THE NEW WORLD OF GROWTH:
RECONSTRUCTING RETAIL'S FUTURE

RWRC BY ASCENTIAL

In association with Sorted.

AT A GLANCE

For some uber-successful retailers, annual sales growth is almost a given, even in the past few years of depressed consumer demand and against the backdrop of Brexit.

Digital-first businesses such as Farfetch, Made.com and The Hut Group are among those that have been growing at pace, driven by an exceptional customer proposition and offering something different in an overcrowded market. After years of reliably delivering sales increases, this growth has been taken for granted.

But the coronavirus pandemic has turned all of that on its head. It knocked many fast-growing retailers off course completely, in an extraordinarily unexpected way. While some have dealt with it well, and adapted to the times, others have not.

For several years now, RWRC has created an annual Top 30 Growth Retailers report, centred around the fastest-growing retailers in the UK.

As in other years, this report reveals the much-anticipated ranking, based on Retail Week Prospect data, outlined in the final chapter. But in a marked departure, rather than the bulk of the report analysing retailers' performance based on figures from 12 months ago, this year we look to the future, reflecting the extraordinary times we are operating in.

The world has moved on dramatically in the past six months and *The New World of Growth*, produced in partnership with Sorted, will reveal what retailers and experts believe will be the pillars of success going forward in this uncertain environment.

CONTENTS

Thriving under pressure

In light of the global pandemic, the leading retailers can no longer rely on traditional avenues for growth, so what does a future-proofed sales strategy look like in a world where unexpected crises such as pandemics could be right around the corner?

This year's RWRC report examines what a winning growth strategy might look like in these uncertain times. It will provide retailers with a four-step plan to ensure their business thrives, even in the toughest of climates. From exploring new channels, product lines and markets to delving into new partnerships and customer demographics, everything is up for grabs for retailers looking to move forward following the 2020 crisis. With insights from retailers, brands and industry commentators, the following chapters assess the route to growth for the sector in extraordinary times.

RWRC: THE NEW WORLD OF GROWTH

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The retail sector has always been at the forefront of change, the curators of consumer trends and the trailblazers of technology, pioneering the implementation of new tech on a mass scale. We've known for a long time that retail is probably one of the most – if not *the* most – resilient and innovative industries on the planet.

This year has been a bit of a shock. To say the least.

We've thrown out the roadmaps, wiped clean the drawing board and ripped up the project plans. It's been a test like no other and continues to be an extremely challenging operating environment for everyone.

That said, there have been some impressive responses to the change we've seen in the last 12 months – as we can see in this report. New collaborations between retailers, new tech partnerships, new acquisitions, never-before-seen retail models and cultural shifts, facilitated by retailers but led by the customers they serve.

This year's retail growth ranking shows that there are exciting moves happening, with 12 new entrants making the list in 2020.

The insight and action plan in this report is a solid start to navigating what lies ahead, and the key takeaway is definitely the importance of collaboration. By harnessing the power of partnership, we make sure our businesses, people and systems are set up for the future.

So, although retail has a whole host of new risks to deal with, there is, thankfully, a world of reward for those who are decisive, agile and proactive.

We've probably resigned ourselves to the fact that we're never again going to know what's over the horizon – at least not with any certainty.

Now, we're recognising that success isn't about planning and predicting for years ahead, but about being ready to pivot and stay steady on the uneven path to the new world of growth.

> “By harnessing the power of partnership, we make sure our businesses are set up for the future”

There are three ways a leadership team can choose to grow their business, according to Cheryl Calverley, CEO of Eve Sleep, a direct-to-consumer (D2C) mattress and sleep products brand.

"You can sell new products to the same people, you can find new people, or locate different places to sell it," she explains, neatly illustrating the fundamental ways retailers have sought growth for many years.

But in a world turned upside down by the digital revolution, the ongoing debate around Brexit's impact on the industry and now the aftermath of a global health emergency, this tried-and-tested growth theory is now more nuanced and complex.

Department store chain John Lewis, for example, detailed several ways it may move forward as an organisation following recent structural change and a downturn in performance, including launching a rental service in furniture lines.

Brands such as Ralph Lauren and Yoox Net-a-Porter, meanwhile, are investing in the concept of digital fashion, creating apparel items only for a digital avatar, which analysts suggest could be the start of a journey towards the commercialisation of non-physical products – potentially for usage in gaming and/or social media.

With retailers entering the rental market and brands exploring what until recently were unthinkable new sales channels, the road to growth in the 21st century is arguably not as obvious as in previous years.

For Calverley, though, Eve, which despite experiencing a tumultuous period since its float ranks at number 13 in our fastest-growing retailers of the last year, is "staying firmly in things we can make – physical products".

She paints a picture of a sensible risk-managed exploration of growth opportunities, which might entail new international markets if the right locations emerge. But the brand will take a cautious approach after scaling back its overseas arm in recent years to drive costs down.

"We're doing more things in satellite markets [outside its core UK and France heartlands]," she explains. "We'll follow the data and follow the money, and follow what we as a business find easiest to deliver a great customer experience in. That's the most important thing for the growth of a small business – customers tell other customers."

STEP 1:

EMBRACING NEW MARKETS AND CUSTOMERS

New product, new territories

Be it through marketplace partnerships taking them into new territories without the need for huge infrastructure investment, or by going it alone a la Poundland's Dealz fascia in Poland and Primark in Europe and the US, plenty of UK retailers are growing abroad.

With Brexit as well, and the uncertainty that comes with it, some retailers are hedging their bets and ensuring they have one arm in the UK and one in the European Union, ensuring stock sits in both territories or bonded warehouses to avoid any future levies.

And if new territories are not on the agenda, then fresh product ranges are always an option for pushing for growth. The recent pandemic has shown retailers can be speedy to roll out new product lines; Reiss, Levi's and Burberry are among the fashion players to launch their own branded face masks, for example.

However, more long-term thinking in terms of new product development and category management will be the key to prolonged and sustainable growth for retailers.

Home-based products, including electricals and accessories, have fared well during the pandemic. Hotel Chocolat, a new entry at 28 in this year's ranking, is one retailer hoping to take advantage.

The confectionery retailer's recent launch of its in-home hot chocolate machine, The Velvetiser, has come at an optimal time, and highlights how product development is a way to grow the customer base.

