OC&C RETAIL PROPOSITION INDEX 2019

Making life sustainable

How to thrive in a volatile retail landscape

OC&C Strategy consultants

uncommon sense

2019 marks the most volatile year of change in retailer ratings in the 10 year history of our research

Volatile times

For anyone yet to be convinced that the retail landscape is a rollercoaster ride, the 10th edition of our annual survey on how the world's consumers rate their leading retailers marks the most volatile year of change in retailer ratings in its history.

This is most clearly illustrated in the UK, where against the backdrop of prolonged economic uncertainty and low consumer confidence, we have seen a major shift in what influences where people want to shop.

In particular, we would alert retailers to
four important trends…

1 The erosion of trust needs to be addressed

Trust, the bedrock upon which long term retail proposition ratings have been built, is at an all-time low, with 15 of the UK's top 20 retailers seeing a material drop over the last 12 months. We know from previous years that trust is built on consistent delivery on promise, and achieving this alongside cost and profit pressures has become increasingly challenging. History would also tell us that retailers have a short window of time to re-establish trust before their customers start voting with their feet.

2 Value has become a more critical battleground

Value has grown in importance in influencing consumer ratings, filling the void left by eroding trust. This has catapulted an ever-improving tribe of discounters (Aldi, Home Bargains, Wilko) into the top 10, and exacerbated the pressure on mass market players. The last vestiges of defence for the mass market are in experience, quality, service and breadth of choice, which should focus the mind of CEOs as they push to build relevance alongside increasingly competitive discount offers.

3 The importance of physical experience is growing

Over the last 3 years, consumer journeys have become more omnichannel in most sectors, with stores playing a critical role in influencing and guiding perception. This shift to omnichannel shopping has been particularly seismic in apparel, where online now influences 75% of purchases. This is mirrored in a set of proposition ratings that have seen more pronounced improvement in multichannel offers, and a clear stagnation among pureplayers, who are struggling to unlock the next wave of ratings improvement.

4 Sustainability is fast establishing itself as a key driver of consumer perception

In many sectors, the major behavioural impact is yet to hit. However, the pace at which attitudes towards sustainability are translating into retailer ratings, and the evidence from early impact sectors like Health & Beauty, suggests that for many sectors (e.g. apparel, grocery) behavioural impact is imminent. Those retailers and brands caught without a strong sustainability agenda will find swimming against the tide a tough experience.

Against these trends, it is clear that large tracts of the industry have failed to effectively respond. It would be brave to predict that early 2020 will see a respite in market pressure, but the successful retailers will be those that tread the perilous tightrope of offering value in the near term, whilst rebuilding trust and addressing a sustainability agenda. How you balance these agendas, and still turn a profit, will be no mean feat.

YEAR-ON-YEAR CHANGE IN AVERAGE RATINGS FOR TOP 30 RETAILERS

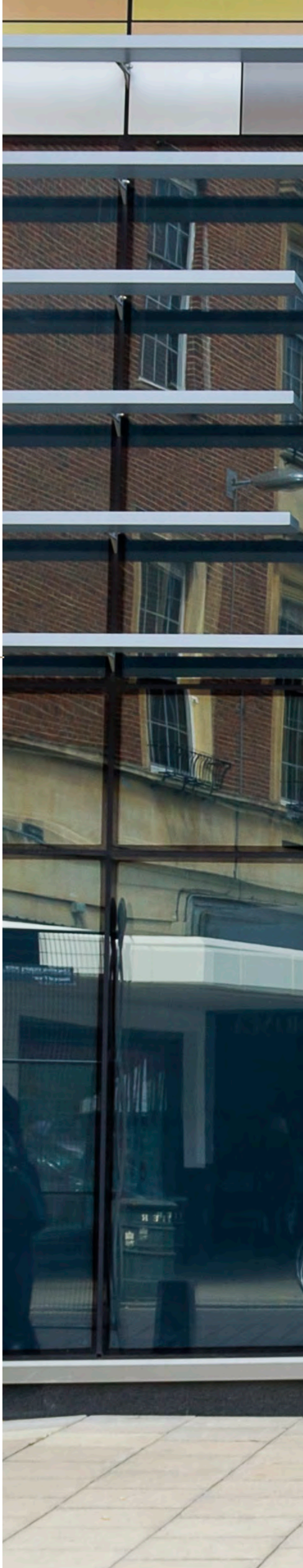
A view from the top

Congratulations to M&S Simply Food, who has been rated the UK's favourite retailer, regaining the crown it last wore in 2017.

M&S Simply Food's ascent back to the top of the tree has been built on reinforcing a leading quality rating, tailoring their offer to win on targeted missions and engineering a significant boost in price perception over the last 12 months. This positive consumer reaction illustrates the strong sentiment upon which they are building upon as they target future growth and rebuilding profitability.

Elsewhere, we see re-entries into the top 10 from Home Bargains and Wilko, marking continued impressive performance improvement among the discounters. This is not just price driven, with material improvements in quality, trust and service illustrating how the winning discount proposition is now much more rounded. We also note the rise of Poundland to being seen as the UK's best priced retailer, a position achieved whilst diversifying its product range beyond just £1 items.

A special mention also goes to Boots, who have been crowned the UK's most trusted retailer for the first time, and to Argos, who have seen a meteoric rise from 50th to 2nd in the trust rankings since acquisition by Sainsbury's. We also see strong performance from Next (+16 places), who narrowly miss out on the top 10, but who are seeing strong advances in quality and experience ratings as they deliver on their marketplace strategy.



