The Consumer Economy

2018/2019

Welcome

to this special edition of **UK Powerhouse.**

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This in-depth study was commissioned to examine the importance of the consumer sector in the UK.

We wanted to provide a unique insight, and through the economic expertise of the Centre for Economic and Business Research (Cebr), a selection of external market experts and Irwin Mitchell lawyers, we have highlighted some of the issues facing the key industries that operate in the sector.

What is clear throughout this report, and evident in the foreword by the CBI's Director General, Carolyn Fairbairn, is that the consumer sector is a key driver for economic growth here in the UK and across the world.

However, the sector is facing significant disruption at every turn, including digital and technological change through the rise of smartphones, the influence of social media, voice-based home assistance platforms and cashless payment.

There is the uncertainty in the economy caused by a lack clarity and direction surrounding Brexit and the impact that could have on supply chain, trade and staffing.

The impact of new regulation, such as GDPR, on customer relationships, marketing and sales forecasts cannot be ignored. We are also seeing changing consumer buyer behaviour as people demand convenience, personalisation and an enhanced shopping experience over simply price.

Other important challenges include the on-going skills gap agenda and increasing demand for subscription-based models as consumers move more towards usage over ownership.

This report examines these issues, as well as providing solutions and best practice in terms of dealing with these difficulties and turning them into business opportunity.

As with all our UK Powerhouse studies, we have also included our unique analysis of where the hotspots for economic growth are in the UK. These league tables can be found from page 10 onwards.

I hope you find this report interesting and to be of value to your business, and I would certainly welcome your feedback.

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Foreword

Carolyn Fairbairn, Director General at the CBI, comments on the state of the UK consumer sector, some of the key findings coming out of this report and how the CBI is helping British businesses overcome unprecedented change.

The UK's consumer sector certainly plays a hugely important role in our economy, as household disposable income supplies the economy with enough spending to generate future growth.

Tourism was the fastest growing area in the UK, in terms of employment, since 2010, and despite a number of high-profile businesses closing some sites or going into administration, the amount of money spent in restaurants and bars has risen significantly in recent years. All these key areas of the economy are examined in this special edition UK Powerhouse report by Irwin Mitchell.

Retail alone accounted for more than £400 billion of sales in 2017, and the UK leisure industry was estimated to be worth just under £120 billion over the same period.

The consumer sector has, like much of the UK economy, shown great resilience in recent years, and according to the Consumer Powerhouse tables on pages 10-11 and 14-15 it has grown on average by 1.5% for GVA and 1.0% for employment within the 44 UK cities analysed.

Deloitte's latest Consumer Tracker also highlights an improvement in the first quarter of 2018, and says we can be cautiously optimistic about the rest of the year, especially as economic conditions start to favour the consumer and the Brexit transition deal removes a degree of uncertainty. On page 22, we hear from Ben Perkins at Deloitte and get a flavour of the challenges and opportunities that exist in the sector over the coming 12 months.

This report looks at some of these key issues affecting the consumer sector in greater depth. It also examines recent trends, alongside some interesting case studies, and offers recommendations for the future from both businesses and industry experts who live and breathe the sector day-in, day-out.

Irwin Mitchell's Consumer Powerhouse tables also identify where the hotspots are in the UK for the sector. This makes fascinating reading, and highlights a range in annual growth from 3% down to -1.2%.

In 2017/18 businesses paid £27.4 billion in business rates, but the growing burden of these rates is eating into the competitiveness of businesses with a physical presence, particularly in the retail and manufacturing sectors.

Following consistent pressure and engagement with policymakers, at the autumn budget the government announced plans to bring the indexation switch from RPI to CPI forward to April 2018. This will help boost the competitiveness of businesses with a physical presence and reduce firms' costs by £2.3 billion over the next five years, with retailers seeing £201 million of those benefits.

The CBI will continue to push for more fundamental reform of the system in line with the commitments made by both the Conservative and Labour party manifestos to conduct a review of the system.

The CBI worked closely with Irwin Mitchell when we launched our 'Unlocking Regional Growth' campaign. UK Powerhouse certainly complements our in-depth study and, similarly to Irwin Mitchell, we are committed to highlighting the differences in growth and looking at ways to tackle them. Together, we are supporting businesses during unprecedented economic and political uncertainty.

I welcome this report by Irwin Mitchell and Cebr and I hope that you find it to be of interest and of value.

Key Findings

The consumer sector was worth £400 billion in 2017. It incorporates retail, leisure and tourism, and restaurants and bars.

Bristol was the fastest growing city for consumer GVA growth in Q4 2017, increasing 3.1% year-on-year.

York came top for consumer sector employment growth in Q4 2017, and is expected to grow the fastest to Q4 2018.

Exeter is set to have the fastest consumer sector GVA growth out of the Powerhouse Cities by Q4 2018.

South West England and Northern Ireland saw the largest year-on-year fall in footfall numbers in 2017, with a 1.7% and 2.4% annual decline respectively.

The East Midlands experienced the highest growth in number of overseas visitors between 2015 and 2016.

Annual growth in online retail has been above 10% most months in the last five years, whilst visitors to retail parks, high streets and shopping centres has been falling.

Businesses need to differentiate themselves from competitors by considering the experience of the customer.

People who live in London are the biggest spenders when it comes to eating and drinking out, spending £15 each per week.

Introduction

Irwin Mitchell Consumer Powerhouse

Official economic data sources for the UK's cities are often dated and fail to provide a reliable snapshot of the UK's localised economies – the last set of regional economic accounts corresponds to the economy in 2016. To more accurately estimate current economic activity, Cebr has utilised a range of more timely indicators to create a 'nowcast' of GVA and employment for the consumer sector in a range of key cities across the UK, and also a forecast for Q4 2018.

In this Consumer Powerhouse special report, trends within the retail, leisure and tourism, and bars and restaurants sectors will be evaluated in detail to present a fully formed picture of the state of the UK consumer sector.

Adapting to stay relevant

The retail, tourism and leisure, and bars and restaurants sectors are key to sustaining growth in the UK economy. In this report, these industries are studied together, under the title of 'consumer sector.'

Between Q4 2016 and Q4 2017, the consumer sector in the UK Powerhouse cities grew on average by 1.5 % for GVA and 1.0 % for employment. However, this group of industries is extremely competitive, and providers need to differentiate themselves to stay relevant. From omnichannel retail to merging bars and cafes with shops, businesses in the consumer sector need to constantly adapt to stay relevant. Support from local authorities is key to success, especially in the tourism industry, where businesses located outside London – which dominates tourism in the UK – need support to draw tourists to their offers and attractions.

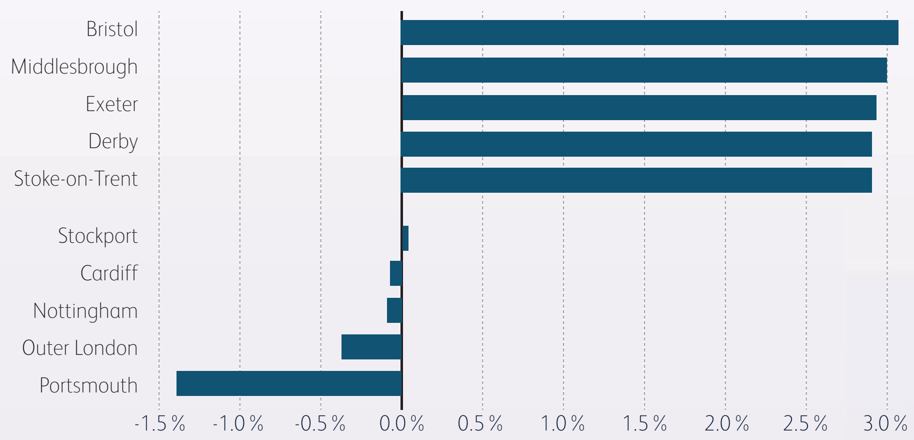
UK Cities in Q4 2017
Consumer Powerhouse Table

GVA

League table ranking		GVA Q4 2017, £millions (Annualised, constant 2013 prices)	Growth (YoY)
1	**Bristol**	**500**	**3.1%**
2	**Middlesbrough**	**190**	**3.0%**
3	**Exeter**	**150**	**2.9%**
4	**Derby**	**210**	**2.9%**
5	**Stoke-on-Trent**	**240**	**2.9%**
6	**Aberdeen**	**630**	**2.9%**
7	**Edinburgh**	**630**	**2.8%**
8	**Peterborough**	**250**	**2.8%**
9	**Bournemouth**	**320**	**2.6%**
10	**Coventry**	**260**	**2.5%**
11	Ipswich	710	2.5%
12	Southampton	250	2.4%
13	Cambridge	530	2.4%
14	Oxford	820	2.3%
15	Liverpool	440	2.2%
16	Wolverhampton	180	2.1%
17	York	210	2.0%
18	Rotherham	160	2.0%
19	Plymouth	170	1.8%
20	Wakefield	350	1.7%
21	Brighton	220	1.6%
22	Sheffield	400	1.6%
23	Reading	300	1.5%
24	Norwich	290	1.5%
25	Leicester	250	1.5%
26	Leeds	730	1.3%
27	Inner London	5,830	1.3%
28	Greater Manchester	2,460	1.3%
29	Bradford	360	1.2%
30	Swansea	170	1.1%
31	Swindon	280	1.1%
32	Glasgow	560	1.0%
33	Birmingham	900	0.9%
34	Milton Keynes	920	0.9%
35	Hull	180	0.6%
36	Manchester	720	0.4%
37	Newcastle	630	0.3%
38	Sunderland	180	0.2%
39	London	10,110	0.1%
40	Stockport	210	0.0%
41	Cardiff	340	-0.1%
42	Nottingham	380	-0.1%
43	Outer London	4,500	-0.3%
44	Portsmouth	150	-1.3%

Average GVA growth across the Powerhouse cities for the consumer sector was 1.5 % annually in Q4 2017, with the fastest growing city for this sector being Bristol. Portsmouth had the largest contraction in growth of 1.3 % year-on-year.

Figure 1 – Top and bottom five cities by annual consumer sector GVA growth, Q4 2017



Source: Office for National Statistics, Cebr analysis

The South West England university cities of Bristol and Exeter performed well in Q4 2017, with a high level of growth in GVA in the consumer sector placing them both in the top five in the Consumer Powerhouse table. South West England has experienced high growth in tourist spending in recent years, which may have been responsible for this sectoral growth. In Q4 2018, these two cities are expected to come in the top two positions for consumer GVA growth, showing that the expansion is not limited to a single year.

Middlesbrough performed well for consumer GVA growth in the last quarter of 2017. Throughout 2017, footfall data has showed that the city experienced growth in numbers of shoppers, despite the national trend being negative[1].

1 Cleveland centre (2018)
2 Edinburgh 2020: The Edinburgh Tourism Strategy
3 Invest in Edinburgh

Another top performer for consumer GVA growth is Derby. This city has seen widespread growth across many sectors. Several manufacturers in Derby have been experiencing higher international demand as a result of the weaker pound since the Brexit vote. The current health of these local employers will be driving wage growth and employment in the region, which in turn will encourage retail and leisure spending as well as spending on eating out.

Edinburgh is expected to rise to third place for consumer GVA growth in Q4 2018, with a 2.9 % year-on-year increase. The city is a large tourist attraction in the UK, with the highest tourism spending in any UK city after London[2]. In 2016, tourism boosted the local economy by more than £1.46 billion[3].