Chief executive and founder Angus Thirlwell says: "It's developing in a space that does not overlap or cannibalise our existing models, so it's a brand-new market for us. There hasn't been a premium hot chocolate scaled idea – we are the pioneers and the developers of it, and it's big enough in its own right to talk about as a separate channel."

The rise to prominence of premium beauty is also a long-running trend. Traditional retailers from Boots to Next, and from John Lewis to Sainsbury's, have all upped the ante in beauty. Next is backing the category with its acquisition of Fabled and a planned network of UK beauty halls.

Related to beauty is the wellness product movement. With more consumers looking for self-care items, Primark launched its own wellness range in 2020, including workout gear and scented candles. The retailer underpinned the move with an ethical sourcing strategy and more transparency about the items' provenance.

Retailers looking to place their bets should assess short-term pandemic trends in the context of those which have been gaining momentum for a longer period of time.

M&A Mania

One way of gaining new customers quickly is to acquire competitors or businesses in adjacent and complementary markets.

Many experts are saying the next few years will be characterised by mergers and acquisitions (M&As), with online fashion house Boohoo perhaps at the forefront of this activity. Having already snapped up Nasty Gal and Pretty Little Thing in recent years, the Manchester-based business also brought Miss Pap, Karen Millen, Coast, Oasis and Warehouse into its stable – and the indications are that more takeovers are to come.

Boohoo raised nearly £200m through a share placing in May 2020, and the group said at the time that it intended to use the proceeds "to take advantage of numerous opportunities that are likely to emerge in the global fashion industry over the coming months".

GlobalData analyst Emily Salter says: "It is important for big conglomerates to keep adding to their business through acquisitions as they support future growth, keep them relevant, help them become leaders in new markets, in terms of both products and geographies, and attract a new customer base."

Rob Feldmann, CEO of BrandAlley, an online reseller of off-price branded fashion, homeware and beauty products, also expects plenty of M&A opportunities ahead. At the end of 2019, the company bought BrandAlley France, its former stablemate, out of administration. Feldmann says it provides a shopper database and a logistics and customer service network that presents "our footprint into continental Europe". The UK arm and French arm were completely separate businesses for several years previously.

In the past two years, BrandAlley, ranked as one of the fastest-growing retailers in the last year (see page 18), has also acquired Achica and Cocosa in line with a push to increase its homeware arm, which in light of Covid-19 trends favouring that category has proven to be an astute move. Furniture and home accessories brand Lombok was added to the etailer's list of similar acquisitions in August.

"There's always opportunity when there are turbulent times," Feldmann states.

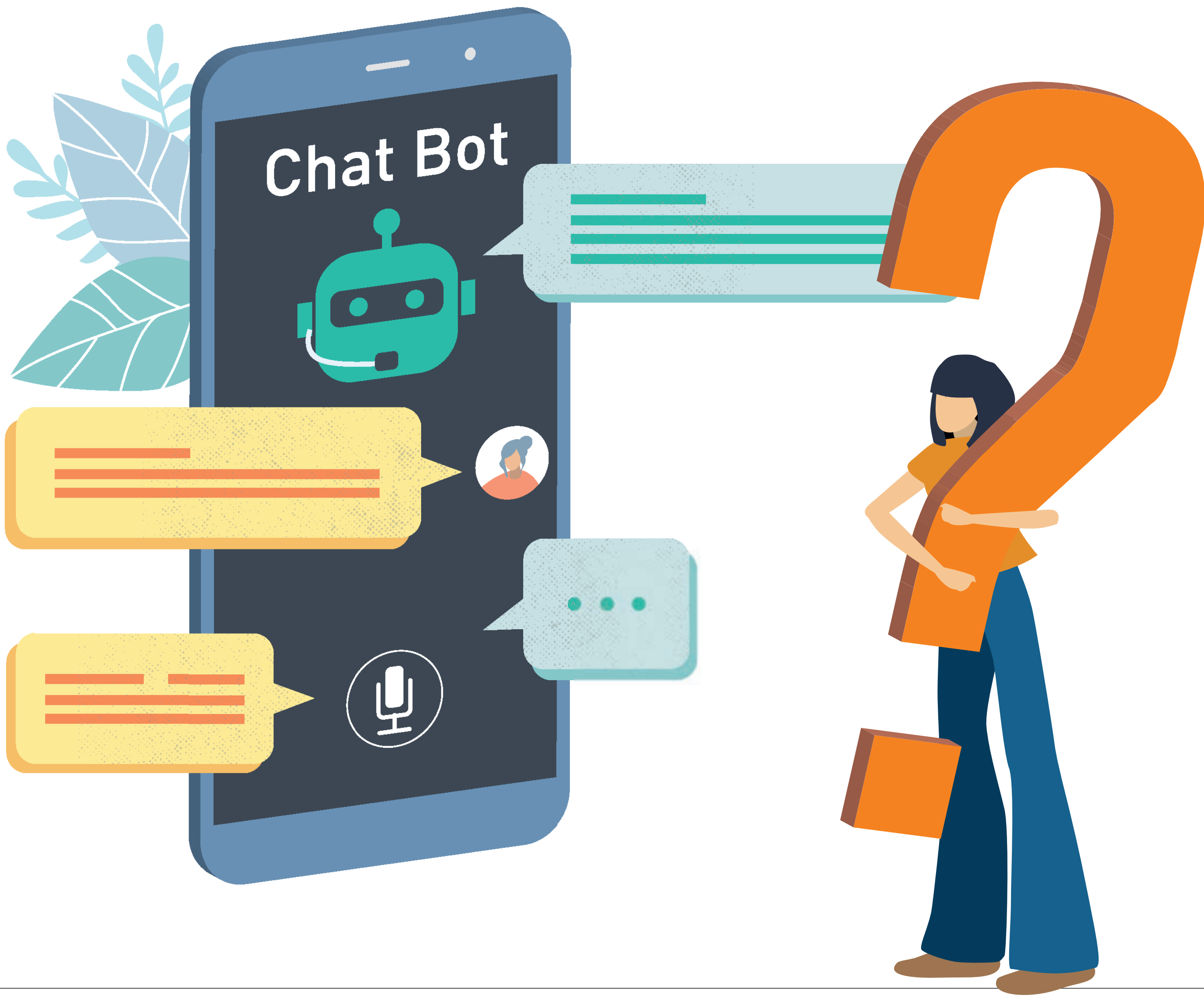
"When you look at what's happening to brands because of [outdated] business models, store closures or because they are loss-making – and now the pandemic has accelerated their decline – there will be more opportunities for us for sure over the next 18 months."