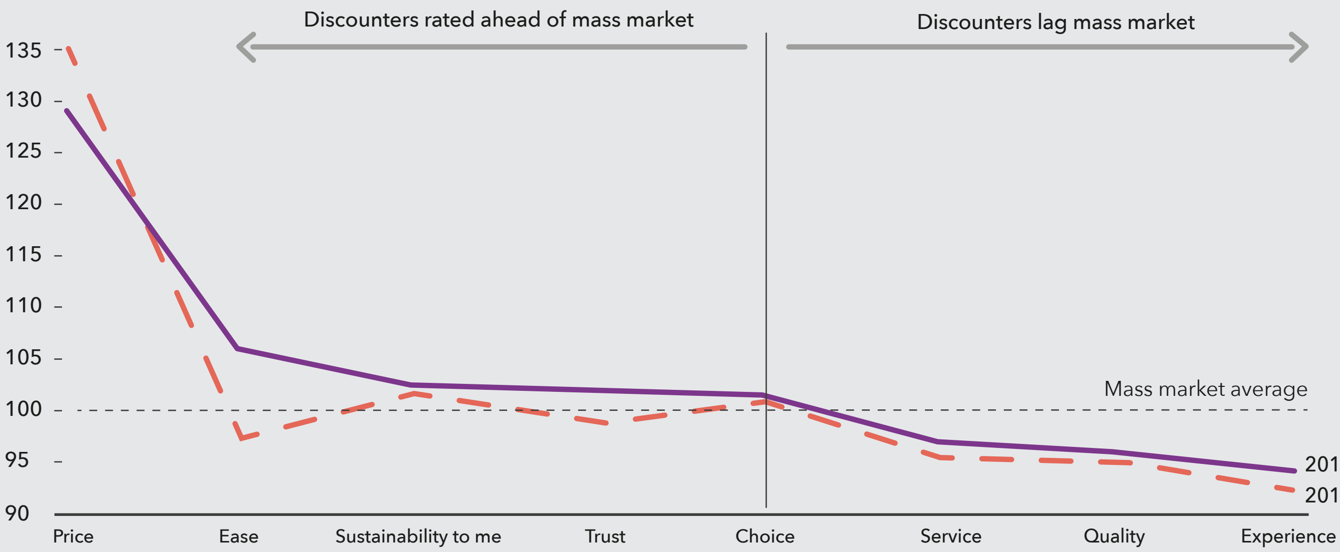
TOP RETAILERS BY OVERALL RATING

	2012	2013	2014	2015	2016	2017	2018	2019
1	amazon	amazon	amazon	amazon	amazon	M&S Simply Food	John Lewis & Partners	M&S Simply Food
2	John Lewis & Partners	John Lewis & Partners	John Lewis & Partners	John Lewis & Partners	John Lewis & Partners	John Lewis & Partners	Waterstones	John Lewis & Partners
3	Marks & Spencer	Apple	Apple	LUSH Fresh Handmade Cosmetics	ao.com	LUSH Fresh Handmade Cosmetics	M&S Simply Food	amazon
4	M&S Simply Food	Marks & Spencer	LUSH Fresh Handmade Cosmetics	Apple	LUSH Fresh Handmade Cosmetics	amazon	amazon	LUSH Fresh Handmade Cosmetics
5	Card Factory	M&S Simply Food	M&S Simply Food	moonpig	Waitrose	Apple	LUSH Fresh Handmade Cosmetics	Marks & Spencer
6	IKEA	ebay	Waitrose	IKEA	M&S Simply Food	Marks & Spencer	Marks & Spencer	IKEA
7	ebay	Lakeland	Lakeland	ebay	Lakeland	ALDI	ALDI	ALDI
8	Waitrose	IKEA	ebay	home bargains	ebay	Boots	Ralph Lauren	Boots
9	play.com	Waterstones	healthspan	Harrods	Apple	Ralph Lauren	Waitrose	home bargains
10	wilko	healthspan	home bargains	M&S Simply Food	Card Factory	IKEA	IKEA	wilko

The growing value of value

Discount retailers are reaping the rewards of improving their product and store proposition, while continuing to lead on price.

TOP RETAILERS BY OVERALL RATING



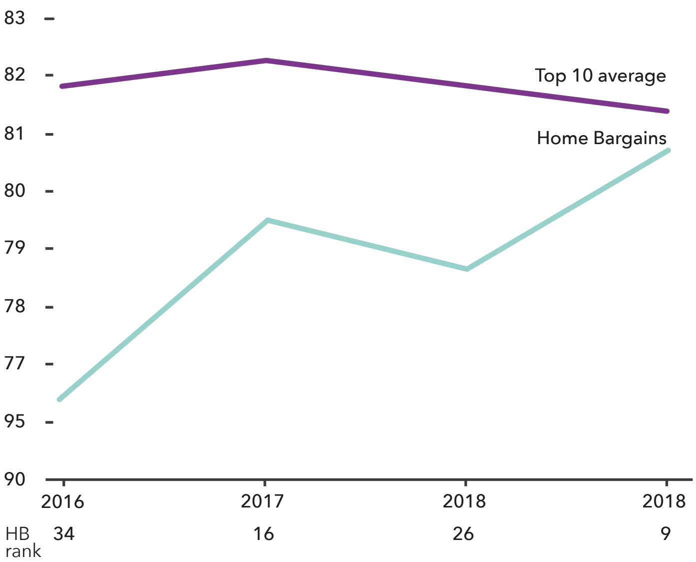
For the first time, three of the top 10 spots this year are occupied by discounters, with Aldi, Wilko and Home Bargains dislodging Ralph Lauren, Waterstones and Waitrose. Outside of the top 10, the broader discount sector has seen marked improvements in their overall ratings, and have bucked the general trend of eroding trust – B&M, Poundland and Card Factory have all made material gains on their trust scores.