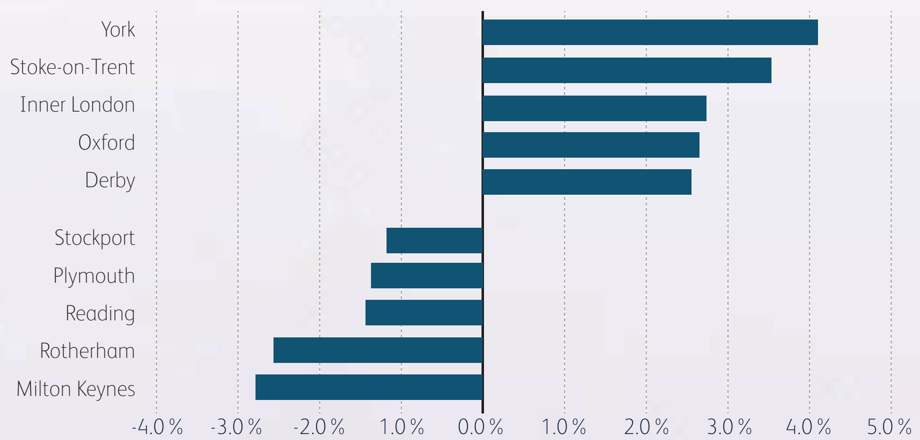
UK Cities in Q4 2017
Consumer Powerhouse Table

Employment

League table ranking		Employment Level, Q4 2017	Annual % Change
1	**York**	**27,300**	**4.1%**
2	**Stoke-on-Trent**	**22,300**	**3.6%**
3	**Inner London**	**427,800**	**2.8%**
4	**Oxford**	**14,400**	**2.8%**
5	**Derby**	**27,900**	**2.6%**
6	**Cambridge**	**17,200**	**2.6%**
7	**Middlesbrough**	**15,900**	**2.6%**
8	**Birmingham**	**95,500**	**2.5%**
9	**Glasgow**	**74,200**	**2.3%**
10	**Swansea**	**28,400**	**2.2%**
11	Coventry	31,700	2.1%
12	Nottingham	41,700	2.1%
13	Brighton	34,000	2.1%
14	Southampton	27,400	2.1%
15	Newcastle	40,500	1.8%
16	Exeter	15,400	1.8%
17	Cardiff	39,600	1.7%
18	Edinburgh	46,500	1.6%
19	Peterborough	22,000	1.6%
20	Norwich	28,600	1.3%
21	Portsmouth	20,600	1.3%
22	Liverpool	55,700	1.2%
23	London	738,500	1.2%
24	Sunderland	24,900	1.0%
25	Leeds	86,400	0.8%
26	Bournemouth	22,100	0.7%
27	Swindon	22,000	0.7%
28	Leicester	41,400	0.7%
29	Ipswich	15,600	0.5%
30	Wolverhampton	21,200	0.5%
31	Bradford	50,100	0.4%
32	Wakefield	34,400	0.3%
33	Aberdeen	23,500	0.3%
34	Sheffield	52,800	0.2%
35	Outer London	313,600	0.0%
36	Bristol	46,700	-0.1%
37	Hull	29,400	-0.1%
38	Manchester	70,700	-0.4%
39	Greater Manchester	239,600	-0.8%
40	Stockport	24,200	-1.3%
41	Plymouth	21,500	-1.5%
42	Reading	16,300	-1.5%
43	Rotherham	13,300	-2.5%
44	Milton Keynes	30,600	-2.7%

The top city for consumer sector employment growth in Q4 2017 was York, which saw a 4 % expansion in employment. York has the seventh largest share of the population aged 18-29 for any city in the UK – an age group which tends to be very engaged in the consumer sector, particularly in active leisure and eating out at bars and restaurants.

Figure 2 – Five fastest and slowest expanding cities by year-on-year consumer sector employment growth in Q4 2017



Source: Office for National Statistics, Cebr analysis

Stoke-on-Trent was the second fastest growing city for consumer sector employment in Q4 2017, with 3.6 % growth. The West Midlands experienced 4 % annual growth in number of international visitors in 2016, and Stoke-on-Trent is also situated nearby the popular theme park Alton Towers, which attracts consumers to the city.

Oxford and Cambridge both feature high up on the list for consumer sector employment growth in 2017 and 2018. These cities are not only experiencing growth in the consumer sector, but in other industries too, which in turn will be driving consumer spending. In Cambridge in particular, there have been several housing developments built in the past few years, meaning that the city has capacity to house more people, who come looking for work in the city's booming life science and tech sectors.

London is also performing well for consumer sector employment growth, with job numbers in the Inner London boroughs expanding 2.8 % in Q4 2017, and expected to expand 3.2 % in Q4 2018. London is the top city in the UK for tourism, with visitors spending a total of £11.9 billion in 2016. London also has the third highest average spending per person per week on food and drink purchases for consumption outside the home out of all the UK regions.

Forecast: UK Cities in Q4 2018

Consumer Powerhouse Table

GVA

League table ranking		GVA Q4 2018, £millions (Annualised, constant 2013 prices)	Growth (YoY)
1	**Exeter**	**160**	**3.0%**
2	**Bristol**	**510**	**2.9%**
3	**Edinburgh**	**650**	**2.9%**
4	**Stoke-on-Trent**	**250**	**2.9%**
5	**Peterborough**	**260**	**2.8%**
6	**Middlesbrough**	**200**	**2.7%**
7	**Bournemouth**	**330**	**2.7%**
8	**Derby**	**220**	**2.7%**
9	**Southampton**	**260**	**2.6%**
10	**Ipswich**	**730**	**2.5%**
11	Aberdeen	640	2.5%
12	Cambridge	550	2.5%
13	Oxford	840	2.4%
14	Coventry	270	2.4%
15	Liverpool	450	2.3%
16	York	210	2.2%
17	Milton Keynes	940	2.1%
18	Rotherham	170	2.0%
19	Wolverhampton	190	1.9%
20	Reading	310	1.8%
21	Wakefield	360	1.7%
22	Brighton	230	1.5%
23	Norwich	300	1.5%
24	Sheffield	410	1.5%
25	Plymouth	170	1.5%
26	Inner London	5,920	1.4%
27	Leicester	250	1.3%
28	Greater Manchester	2,490	1.2%
29	Leeds	740	1.2%
30	Swansea	180	1.1%
31	Swindon	280	1.0%
32	Glasgow	560	0.9%
33	Birmingham	910	0.8%
34	Bradford	360	0.6%
35	Manchester	720	0.4%
36	London	10,140	0.3%
37	Newcastle	630	0.1%
38	Nottingham	380	0.0%
39	Stockport	210	0.0%
40	Outer London	4,500	-0.1%
41	Cardiff	340	-0.1%
42	Hull	180	-0.2%
43	Sunderland	170	-0.6%
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Forecast: UK Cities in Q4 2018

Consumer Powerhouse Table

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3	**Exeter**	**15,900**	**3.4%**
4	**Inner London**	**441,300**	**3.2%**
5	**Oxford**	**14,900**	**3.2%**
6	**Liverpool**	**57,400**	**3.0%**
7	**Peterborough**	**22,700**	**2.9%**
8	**Middlesbrough**	**16,400**	**2.9%**
9	**Derby**	**28,700**	**2.8%**
10	**Southampton**	**28,100**	**2.7%**
11	Norwich	29,400	2.7%
12	Brighton	34,900	2.6%
13	Birmingham	97,900	2.5%
14	Bournemouth	22,600	2.2%
15	Nottingham	42,600	2.2%
16	Swindon	22,500	2.2%
17	Newcastle	41,400	2.1%
18	Swansea	29,000	2.0%
19	Stoke-on-Trent	22,700	1.9%
20	Ipswich	15,900	1.8%
21	Portsmouth	21,000	1.8%
22	London	750,500	1.6%
23	Leeds	87,800	1.6%
24	Manchester	71,700	1.5%
25	Cardiff	40,200	1.4%
26	Glasgow	75,100	1.3%
27	Bradford	50,700	1.3%
28	Wakefield	34,800	1.2%
29	Sunderland	25,200	1.1%
30	Sheffield	53,300	1.1%
31	Greater Manchester	242,100	1.0%
32	Leicester	41,800	0.8%
33	Hull	29,600	0.7%
34	Edinburgh	46,800	0.6%
35	Stockport	24,300	0.5%
36	Coventry	31,800	0.4%
37	Outer London	314,900	0.4%
38	Bristol	46,800	0.1%
39	Plymouth	21,500	0.0%
40	Aberdeen	23,500	0.0%
41	Reading	16,100	-1.0%
42	Wolverhampton	21,000	-1.2%
43	Milton Keynes	30,200	-1.3%
44	Rotherham	13,100	-1.6%

2018:
A Year for Optimism

Ben Perkins, Director of Clients & Markets for Consumer & Industrial Products at Deloitte UK, shares his views about what's in store for the consumer economy in 2018 based on findings from their renowned Consumer Tracker.

In the first quarter of this year we saw consumer confidence return to an upwards trajectory.

This follows a difficult year for the UK consumer in 2017, as we saw a squeeze on disposable incomes combine with price rises to lower consumer spending power.

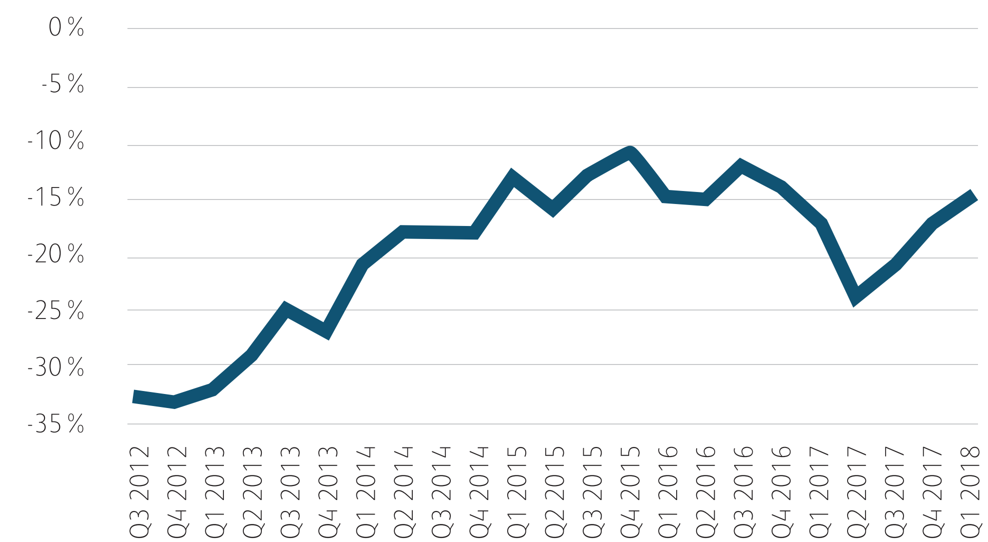
This year has started more positively for the UK consumer. Inflation has fallen from a recent peak of 3.1 % in November 2017 to 2.5 % in March 2018, and, as inflation has fallen, wages have started to rise, meaning consumers have more money in their pockets. In fact, consumers' confidence in their disposable incomes and their levels of debt are the main drivers of an overall increase in confidence. Even the expected rate rise in May failed to materialise.

Added to this, unemployment remains at or near historical lows. On this basis you can argue that the outlook for the consumer market is improving, but consumers remain cautious.

These improvements in confidence and rises in disposable income are yet to translate into higher levels of spending, and this is impacting retail sales and the high street.

2017 brought a profitability challenge as a perfect storm of cost pressures for UK retailers, with rents, rates, and the cost of employees all rising at a time when margins were under intense pressure from the need to invest in technology and keep prices competitive. There were 5,500 net store closures in 2017. This trend has continued into 2018, with any nascent recovery in consumer spending extinguished by Storm Emma and the so-called "Beast from the East".

