



The new retail reality

Measuring the importance
of data for UK retailers



Big Picture Banking

 **BARCLAYS** | Corporate Banking

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The research

This report is based on bespoke market research conducted by Censuswide among businesses and consumers across the UK. The consumer sample of 2,010 general consumers (UK) was collected between 24–26 May 2023. The business sample of 601 senior decision-makers in the Retail and Wholesale industry, working in businesses with turnover of £6.5m+, was collected between 18–24 May 2023. Censuswide abides by and employs members of the Market Research Society and follows the MRS code of conduct which is based on the ESOMAR principles.

The big picture

- **Retailer optimism:** 85% of retailers are confident about growth over the next year compared with the past 12 months despite the rising cost of living having an impact on consumer spending
- **Challenging economic conditions:** 84% of non-grocery and 86% of grocery shoppers say rising prices have influenced their spending habits with many looking for deals and shopping around
- **Importance of physical stores:** physical stores remain vital to 86% of retailers, reflecting the increase of instore shopping. Average visits are nearly three times a week for grocery and just under twice a week for non-grocery
- **Online research growth:** a digital presence is more important than ever for retailers, as 70% of consumers use the internet to inform how they shop
- **Data benefits:** nearly all retailers (93%) recognise that effective data capture and use are important to the future success of their business
- **Increased data spend:** just 30% of retailers have integrated data systems, but additional investment is expected this year to upgrade and onboard new platforms
- **Sustainability strategy:** 70% of retailers surveyed have an Environmental, Social and Governance (ESG) strategy and of these 75% have made them public
- **Business investments:** 22% of retailers are worried about the increased cost of borrowing but still plan to invest across their business functions to improve their sustainability credentials and enhance data capture and utilisation to drive competitive edge and contribute to growth.

"This year's report reveals a strong sense of optimism for the future among retailers; an outlook that may well be tested in the year ahead, but one that reflects an ability to adapt to more challenging economic conditions.

"Significant innovation across the sector has enabled retailers to respond to changes in consumers' shopping habits amid the rising cost of living.

"In particular, businesses see data as paramount to better understanding consumer behaviour, and they are investing in new technologies, such as Artificial Intelligence (AI), to ensure they are aligned to how and where their customers shop, while simultaneously driving efficiencies across their operations.

"Retailers have also been investing in improving sustainability with more respondents than ever before setting out an ESG strategy, reflecting a desire to not only manage their impact on the planet but to align with their customers' interest in a fairer, more sustainable future.

"We also reveal a commitment among retailers to invest in their business and to innovate for the future – something I hear from my own retail clients – as they strive to keep ahead of consumers' changing habits and seize the opportunities of tomorrow."

Karen Johnson

Head of Retail and Wholesale,
Barclays Corporate Banking

Section 1: the current state of play

Changing consumer habits

Consumers shop smarter as they adjust to new cost of living

Savvy shopping

Increases in food prices have outpaced rises in overall inflation¹, driving 46% of grocery consumers to look for cheaper ranges, while 41% say they seek out items on offer.

These findings correspond with our June 2023² Consumer Spending Report, which finds 67% of shoppers say they are trying to reduce their weekly grocery costs.

We also see that consumers are visiting stores and shopping online slightly more frequently than before, but they are spending less per visit, particularly in grocery stores as they seek to keep a handle on spending and reduce waste.

The picture that has emerged from our survey is one of an increasingly fragmented consumer journey. With less money to spend, shoppers are spending more time researching what they buy and having clear criteria on which to judge purchases.

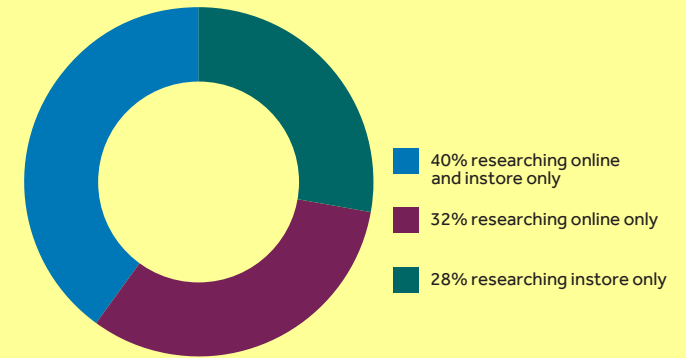
This aligns with research from Retail Economics,³ which states that 34% of consumers have increased the amount of time they spend investigating items in the past year before making a purchase. Among those browsing more, 40% are doing so in search of deals; 35% are making sure products are worth buying and 25% are browsing in lieu of other activities, like socialising, again potentially to save money.