This strong performance is testament to a long-term shift in the focus of these retailers, and the growing pressure they are placing on the mass market. Five years ago they attracted customers in with unbeatable bargains, despite offering a worse-rated product and shopping experience. This year's results show that they have not just closed the gap versus mass market retailers, but across many elements of the proposition, such as convenience and ease of shopping, they are now forging ahead.

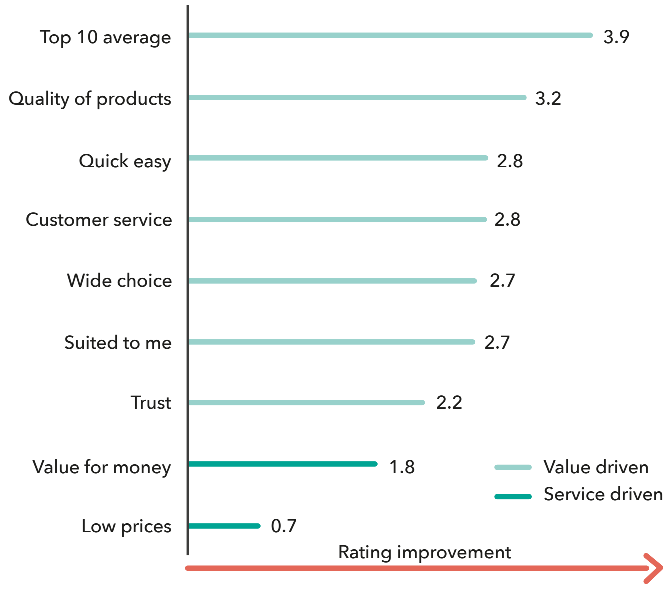
CASE STUDY

Home Bargains is a prime example of how the drive to professionalise a discount proposition can pay off. Whilst it has seen improvements across all the functional factors this year, it is notable that the biggest leaps have been in store experience and product quality, rather than price. Continuing to offer outstanding value, while also delivering a shopping experience and product on par with more expensive retailers, has enabled it to break back in to the top 10 for the first time since 2015.

HOME BARGAINS RATING OVER TIME



CHANGE IN HOME BARGAINS RATING, 2018-19



Getting physical
The growing importance of stores

Multichannel behaviour continues to grow in prominence across sectors, with up to 60% of consumer journeys in certain categories now involving multiple channels.