Figure 3 – Consumer confidence in disposable income Q3 2012 – Q1 2018



However, we would expect Q2 and the rest of 2018 to be stronger, as increasing consumer spending power drives a shift back towards discretionary spending, bringing some much needed relief to the UK high street.

The eventual arrival of summer, the recent Royal Wedding, and the World Cup could also provide a boost to spending, and we expect many retailers to try and capitalise upon these major marketing events.

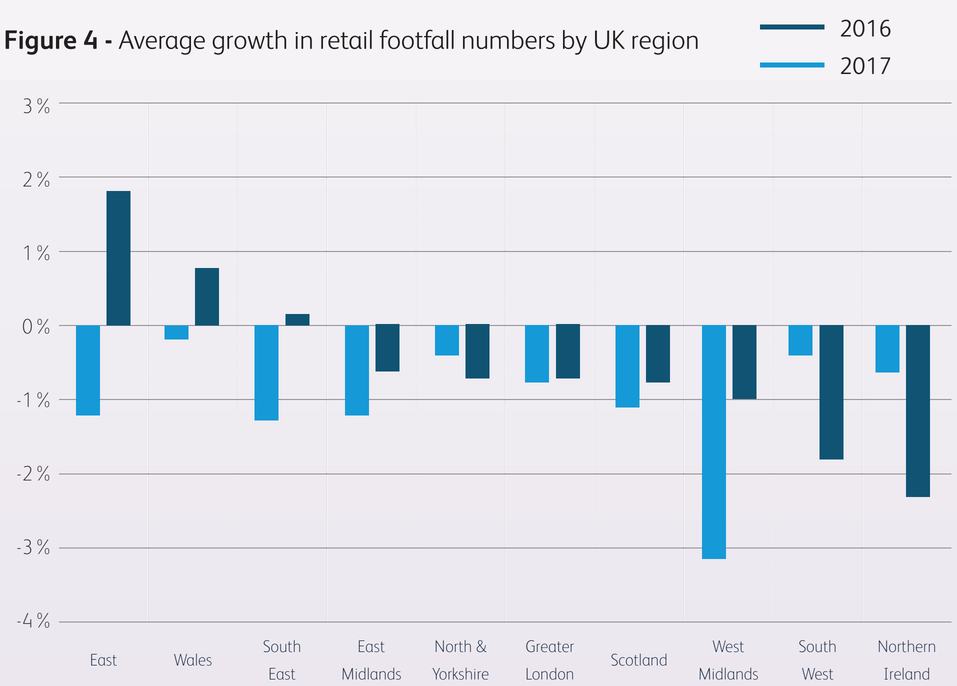
Some headwinds remain, notably the likelihood of an interest rate rise and the ongoing Brexit negotiations, which could both impact consumers' confidence, tipping the balance from cautious spending into a more defensive mode.

Retail

The retail sector in the UK accounts for a significant proportion of GDP, with total annual sales for all retailing, including automotive fuel, summing to over £400 billion in 2017[4].

When looking at retail sales for the whole of the UK, the sector has been struggling in 2018. Year-on-year retail sales volumes growth stood at 1.5 % in February 2018, which is below the averages for 2017 and 2016, which were 1.9 % and 4.8 % respectively[5]. The key reason for the lower growth in retail sales towards the end of 2017, and at the start of 2018, was falling real incomes, caused by high inflation since the Brexit vote.

Figure 4 - Average growth in retail footfall numbers by UK region



Source: British Retail Consortium, Cebr analysis

Footfall data, as shown in Figure 4, for high streets, shopping centres and retail parks shows that growth for in-store retail sales looks fairly negative. In 2016, all UK regions experienced a year-on-year decline in the number of people passing through key retail locations. In 2017, there was positive growth in the East of England, Wales and the South East. The East saw a 1.9 % annual increase in numbers of shoppers passing through. The key cities in this region, which have driven this growth, are Peterborough and Cambridge, as well as Norwich, which all make appearances near the top of the Consumer Powerhouse tables.

4 Source: Office for National Statistics
5 Source: Office for National Statistics

South West England and Northern Ireland saw the largest year-on-year fall in footfall numbers in 2017, with a 1.7 % and 2.4 % annual decline respectively. However, things could be looking up in the future in the South West, with Exeter set to rise to the top of the GVA Consumer Powerhouse table by the end of Q4 2018.

While bricks-and-mortar shops suffer from the widespread decline in numbers of people visiting shops in person, overall UK retail volume growth does remain in positive territory. This is driven increasingly by numbers of online shoppers. As shown by Figure 5, online retail annual growth has been above 10 % for nearly every month for the past five years. Meanwhile, year-on-year growth in total retail footfall numbers has been mostly negative.

Figure 5 - Growth in value of online retail sales and retail footfall

Source: British Retail Consortium, Office for National Statistics, Cebr analysis

This trend of shoppers spending online instead of in person is changing the face of retail, and those retailers which do not keep up with the way consumers want to spend will quickly see their customer base shrink. Retailers who want to improve their online presence should invest in more user-friendly websites, offer free delivery and returns, and even allow customers to try before they buy (i.e. consumers decide if they want to keep the item once it is delivered, paying then, rather than upon ordering it for delivery).

One of the key retail trends for 2017 and 2018 is the rise of both experiential and omnichannel retail. As more consumers do their shopping online in the comfort of their own home, it takes something extra to encourage them into a shop. The idea behind experiential retail is that the retailer offers something more than just a good to purchase, such as an impressionable activity or event. Examples include interactive mirrors at clothing shops, or hosting sports classes in a sporting goods retailer.

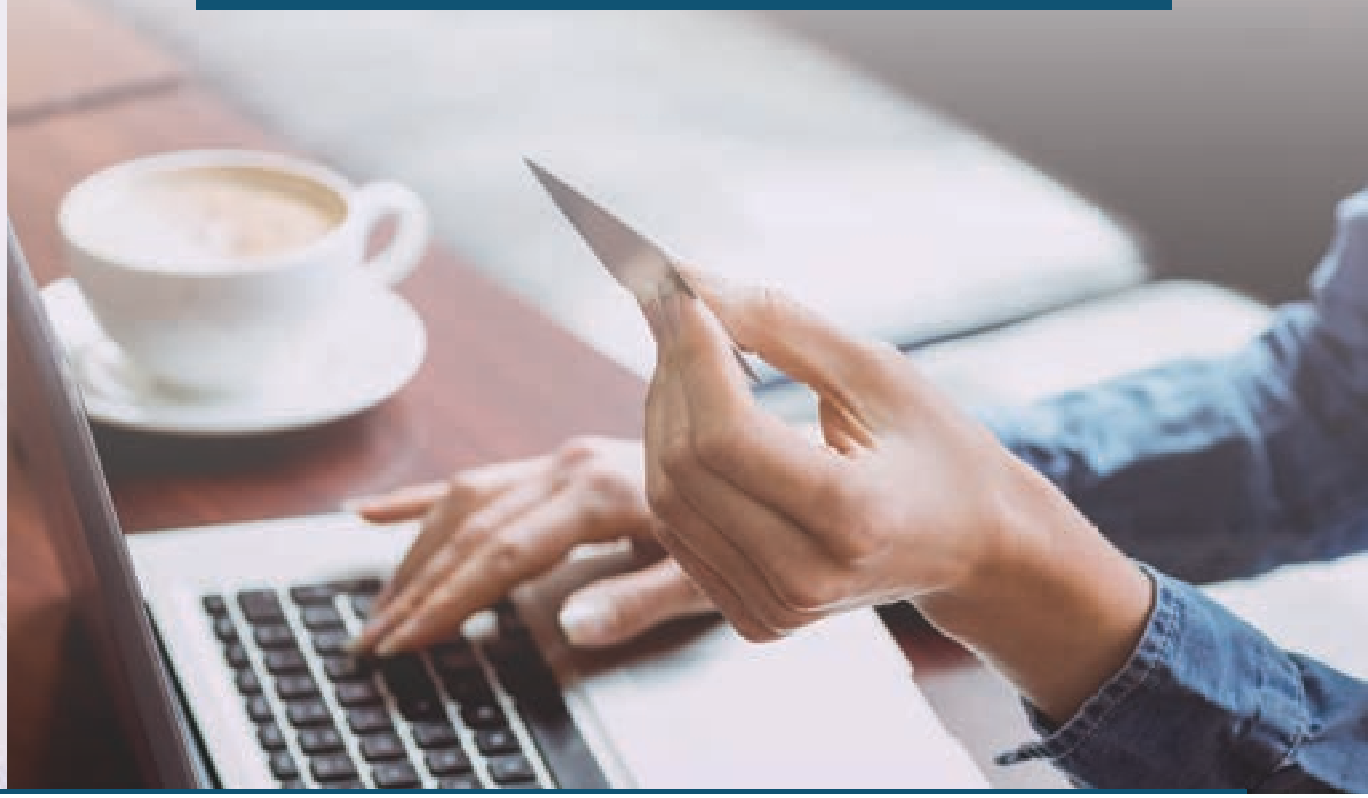
ZARA: Winning the high street battle

"It's not just because they offer fashion at a reasonable price, it's the speed at which they bring it into store. Traditionally it used to be that shops had spring, summer, autumn, winter ranges and rarely updated them. ZARA does it every week, at the same speed as ASOS does online. That's operational excellence."

Kate Hardcastle MBE,
The Customer Whisperer and consumer expert, Insight with Passion

The aim of omnichannel retail is to provide the customer with a seamless shopping experience whether they are shopping online – from a desktop or mobile device – or in person in a shop. The key is for all the ways of purchasing from the retailer to share matching information (i.e. if an item is listed as in stock online, customers should be able to find it in stock in the store) as well as feeling cohesive. Since nearly everyone carries a phone with access to the internet, even when people are inside a shop, they will be comparing online prices with what they find in-store, and reading reviews for items online. If retailers can engage with their customers through every channel that is used for shopping, then they are more likely to captivate the consumer and achieve a sale.

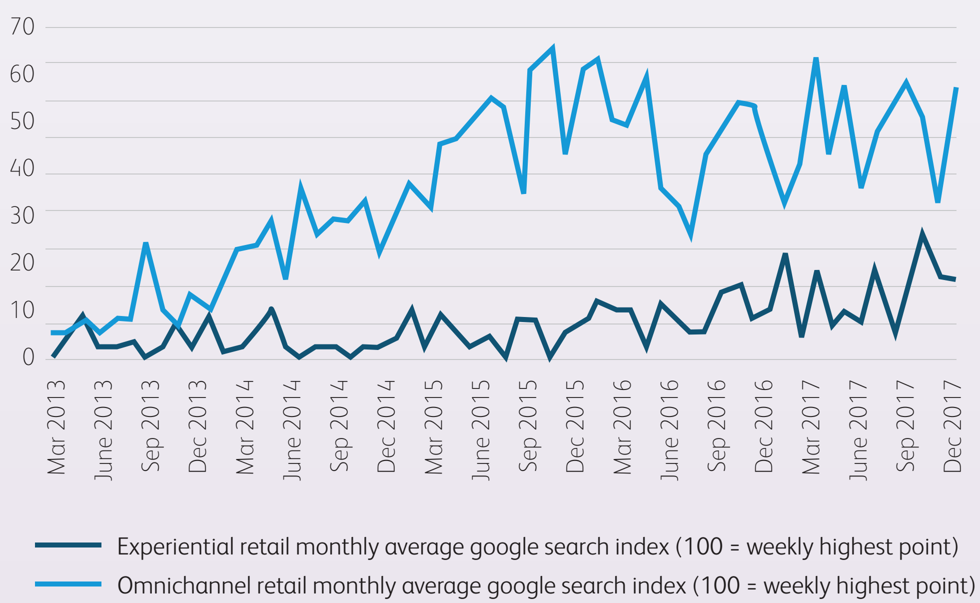
Example: DIY fashion brand Wool and the Gang hold parties (known as WATG parties) where fellow knitters come together, have fun and pick up new skills. These events encourage potential customers to engage with the brand, making them more likely to shop there.