Research plays a critical role in online shopping, with our survey showing approximately 70% of consumers are researching either online only or combining online and instore research.

Average weekly shopping visits

Retail channel	2023	2022	% increase
Grocery online	1.5	1.0	54%
Grocery instore	2.6	2.1	32%
Non-grocery online	1.9	1.4	42%
Non-grocery instore	1.8	1.2	48%

Consumers' research habits



"Households have adopted a relentless focus on value as stubbornly high levels of inflation and rising interest rates continue to squeeze finances.

"As shoppers search around for deals and promotions, retailers are battling for shoppers' attentions in a bid to secure their share of wallet. The winners will be those who have quickly pivoted to put value at the heart of their proposition while taking a forensic approach to protecting profitability and driving operational efficiencies."

Richard Lim

Chief Executive,
Retail Economics

Section 1: the current state of play

The extent to which consumers adjusted their habits varied across different sectors. For example, 46% of grocery shoppers say they will buy cheaper product ranges compared with 15% of clothes and just 8% of consumers buying automotives.

Consumers are shopping smarter, and retailers will need to employ sophisticated systems that capture and analyse these new shopping habits if they are to deliver the best possible products and services.

Rapid response

Retailers' optimism for future growth and profitability shows they understand changing consumer habits and can innovate and adapt to the new retail reality.

An optimised consumer experience is necessary across both physical stores and online as customers continue to demand a choice about how and where they shop.

Indeed, 86% of retailers say a physical store remains vital to them which, while a slight drop from 88% in our 2022 survey 'What's in store for retail?'⁴, demonstrates the ongoing reliance on a bricks-and-mortar presence.

New services added to enhance instore experience

Service added	%
Personal shopping service	25%
New digital technology to assist decision-making	22%
Co-working space	22%
Partnered with another retailer to share space	22%
Experiential activity to make experience more memorable	22%

Consumer Spend Data demonstrates most sectors have settled at new levels of online versus instore spend, no longer showing the rapid increases in online share seen over Covid-19. Grocery spend online in H1 23 was circa 12% versus 8% pre-Covid-19, whereas clothing spend online in H1 23 was circa 55% versus 45% pre-Covid-19.

Jon Hussey, Managing Director, Data and Strategic Analytics, Barclaycard Payments, has seen the impact of this with a noticeable increase in the number of retailers wanting to leverage consumer data in their location strategy, as the return of consumers to the high street makes investment in new space important to get right.

85%

of retailers are confident about growth over the next year compared with the past 12 months, although consumer confidence may be tested throughout the next year as conditions continue to change at pace.



Section 1: the current state of play

As such, retailers continue to invest in their physical stores by adding new services to improve customer experience and they are partnering with other brands to optimise space and share costs. The survey shows 58% of retailers are confident that their use of data is sophisticated enough to help them decide on store locations, while 16% are increasing their investment by a further 10-19% in the coming year to help improve how they plan.

Consumers are typically attracted to physical stores by convenience and location. The continued resilience of physical stores may also be boosted by the increasing return of workers to city centre offices and a subsequent increase in footfall.

Convenience was also the number one attribute identified that would encourage even more visits to physical stores, with free parking being the number one motivator.

Versatility will be key for retailers as consumers continue to use both physical and online shopping channels. We expect to see more concessions with retailers teaming up which offers growth potential across brands, and to focus on the importance of setting a strong store location strategy to encourage greater footfall. And with 35% of retailers saying that the cost of investment is a potential hurdle, the focus on capital and cost-efficient investments will continue to intensify.

How to motivate more instore visits	%
Free parking	38%
Offer instore specific offers or coupons	27%
Provide convenient parking outside shop	27%
Proximity to other retail outlets	25%
Instore returns	21%

Shared spaces

Retailers are innovating across their physical stores to improve margins. For example, Next offers concession space to Gap, Paperchase and Lipsy⁵.

Capitalising on both shared-space initiatives and the push to sustainability, Primark launched a second-hand clothing concession, Wornwell, in flagship stores across the UK in 2022. They have also announced plans to open four new Tasty by Greggs cafés in UK stores by July 2023.⁶

Reasons to shop instore



45%
Convenience



41%
Location



28%
Prices are better



27%
Selection of products on offer



25%
Avoid postage and delivery charges

Section 2: innovating for success

The power of data

Clever use of tech is critical to success

Nearly all (93%) retailers say harnessing and analysing data is important to the future success of their business. 22% say investment in technology will positively impact profitability going forward which might include using AI to automate customer service, marketing, sales and supply chain management.