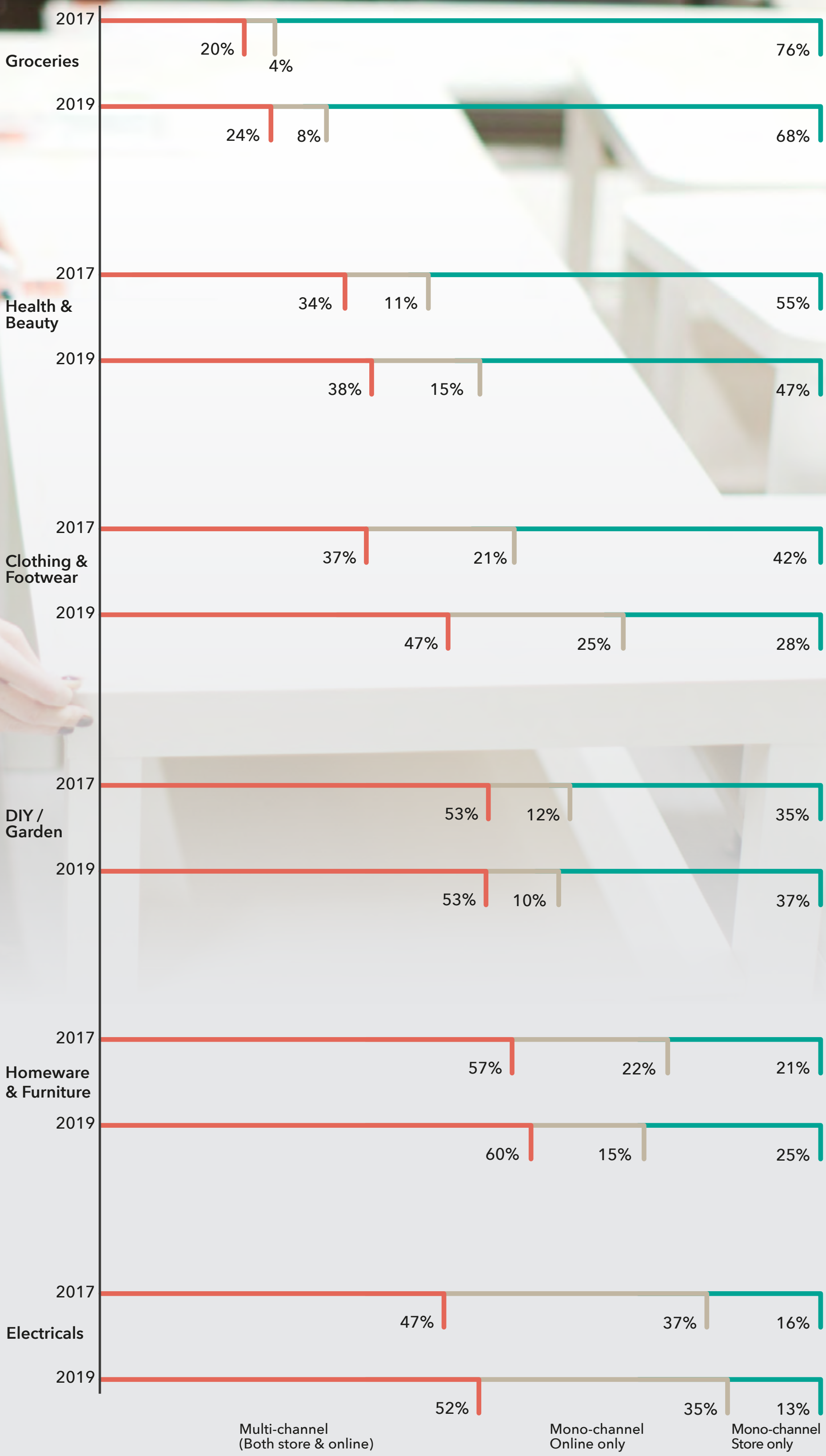
60%
35%

Stores continue to play a key role for customers in both influencing purchase behaviour and shaping retailer perceptions. This is especially true in categories where either there is a desire to see the product before purchase (e.g Furniture), or where there is a heightened appetite for range exploration and discovery in the category (e.g Clothing & Footwear).

The shift in channel behaviour in apparel has been particularly pronounced. Half of clothing customer journeys now take in online and offline channels (up from 35% two years ago), and the pace of growth in pure online-only missions has slowed. In Furniture, Electricals and Home, pure online journeys have actually lost share. This reinforces that omnichannel retailers have an increasing structural advantage if they can use stores to target more of the market and engender customer loyalty.

2017 VS 2019 SHARE OF JOURNEY BY KEY CATEGORY THAT ARE MULTI-CHANNEL VS MONO-CHANNEL[1]

% share of journeys



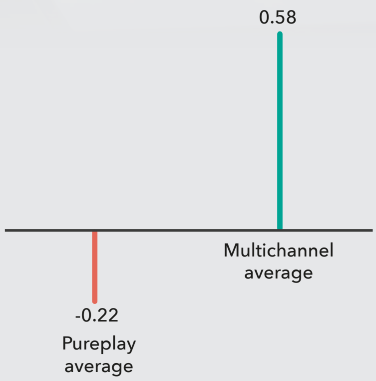
1. Share of customer journeys across UK that are mono-channel or multi-channel (where channel = web, retailer app, or store)

The growing importance of omnichannel has played out in the way consumers are rating retailers, with multichannel players making impressive strides in overall ratings over the past year. Whilst average ratings for digital pureplays have stagnated in the last 12 months, multichannel players have seen significant improvements in scores (+0.5ppts on average). Dunelm has been one such success story, achieving a significant ratings boost in 2019 as it continued to drive its multichannel agenda.

These findings raise important questions for pureplays that are seeing a worsening in consumer sentiment. These retailers must grapple with where the next boost to future ratings improvement (and growth) will come from, and what role physical channels will play in this story.

YEAR-ON-YEAR CHANGE IN OVERALL RATINGS

Pts change



You only have to look to China to see how this trend can build momentum, where a much younger shopping population has led to 80% of consumers claiming to take account of environmental and sustainability issues

The ticking time bomb of sustainability

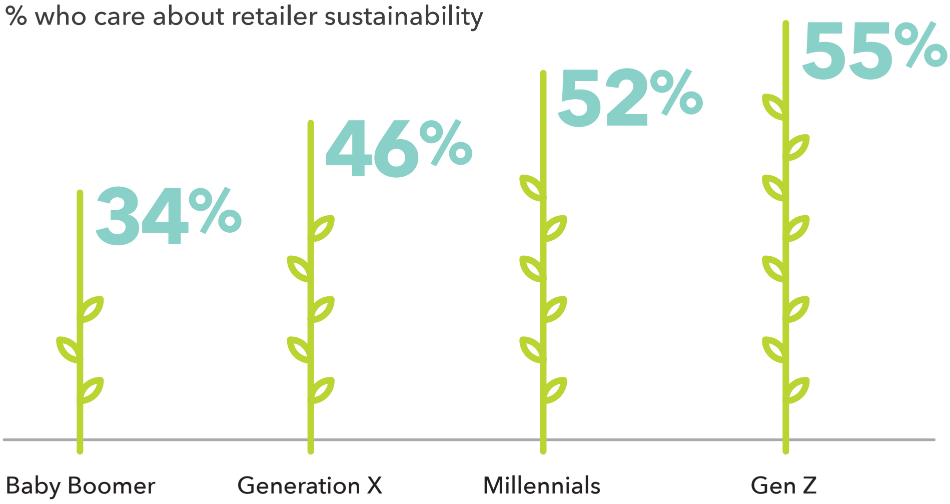
Sustainability has moved rapidly up the CEO's agenda in recent times. Our research confirms that we sit on the brink of it driving a dramatic change in consumer shopping behaviour.

This said, for many it remains an inaccessible topic and we see retailers and brands grappling with both how to prioritise their sustainability agenda and how to balance this against wider cost and profit pressures in their businesses.

