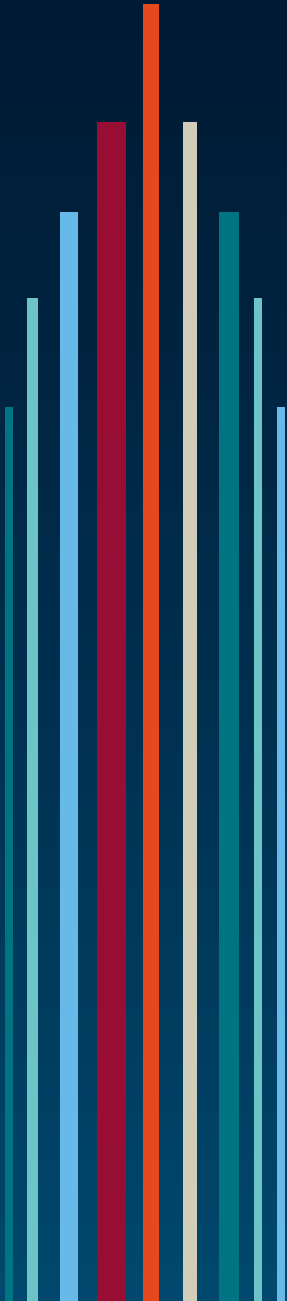


**RETAIL  
AGILITY**



# Rebalancing act

The impact of retail transformation on people and stores



**post-pandemic retail trends**

# Introduction

**The Covid-19 pandemic has been a real test of agility for retailers. The need to act quickly and make difficult decisions has put a strain on many aspects of the industry. But, it has also presented some opportunities and forced retailers to tackle issues that have been there for a long time. The choices businesses make now will have long-lasting effects on the shape of retail for years to come.**

We spoke to 100 leading UK retailers about how lockdowns, travel restrictions and an increase in online shopping and homeworking are rapidly reshaping the way consumers interact with their businesses. One in five told us that they will need to make redundancies in the short to medium term.

Retailers have had to react quickly to a rapidly changing commercial and regulatory landscape. 80% are placing more emphasis on online sales, but the pandemic also looks to be accelerating the restructuring and transformation of how physical stores are used. Retailers are just as emphatic now as they were before the pandemic about the importance of physical stores.

In this report, we look at:

- The effect of the pandemic on retail jobs
- How the risk of abuse against retail workers has increased and other employment risks
- Advancements in equality, diversity and inclusion and preparing for Brexit
- The evidence that online growth does not necessarily mean a shift away from physical stores
- Arguments for new ways of measuring the value of stores

The retail industry has the UK's largest private sector workforce, so changes to its composition will have far-reaching effects. Our research shows that as well as potential redundancies, employers are cutting costs in other ways, such as reducing benefits. What does this mean for an industry that is finding it harder to attract and retain talent, alongside the need for different job roles and skills?

Worryingly, Covid-19 has also heightened the risk of abuse towards all retail workers, not just those in certain sectors. Our data highlights the need for legislative changes and the introduction of further measures to protect these important workers.

Despite rapid short-term change, physical stores are still valuable. However, the tenant-landlord relationship has come under increasing strain as some businesses have seen a large drop in sales. The industry needs to find a new way to measure the value of stores going forward.

Retail is an essential part of the UK economy, and it is currently in one of its most challenging but formative periods in recent memory. It is essential that retailers focus on building a strong business that can not only survive in the current climate, but that is ready for the post-pandemic environment too.



**Perran Jervis**

Head of retail & consumer goods

**T** +44 (0)333 006 0320

**M** +44 (0)7766 548 791

perran.jervis@TLTsolicitors.com

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'The retail sector is currently in one of its most challenging but formative periods in recent memory.'  
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# Working together – the future of retail jobs

**Covid-19 and the rapid transformation of businesses is having a pronounced impact on retail workers and what it means to work in the sector, from redundancies in offices and stores to the growth of logistics functions and new emerging risks. A multi-faceted response is necessary to protect employment and employees, and the long-term attractiveness of these jobs.**

## Employment

A fifth (19%) of the UK's top 100 retailers say they will need to make redundancies as a result of the pandemic, rising to 26% among fashion retailers. Despite the large number of store closures, it is not just these roles that are at risk. While 29% of retailers reported that they are likely to need fewer store roles, 28% predict that there will also be a reduced need for office-based roles.