On average, 60% of retailers across all categories say they interrogate data in a sophisticated manner – from managing stock (61%), logistics (59%) and supply chain security (60%), to informing marketing (61%), refining the customer journey instore (61%), on their websites (58%) and better understanding pricing (61%).

Integration is key to offering sophisticated data capture, and 48% say their systems are integrated to some degree. Just 30% of retailers say they have completely integrated systems which suggests more investment is needed to achieve unified commerce – where all platforms from stock management to instore customer journeys talk to one another – which could provide a competitive edge.

We predict more unified commerce in the future, as retailers across categories plan to increase investment by 10% on average on data systems integration in the coming year.

Getting personal

Retailers are especially optimistic when it comes to capturing consumer confidence and feedback, with 60% saying they use this data to inform future business practices, including developing hyper-personalised marketing strategies.

On average, retailers expect to increase spending on data capture to inform personalised offers for customers by 12% in the next year. AI could be pivotal here, with spend on automated services in the retail sector predicted to increase from \$5bn (£3.95bn) to above \$31bn (£24.54bn) globally by 2028⁷.



Section 2: innovating for success

One example is the high street health food retailer Holland & Barrett, which announced it would boost AI investment to improve stock management and ensure customers can easily find the products they want instore⁸.

Meanwhile, L’Oreal showed its commitment to hyper-personalising shoppers’ online experience through an acquisition of ModiFace to provide AI-powered technology that lets customers virtually apply cosmetics when buying through Amazon⁹ in some countries.

This appreciation of the importance of effective data capture coincides with a consumer willingness to share personal information, particularly if it delivers value for them. Fifty-four percent of consumers are either comfortable with or do not have strong feelings about having their data collected, and just 17% do not want to share their information. Of those willing to share, this is typically in exchange for an incentive. Loyalty schemes are the most popular way to reward consumers, with 83% of shoppers having between one and four memberships.

However, digitalisation is a journey and consumers remain sceptical of the benefits of some digital solutions such as virtual and augmented reality (VR/AR). Nearly half of consumers say advances in digital technology including VR would not encourage them to buy online.

Retailers also acknowledge there are barriers to better data use, with 38% saying it is a challenge to find and recruit expert talent such as data scientists. In response, 15% of retailers expect to increase their investment recruiting specialist staff. This will need to be done in tandem with ongoing investment in data platforms.

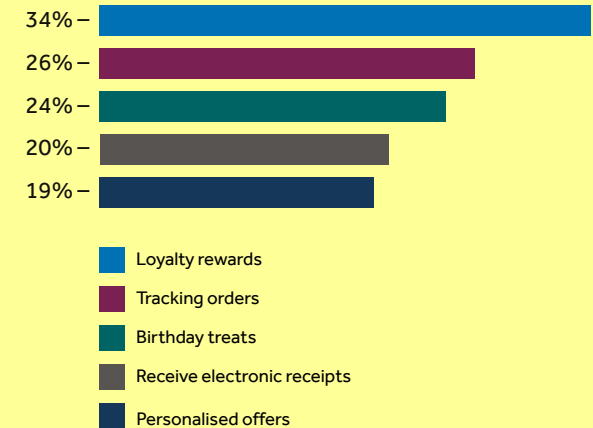
Further, recent changes to the way data is captured online, focused on protecting individuals’ privacy, have made personalisation using existing methods more challenging. For example Apple allows users of its devices to block tracking, so new datasets and sources of customer behaviour – such as through payment technology - are needed to ensure offers and marketing is targeting to the right individuals.

“Whilst the cost of debt has increased as central bank rates have risen, the business case for capital investment into data and technology remains overwhelmingly positive and a more data-enabled business will ultimately be more attractive as a lending proposition.”