Our research this year proves that consumers are increasingly conscious of environmental and sustainability issues when shopping. Around 45% of UK consumers claim that impact on the environment is important to them when shopping, rising to 55% among the Millennials and Generation Z, who will drive over 90% of spending growth in the UK over the coming five years. You only have to look to China to see how this trend can build momentum, where a much younger shopping population has led to 80% of consumers claiming to take account of environmental and sustainability issues.

YOUNGER GENERATIONS CARE MUCH MORE ABOUT SUSTAINABILITY

% who care about retailer sustainability



We also see that perceptions of sustainability are starting to influence how consumers rate retailer offers. Amazon, for example, is rated #1 by consumers who place little emphasis on sustainability, but #12 for those that do; on the other hand, Lush is rated over 5pts higher by consumers for whom sustainability is important.

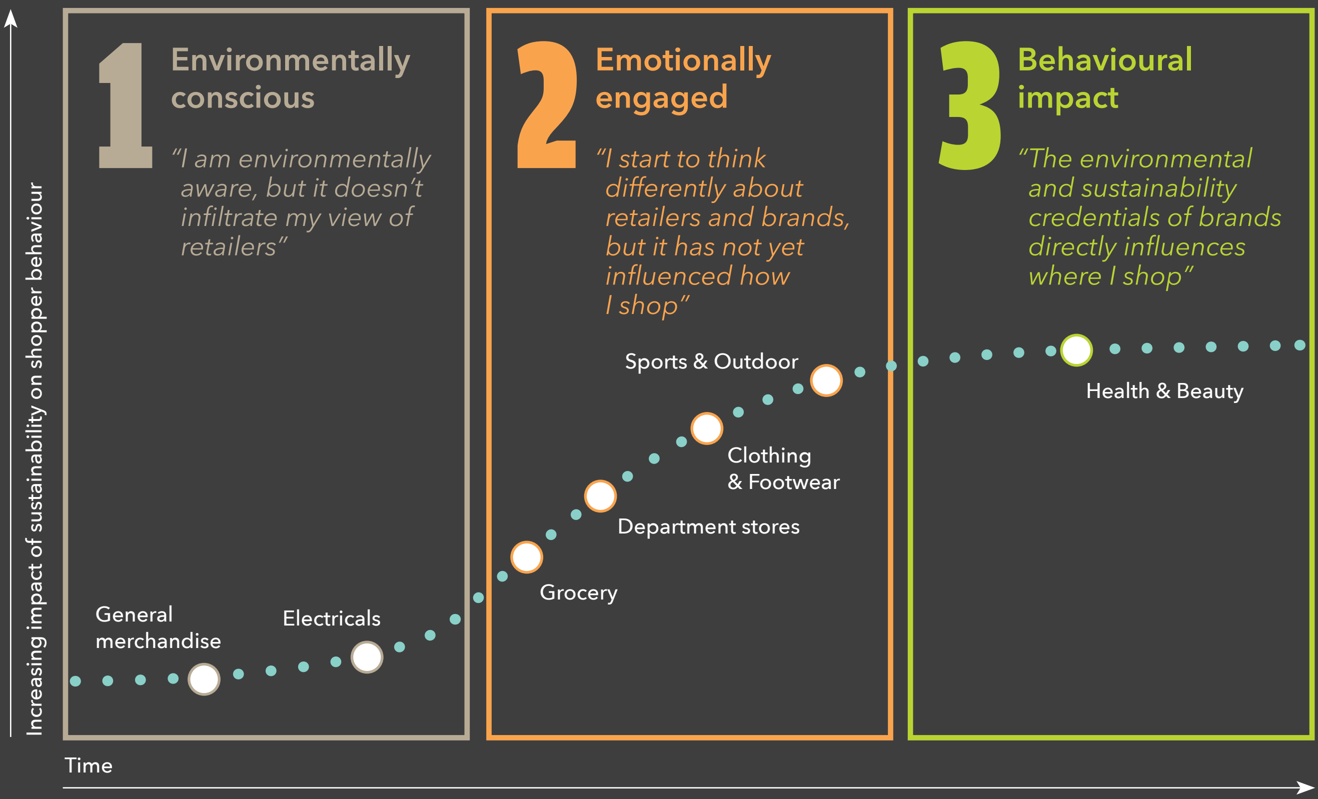
Despite the fast-moving current of attitudinal change, we are yet to consistently see this impact shopping behaviour. Amazon continues to see the same visit frequency among the sustainability-conscious and unconscious. We do not believe that this benign state will last, and for many retailers, we are on the cusp of profound consumer behavioural change.

This is best illustrated by the first signs of evidence in sectors where environmental and ethical concerns have been under scrutiny for longer, such as Health & Beauty. Here, we can already see evidence of people voting with their feet. Retailers such as Lush and The Body Shop, who were early movers in their focus on sustainability, not only win strong ratings from more sustainability-conscious consumers but also convert a high proportion of them to customers, while Superdrug is seeing much lower visit rates among the sustainability-conscious.