The growth of awareness and usage of experiential and omnichannel retail can be understood by looking at Google Trends data for the two terms in Figure 6. It can be seen that the indices for number of searches have both been increasing over the past five years, after being close to zero in 2013. Omnichannel retail has a greater online search interest, while growth in searches for experiential retail has been more recent.

Example: adidas' Shoreditch studio offers free sports classes. To book the class, customers have to interact with a chatbot through social media, meaning that adidas can increase their online presence as a brand.

Figure 6 – Index of number of global searches for experiential retail and omnichannel retail



Source: Google, Cebr analysis

"The choice is simple. Failure to actively engage with GDPR will seriously inhibit an organisation's ability to market effectively and target consumers with new products and special offers. These companies will quite simply lose market share and run the risk of eventually being forced out of the industry. On the other hand, compliance over usage of personal data will help build a more trusted relationship with the customer and in turn increased brand loyalty."

Joanne Bone
Partner, Commercial and Data Protection

Navigating a changing landscape

With brands such as Boohoo, HMV, Jack Wills, Warehouse, Maniere De Voir and AX Paris signed up to its service, **HubBox CEO Sam Jarvis** explains why it is necessary for online retailers to strive to meet increasing customer expectations and the work his award-winning business is doing.

The explosive growth of online retail, which by the end of 2017 accounted for over 17 % of all retail sales in the UK, has unsurprisingly led to a massive shift in consumer expectations. With this significant shift towards online shopping, retailers of all sizes are having to carefully consider their delivery proposition and ecommerce user experience in order to satisfy customer demands.

Delivery is particularly important as it's often the only physical touchpoint customers have with a brand, and one which retailers can ill afford to get wrong – 56 % of online shoppers rated delivery choice as the most important factor when deciding to complete a purchase, and 74 % of retailers see an increase in sales after offering more delivery options.

Convenience is the key

In a world of one-click ordering, customers understandably expect the process of receiving their parcels to match the ease of shopping online, and when it doesn't they have little patience – particularly as they have so many other options at their fingertips.

As online retailing has evolved rapidly, the delivery and logistics industries have, at times, struggled to move with this change in consumer expectations. At their core, most delivery services are still based around delivering parcels into the home, at the same time as people are spending less and less time at home, particularly during the working week.

With the rise of ecommerce, shopping has shifted from being primarily a weekend activity to one that is accessible anywhere, at any time. HubBox's parcel flow data, which tracks online orders from the moment they are placed until they are collected at one of our 4,000 nationwide collect points, corroborates this. Across the country, Mondays are the busiest day for online shopping and, discounting slight regional variations, Thursdays are the most popular day for collecting them – 83 % of all Click & Collect orders are picked up during the working week.

Expectations informed by the giants

The relentless rise of Amazon, ASOS and other ecommerce behemoths have set the standard for what consumers expect to be offered in terms of delivery and returns. One-hour delivery in urban areas, free next-day delivery above a certain spend threshold, a choice of over 12,000 collection points – all of these are options customers have become accustomed to seeing, and expect to see replicated across the board.

However, giving consumers access to this level of convenience is something that is often expensive and time-consuming for retailers to do. Keeping up with the likes of Amazon is almost impossible given their resources and infrastructure, and the fact that they can massively loss-lead. At the same time, retailers can't afford to do nothing and see their proposition weaken vis-a-vis the behemoths.

Technology can fill the gap

Helping retailers meet these new challenges is a key reason we founded HubBox, a software-led Click & Collect solution that combines a local Collect Point network of over 4,000 shops with the ability for retailers to integrate local Click & Collect without making any changes to their courier or fulfilment systems.

From our experience as consumers, we understood the frustrations that a failed delivery can generate, but also knew that it was a challenge for most retailers to access solutions that were affordable, functional and could be implemented at speed.

Critically, we're able to provide the expertise and software that removes the burden of development and associated costs from retailers, making Click & Collect available to retailers of any size and on any budget.

Innovative retail technology providers have the potential to develop solutions that solve these pain points for retailers. At a time when true convenience for customers rests in choice and control, they can also play an important role in the journey to provide increased customer flexibility and options when it comes to delivery.

Guy Whitehead, Associate, Real Estate

"In the current economic climate, the re-gearing of a lease presents a great opportunity for both landlords and retail tenants to re-balance their commercial objectives in order to achieve a genuine 'win/win' outcome for both parties.

"Re-gearing of a lease involves both the landlord and the tenant agreeing to amend, usually by entering into a new lease or variation, one or more of the fundamental terms of the lease including reduced rents, rent free periods, monthly rather than quarterly payments, the length of the lease, rent review provisions, greater flexibility on assignment and repairing obligations.

"From a landlord's perspective, re-gearing can be seen as a chance to protect its investment by securing future income and avoiding the prospect of costly service charge and rates voids. It may be advisable for a landlord to engage the tenant in a positive dialogue before lease expiry to avoid the potential of facing an empty store.

"For tenants, re-gearing can represent a vital method of managing costs to its business, improving cashflow and addressing any occupational needs that it may have."

Real Estate
Action Points

Retail tenants should consider the following in the current economic climate:

- Keep a clear calendar note of any break rights and, when exercising a break, take great care to ensure that the notice is in the form which the lease prescribes and that any conditions of the break are strictly adhered to.

- Consider using an impending break right to negotiate a rent reduction.

- If a rent review is approaching, take a surveyor's advice as to whether it is desirable to initiate the review promptly whilst comparables may be low. Tenants and their advisors should scrutinise the wording of the rent review clause, in case there is the possibility of a downward review.

- Engage with landlords and see if the lease terms can be relaxed. In the current climate, most landlords would prefer to relax controls, rather than see a tenant's covenant strength diminish.

- Check any other lease expenses, such as service charges, to ensure you are not paying any more than you are liable for.

- Approach landlords prior to lease expiry in order to agree a schedule of exit works in order to limit any dilapidations claim that the landlord may have.

The landlord's position is likely to be the inverse of tenants:

- If you don't wish a tenant to exercise a break, carefully check that the purported exercise of the break right is in full compliance with the lease.

- Take advice as to the timing of the initiation of any rent review, especially where a downward review is a possibility.

- Be prepared to think creatively and allow tenants to adapt to the demands of today's customer. Facilitating evolution may protect your position as a landlord more effectively than exercising strict control over alterations and use.

- Upon lease expiry be sure to maximise any entitlement to dilapidations by acting promptly and taking advice.

Corporate
Action Points

- In what is a consolidating consumer economy, M&A should be used to help acquire new capabilities, expand product portfolios, access new customers and increase geographical reach. Aggressive and acquisitive businesses should be on the look-out for potential targets to help develop newer and bolder strategies.

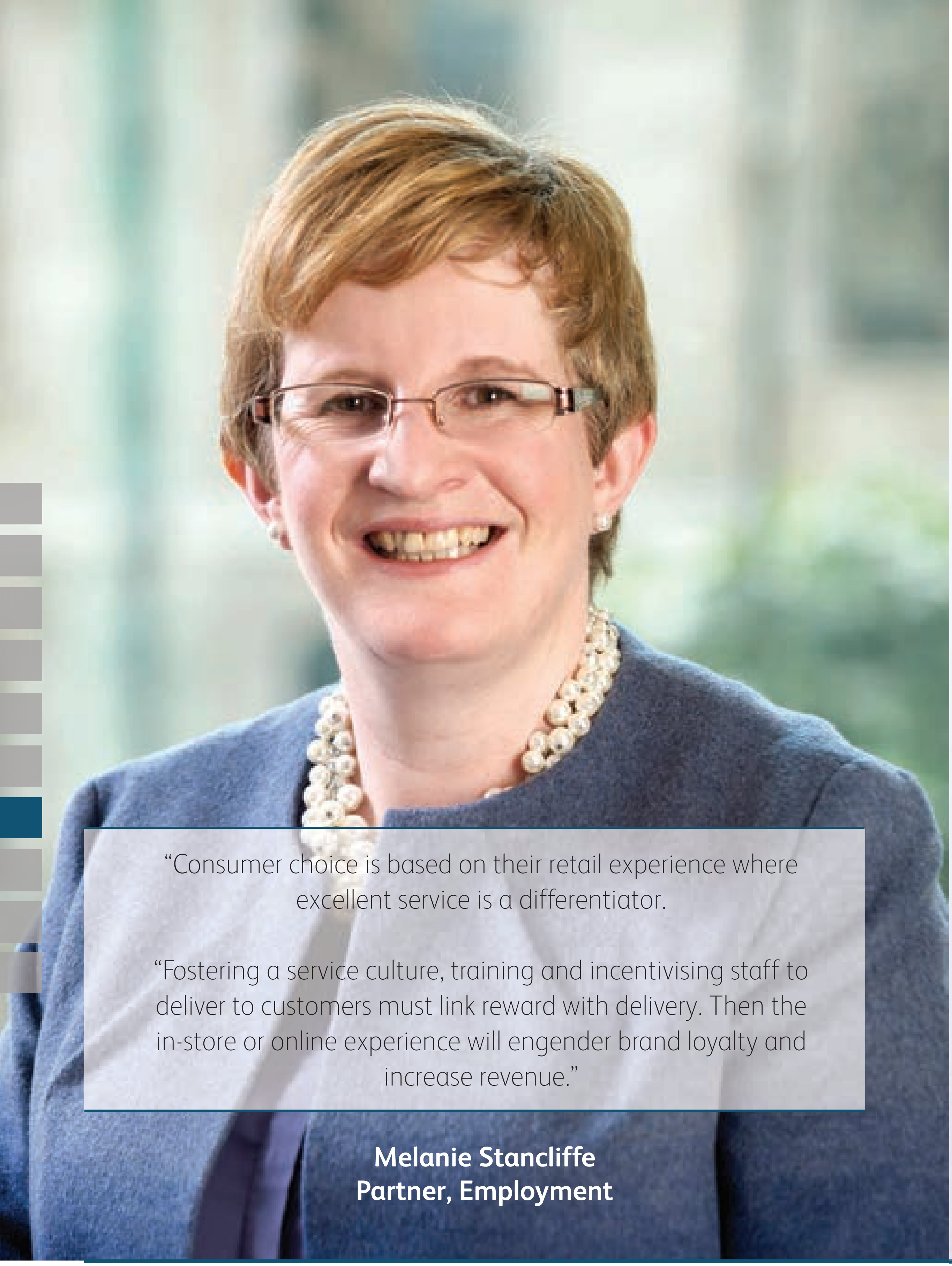
- Any consumer business targeting investment should prepare its business well in advance and prepare a full business plan complete with an NDA for an investor to review. Timing will be key and you may need to gain appropriate consents and approvals from various parties including your Board, HMRC and the CMA. Ensure your accounts are up to date and that you have considered the appropriate structure, including whether you would accept deferred consideration or an earn out.

- To achieve a smooth exit, minimise risk and realise maximum value potential it is imperative that you get your house in order early and prepare for due diligence. Take time to understand both yours and the buyers key priorities as well as their business intentions. Ensure material contracts are documented and key employees have suitable contracts to give the business confidence going forward. Well-organised deal rooms and full disclosure is also imperative.