### We will make redundancies to meet staffing requirements



**Grocery**  
**10%**



**Lifestyle**  
**13%**



**Home**  
**19%**



**Fashion**  
**26%**





Esther Smith, employment partner at TLT, says: "We often see office roles being considered for redundancy during a restructuring, because of the efficiencies it can bring. This is likely to be even more pronounced as a result of Covid-19, because the pandemic is fast-tracking changes that might otherwise have been made over a number of years. Retailers can see an opportunity to make some fundamental changes to their business and they are using this as a chance to streamline operations, whether that's through a redundancy process or some other means of reducing headcount."

Reflecting the shift to online shopping that is being accelerated by the pandemic, 40% of retailers are expecting to hire more warehouse and logistics roles in the future. Only 7% think that they will need fewer of these roles than they currently have.

In an attempt to shield their workforce from redundancy, many retailers are implementing a range of other cost-cutting measures. The most common of these are holding back benefits, bonuses and other incentives (41%), increasing automation of tasks (40%) and delaying wage increases (36%). While some retailers are opting to change contractual hours (20%) or using more agency staff (12%), these options are less popular.



### How will you offset employment costs?

	 Grocery	 Fashion	 Home	 Lifestyle
Hold back benefits, bonuses and incentives	20%	53%	38%	36%
Increase automation	60%	47%	33%	29%
Delay wage increases	20%	47%	33%	29%
Reduce overtime	10%	29%	24%	19%
Change contractual hours	30%	21%	19%	16%
Use more agency staff	20%	13%	10%	10%

As with many of other industries, the pandemic has caused a sudden shift in working practices. To meet new staffing requirements, retailers are making changes to their established working arrangements. A third (34%) are giving office-based staff more opportunities to work remotely, while others are looking to reallocate staff to different teams (21%) and re-training existing staff (17%).

A smaller number are making use of more zero-hour contracts (10%), disposing of part of their business (7%) or acquiring a new one to gain additional skills and capabilities (4%).

An immediate concern for retailers is attracting and retaining staff in the current environment, with 37% reporting that they are finding this challenging. A large part of this difficulty relates to the changing risk profile of retail employment. According to the people we spoke to, health and wellbeing issues (68%), abuse against shop workers (60%) and personal injury claims relating to cases of Covid-19 (48%) represent the biggest increases in employment-related risks.

### What employment risks have increased because of the pandemic?



**Mental health  
and wellbeing**  
**68%**



**Abuse against  
shop workers**  
**60%**



**Covid-19  
personal injury  
claims**  
**48%**



**Health  
and safety  
breaches**  
**47%**



**Accident  
and injury**  
**36%**



**Employee  
stress claims**  
**36%**

When it comes to these risks actually materialising, the increased pressure on retail employees could be creating a mental health and wellbeing crisis across the industry. 13% of retailers have experienced issues relating to mental health in their business, while a worrying 31% have reported abuse against a shop worker.



.....  
"There could be a mental health  
and wellbeing crisis looming among  
frontline workers in the retail sector."  
.....

Esther Smith, employment partner

## The rising threat of abuse

The introduction of measures to prevent the spread of the virus in stores has disrupted the traditional retail experience. Customer frustration at these measures is leading to higher levels of abuse directed at retail staff, and this is an issue across the entire industry.

### 'Legislative change is one option for increasing the level of protection...'

Three fifths (60%) of all retailers say the risk of abuse has increased as a direct result of the pandemic. While those working in grocery have been designated as key workers, there is a need for increased protection across all retailers. Our data shows that 70% of grocers, 32% of fashion retailers, 29% of home retailers and 19% of lifestyle retailers have reported incidents of abuse.

Legislative change is one option for increasing the level of protection afforded to retail workers, but the government has so far proved unwilling to bring forward new laws. Proposals for a new law in England & Wales to protect shop workers were rejected in July, while a similar bill is currently being considered in Scotland. In the absence of new legislation, additional 'policing' could come from retailers themselves working alongside landlords, local authorities and the police.