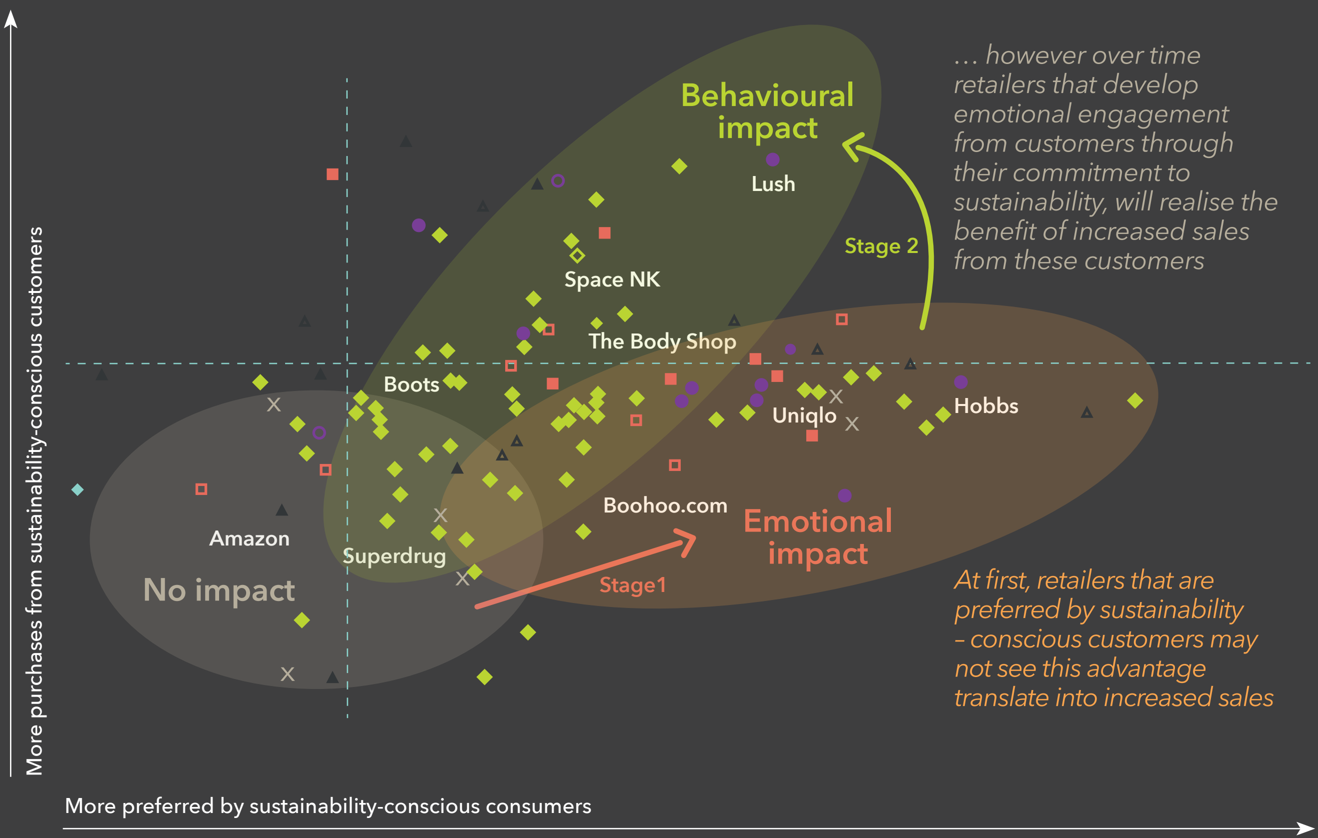
The next categories to reach this tipping point appear to be Clothing and Grocery, where we can already see a greater spread of retailer ratings from sustainability -conscious consumers. As sustainability concerns increasingly influence buying behaviour, retailers in these categories who are doing better on ratings today – such as Hobbs and River Island – are likely to benefit.

> Retailers such as Lush and The Body Shop, who were early movers in their focus on sustainability, not only win strong ratings from more sustainability-conscious consumers but also convert a higher proportion of them to customers

SUSTAINABILITY CONSCIOUSNESS VARIES BY CATEGORY; AS AWARENESS RISES, IT IMPACTS BRAND RATINGS FIRST, AND LATER TRANSLATES INTO SHOPPING BEHAVIOUR



BRANDS WHICH ARE WELL RATED BY SUSTAINABILITY-CONSCIOUS CUSTOMERS ARE SET TO BENEFIT AS SUSTAINABILITY BECOMES INCREASINGLY FRONT OF MIND FOR CONSUMERS



Making life sustainable
The call to action

As we reflect on the conclusions from this year's research, we see that it sets up a challenging tension for retail leaders.

Consumers apply an exacting standard; wanting competitive prices, broad choice constantly in stock and products delivered to them rapidly. They also want their retailers to operate responsibly and sustainably; limiting wastage, sourcing responsibly, operating fairly and reducing their environmental impact and carbon footprint.

Retailers must try to meet these standards without compromising on profitability – doing so whilst they operate within in a difficult context where industry margins continue to be squeezed.

This year's research highlights a clear consumer tension that retailers need to navigate…

Deliver a competitive and profitable core proposition	Operate sustainably and responsibly
Great value and competitive price	Responsible and ethical sourcing and manufacture
Broad choice	Community-minded
Constant availability	Low wastage
Rapid and flexible delivery	Minimal carbon footprint
Immersive experience and high quality shopping environment	Responsibly reinvesting profit

This poses a series of questions CEOs will need to answer around how to balance these objectives whilst maintaining profitability

The winners in 2020 will be the retailers that successfully strike this balance, finding profitable ways of delivering for their customers in the areas that matter to them most.

How do I bolster the competitiveness of my proposition, whilst safeguarding profitability?