"According to Experian there was a 9 % uplift in deals in the health sector in 2017 compared to 2016, but since the start of 2018, activity has fallen. The same pattern appears to be the case in the hotel sector where there have been just 19 deals in the three months of this year compared to 50 in Q1 2017.

"The timing of transactions is being slowed, partly due to the uncertainty of Brexit, but we're confident that deal flow in the consumer sectors will return, particularly as we are seeing greater venture capital and private equity interest with these firms displaying a strong appetite to spend their cash."

Faye Bargery
Partner, Corporate



"Consumer choice is based on their retail experience where excellent service is a differentiator.

"Fostering a service culture, training and incentivising staff to deliver to customers must link reward with delivery. Then the in-store or online experience will engender brand loyalty and increase revenue."

Melanie Stancliffe
Partner, Employment

Employment and HR
Action Points

- Look at your staffing needs now before Brexit. Inform and educate your staff as to their choices so that you retain sufficient capacity to service your customers.

- Ditch zero hour and low guaranteed hour contracts. The government is consulting on Matthew Taylor's recommendation that employers pay a higher rate of pay for each hour of non-guaranteed working hours.

- Ensure reward and pay structures, and promotion structures, are transparent to ensure millennials are engaged in working for your brand for more than just in the short term.

- Train your staff and foster their talents to provide excellent service and to protect your brand well – they are your representatives to the world and customer experience is key.

- Value your staff, giving them the flexibility to be who they are. Staff can walk – just like customers – and happy staff will be loyal, and go that extra mile.

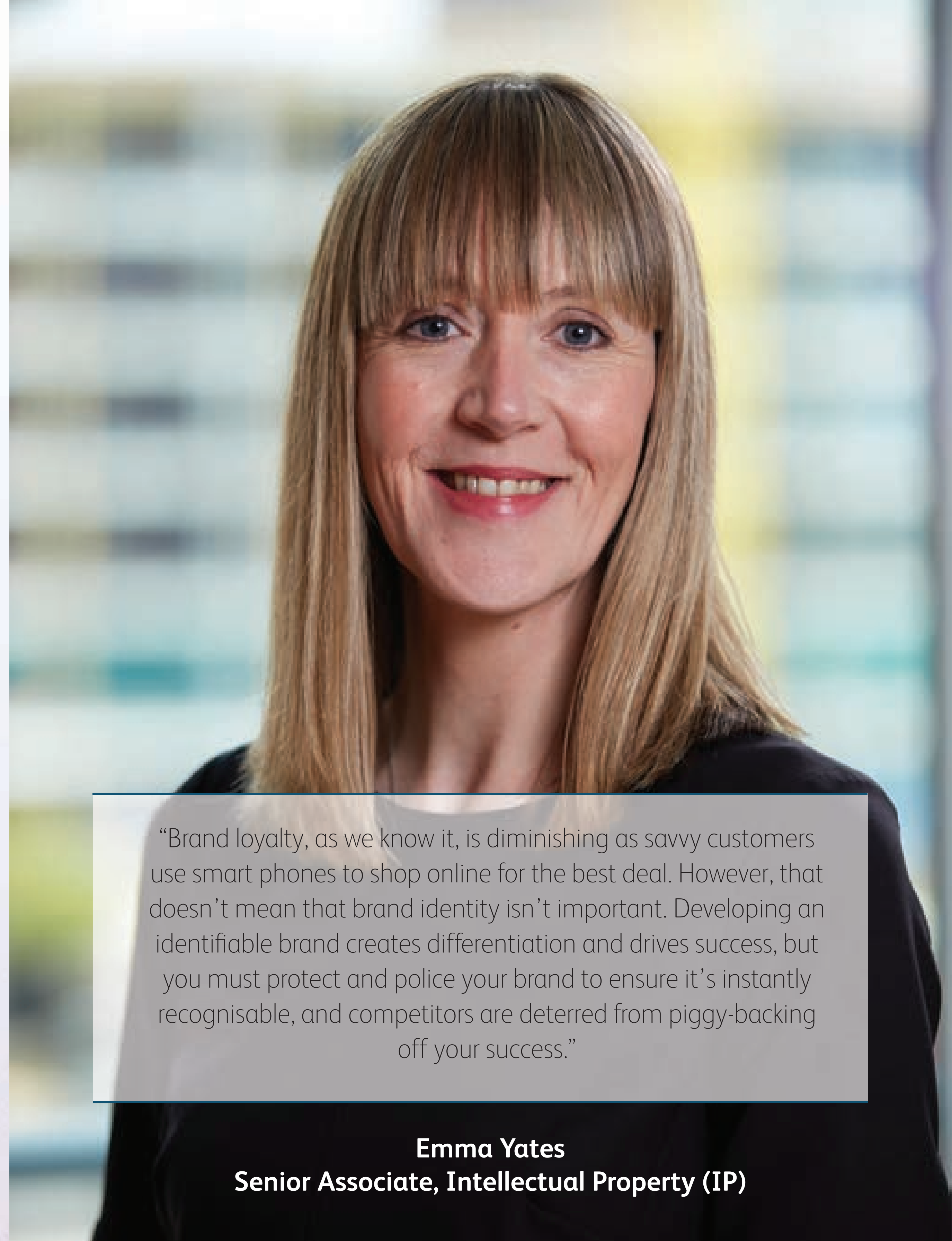
Intellectual Property Action Points

- Carefully consider and develop your brand and make sure that you protect and police it.

- Take care with advertising to avoid coming up against the Advertising Standards Authorities and losing customer trust.

- Be aware of the IP rights of others to make sure that your online (and hard copy) content does not infringe other brands' IP. Do you know, for example, the law relating to linking, framing, or, simply using a photo that you find on the internet?

- Be careful not to defame others (be careful of how you use a hashtag) and watch out for those that defame you. Know when to take action and when to leave well alone.



"Brand loyalty, as we know it, is diminishing as savvy customers use smart phones to shop online for the best deal. However, that doesn't mean that brand identity isn't important. Developing an identifiable brand creates differentiation and drives success, but you must protect and police your brand to ensure it's instantly recognisable, and competitors are deterred from piggy-backing off your success."

Emma Yates
Senior Associate, Intellectual Property (IP)

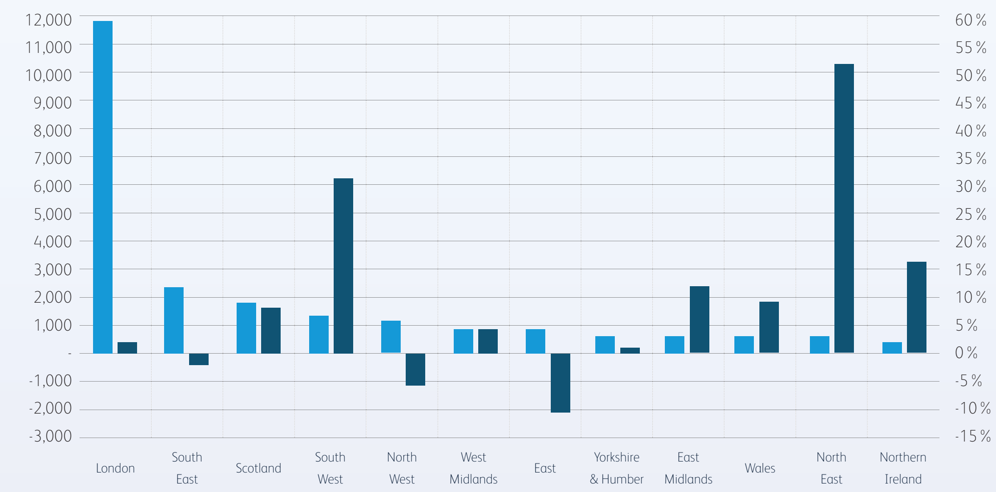
Tourism and Leisure

Making up the second component of the consumer sector, tourism has been the fastest growing sector in the UK in terms of employment since 2010[6] , proving its importance to the UK economy. Related to tourism, the leisure industry is also key to providing entertainment for visitors to Britain and residents alike. In 2016, the UK leisure industry was estimated to be worth £117 billion[7].

6 Source: Visit Britain
7 Source: Deloitte (2016) Passion for leisure: A view of the UK leisure consumer

Tourism

Figure 7 – Spending by international visitors to Britain by region in 2016 (£millions) and year-on-year growth



Source: Visit Britain, Cebr analysis

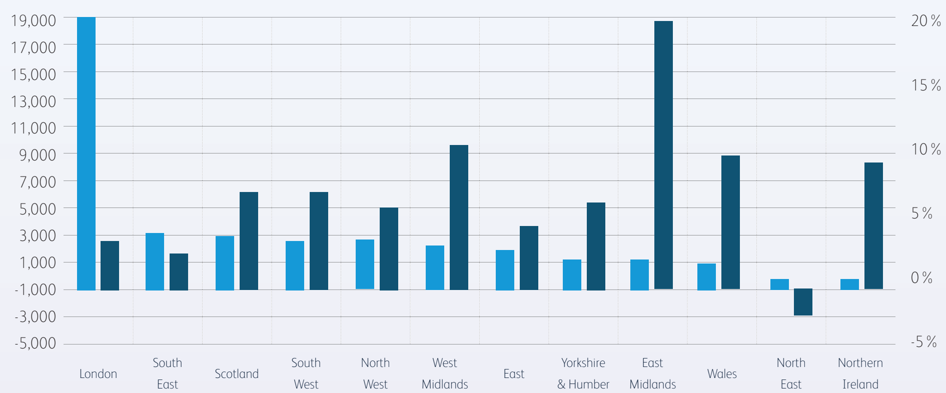
2016 spending (LHS) YoY growth (RHS)

The region with by far the highest amount of spending by visitors in 2016 was London, followed by the South East and Scotland. With its vast number of museums and historical monuments, as well as being a key shopping location, it is unsurprising that London comes out on top for tourist spending.

The region with the highest growth in 2016 was the North East, which saw a 52 % rise in total spending by visitors between 2015 and 2016. In 2018, a partnership of destinations, including the Tees Valley in the North East, secured a £1 million investment from the Discover England Fund. If used effectively, this fund can help ensure that the high level of growth in visitors and visitor spending is continued for the years to come.

As can be seen by Figure 8 (overleaf), the East Midlands experienced the highest growth in number of overseas visitors between 2015 and 2016, and the Peak District will have been a key draw. The East of England and Northern Ireland drew more visitors than they did in 2015, whilst London attracted over 19 million visitors in 2016 – 3 % more than in 2015.

Figure 8 – Number of international visits to Britain by region in 2016 (in thousands) and year-on-year growth



Source: Visit Britain, Cebr analysis — 2016 total visits (LHS) — YoY growth (RHS)

Holidaymakers from the USA spend the most when visiting Britain, with their growth in total spending between 2015 and 2016 standing at 22 %. As for spending per visit, holidaymakers from Qatar spent the most on average, with £2,960 per visit.

Growth in the tourism industry can be sustained into the future by making visitors with high spending potential feel welcome. This can be done through employing people in hotels and restaurants who speak the languages of visitors. Making efforts to cater to different tastes and preferences, such as considering particular religious needs, will also make Britain feel more open to visitors.

Figure 9 – Spending by international holidaymakers to Britain in 2016 by origin of visitor and year-on-year growth

Source: Visit Britain, Cebr analysis — 2016 total spending (LHS) — YoY growth (RHS)

Tourism in Britain is very focussed around London, as shown by the charts for spending and visitor numbers. Local governments should also be investing in displaying online information in many languages to advertise the attractions on offer in the area, as well as in infrastructure to support tour parties – especially in regions which currently struggle to attract as many visitors, such as the North East and Northern Ireland.