It is crucial for the long-term resilience of the industry that retail remains an attractive career choice.

### What measures would best help reduce the risk of abuse to your staff?



Harsher punishments for those committing abuse  
**69%**



Increased counselling and support for staff  
**69%**



More police powers  
**51%**



More support from police  
**37%**

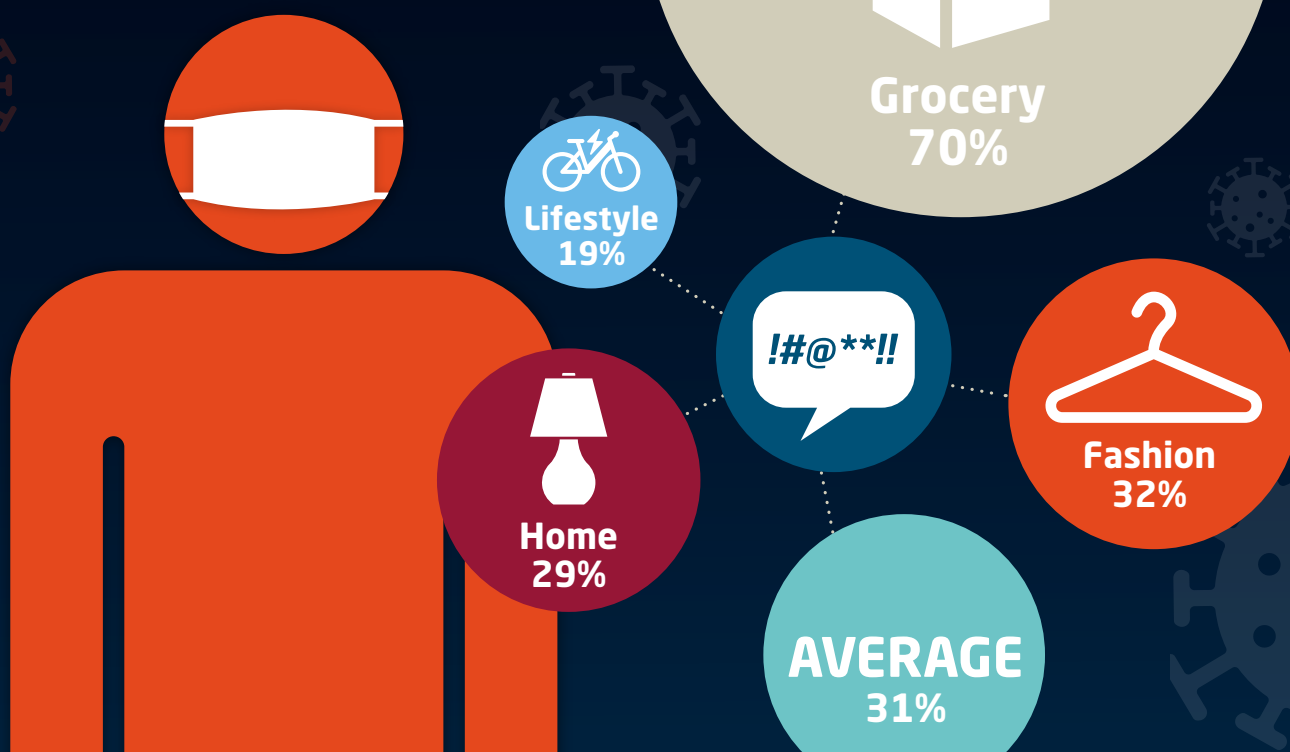


Better or more in-store security  
**36%**



Increased levels of staff training  
**25%**

### We have experienced abuse against a shop worker during the pandemic



## Equality, diversity and inclusion

Many retailers are expecting to see an improvement in their gender pay gap reports in 2021. With women being disproportionately affected by the pandemic, this progress is important.

However, the data also shows that more work is needed on the ethnicity pay gap and that this is currently under-monitored.

42% of the retailers we spoke to are confident that their gender pay gap will be smaller in 2021 than in 2020. A quarter (26%) expect it to stay the same, while 11% believe the gap is likely to have widened. However, a third (31%) believe that the government should carry over its temporary break in gender pay

gap reporting for 2020 into next year as well. Esther Smith says: "This attitude to reporting is surprising considering the positive progress many companies say they have made, but they could be looking to minimise the internal resources they need to devote to this in 2021."