- How can I deliver great value to customers whilst protecting my margins?
- Do 'low hanging' savings opportunities exist which can support investment in price?
- What are the key value items (KVIs) where it is most acutely important to be price-competitive?
- Where in the range do my customers most value broad choice?
- Is there an optimum level of availability to target? Where in the range is it most critical to provide market-leading availability?
- Are there parts of the range where rapid, flexible delivery is most important to customers?
- How do I provide an immersive shopping environment that attracts customers whilst controlling store costs?

How do I demonstrate commitment to sustainability and build trust with consumers, whilst safeguarding profitability?

- What sustainability issues are my target customers most concerned about? How are they balancing social, economic and environmental concerns?
- Which sustainability concerns are considered 'hygiene factors' by customers today?
- … and for which concerns is the expectation lower from consumers?
- Is there an opportunity to differentiate vs competitors in these areas?
- What are the most relevant levers I can pull to address these concerns?
- How can I address these sustainability issues without adding significant operating cost burden?

OC&C UK Retail Proposition Index 2019

TOP 30 RATING OF OVERALL RETAIL PROPOSITION (INDEXED 0-100)

Rank	Retailer	Category	Score	TY vs LY Change
1	**M&S Simply Food**	**Grocery**	**83.7**	**1.4**
2	**John Lewis**	**Department Stores**	**81.9**	**-1.9**
3	**Amazon**	**General Merchandiser**	**81.8**	**-0.3**
4	Lush	Health & Beauty	81.1	-1.0
5	M&S	Clothing & Footwear	81.1	-0.3
6	IKEA	Furniture	81.0	0.3
7	Aldi	Grocery	80.9	-0.3
8	Boots	Health & Beauty	80.8	1.4
9	Home Bargains	General Merchandiser	80.7	2.1
10	Wilko	Department Stores	80.6	-0.1
11	Waterstones	Entertainment	80.5	-2.0
12	Lakeland	Other	80.4	0.6
13	Waitrose	Grocery	80.2	-0.6
14	Apple	Electricals	80.2	0.9
15	Smyths Toy Superstore	Other	79.5	N/A
16	Iceland	Grocery	79.5	1.6
17	Pets at Home	Other	79.4	0.5
18	Next	Clothing & Footwear	79.4	1.9
19	Clarks	Clothing & Footwear	79.3	-0.4
20	Superdrug	Health & Beauty	79.3	-0.7
21	Lidl	Grocery	79.1	0.1
22	The Body Shop	Health & Beauty	79.1	-0.3
23	Argos	General Merchandiser	78.9	1.0
24	B&M Bargains	General Merchandiser	78.8	1.4
25	Card Factory	Stationers	78.8	0.9
26	Dunelm	General Merchandiser	78.7	3.2
27	Morrisons	Grocery	78.7	-0.4
28	Paperchase	Stationers	78.7	-0.2
29	Asda	Grocery	78.6	0.2
30	Sainsbury's	Grocery	78.5	0.1

Top 10

Consumer Proposition Champions 2019

LOW PRICES

Rank	Retailer	Shopper rating
1	Poundland	87.4
2	Primark	87.2
3	Card Factory	87.0
4	Aldi	86.3
5	Home Bargains	86.1
6	Poundstretcher	85.1
7	Lidl	85.0
8	B&M Bargains	82.7
9	AliExpress	81.4
10	Shoezone	81.1

Last Year's Winner: *Card Factory*

TRUST

Rank	Retailer	Shopper rating
1	Boots	81.4
2	Argos	81.4
3	M&S Simply Food	81.3
4	Pets at Home	81.3
5	IKEA	81.1
6	John Lewis	80.9
7	Card Factory	80.8
8	Superdrug	80.7
9	Lloyds Pharmacy	80.6
10	Sainsbury's	80.5

Last Year's Winner: *John Lewis*

CONVENIENCE

Rank	Retailer	Shopper rating
1	Amazon	88.3
2	Moonpig	86.7
3	eBay	84.9
4	Home Bargains	82.7
5	funkypigeon.com	82.2
6	Card Factory	82.0
7	Iceland	81.5
8	Tesco	81.4
9	Co-op	81.2
10	Screwfix.com	80.7

Last Year's Winner: *Amazon*

VALUE FOR MONEY

Rank	Retailer	Shopper rating
1	Card Factory	86.8
2	Home Bargains	86.6
3	Aldi	86.0
4	Lidl	85.8
5	Primark	84.4
6	Poundland	83.8
7	Poundstretcher	83.1
8	B&M Bargains	83.0
9	Iceland	82.5
10	IKEA	81.7

Last Year's Winner: *Card Factory*

SERVICE

Rank	Retailer	Shopper rating
1	Lush	81.8
2	Waterstones	80.5
3	M&S Simply Food	80.2
4	Waitrose	79.8
5	Lakeland	79.8
6	John Lewis	79.5
7	Screwfix.com	78.4
8	Pets at Home	78.4
9	M&S	78.4
10	The Body Shop	78.3

Last Year's Winner: *Lush*

PRODUCT QUALITY

Rank	Retailer	Shopper rating
1	Lush	86.6
2	M&S Simply Food	86.5
3	Waterstones	85.9
4	Lakeland	85.9
5	Waitrose	85.1
6	John Lewis	85.0
7	Clarks	82.9
8	Smyths Toy Superstore	82.8
9	The Body Shop	82.6
10	Paperchase	82.6