STEP 2:

EXPERIMENTING WITH NEW CHANNELS

Morrisons, Aldi and Marks & Spencer (M&S) are examples of retailers that created a food box channel in 2020, which enabled them to ship a selection of bestselling goods to online customers quickly for a set price.

It is unlikely these products will disappear any time soon. In fact, this new channel could form a new, albeit small, long-term revenue stream for the grocers.



Retailers are evidently looking to food for growth in general, with M&S starting its Ocado joint venture to drive this part of its business and general merchandise market players such as B&M and Poundland among the companies increasing their food offer.

Research body IGD predicts the UK grocery market will grow by £19.1bn between 2019 and 2022 to £211bn, and Simon Wainwright, director of global insight at IGD, says ecommerce market share in grocery will rise faster than previously predicted.

"While we expect growth to pause in 2021, it will later resume, with continuing expansion from Amazon and the launch of online operations by M&S through Ocado supplementing activity by the big four," he notes.

In a KPMG/Ipsos Retail Think Tank (RTT) white paper, Mike Watkins, head of retailer and business insight at Nielsen UK, argues: "Convenience store models will evolve and retailers will seek incremental growth from an increased food delivery offer, particularly outside of city centres and in the suburbs.

"The online grocery and food service channels will also converge and consolidate."

Online growth

From Card Factory to Kingfisher, and from Majestic Wine to Maplin, many retailers are either replatforming websites or putting more focus on developing digital teams. It is partly as a response to customer behaviour in lockdown, but primarily because this has been the direction of travel for consumers for some time.

Indeed, Maplin is one of several businesses, alongside Laura Ashley, TM Lewin and Cath Kidston, which undertook a CVA only to come back reincarnated under new ownership as an online-only organisation.

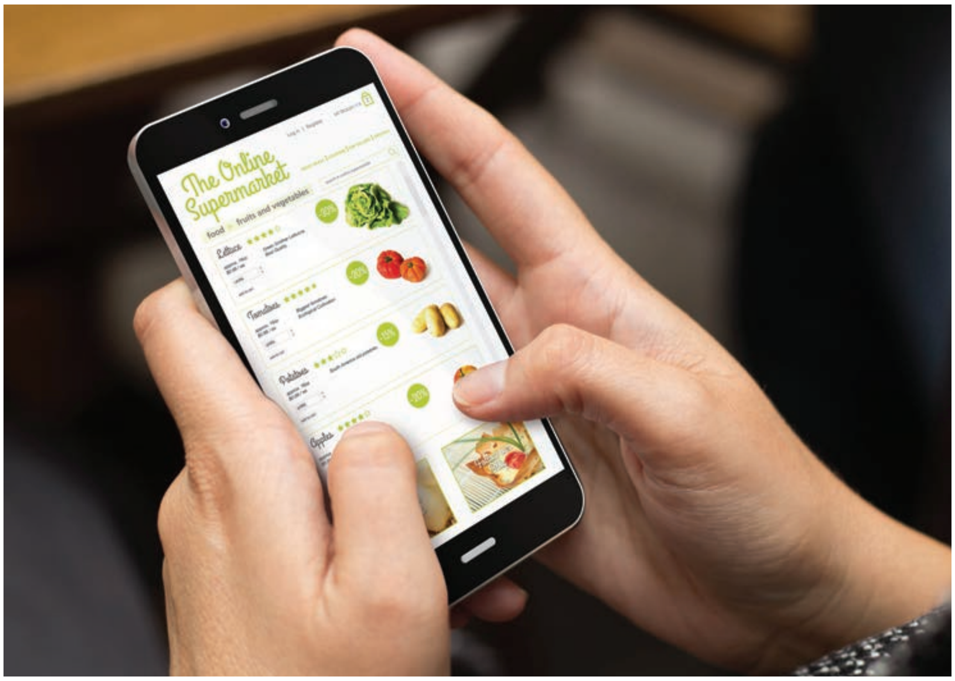
According to eMarketer, online sales will account for 27.5% of total UK retail sales this year, and the proportion will rise to almost a third by 2024. It had previously anticipated the proportion would "only be passing a quarter in 2022", suggesting it is a crucial place for retailers to focus their attention.

Primark, meanwhile, steadfastly remains a single-sales-channel retailer, but the absence of an ecommerce operation when its stores were forced to close because of Covid-19 meant its pandemic-related damage was more severe than most. It usually makes around £650m per month, but for approximately three months its income was zero, highlighting the fragility of relying solely on stores to drive revenue in unusual times.

The business maintains that the cost of running an online retail operation is prohibitive to it – as a value retailer – making sufficient money through this channel.

Maybe the pandemic will alter its view, or possibly the nascent online endeavours of fellow value chain Poundland will give an indication of the viability of this model.

Poundland is embarking on inaugural home delivery trials in early 2021, using one of its Cannock stores as an online fulfilment hub, as the retailer transforms its operations and plans new channel development.



New-style virtual sales

The answer to what constitutes a successful retail model or channel of the future is not black and white. It does not come down to stores versus online.

Currys PC World and Watches of Switzerland were among the retailers to launch video sales consultations with shoppers in 2020, and they are confident they have developed a viable service for modern consumers that blurs the boundaries between channels.

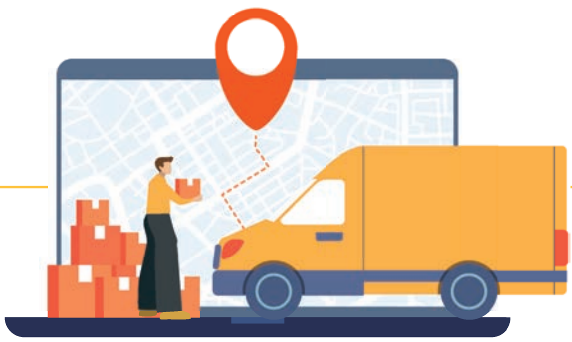
Online customers at these retailers can click on a link to connect with a member of staff in store, who then talks them through product ranges with the aim of converting a sale. Watches of Switzerland is marketing this as part of a By Personal Appointment service, and executive director Craig Bolton says "the Zoom element will become a bigger part" as the concept develops.