The picture is much less clear when it comes to ethnicity. 42% of retailers said their current position on the ethnicity pay gap is unclear, while 28% do not plan to report on it next year. However, many retailers are actively taking steps to improve equality and diversity across the business, such as ensuring equal pay (38%), setting diversity targets (28%) and reviewing talent management processes (19%).

### What steps are you taking to promote equality and diversity?



Reviewing and ensuring equal pay  
**38%**



Compulsory training for staff  
**31%**



Setting diversity targets  
**28%**



Launching a whistleblowing reporting line  
**21%**



Reviewing talent management processes  
**19%**



Launching a diversity committee or team  
**15%**



Establishing a mentoring programme  
**13%**

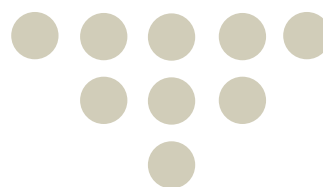


Setting minimum quotas for job candidates  
**11%**



# 42%

of the retailers we spoke to are confident that their gender pay gap will be smaller in 2021 than in 2020



# Solid as a rock – the enduring resilience of stores

**The data shows that while there has been a large-scale shift to online retail, physical stores remain an essential part of the multichannel retail mix. While there will be some closures, particularly among loss-making or over-exposed stores, Covid-19 is already accelerating the move towards new leasing arrangements and forcing parties to reconsider how they value stores.**

While most retailers were already putting in place strategies to build their online presence and capacity, the pandemic has added some urgency to this process. 80% of grocers, 81% of home retailers, 79% of fashion retailers and 68% of lifestyle retailers are placing more emphasis on, and dedicating more resources to, online sales. This does not mean a complete shift away from stores, with 80% of retailers saying their stores are becoming just, as if not more, important to their business. This echoes the 82% that said this in our research before the pandemic.

While some businesses are closing stores, the numbers do not appear to be as high as many were projecting. 16% of retailers are planning to close some of their stores, with the figures highest for fashion (21%) and grocery (20%) then home (14%) and lifestyle (10%). An equal number of fashion (21%) and grocery (20%) businesses are choosing to repurpose some of their existing store space.



**of retailers say stores are becoming just as if not more important to their business, echoing the 82% that said this before the pandemic**

## How are you changing or considering changing your lease?



Even though the pandemic may not be leading to excessive store closures, it is certainly forcing many retailers to re-examine their current leasing agreements. Half (50%) of fashion retailers are looking to renegotiate leases as a way of reducing costs, along with 39% of lifestyle, 33% of home and 20% of grocery retailers.

Dan Sweeney, real estate partner at TLT, says: "Renegotiation of existing lease terms is very common as landlords and retailers seek to balance

and mitigate the impact of the pandemic and future-proof. Movement towards turnover rents and pandemic relief clauses are being explored and the negotiating environment is heavily influenced by the impact of CVA and administrations on previous leasing norms.

"The current moratoria on forfeiture and winding up are due to end in January 2021 and unless a further extension is enacted, retail negotiations will need to take place before that date."

Many retailers are looking to relocate stores to different locations, particularly those that have prioritised city centres over smaller high streets where footfall has increased as a result of lockdowns and the rise of home working. Almost half (47%) of fashion, 39% of lifestyle, 33% of home and 20% of grocery retailers say they need stores in new locations as a result of the pandemic.

Relationships between many retail tenants and their landlords have come under increased strain as a result of the economic disruption of Covid-19.

Market information suggests that the moratorium on forfeiture and winding up has delayed restructurings, with many landlords indicating that they may challenge this if they feel a tenant is merely seeking to apply additional pressure on them. Our data shows that 34% of retailers now describe their relationship with their landlord as adversarial, compared to 28% in our research before the pandemic. 59% of retailers believe the government should further extend the current moratorium into 2021.

**34%**

**of retailers now describe their relationship with their landlord as adversarial**



**compared to**

**28%**

**in our research before the pandemic**

As we approach the fourth quarterly rent payment date since the pandemic-related disruption began, an impressive half (50%) of retailers also say the government should make additional financial support available to commercial landlords to help ease the pressure on tenants.

