strategic vision for continuous improvement and innovation. The brand has also leveraged social channels to drive growth, utilising these platforms not only to market their products but also to engage with their audience in a more interactive and personal manner. This approach has been highly effective, as users on these social channels are increasingly acting as advocates for the brand, sharing their positive experiences and helping to build a community around Abercrombie & Fitch.





# Elevated in-store experience remains critical



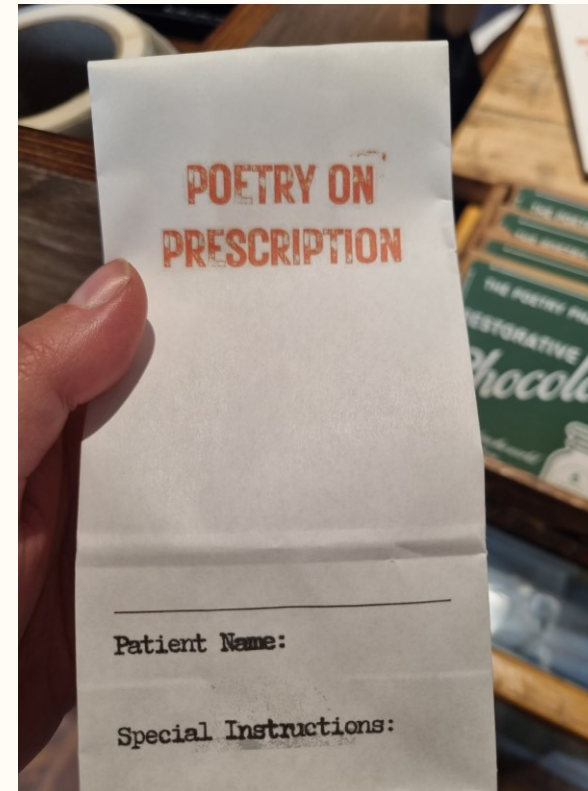
# Case Study : Lush

## Collaborations growing new customer base

Lush has strategically focused on forming blockbuster partnerships, adhering to the principle that “cultural currency should always be prioritized over financial currency.”

This approach has proven successful, as each collaboration has brought in, on average, 30% new customers, significantly expanding their customer base. In addition to these partnerships, Lush is committed to enhancing emotional well-being, which is exemplified by their permanent site housing The Poetry Pharmacy.

This unique initiative underscores Lush's dedication to creating meaningful and culturally rich experiences for their customers, further solidifying their brand's distinct identity and fostering deeper connections with their audience.



Source : Retail Navigator

**AI adoption, still  
just scratching the surface**





# Case Study : Waitrose

## Harnessing AI for food innovation

Waitrose has been championing the use of AI to innovate its food offerings, deploying advanced tools like Tastewise and TasteGPT to curate recipes and menus that cater to evolving consumer preferences.

This technological investment has enabled the development of unique and culturally rich offerings such as the Japan Menyū range, which showcases the brand's ability to blend innovation with culinary tradition.

Looking ahead, Waitrose continues to leverage AI-driven insights to craft its Summer Food Menu 2024, ensuring that its product lineup remains fresh, exciting, and aligned with the latest food trends.



Source : Waitrose

# AI adoption, still just scratching the surface





# Case Study : Tesco

## 'Better Baskets' nudging customers to make small changes

Tesco emphasises the importance of transparency and openness in its operations, which is exemplified by its Better Baskets campaign. This initiative aims to gently encourage customers to make small, sustainable changes in their shopping habits.

Recognising that two-thirds of the UK population want to live more sustainably, Tesco is dedicated to removing common barriers such as price, confusion, taste, waste, visibility, time, effort, skill, and inspiration.

To support this, Tesco has created in-store zones specifically designed to highlight sustainable products and provide clear, accessible information, making it easier for customers to make eco-friendly choices without sacrificing convenience or quality.

Source : Tesco / Retail Week x Grocer Live 2024



Tesco. Every little helps.



**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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