"We need to be where the customer is – wherever they are, we need to be there, and wherever they are looking for inspiration or advice, we need to be there," he adds.

Video link-up, be it through teleconferencing platform Zoom or other tech platforms, is one way for brands to reach what is expected to be a more stay-at-home consumer for a prolonged period, but there are other methods. Sports apparel and leisurewear brand Lululemon paid $500m for interactive home gym start-up Mirror in 2020.

Mirror enables workouts using a digital looking glass and personalised services such as expert instruction and customised music to exercise. It is complementary to Lululemon's core product and the subscription model provides a recurring income stream.

Although times are challenging and much change is taking place, there is clearly significant opportunity for forward-thinking retailers in a stable financial position.



Location management

With coronavirus fast-tracking the work-at-home movement from an expected future development to a modern-day reality, location and format strategy is going to be of prime concern for retailers in the months ahead.

Negotiations about rents and rates were high on the agenda for many retailers before the health crisis, with Carpetright and New Look among those using CVAs to downsize and exit store leases – and there will be more question marks raised over the value and usage of real estate following the pandemic's dramatic impact on shops.

City centre locations were once hugely sought after due to the high levels of footfall, but with workers slow to return to office life, the situation has shifted rapidly. Pret a Manger has already announced it is closing 30 shops and slashing a third of its workforce as a consequence.

Conversely, with people working more locally to where they live, demand for high street premises may help reinvigorate an area of retail that has experienced serious visitor traffic declines in recent years.

New minimised retailer store formats, such as Dunelm Edit, Topps Tiles boutiques and Ikea's smaller, more urban sites, are cropping up across the UK, aiming to attract footfall from locals rather than the out-of-town destination shopper these retailers typically pull in. With travel more curtailed and a significant shift towards localism, more formats of this ilk could thrive.

James Sawley, head of retail and leisure at HSBC and an RTT member, is confident in the future of physical retail, and predicts today's vacant space may be taken by new players.

"Spare capacity and lower market rents will allow exciting new concepts, localised independent stores and younger, cooler brands to enter locations previously not attainable to smaller businesses, thus driving more footfall," he states in the RTT paper.

In a further example of new models arising for retail stalwarts, Mothercare collapsed into administration in 2019, but now sees a future for itself as a brand within Boots as part of a franchise agreement with the health and beauty retailer.

STEP 3:

DEVELOPING NEW STRUCTURES AND MODELS

Among the many retailers announcing major job losses in 2020 is department store group Selfridges. But rather than simply downsizing the business and citing more of a focus on digital, as so many businesses have, Selfridges unveiled a radical new model.

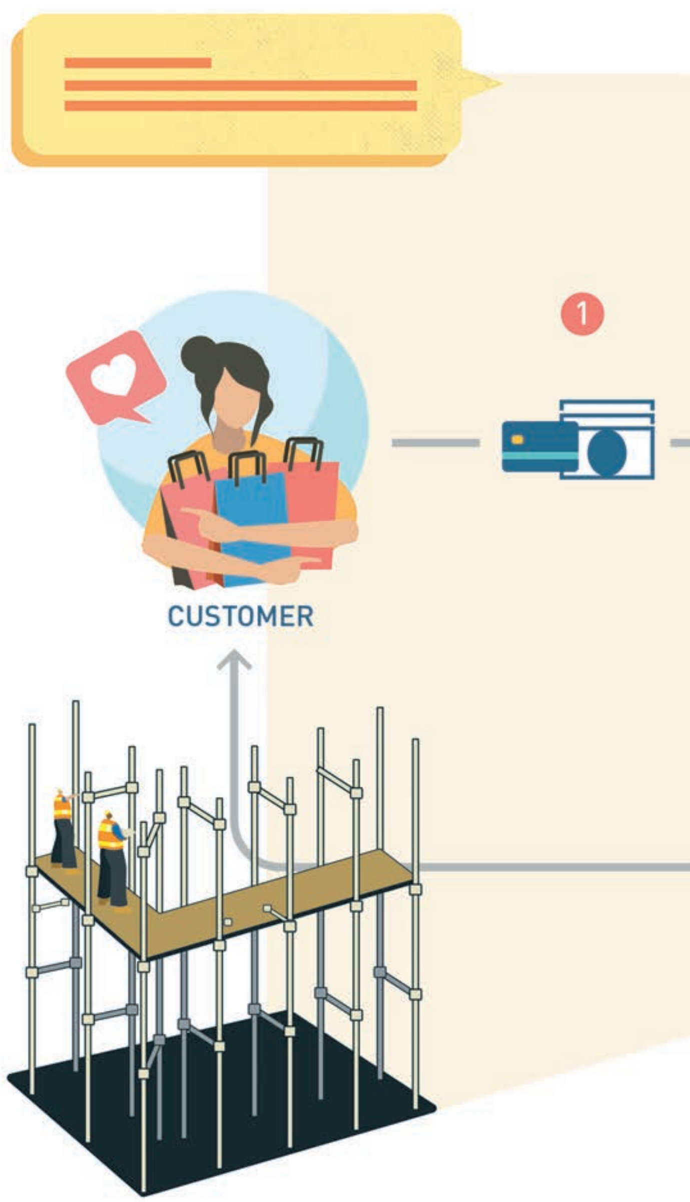
As part of a drive placing sustainability at the heart of its decision-making, Selfridges' Project Earth makes reselling, repair and rental central to its new way of operating. Through various initiatives, the retailer is looking to become more "circular" in its operations, giving customers more options to pass their products on or to mend items when required – or to direct them away from consumerism altogether and towards renting clothes.

Underpinning it all is an education piece across suppliers, partners, staff and customers extolling the benefits of using greener materials and operating more eco-consciously, because the retailer is betting on sustainability being a key driver of sales in the future. Selfridges wants to lead the way and help drive that eco evolution alongside continuing its traditional routes to market.

Sweeping operating model changes such as this could become more common.

Electricals etailer AO.com and fashion chain H&M are among a swathe of organisations increasing their rented product options.

Elsewhere, Next is aiming to be the go-to department store for the new era, continually pushing the boundaries of traditional retail with its growing focus on brand diversity in shops and online, new category extensions and in-store concession partners.