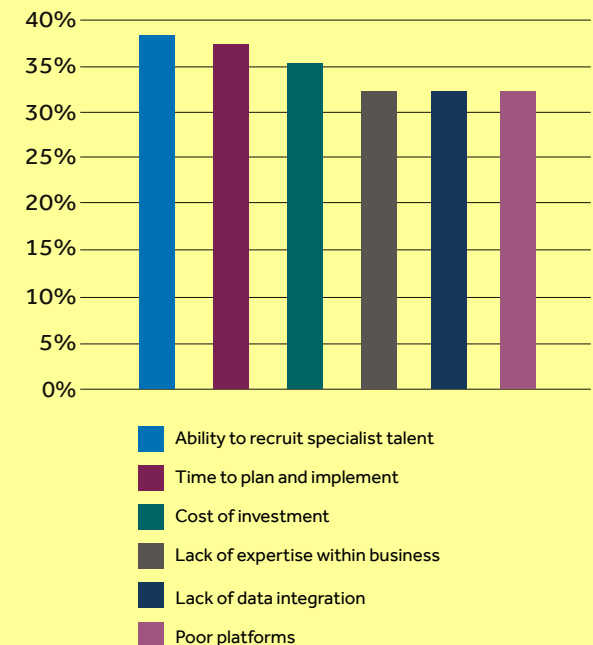
Gareth Jones

Head of Large Corporate Lending,
Barclays Corporate Banking

Top five incentives to share data



Barriers to data capture



Section 3

Sustainability matters

Retailers respond to consumer demand for a credible ESG commitment

Our research shows shoppers tend to favour retailers that can demonstrate clear credentials across ESG factors, and retailers are taking action.

Last year our 'What's in store for retail?'¹⁰ report found 63% of consumers believed the retail sector should go further on ESG, while 39% of consumers said retail spaces could and should become more sustainable.

This year we've seen that retailers are listening to their customers and now 70% of retailers have an ESG strategy, while 60% believe customers will pay a premium for sustainable products. The increase in publicised ESG strategies also shows retailers are responding to regulatory demands for environmental and sustainable reporting under the Task Force for Climate-related Disclosures.

Supermarkets are the most advanced retail sector when it comes to sustainability, with 78% saying they have an ESG strategy in place as they seek to demonstrate their responsibility and compete to secure business from increasingly environmentally and socially conscious consumers.

An example of supermarkets taking the lead is the way they worked with suppliers to improve packaging sustainability ahead of the introduction of tax on plastic packaging in April 2022.

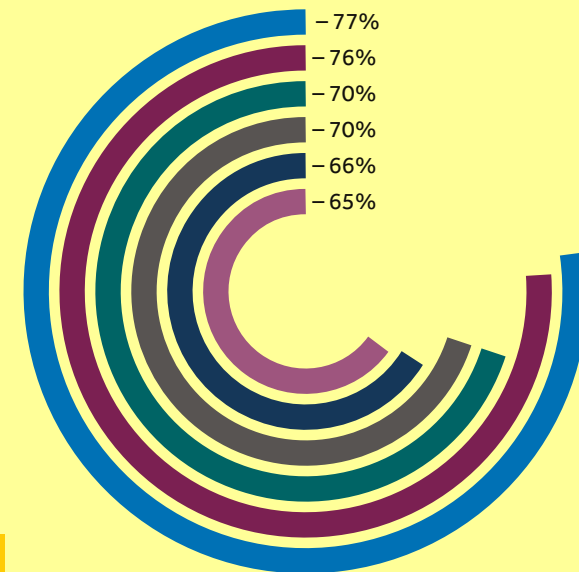
This is further evidenced by eight of the UK's biggest supermarkets, that collectively account for 80% of the grocery market, which have signed up to the Waste and Action Resources Programme and World Wildlife Foundation joint initiative to standardise measurement and reporting of harmful emissions from food and drink¹¹ manufacture, production and sale.

70%

of retailers have created an ESG strategy.

Important ESG activities for consumers

Percentage who say it's important



Factor determining where consumers shop

- Fair treatment of staff
- Treat suppliers fairly
- Availability of sustainable products
- Recycling facilities
- Retailers support their local communities
- Clear environmental policy

Section 3: sustainability matters

Making an impact

Data is critical to retailers in informing and measuring their ESG strategies and driving their sustainable and social activity across their business.

Incorporating reliable data can help avoid accusations of greenwashing by documenting the company's progress managing ESG issues. However, since only 58% of retailers say their organisation's systems are sophisticated in measuring the impact of their ESG strategy, this will continue to be an area for focused investment.

In particular, with 77% of retailers not having sophisticated data systems in place to capture Scope 1 emissions, there is substantial investment needed as part of their contribution to the UK's commitment to reach net-zero carbon emissions by 2050. These efforts are supported by industry associations including the British Retail Consortium, which published a Climate Action Roadmap setting clear objectives to achieving the green transition¹².