Another key way of improving Britain's openness to visitors is having enough capacity to enable them to travel and stay here. Greater London needs to meet demand for flights by building another runway. In addition, creating new air routes between the UK and emerging markets will encourage more tourists to visit Britain.

A fast-growing ECONOMY

Sir Gary Verity, Chief Executive of Welcome to Yorkshire, highlights what he and his team have done to drive tourism into the region and its wider benefit to the economy.

At Welcome to Yorkshire's annual tourism conference this year, we announced exclusive new research revealing that tourism is now worth a huge £8 billion to the county's economy.

This incredible figure speaks for itself and, as this UK Powerhouse study by Irwin Mitchell highlights, tourism is one of the fastest growing sectors in our economy – and the potential for further growth is huge.

Tourism is indeed one of the lynchpins of our economy, and at Welcome to Yorkshire, we're constantly working to encourage more people to come to our magnificent county to experience everything we have to offer visitors.

Throughout the year, Welcome to Yorkshire literature is distributed across the UK with national publications. We bring regional, national – and international – writers and photographers to Yorkshire and show them the huge variety in accommodation and attractions on offer. In 2018, commuters and travellers passing through London Kings Cross were greeted with our eye-catching branding on the ticket barriers, while our partnerships with other travel companies such as Virgin Trains and Yorkshire's two airports – Leeds Bradford Airport and Doncaster Sheffield Airport – ensure people arriving into the county receive a warm Yorkshire welcome.

Welcome to Yorkshire's many events through the calendar also showcase the county to the world, encouraging people to come and spend here – we have just celebrated another record-breaking Tour de Yorkshire, where 2.6 million roadside spectators lined the streets and the race was beamed to 190 countries across the world. With the race growing from three to four days in 2018, the economic impact is expected to exceed that of 2017, which was worth over £64 million.

Our events calendar also takes us to London to promote our county. In May we marked our ninth garden at RHS Chelsea Flower Show with a gold model, whilst last November we paraded the capital's streets aboard a land train in the Lord Mayor's Show. And, next year, Yorkshire will be hosting the 2019 UCI Road World Championships – a huge global event.

We've got bright plans for the future, too. Over the next 10 years, £5 million is being spent to promote the North York Moors, £1 million of which will be spent over the next 18 months. The Discover England Fund, led by Visit England, has also pledged £1 million to promote Yorkshire as a top cycling holiday destination in Europe. Welcome to Yorkshire will be creating bookable tourism products to target travellers in Germany and the Netherlands – a great project that will drive traffic around the wider UK.

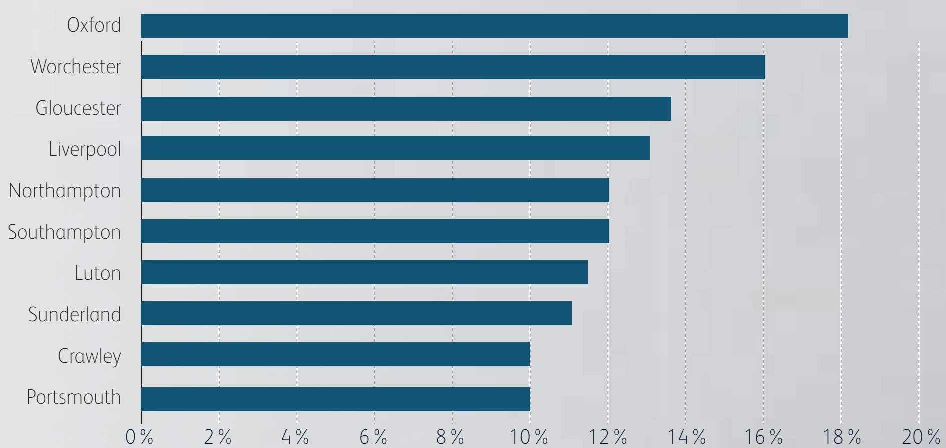
Our website and our social media channels also have a huge reach – Yorkshire.com had nine million page views in 2017, and the top five countries to visit the website were UK, USA, Australia, Canada and Italy.

Tourism is hugely important to our national economy, and our region is a great example of this. We are very much aware that the impact of tourism isn't just about visitors: tourism employs a quarter of a million people in Yorkshire and has created 4,000 new jobs.

Leisure

Another consumer industry that local governments and service providers should be engaging with – and encouraging growth in – is the active leisure sector. The UK fitness industry was estimated to be worth £4.7 billion in 2017[8].

Figure 10 – Share of land: green urban areas and sports & leisure facilities

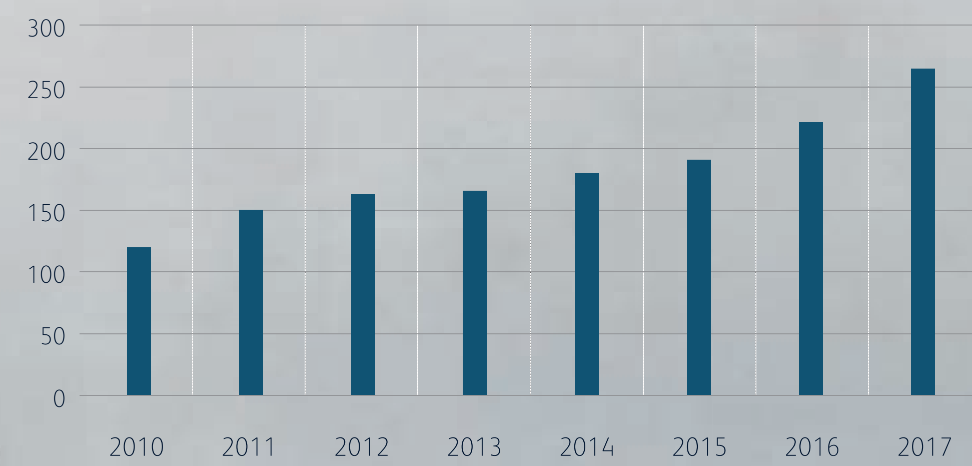


Source: Eurostat, Cebr analysis

As shown by Figure 10, Oxford is the city with the most open space for active leisure, and also dedicated active leisure facilities (18 %). Tourists and residents alike can use these spaces to take part in group activities and sports. Consumers are increasingly reporting that they are spending more of their income on going to the gym and playing sports[9], so local governments and private providers should be focussing on providing more facilities for this. Oxford also ranks fourth for employment growth in Q4 2017 on the Consumer Powerhouse table, displaying the high level of growth in the consumer sector as a whole in this city, which the active leisure sector contributes towards.

8 LeisureDB (2017) State of the UK fitness industry report
9 Deloitte (2016) Passion for leisure: A view of the UK leisure consumer

Figure 11– New public and private fitness facilities openings per year (UK)



Source: The Leisure Database Company, Cebr analysis

Figure 11 shows that there has been significant growth in the leisure facilities sector over the last eight years, with 272 new fitness facilities opening in the UK in 2017. This takes the total number of UK fitness facilities to 6,728. This level of sustained growth makes the industry one to watch. Trends of increased interest in the fitness and health industry have been a driving force behind the expansion in leisure and fitness facilities in recent years, with the penetration rate of the industry at an all-time high, as one in every seven people are members of a gym.

Opportunities for health and wellbeing

Chris Blackwell-Frost, Chief Customer Officer at Nuffield Health, talks through gym memberships, workplace facilities and the data revolution in fitness.

The health and wellbeing needs of the UK population are changing.

The average person is less active than ever before. In fact, according to research released in 2017, nearly one in 10 adults has not walked continuously for five minutes in the space of a month. This inactivity is costing the NHS £8.5 billion annually through diseases, such as coronary heart disease, stroke and immobility.

Despite this, there is distinct polarisation in the market between those that take an active role in their health and wellbeing, and those that do not. This increased proactivity, in the former group, has meant that the number of people joining gyms has remained strong. Penetration across the population has reached a record rate, with 15 % of people having a gym membership of some kind. In 2017, the mid-range gyms continued to struggle, whilst premium brands and budget gyms show growth, albeit with the former focused on streamlining and consolidating what they offer members. From a premium perspective, customers expect state-of-the-art, high-tech equipment and are willing to change clubs for it, as evidenced by the growth in boutique, higher-cost operators.

There is also an increasing focus from business in providing workplace facilities, such as onsite gyms and clinics to ensure their whole workforce's wellbeing. One of the biggest contributors to productivity loss/absence in the workplace is down to musculoskeletal (MSK) injuries. In fact 41 % of all work-related ill health is due to MSK injuries, resulting in approximately 16 lost working days. By providing physiotherapy and onsite fitness facilities to employees with MSK conditions, the costs associated with employee absence can be reduced, whilst job satisfaction will be increased by providing an attractive working environment for employees.

Data is transforming health and fitness. The past decade has seen a revolution in data. Innovation in healthcare has not moved as rapidly, but change is coming. At an individual level, technology savvy customers are using smartphone applications and wearables to monitor their own health and, as a result, are finding themselves more and more engaged with their own health journey. This represents an opportunity to integrate care and fitness and equipment into a seamless offering for prevention, as well as diagnosis and treatment.

Delivering sport and recreation in communities

James Allen, Director of Policy, Governance and External Affairs at the Sport and Recreation Alliance, shares his views on the social and economic importance of the leisure sector.

We are seeing the impact of long term funding pressures, a changing strategic environment and a sector that is having to do more with less.

There are many opportunities out there for our members and the wider sector but the operating environment, nevertheless, remains challenging and turbulent.

The sport sector plays an essential economic role. We understand this in a direct sense reasonably well – the sector generates employment, tax revenue and, through products and sales, adds a significant sum to the UK economy.

What is even more important, and less well understood, is a wide indirect role – through getting the UK moving and through enhanced health and wellbeing, our sector is essential to the management of workplace absence and to increasing productivity.

Through working in challenging communities, the sector not only delivers unparalleled social impact, but is also able to significantly reduce the costs – to business and to the public sector – of social issues.