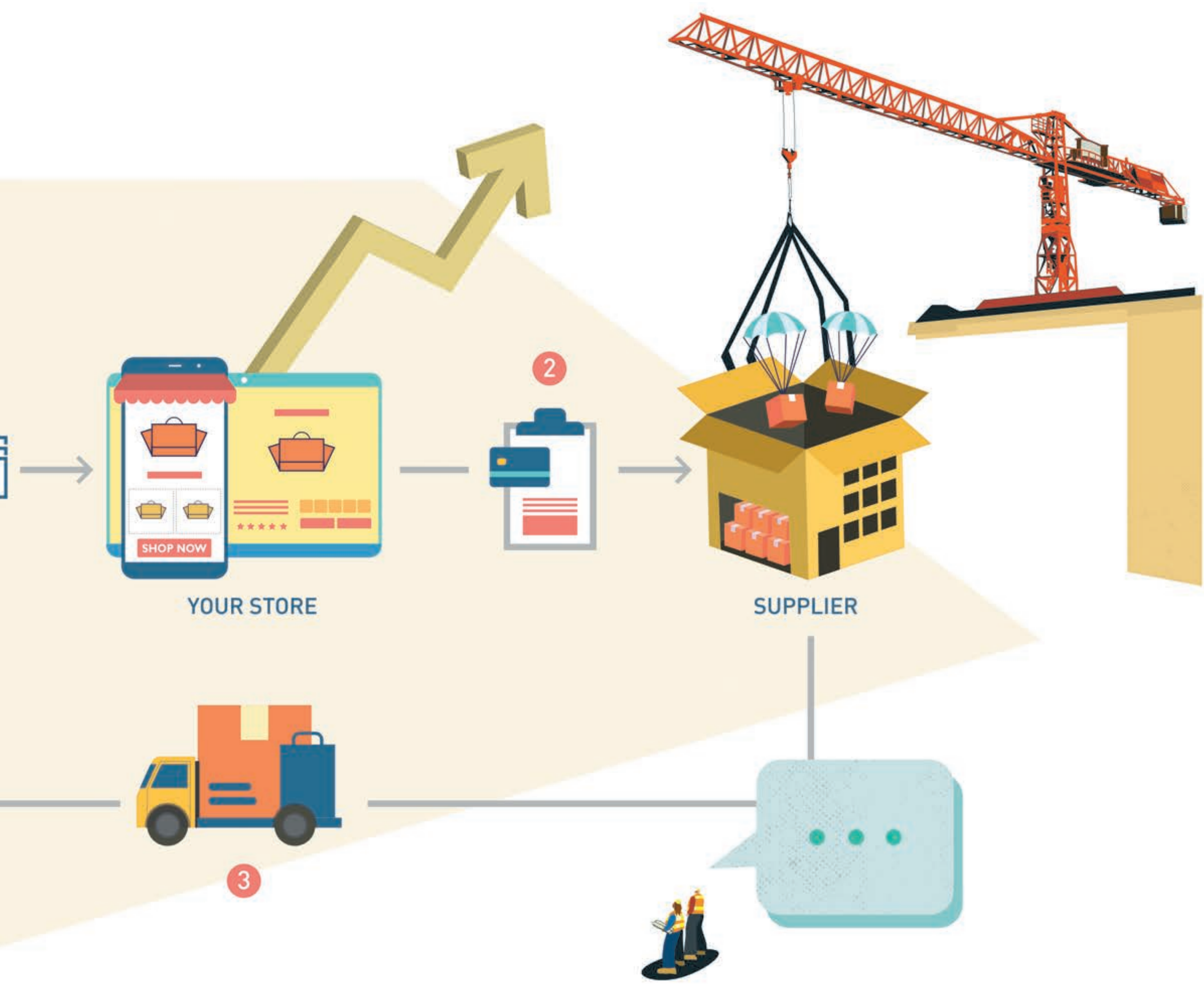
Some businesses in the sector are looking at sourcing closer to home to protect growth in the future. In food, for example, vertical farms in urban areas are receiving government investment, as well as being put to use by the likes of Selfridges and Ocado.

New models will also include retailers owning their own product and growing their own brand ranges, adding fuel to the rise in DTC operations and bringing better margins as a result. Card Factory is putting less emphasis on overseas manufacturers and third-party suppliers, citing improved self-sufficiency in its own factory as it looks to modernise.

And Spar wholesaler and operator AF Blakemore moved online for the first time in August 2020 via the acquisition of specialist etail brand Vegan Store. The deal means AF Blakemore has acquired previously missing ecommerce capability as well as gaining ownership of a range of specialist vegan brands it can push D2C online or in Spar stores.

Supply chain flexibility and services

Ultimately, much change centres on retailers building flexible supply chains to keep up with customer requirements for same- and next-day delivery, for example. Shoppers' expectations have risen in the past decade, influenced by the immediacy of the internet in product choice and rapid fulfilment by the likes of Amazon and Argos.



During the pandemic, drinks retailer Majestic Wine temporarily closed all its shops and used them as 'dark stores', fulfilling online orders straight from the shelves as if the stores were mini warehouses. Several fashion retailers, including Whistles and Levi's, and some supermarket chains have developed ship-from-store capability as part of their everyday online business, citing the long-term efficiencies of such a model.

Majestic's move in lockdown also paints a picture of the future use of shop space if demand for physical retail declines.

"Forward-thinking brands are turning the supply chain on its head, to improve the customer experience but also to have closer control on operations and costs," says David Grimes, chief executive and founder of delivery management platform firm Sorted.

"Turning stores into 'mini-DCs' minimises Covid-19 disruption, as well as future challenges coming down the line from Brexit."

The Department for Transport is already assessing how last-mile logistics should be a more significant consideration as part of national infrastructure development, especially as online retail and home delivery both grow.

Underground tunnels, drones and electric cargo bikes have all been suggested as potential technical solutions to road congestion issues, alongside neighbourhood multi-supplier manufacturing sites employing 3D printing to make products from basic materials.

While debate around which distribution model to adopt will be ongoing, one clear route to growth for retailers in recent years has been the launch of additional services that supplement their core offering.

Pets at Home is not just a retailer of pet products – it is also a vet and it is aiming for a 50/50 split between retail and services. Each component feeds the other, with so much obvious crossover between the departments.