**50%**

**of retailers also say the government should make additional financial support available to commercial landlords**

**59%**

**of retailers believe the government should further extend the current moratorium into 2021**





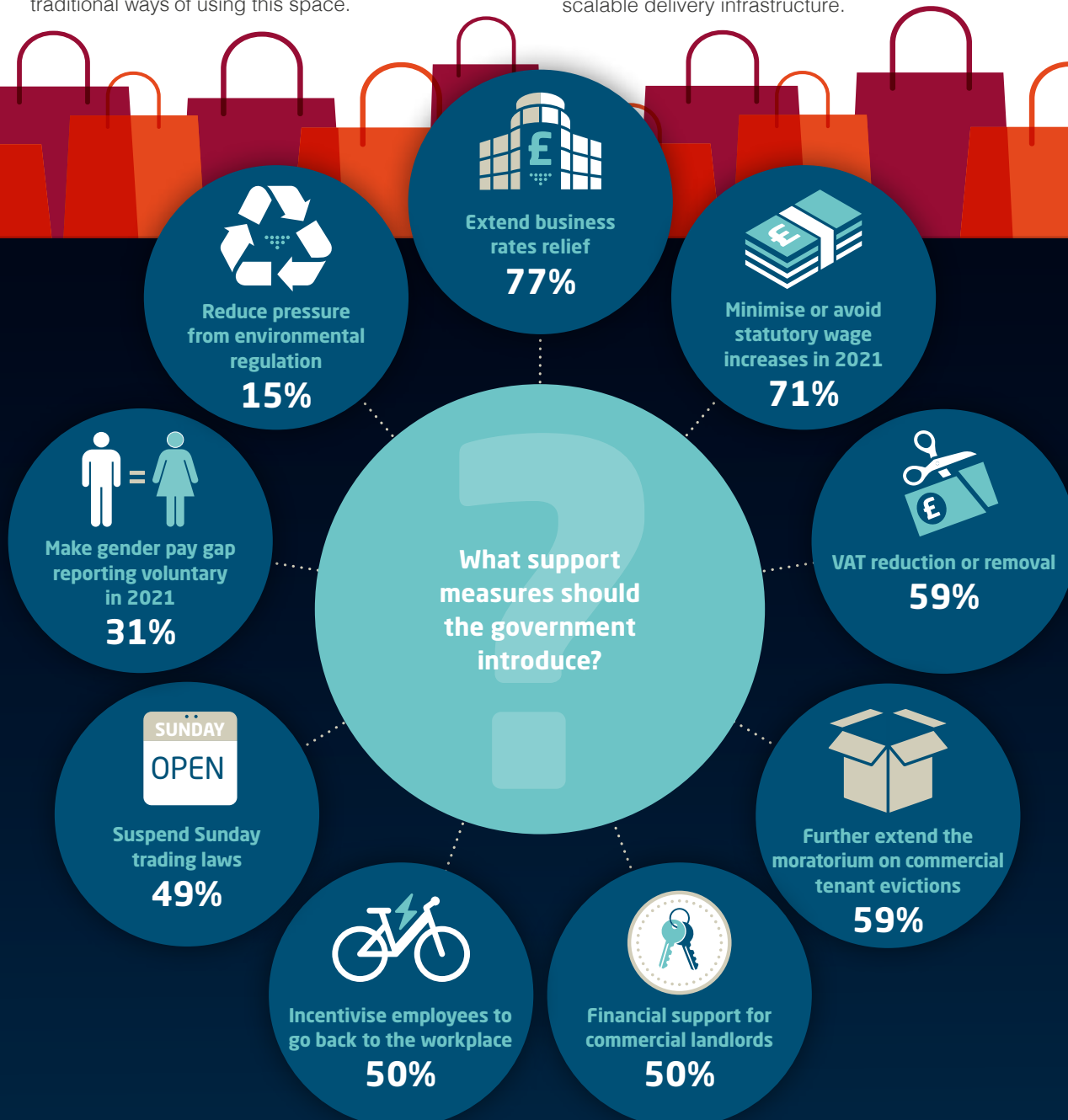
## Accelerated transformation and restructuring

The pandemic has been a test of agility for retailers, with many in the non-grocery sector having to employ a range of creative solutions to maintain trade. 77% of retailers are working on creating closer integration of their online and offline presences, with this being a top strategic priority for fashion (82%), grocery (80%), home (76%) and lifestyle (71%). Others are looking for ways of making smarter use of the stores and assets they have, such as considering bigger stores; hub and spoke distribution models; enhanced click and collect; and out of town locations with more space and parking.