Workplace Leisure Action Points

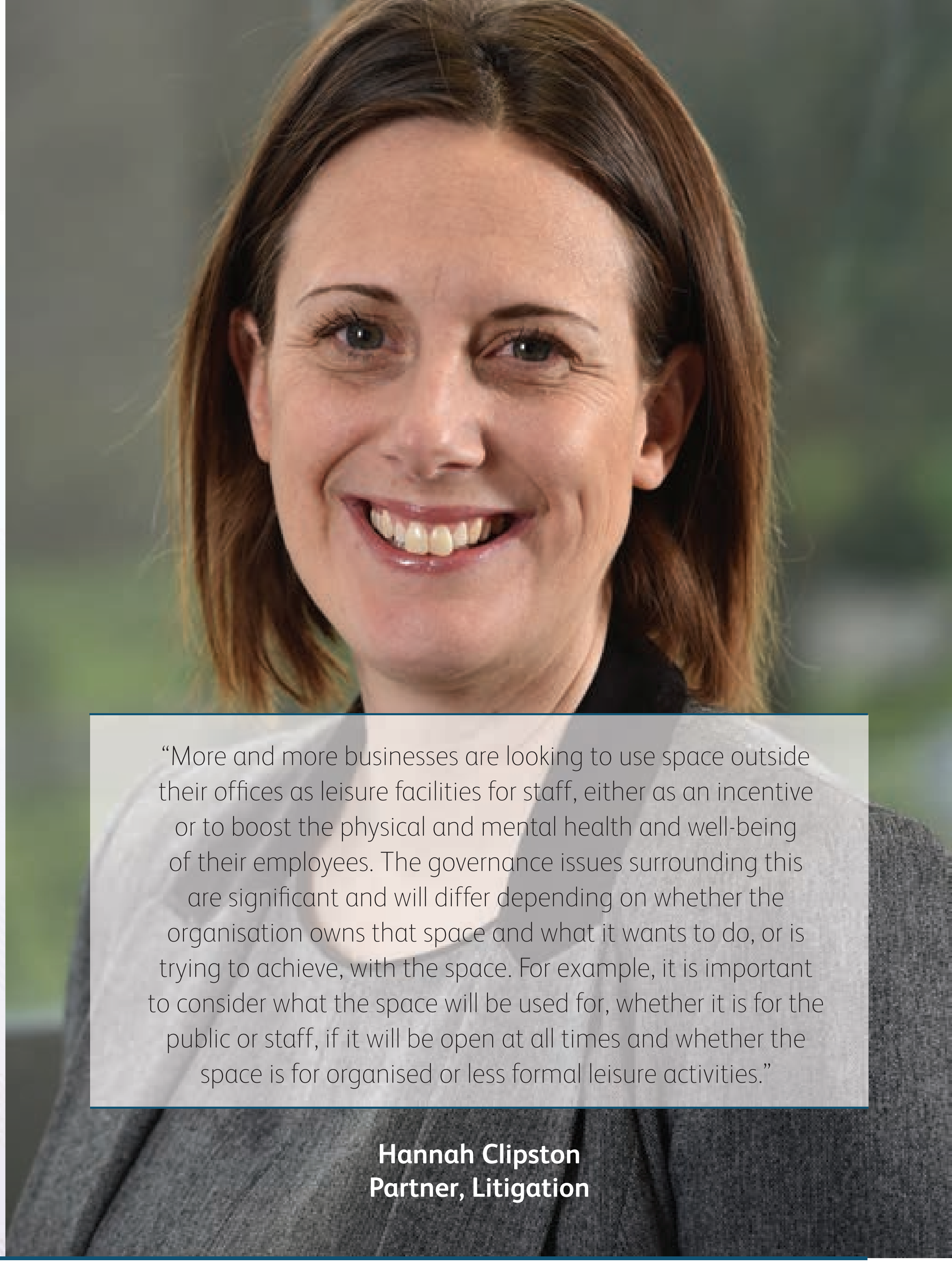
- Check the ownership, access rights and any planning restrictions on the area you want to use.

- Consider insurance requirements in light of the activities taking place at the space. If you are engaging third parties to come in and deliver classes, make sure you have a service agreement in place setting out what they will do, when and for what price as well as KPIs, any appropriate warranties, disciplinary, termination and dispute resolution provisions.

- Depending on what activities you are running, consider what information needs to be provided to participants, what information and/or consents (related to personal and/or sensitive data) need to be obtained and how that information will be stored in accordance with data protection laws and what waivers might need to be put in place.

- Have appropriate agreements in place for the supply of any leisure equipment. Clear provisions as to what is being provided, for what purpose and at what price, should be provided. The agreement should contain guarantees and warranties as to the condition of the equipment and also contain provisions on maintenance and service.

- Consider partnering with an external supplier to manage the space. If you are doing this, make sure that you have an agreement that details what the relationship is, what services are to be provided and at what price, KPIs, warranties and guarantees, appropriate termination and dispute resolution provisions, as well as maintenance and servicing provisions.



"More and more businesses are looking to use space outside their offices as leisure facilities for staff, either as an incentive or to boost the physical and mental health and well-being of their employees. The governance issues surrounding this are significant and will differ depending on whether the organisation owns that space and what it wants to do, or is trying to achieve, with the space. For example, it is important to consider what the space will be used for, whether it is for the public or staff, if it will be open at all times and whether the space is for organised or less formal leisure activities."

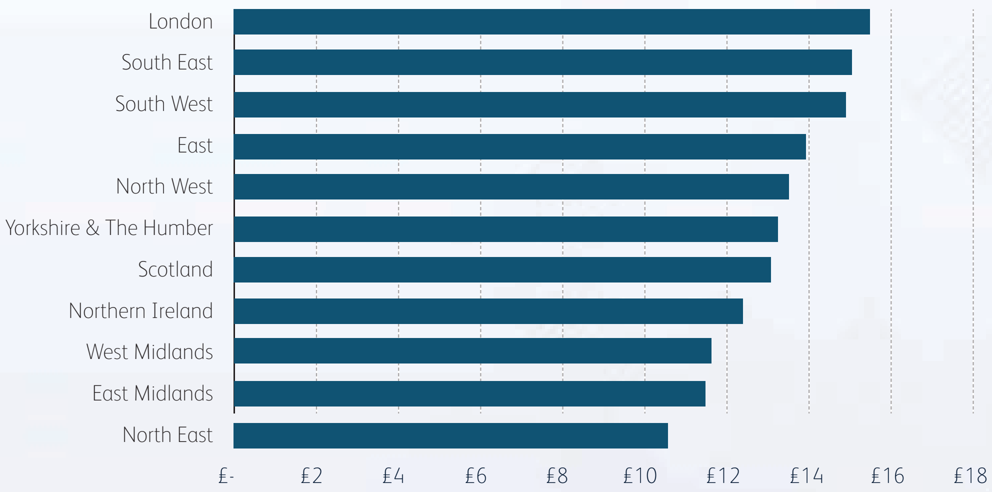
Hannah Clipston
Partner, Litigation

Restaurants and Bars

The third key element of the consumer sector in the UK is food and drinks consumed in restaurants and bars. In a recent PwC survey, two thirds of respondents said that they eat out at least once a month[11], showing the widespread interaction British people have with this sector.

11 Source: PwC (2017) Restaurants 2017: Food for thought

Figure 12 – Average spending per person per week on food and drink purchases for consumption outside the home, by region (2016/17)



Source: Defra, Cebr analysis

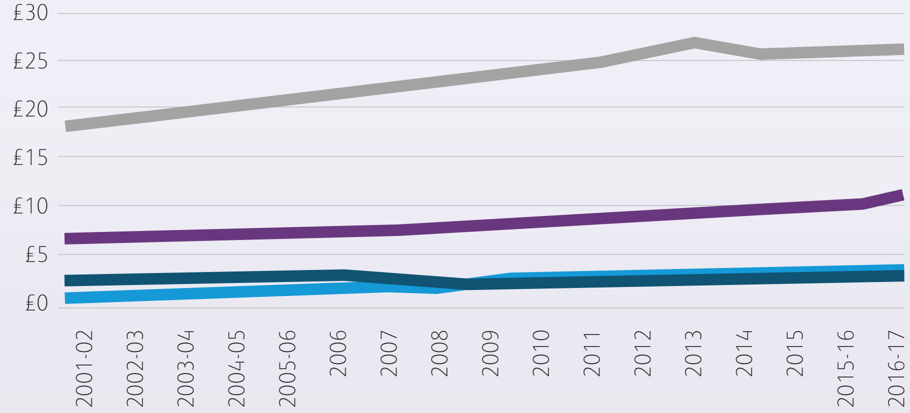
As shown by Figure 12, people who live in London are the biggest spenders when it comes to eating and drinking in bars and restaurants. On average, people from London spend £15 each per week, with South Eastern consumers following in second place in terms of eating and drinking outside the home.

The lowest weekly spenders on eating out are people in the North East and East Midlands, who spend on average around £11 per week in restaurants and bars.

Total spending on food and drink, including purchases for household supplies, plateaued between 2013 and 2017, with negative growth in spending recorded between 2014 and 2015, and only 1 % growth in 2016-17. This is in part due to the fierce competition between supermarkets leading to lower prices for consumers. Considering just food and non-alcoholic drinks consumed outside the home, growth in spending has been higher, with expenditure growing 6 % to reach £10.40 per person per week in the UK in 2016-17.

On average, people spend around three times more on food and non-alcoholic drinks than they do on alcoholic drinks when they are eating and drinking out. When eating and drinking at home, people spend eight times more on food and non-alcoholic drinks than alcohol.

Figure 13 - Average spending per person per week on food and drink purchases for consumption outside and inside the home



Food and non-alcoholic drinks (consumed outside home)
Alcoholic drinks (consumed outside home)
Food and non-alcoholic drinks (consumed inside home)
Alcoholic drinks (consumed inside home)

Source: Defra, Cebr analysis

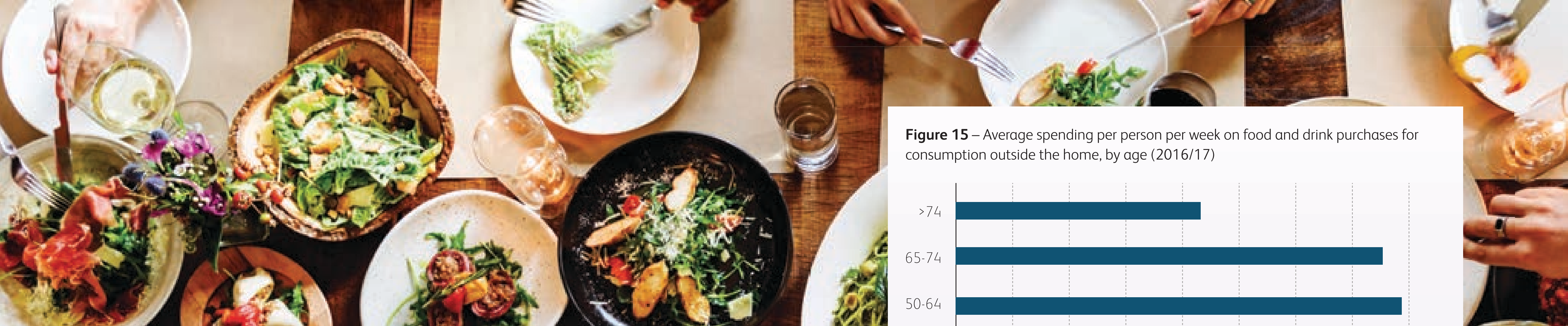
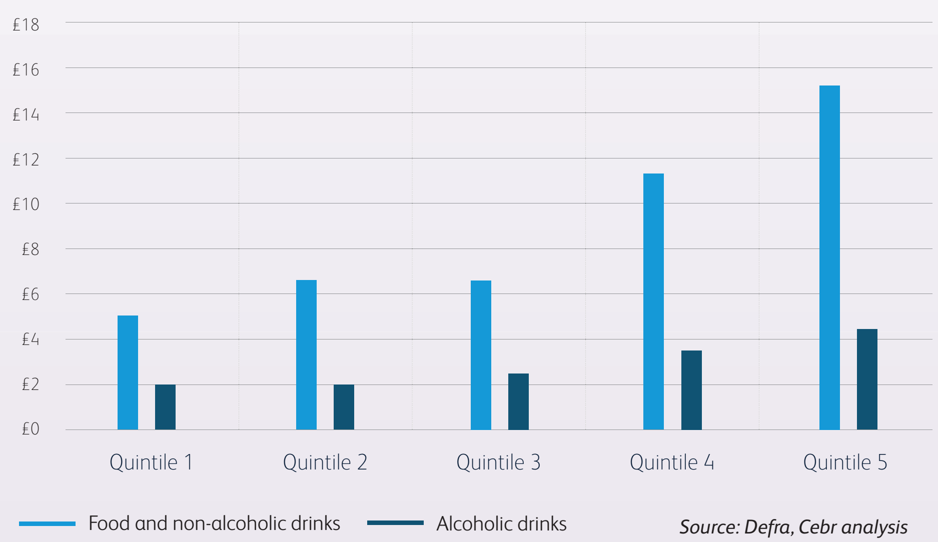