Superdrug's in-store services, such as nail bars and eyebrow shaping, drove impressive growth before the pandemic, too, while the Covid-19 crisis has prompted Waitrose to find additional revenue streams from virtual cooking classes, Hobbycraft to roll out crafting classes via Facebook Live and Zoom, and Boots to launch online beauty consultations.

Ensuring long-lasting success

Nearly all retailers will require some form of structural change as a result of the coronavirus pandemic, with 50% needing to adopt a new model entirely if they are to prevail, according to the RTT.

It said Covid-19 has acted as a change accelerator for several long-term industry structural issues. Disappearing legacy operators in overpopulated categories – as we have seen with the collapse of Laura Ashley and the store-closing CVAs at M&Co and Monsoon – are expected to be replaced by new concepts and brands.

KPMG's head of retail Paul Martin lists six types of retail business he believes will succeed in the years ahead: international platform ecosystems such as Amazon; multinational retailers such as Ikea evolving into platform businesses; large-scale domestic retailers seeking buying alliances or partnerships, such as Tesco and Carrefour; value-based retailers such as Aldi and Lidl; D2C brands; and category specialists.

"Businesses that do not fit into these classifications could find it extremely difficult to survive and thrive in the future; therefore we believe the urgency and pace of change needs to increase fundamentally in the next months and years," he notes.

Related to D2C, consumers are also becoming a nation of subscribers – and this is becoming a prominent strategy for many brands and retailers as they look to maintain that frequent communication and ongoing transaction relationship with shoppers.

From meal kit deliveries to entertainment platforms, Barclaycard research suggested the UK's growing subscription economy is worth £323m. Two-thirds of UK homes are signed up to regular subscription services, with an average of seven contracts per household, it reported.

Amazon, Tesco, Hotel Chocolat, Lovehoney and Birchbox are among the UK growth retailers offering subscription services, supporting this trend and seeing it as a route to even more expansion.

Diversity and inclusion

With more over-50s employed in the UK workplace than ever before, supported by rising pension ages and an increase in women in the workplace, the age demographic range of British business is arguably as wide as it has ever been.

Add to that an increasingly multicultural society and growing recognition of the importance of LGBTQ+ rights, and more openness on issues relating to people's mental health, and it is clear that a firm focus on diversity and inclusion (D&I) is not only the right thing to do, but absolutely critical for retailers' growth prospects in the 21st century.

D&I strategy covers a wide range of considerations. For example, Suki Sandhu OBE, founder and CEO of executive search firm Audeliss and inclusivity campaign group Involve, tells Retail Week that the Black Lives Matter movement in 2020 is a signal for retailers to take long-term action on boosting racial diversity in the sector.

"We all know that retail has been hard hit by the pandemic, but that is not an excuse to avoid driving change," he states.

"In fact, all the evidence suggests that the most diverse and inclusive companies consistently financially outperform their competitors, so it should be part of the solution."

Retail Week's Be Inspired campaign has gained momentum since its 2016 inception with the goal of promoting diversity at all levels of retail and to encourage everyone, whatever their gender, ethnicity or background, to fulfil their career aspirations.

The wide range of industry ambassadors it has harnessed, the growing support from companies in the sector and the increase in programme partners year by year show there is a recognition in the industry that D&I is important for the future growth of retail.

Catherine Gillespie, HR director at Coca-Cola European Partners and a Be Inspired ambassador, says inclusion and diversity are "mission critical" to retailers for a multitude of reasons.

She lists the following: businesses should reflect the communities they serve; inclusive cultures are proven to have higher levels of employee engagement; inclusive and diverse teams are more creative and drive better business results; and shareholders are more likely to invest in diverse organisations because they can better identify opportunities for long-term growth.

"Above all, employees simply expect to work for a brand that values inclusion and diversity," Gillespie explains.

"We think about it as inclusion and diversity – so I&D, not diversity and inclusion (D&I) – as this really sharpens our focus in that, before anything else, we need to create an inclusive culture."

STEP 4:

FORGING NEW PARTNERSHIPS

One positive outcome of the global pandemic was the development of new – often unexpected – partnerships between companies that are otherwise rivals.

Whether pooling logistics resources, sharing data on vulnerable customers or hatching new collaborations with online delivery networks such as Deliveroo or Uber Eats, the grocery sector was particularly active in this space as it looked to 'feed the nation'.

Marks & Spencer, Asda, Aldi, Co-op Food and Morrisons were among the supermarket chains that either started or extended partnerships with delivery specialists to increase their customer reach and convenience offering, or to launch new lines.

Although prevalent during lockdown, new-style retailer partnerships have actually been growing in popularity for a longer period of time. And in a challenging consumer environment, retailers are finding that tie-ups with peers, companies with complementary propositions or innovative tech providers can be a cost-effective growth enabler.

Retailers united

Another novel retailer link-up in recent times includes Sainsbury's decision to stock food items in Dobbies garden centres, while Aldi and Cotswold Company are among the retailers to have signed deals with AO.com for logistics support.

Hotel Chocolat has protected its brand over the years by primarily selling via its own channels, but it is investigating potential partnerships with third-party retailers, specifically in relation to its burgeoning chocolate-infused alcohol product ranges.

CEO Angus Thirlwell says: "Wholesale is about 10% of the business by sales and we have always been incredibly careful about the brand equity.

"We will continue to do that, but we see with some categories – like the alcohol range – that being displayed next to other premium alcohols in a grocer is not brand-damaging."

Thirlwell adds: "We're adopting different distribution strategies for different categories of product, and that's quite an exciting stage to be at."

Next highlighted in January 2020 the kind of new thinking going on in retail boardrooms.

Recognising customers will always find competing brands online, it has effectively opted to keep its enemies close by welcoming some of these rival companies to sell via its Label website.

"We have little doubt that the presence of competing brands increases the competition for our own (higher-margin) Next-branded products, but we believe that longer term it is the only way to survive in the online world," said Next chief executive Lord Wolfson.

"There is nowhere to hide on the internet; one way or another our customers will find the brands they want. If they can find what they want on our website they are more likely to come back to us, furthering our ambition to be our customers' first choice for clothing and homeware online."

Fashion retailer Joules' Friends of Joules online marketplace is another example of a recently introduced platform of partner brands against this backdrop.

Retailer-tech tie-ups

Retailers have always required technology suppliers to support their businesses but, increasingly, these relationships are viewed as true partnerships.