Last Year's Winner: *Card Factory*

STORE/WEBSITE LOOK & FEEL

Rank	Retailer	Shopper rating
1	Etsy.com	87.8
2	Lush	86.8
3	Waterstones	86.7
4	Space NK	85.4
5	John Lewis	83.3
6	Paperchase	83.2
7	Jacamo	83.0
8	Burberry	82.8
9	The White Company	82.8
10	Ralph Lauren	82.6

Last Year's Winner: *Waterstones*

WIDE CHOICE OF PRODUCTS

Rank	Retailer	Shopper rating
1	Amazon	90.0
2	Etsy.com	87.2
3	eBay	86.9
4	IKEA	85.3
5	Smyths Toy Superstore	85.2
6	Waterstones	85.0
7	Argos	83.1
8	Lush	83.1
9	Primark	82.9
10	ASOS	82.8

Last Year's Winner: *Amazon*

FASHIONABILITY

Rank	Retailer	Shopper rating
1	Boohoo.com	81.5
2	ASOS	81.5
3	River Island	81.4
4	Zara	81.3
5	Hugo Boss	80.8
6	Schuh	80.4
7	Lookfantastic	79.3
8	Ralph Lauren	79.0
9	Lush	78.9
10	Next	78.7

Last Year's Winner: *ASOS*

Shopper rating indexed 0-100. Based on shoppers visiting or purchasing from that retailer in the last 3 months.

UK RETAILERS INCLUDED IN THE OC&C RETAIL PROPOSITION INDEX 2019

3	Edinburgh Woollen Mill
Accessorize	EE
Aldi	Ernest Jones
AliExpress	Etsy.com
All Saints	Evans
Amazon	Farm Foods
AO.com	Fat face
Apple	Feelunique
Argos	French Connection
Asda	funkypigeon.com
ASOS	Furniture Village
B&M Bargains	Game
B&Q	Gant
Barbour	Gap
Blacks	Go Outdoors
Boden	Goldsmiths
The Body Shop	Greggs
Boohoo.com	H&M
Boots	H. Samuel
Boots Opticians	Halfords
Brantano	Harrods
Burberry	Healthspan
Card Factory	HMV
Carpetright	Hobbs
Carphone Warehouse	Hobbycraft
Cath Kidston	Holland & Barrett
ChainReactionCycles.com (CRC)	Home Bargains
Charles Tyrwhitt	Hotter Shoes
Claire's Accessories	House of Fraser
Clarks	Hugo Boss
Clinton Cards	Iceland
Coast	IKEA
Co-op	Jack Wills
Cotswold Outdoors	JD Sports
Currys PC World	Jigsaw
Debenhams	John Lewis
DFS	Jones the Bootmaker
Dorothy Perkins	Karen Millen
Dreams	Kurt Geiger
Dunelm Mill	Lakeland
eBay	Lidl

UK RETAILERS INCLUDED IN THE OC&C RETAIL PROPOSITION INDEX 2019

Littlewoods / ShopDirect	Ralph Lauren
LK Bennet	Reiss
Lloyds Pharmacy	River Island
Lookfantastic	Robert Dyas
Lush	Ryman
M&M Direct	Sainsbury's
M&S	Schuh
M&S Simply Food	Screwfix.com
made.com	Selfridges
Magnet	Shoezone
Majestic Wine	Snow & Rock
Mango	Space NK
Maplin	Specsavers
Matalan	Sports Direct
Monsoon	Superdrug
Moonpig	Superdry
Morrison	Ted Baker
Moss Bros	Tesco
Mothercare	The Range
Mountain Warehouse	The White Company
Mulberry	TK Maxx
MyProtein	TM Lewin
Net-a-porter	Topshop
New Look	Uniqlo
Next	Very
Not On The High Street	Vision Express
O2	Waitrose
Oasis	Warehouse
Ocado	Waterstones
Office	WH Smith
Oliver Bonas	Whistles
Original Factory Shop	White Stuff
Paperchase	Wickes
Peacocks	Wiggle.co.uk
Pets at Home	Wilko
Phase Eight	Wyevale
Photobox	Zalando
Poundland	Zara
Poundstretcher	
Poundworld	
Primark	

For a full list of the 650+ international retailers included in this year's Index, please get in touch.

The OC&C Retail Proposition Index is a major piece of international consumer research measuring shopper attitudes and perceptions towards the world's leading retailers. 50,000 consumers globally are asked to rate the retailers they have shopped on the strength of their overall proposition, and then to score the key elements of that proposition (Price, Range, Service, etc). These results are then used to compile a ranking of over 650 retailers from across the globe.

Since the Retail Proposition Index was first launched in 2010, we have interviewed 290,000 consumers and analysed 27m ratings. Now in its 10th year, the index is a powerful tool to understand how shopper opinions and priorities have changed over time, and to identify the key long-run trends driving shifts in the retail landscape.

Want to find out how consumers rate your retailer?

Or understand what best practice retailers are doing to deliver winning ratings?

We'd be delighted to share more.

Contact

Matt Coode
matt.coode@occstrategy.com

Matt Wills
matt.wills@occstrategy.com

Emily Andrews
emily.andrews@occstrategy.com

OFFICES

Belo Horizonte
Boston
Hong Kong
Istanbul
London
Milan
Munich
New York
Paris
São Paulo
Shanghai
Warsaw

www.occstrategy.com

Key contacts

Matt Coode, Partner
matt.coode@occstrategy.com

Matt Wills, Associate Partner
matt.wills@occstrategy.com

Emily Andrews, Manager
emily.andrews@occstrategy.com

OC&C Strategy consultants