It is clear that many organisations are at different stages of their analysis, planning and implementation journeys and it will be interesting to observe how the use of data to inform and measure ESG strategies evolves over time.

Linking ESG to finance

Using sustainable and transition finance solutions that are linked to ESG targets has a number of benefits:

- **Stakeholder messaging** – demonstrates commitment to the sustainability agenda by linking financing to the delivery of material ESG objectives
- **Commercial benefits** – in the form of reducing financing costs if sustainability targets are met
- **No restriction on use of proceeds** – can be applied to numerous types of financing from debt to trade finance, and for any purpose.

How retailers use data to inform their ESG strategy

Service added	%
Increasing diversity of leadership	24%
Improving the transparency of your organisation	24%
Increasing diversity of workforce	23%
Reducing Scope 1 emissions (greenhouse gas emissions created by your company)	23%
Improvement in working conditions in your supply chain and improving working conditions for staff	22%

"Measuring direct carbon emissions and waste output, understanding the impacts of supply chains and monitoring social challenges such as modern slavery are not easy to measure or indeed change quickly. Whilst accountability sits with individual businesses, they are increasingly seeking support from specialist advisers and driving collective change through industry bodies.

"Additionally, several businesses in the sector, including Midcounties Co-operative (one of the UK's largest cooperative societies), have followed the broader market trend of linking their key ESG objectives to their financing, using sustainability-linked financing structures. Many more are eager to do this, too, and are working on the data to underpin target setting and reporting."

Heeral Shah

ESG Strategy and Propositions, Wholesale Lending
Barclays Corporate and Investment Banking

Strategies for success



Leverage the power of data

The consumer journey is increasingly complex, but knowing how to give customers what they want - and when and how they want it - has never been more important. Retailers need sophisticated systems that allow them to effectively capture and analyse relevant data to help understand and optimise how their customers interact with their businesses.



Explore unified commerce

It is no longer enough to have data siloed across different business operations and channels. Retailers need to integrate systems to ensure consumers receive a cohesive, optimised experience, and to improve efficiency across the business.



Demonstrate your ESG credentials

Consumers value companies that take ESG seriously. Retailers should link ESG KPIs to financing, which can be tested by legitimate auditors and provides a clear, easily communicable road map to achieving the end goal.



Optimise operational efficiency

Focus on ensuring how retailers can harness operational data across stock management, supply chains and explore partnerships with other brands, to help streamline the business, saving both time and money.



Incentivise information sharing

Customers are willing to share data in exchange for rewards. Developing an effective loyalty scheme will not only help increase repeat custom but can also provide data that can be used to improve the customer experience.



Secure finance for growth

Improve the organisation's chances of obtaining the right finance for growth by explaining to lenders how the business is prioritising data and technology and the positive impact this will have on performance.

Solutions to grow your business

Our networks, support and expertise can help you seize growth opportunities

[Barclays Market and Customer Insights](#)

Unlock a wealth of customer transaction data to inform your strategy and take positive action. Our data insights help you understand customer trends and can support your business and growth strategies.

[Barclaycard Payments](#)

Make, take and manage payments flexibly, and reach new customers and improve processes, with Barclaycard Payments. Barclaycard's suite of solutions could also help streamline your supplier payment systems and make it convenient to manage your employees' travel, fuel, and other expenses.

[Payment solutions](#)

Offer the broadest and most convenient ways to pay and regularly review payment options to ensure new services, such as BankPay, are included. Through innovative mobile and electronic solutions that integrate fully with your business, Barclays payments services let you make, receive and track payments – swiftly, securely and easily. They also provide a clear view of your real-time cash position and balances with reporting that can feed directly into your own systems.

[Liquidity solutions](#)

Liquidity management can help you manage and monitor your financial position while freeing up time to focus on your business. Our solutions can enable you to optimise interest on your balances, reduce charges and ensure the right access to your liquidity, helping your business grow.

[Green solutions](#)

Access flexible financing to support your business's environmental and sustainable activities and fund a variety of environmental projects in areas from renewable energy to green transport. Additionally, we have green deposit solutions to align surplus liquidity to green priorities.

[Financing solutions](#)

From a simple overdraft through to term loans, our solutions are designed to boost your everyday business and support expansion. Quickly release funds and deploy working capital for growth with our solutions, which are designed to meet your business' day-to-day and long-term obligations.

Find out more about our Corporate Banking Solutions [here](#).



Meet our experts



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