With the software-as-a-service movement and the advent of cloud technology, suppliers can now flex to the ever-evolving needs of retailers, thus merchants are choosing their partner set wisely.

Amazon, Google and Microsoft are battling it out for retail partners, with each of these tech titans advancing their web services propositions to give brands a suite of tools to run their business in the cloud age. And away from the big tech houses, there are a growing number of innovative businesses specialising in each component that retailers need.

The pool to choose from has arguably never been so deep, and as the recession and post-pandemic landscape fuel more M&A activity in the supplier world, there will be plenty of multi-purpose tech players emerging that retailers can work alongside.

> **There is nowhere to hide on the internet; one way or another our customers will find the brands they want**
>
> **LORD WOLFSON, NEXT**

Another trend is for retailers themselves to utilise their own technology and historic infrastructure investments to support less tech-savvy brands.

Clear examples of this include Ocado, which has created its own technology division and fulfilment and robotics platform, which third-party players can invest in to launch online. Meanwhile, The Hut Group, through its Ingenuity arm, supports and manages ecommerce and fulfilment for Nestlé and Procter & Gamble brands, among others.

Last year, online jewellery retailer WatchShop developed Lux Ecom to give brands a chance to use its already-built infrastructure to launch online, while Next said in January it is in talks with multiple brands about offering them a complete online service, including call centre and warehouse provision.

It would give Next a commission on other brands' sales, aiding growth, while helping other businesses reach an ecommerce audience without the need for insurmountable upfront investment. Such cost efficiencies are behind many retailer-tech partnerships, including Morrisons' online partnership with Amazon; the supermarket sells its full range through Amazon's site, benefiting from the latter's rapid logistics network.

Essentially, most retailers can no longer pretend they operate in isolation – in order to thrive they must nurture real relationships with their partners and understand their own strengths and limitations.

Sorted's Grimes says the best retailers will partner with innovative or complementary companies to help them grow or outsource services that might take them years to develop internally.

"It is not just a case of finding a solution that fits right now, but it's about which supplier can best support your expansion plans, your moves into new markets, and support your complex roadmap," he explains.

Building the best partnership, he argues, "wholly relies on trust and transparency", and successful retailer-supplier tie-ups result from "collaboration and mutual understanding of expectations".

"A supplier should be a flexible enabler of growth, and ultimately this comes down to that old saying: 'Your supplier should be an extension of your team.'"

THE UK'S FASTEST GROWING RETAILERS REVEALED

Methodology

Using Retail Week Prospect data, this ranking is based on retailers that had the fastest-growing group sales over the past three full financial years.

In addition to this, for retailers to rank they must have had sales of at least £25m in their latest available accounts. Our calculations are based on the information available as of June 2020 and to appear retailers must have had three consecutive years of sales growth.

2019 RANK	2020 RANK		
	1	NEW	GYMSHARK
2	2	0	BOOHOO
1	3	-2	FARFETCH
	4	NEW	END CLOTHING
	5	NEW	BRANDALLEY
4	6	-2	MATCHESFASHION.COM
6	7	-1	MADE.COM
5	8	-3	THE HUT GROUP
12	9	+3	JD SPORTS
7	10	-3	CHILDRENSALON
10	11	-1	AMAZON
14	12	+2	ZALANDO
	13	NEW	EVE SLEEP
11	14	-3	ASOS
	15	NEW	SEASALT
	16	NEW	MOUNTAIN WAREHOUSE
	17	NEW	LOVEHONEY
16	18	-2	LOAF
18	19	-1	B&M
25	20	+5	JOULES
	21	NEW	OLIVER BONAS
26	22	+4	SWEATY BETTY
19	23	-4	YOURS CLOTHING
13	24	-11	FLYING TIGER COPENHAGEN
	25	NEW	HOME BARGAINS
22	26	-4	AO.COM
20	27	-7	SUPERDRY
	28	NEW	HOTEL CHOCOLAT
	29	NEW	ALLBEAUTY
	30	NEW	MANDM DIRECT

Digital-first

For the first time in four years, Farfetch does not top the growth ranking.

However, it is still a retailer that continues to perform strongly, with a three-year sales growth average of 62% that places it in third position in 2020. Sales at the company have soared through the pandemic, too, suggesting luxury online players are perhaps immune to the wider coronavirus-related travails of the fashion sector – although top-line growth continues to come without profit.

The two businesses to have jumped ahead of Farfetch are Gymshark, a new entry for 2020, and Boohoo.

Online fitness brand Gymshark began by selling a somewhat niche product – leggings for weightlifting – but it has rapidly expanded and diversified to capture a much wider market opportunity and a loyal customer following among millennials looking for affordable workout gear.

RWRC head of insight Lisa Byfield-Green says: "Gymshark is everything that a growth retailer should be – a company with a differentiated proposition, strong customer engagement and the ability to generate excitement around its brand."

Social media influencers are recruited as brand ambassadors and marketing is supported by "timely pop-ups" around the world, which gives Gymshark a strong global fan base. Technology also plays a large part in supporting its rapid growth.

Gymshark's successful strategy has attracted investors and in August 2020 it became a £1bn company, following investment from private equity firm General Atlantic, which took a 21% stake.

Eve Sleep is on a different journey. It's aiming to build sustainable growth after a period of – by its own admission – buying sales at a high price by overspending on marketing. In 2019, it spent more than half its total revenue on marketing.

But there are important lessons to be learned from the retailer that is now chasing more profitable growth. New chief executive Cheryl Calverley says: "Our 2018-19 results showed losses, but we are looking to build a much more sustainable growth story, and we're starting to see the fruits of that now."

She explains the company "won't chase growth for loss" any more, and that message is being embedded into each facet and department of the organisation. "Yes, we have reduced our marketing spend quite materially, but at the same time we have revisited our entire cost base, product set, all margins and the whole business, top to bottom, to get us into a much healthier position."

The fruits of this strategy can be seen in Eve Sleep's first-half results of 2020. The reduced marketing spend did have an impact on sales, which fell 5%, but EBITDA losses were slashed from £5.9m to £800,000.

Indeed, Calverley is confident of Eve's position amid consumer changes influenced by the pandemic, saying: "We are at a neat intersection – there's been a massive shift to ecommerce because of Covid, and everything we see suggests a shift to homeware."