Currently, only 13% of the top 100 UK retailers are rewarding their in-store employees for sales made online as well as in-store. This indicates that stores are still predominantly seen as purely a sales channel, and that retailers are not fully exploring less traditional ways of using this space.

Perran Jervis, head of retail and consumer goods at TLT, says: "The changing use of stores and shift towards true multi-channel retailing is happening, and has been accelerated by the pandemic. This requires a fundamental change in infrastructure, but it needs to happen quickly. The current environment is very uncertain for retailers, however they need to make these bold decisions to change many established patterns of working, and more closely integrate customer touch points to take advantage of every opportunity to make a sale."

Our data shows that many retailers have confidence in their warehousing and logistics capabilities, with just 32% looking to improve this function. This rises to 38% for home retailers but drops to 20% for grocers, who are likely to already have established a scalable delivery infrastructure.



# Conclusion

**Covid-19 has been an unexpected test of the resilience of retail businesses of all shapes and sizes. As we have seen, many are having to make some tough decisions and deal with unforeseen challenges. But there is cause for cautious optimism.**

The pandemic has accelerated many of the trends we were seeing last year, such as multi-channel integration, omni-channel brand presence, digital transformation and restructuring.

Stores are still a fundamental part of the retail mix, but the whole industry needs to reconsider how it measures the value of stores and front-line store workers. Are stores simply a sales channel or can they have a wider function too, facilitated by in-store staff and technology? These shifts are likely to further impact many relationships, including between retailers and their customers, retailers and their staff, and retailers and their landlords, all of which are feeling the strain of economic disturbances for three consecutive quarters.

Abuse against shop workers has risen to unacceptable and unsustainable heights. It is important that retailers, policy makers, local authorities and police act to address the increased risk to the mental and physical wellbeing of retail employees and that these risks are given just as much consideration and support as is afforded to physical health and wellbeing.

The decisions that retailers make today will affect their ability to compete in a rapidly evolving commercial environment. Retailers face a balancing act of making sure they can manage the short-term challenges and laying the foundations for operating in the post-pandemic landscape.

This pandemic has been a test of agility. In order to meet changing customer habits and adapt to the current economic environment, retailers need to be able to act quickly. They need to make timely decisions by adopting flexibility in their ways of working and in the channels and infrastructure required for making sales.

Retail has always been dynamic and industry leaders need to draw upon that experience now more than ever.

## About TLT

**TLT advises many of the UK's leading retailers and consumer goods businesses. Our clients represent over 15,000 stores, one million employees and £100 billion of retail sales.**

Our national retail team has an in-depth understanding of the industry, offering advice in context and solutions that work. We provide strategic advice on major projects, as well as support for in-house teams on day-to-day matters.

We are ranked among the very best law firms in Chambers UK 2020 for Retail (UK-wide), an independent guide to the legal profession. We also

support retailers through our retail-specific training programme, seminars, e-alerts, industry reports, risk reports and are actively involved in retail industry groups.

To find out more visit [www.tltsolicitors.com/retail](http://www.tltsolicitors.com/retail)



**Perran Jervis**

Head of retail & consumer goods

**T** +44 (0)333 006 0320

**M** +44 (0)7766 548 791

[perran.jervis@TLTsolicitors.com](mailto:perran.jervis@TLTsolicitors.com)

## Research methodology

To gain a sector and category view of the retail sector, independent research was conducted by GlobalData on behalf of TLT LLP.

GlobalData interviewed 100 leading UK retailers in October 2020. In all cases, interviews were carried out with senior management. The sample was

representative of sectors within the retail space including: food and grocery; fashion and beauty; home sectors; and lifestyle and leisure.

All charts, data and statistics featured in this report are the product of the research. All rights reserved, November 2020.



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