Figure 14 – Average spending per person per week on food and drink purchases for consumption outside the home by income quintile (2016/17)

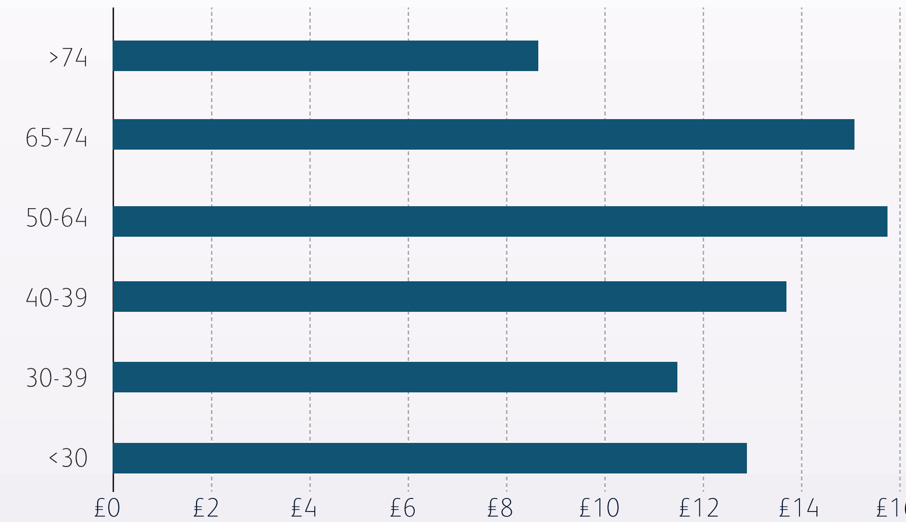


Source: Defra, Cebr analysis

As income rises, so does the amount spent on eating and drinking in bars and restaurants. In Figure 14, it can be seen that the fifth of the population with the lowest incomes spend around £5 each per week on food and non-alcoholic drink consumed outside the home, while the top 20 % of earners spend nearly £16 each per week.

Looking at spending in bars and restaurants by age, the biggest spenders are 50-64 year olds, who spend nearly £16 each per week. The lowest spenders were over 74 year olds, who are more likely to eat at home. Those aged under 30 also spend nearly £13 each per week, which is more than the slightly older generation of 30-39 year olds.

Figure 15 – Average spending per person per week on food and drink purchases for consumption outside the home, by age (2016/17)



Source: Defra, Cebr analysis

As shown by this analysis, there is much more growth in the restaurants and bars sector than in the sector for food which is consumed in the home. Also, the biggest spenders in restaurants and bars are high earners in their 50s and early 60s who live in London and the South East.

As a result of the growth in this sector, competition is tight in the food service industry, and providers are having to adapt to stay relevant. As with the retail sector, considering the experience of the customer is key. Making food look good is as important as the taste for the Instagram generation, with many under 30 year olds receiving recommendations for restaurants from social media images.

Another trend for the bars and restaurants industry in 2018 is mixing retail with selling food and drink. Department stores have had cafes for years, but now clothes retailers and smaller stores are hosting pop-ups offering coffee and snacks as well and becoming home to permanent food stalls and coffee bars. It is this form of differentiation that keeps the food service industry relevant in a period when everyone can easily and more conveniently order restaurant food to their home through apps such as Deliveroo and Uber Eats.

Similarly to retail, bars and restaurants need to integrate technology into the experience in order to stay competitive. Giving customers the opportunity to pay via an app, or order on an iPad at their table speeds up the service and keeps the food and drink industry up-to-date with the latest service sector developments.

The 'perfect storm'
in food and beverage retailing

Stuart Gallyot is Company Secretary and Director of Legal & Estates at Punch Taverns and also runs **Gallyot Consulting Ltd**. Here he gives his take on the changing nature of the food and drink industry.

Although this report rightly highlights the huge growth potential that exists in the restaurant and bars sector, it is undeniably a tough market at the moment.

Indeed, you know when retail – and, more specifically, food and beverage retailing – is suffering when the budget-end of the market slows. Recent reports of falling profits and share prices, from the likes of Greggs and Wetherspoons, really show how challenging the market has become.

The recent spate of woes that seem to have beset the casual dining market also form part of a 'perfect storm'. For operating companies, the combination of high rents, rising wages and supplier costs, new entrants into a saturated market, and consumers now suffering from less disposable income, makes trade – and more importantly profit – very difficult to achieve. Could it get any worse for these operators?

Well, potentially yes, the ubiquitous Italian and posh burger formats are failing to extract the premium pound from customers' pockets. Do you really feel any different in a Zizzi, Ask, Jamie's Italian, Pizza Express or a Carluccios? As a consumer, I'm not sure you do. Whilst some consumers may believe they can tell the difference between a Byron, Five Guys, and Gourmet Burger Kitchen, I'm not sure that's true of the majority. With the recent publicised troubles at Byron, it would also seem that there is some merit to this view. Even with the earlier budget examples, the consumer can feel like they are merely getting 'cookie cutter' service in a branded environment.

Brands have their place – they provide consistency, the consumer knows what they are getting and operationally the economies of scale make sense. But how do operators make their customers feel special or 'unique' in their food and beverage experience, especially in a tough market with a demanding consumer?

In simple terms, innovation – but that's surely for tech firms?

In some respects, we can learn from the tech firms. More or less everyone has a smartphone these days and they all look the same – ubiquitous. However, the consumer has an individual experience with their smartphone. No one phone screen is the same – everything from ring tones, to different apps used for messaging, social media or buying everything from clothes to food and drink, is customised.

The consumer wants to feel special and have a customised experience. This UK Powerhouse report highlights that creating an experience for the consumer is an important part of this. So how does this happen in the food and beverage market?

Individual operators, and smaller multiple operators, have a significant part to play in the field of innovative formats and great service. Individualism comes through with an operator's passion and personality.

I've recently worked with Moose Coffee, which has four stores and a fifth opening soon. They have a unique big menu, American breakfast offer where the customer is always made to feel genuinely welcome and an entrepreneurial, family-led team runs it with passion. When I asked them who their competition was they could not name anyone – they were unique in their market. The business is growing, and profits are healthy, because there is a focus on getting costs under control and not rushing to meet expectations from third party investors. Well-run, unbranded pubs also provide a great opportunity for individual entrepreneurs to provide a unique service to customers. At Punch, we provide excellent training for publicans new into the trade. As a pub company, we are seeing excellent returns on investment with great operators who provide both premium and mainstream consumer offers.

The well-trained, individual operator – with enthusiasm and attention to detail – can provide a unique experience, and, in contrast to some offers, this provides an opportunity to thrive. If this could be translated into the branded market this could well be the winning formula – making the ubiquitous feel very unique.

Commercial Arrangements
Action Points

- When a brand pays a vlogger to talk about their product in a video, the viewer must be made aware that what they are watching is an "advertorial" and not the vlogger's opinion.

- Viewers need to be made aware before they watch the video (so information in the description box on, for example, YouTube, would not suffice). Labelling the video as an "advert", "ad feature", "advertorial" or something similar will be acceptable.

- Clarity is imperative: words like "sponsored" or "supported by X" may mislead the consumer into thinking that the vlogger has full control over the content of the video.

- Even if the vlogger decides what is said in the video and edits the content, it does not mean that they have full control over it if they are being paid to undertake various obligations within it.

- The ASA regulates the UK's advertising through applying the CAP Code. One of the most significant consequences of failing to comply with the CAP Code for a brand is bad publicity. A brand's reputation can be badly damaged if it is seen to be ignoring the rules designed to protect consumers.

- There are a range of actions the ASA can take against a brand for non-compliance, such as advising the media to withhold advertising space from the brand and asking internet search websites to remove the brand's paid-for search advertisements.

- If brands persistently break the advertising regulations the ASA can refer them to other bodies for further action, such as Trading Standards. The highest sanctions available to Trading Standards include unlimited fines and prison sentences up to two years.

"I recently worked on a commercial arrangement between the rum company Captain Morgan and grime star Lady Leshurr. The partnership was part of the #LiveLikeACaptain campaign and saw the drinks brand use a high-profile individual to create conversations about responsible drinking with a targeted demographic.

"We're seeing more of these arrangements with influencers in the food & drink sector, and I expect them to become even more common as brands look to differentiate themselves and target specific audiences even more."

Aurelia Butler-Ball
Senior Associate, Commercial

Immigration Action Points

- Employers in the sector must be fully compliant with the Home Office rules in sponsoring non–EU nationals. If found to not be sponsoring them correctly and/or not carrying out the correct right to work checks, civil penalties could be issued to employers and/or their sponsor licence could be suspended or revoked.

- EU nationals by 1 July 2021 will have to apply for settled or temporary residence permit and in the event they do not it is likely that there will be consequences for non-compliance.

Mandeep Khroud, Senior Associate, Immigration

"The majority of companies rely to varying degrees on a non-EU workforce and it's no different in the consumer economy. It is imperative that employers are fully compliant with the Home Office rules in sponsoring non–EU nationals as if the company is found to not be sponsoring them correctly and/or not carrying out the correct right to work checks, civil penalties could be issued to employers and/or their sponsor licence could be suspended or revoked.

"In 2017, £39.5 million in civil penalties was issued to sponsors as a result of illegal employment, over 750 tier 2 sponsorship licences were suspended and more than 600 sponsorship licences were revoked altogether. Businesses must be fully aware of the UK immigration rules on employing and sponsoring non–EU nationals in order to prevent unduly harsh civil penalties and delays in processing applications. It will also avoid the unnecessary stress of not having the appropriate workforce to carry out the necessary work.

"In the restaurant sector, for example, there is a high proportion of EU nationals and when the UK leaves the EU, EU nationals by 1 July 2021 will have to apply for a settled or temporary residence permit. In the event they do not, it is likely that there will be consequences for non-compliance."

Conclusion

Consumer businesses clearly have plenty to be thinking about. It's not Armageddon as some commentators have suggested, however, rather a case of reinvention.

There are plenty of reasons to be optimistic. The sector is growing at a steady rate and consumer confidence is gradually on the rise with people generally having more disposable income to spend on themselves. However, consumer businesses must constantly invest and innovate to remain relevant and adapt to the new consumer.

Never has it been more important than to seek input from consumers and adapt your strategy with their priorities in mind, as opposed to simply trying to anticipate what success and growth will look like over the next 12 months and beyond. There have been plenty of examples in the press recently showing just what can happen if you aren't prepared to do this and fail to move with the times.

Expert legal support is crucial to ensure you can manage this change, navigate its complexity and unlock value in your business. Our consumer business lawyers live and breathe the sector, providing peace of mind and strategic guidance to ensure businesses are fit for the future. We proactively identify key legal issues that impact on businesses in this sector as indicated in the best practice checklists throughout this report, which we would encourage you to review at board level.

If you're a retailer, hospitality or leisure operator, tourist board, sports business, or food and drink provider, we have the necessary expertise to help you. We work nationally and globally with a diverse range of consumer businesses and we'd be happy to share our knowledge with you.

We hope you found this report and some of the insights from our clients and industry experts useful. Please do not hesitate to contact me in relation to any questions arising from it or to find out how our legal experts can help you adapt to the new consumer.

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A report for Irwin Mitchell

Disclaimer

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Technical Note:

Sic codes G and I (wholesale and retail trade; repair of motor vehicles and motor cycles and accommodation and food service activities) are used for the Consumer Powerhouse tables.

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