This year's list shows online-first retailers dominating, with JD Sports (ninth) the only predominantly bricks-and-mortar business in the top 10. Others high up the list, such as End Clothing (fourth), Matchesfashion.com (sixth) and Made.com (seventh) operate showrooms, but they are fundamentally digitally fuelled businesses.

BrandAlley (new in at five) is one of the big risers this year. In addition to its

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>
> **ROB FELDMANN, BRANDALLEY**

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>
> **ANGUS THIRLWELL, HOTEL CHOCOLAT**

shift in focus from mainly fashion to more homeware and beauty during the pandemic, it has the right infrastructure for modern retail, according to CEO Rob Feldmann.

The fast pace of growth has continued this year, too. Feldmann says the retailer has experienced 100% growth year on year every month between April and August off the back of new customer acquisition, not to mention its position as an off-price online-only operator, which means it hits several customer hotspots at present.

"We're in a lucky space, but in order to deliver it you have to have the right product offer and a very strong back end," he notes.

"A lot of businesses can't cope with 100% growth – you need to make sure your logistics are strong, your deliveries are strong and the customer service element is strong to support the growth."

And BrandAlley has managed to achieve such stellar growth while keeping an eye on efficiency – the retailer topped RWRC's Productivity ranking this year.

Several of the retailers in this year's growth ranking are no more than 20 years old, including the top three and AO.com.

Byfield-Green says: "Start-ups can grow massively initially, but their continued success relies on being able to scale their business models, stay close to their customers and differentiate from the competition.

"Gymshark is an excellent example, and it just surpassed £1bn valuation."

Bricks and clicks

Further down the top 30 appear several multichannel operators, including Seasalt (15th), Mountain Warehouse (16th), Joules (20th) and Oliver Bonas (21st), with each of these currently talking up the importance of leveraging the combination of shops and digital in terms of driving growth.

Another of the top 30 retailers with this mindset is Hotel Chocolat (28th). Thirlwell explains that many of his company's current growth strategies – for example, a push towards subscriptions, more digital retailing investment and a new at-home product range – fit neatly with Covid-related changes in consumer behaviour.

"By circumstance we were beginning to be in a new exciting growth stage because we had several new facets of the business going beyond the test phases and into strong development," he notes.

"It happened to coincide with the pandemic, and how the pandemic made consumers change their behaviour."

Thirlwell paints a positive picture for future growth to come. "All of a sudden a gust comes and you happen to be facing the right way," he says. "We rigged our boat the right way and now we have real momentum – that's how we feel."

Value retail

For the businesses on the list that do not have an ecommerce proposition – B&M (19th) and Flying Tiger Copenhagen (24th) – a commonality is their focus on value retailing. With the UK falling into recession in August, and with unemployment and subsequent uncertainty on the rise, retailers with a value proposition could find themselves in demand, albeit consumers appear cautious about returning to shops post-pandemic.

B&M CEO Simon Arora said the last financial year for his company, defined by encouraging sales and profit hikes, seems "a world away" due to the pandemic.

"It is an understatement to say that the progress made during the year has been overtaken by recent events," he explained in a trading statement.

He suggested, however, that the B&M model of mainly out-of-town stores, underpinned by recent infrastructure investments and its ongoing value proposition, placed the business in a favourable position to weather the storms ahead.

A notable absence from this year's top 30 is Ted Baker, which ranked 28th in 2019 – but the company has been beset by internal upheaval, and sales declined by 1.4% in 2019-20.

Although it announced a new growth strategy focused on digital and data, which incorporates significant IT investment and a brand refresh, the pandemic has hit sales hard, like it has many other predominantly store-based fashion brands.

The rapid decline of what until last year were traditionally strong growth retailers highlights the fragility upon which many retail businesses are founded.

Byfield-Green says: "Recent months have been intensely challenging for retailers, but it is those brands that differentiate by offering something unique and innovative that will continue to stand out from the competition."

Final takeaways

What constitutes a suitable growth strategy will naturally differ by brand, by sector and by business model, but it is clear there are some common features attached to the high performers in our rankings: ambition, in-built flexibility and uniqueness of proposition.

New entries such as Gymshark, BrandAlley and Seasalt are going about their business doing things unlike anybody else.

Gymshark's stated ambition is to become the UK's version of Nike or Adidas and grow into an internationally recognised giant of the sports and fitness world. Its proposition is built on regular new product launches, clever influencer marketing and evident hard graft that places the founder of the business, Ben Francis, as its masthead.

BrandAlley has created a strong infrastructure outlet centre model for the digital world, and happens to be in growth mode and on a sound financial footing just at a time when Covid-related overstock, customer demand for discounts and ecommerce are emerging as fundamental trends for retail for the foreseeable future.

And Seasalt is one of a rare breed of retailers still opening multiple stores across the UK, but it is doing so with a unique offering that remains close to its roots and stands for values such as local heritage and sustainability.

This differentiation is key for rapid growth, but it is an ongoing battle. As the successful organisations thrive through a unique proposition, others will replicate those customer-generating models and techniques, and increase competition.

Never standing still is a common feature of the top 30 companies this year, and that need for differentiation looks set to continue to be the case in 2021 and beyond.

As Byfield-Green says: "It is notable that among the fastest-growing retailers we continue to see a couple of big names, such as Amazon and Asos, which is testament to the success enjoyed by retailers that continue to innovate for and grow with their customers."

ACTION POINTS – THE PATH TO GROWTH

1. Focus on sustainable growth to build a solid foundation
2. Invest in your online capabilities – if there was ever an investment priority for growth, this is it. Focus on CX, data, search and fulfilment
3. Consider M&A if you have deep pockets; in a recession there are bargains to be had that could transform your customer base
4. Plan new product lines and invest in own brand to differentiate your product offer. Retailers looking where to place their bets should assess short-term pandemic trends in the context of those which have been gaining momentum for a longer period of time
5. Rethink your property strategy: What is the role of the store? How many do you need and where should they be?
6. Consider how you can target people in their homes through technology
7. Move sourcing closer to home to better ride out periods of market volatility

8. Consider new models such as product rentals, subscriptions or services

9. Reappraise your supplier base and work with partners that will challenge your way of working but also understand the changing needs of your customers

10. Ensure changing consumer mindsets around issues such as diversity, sustainability and value are reflected in your business

LOVE THIS REPORT?

Why not book in one of our experts to present the findings to your team, examining what they mean for you and your business?

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