The High Street is Dead – Long Live the High Street

A WBR Insights & Valitor White Paper - Nordic Edition
Methodology

In Q1 of 2019, WBR Insights surveyed 60 senior executives at major Nordic retailers on behalf of Valitor. The research prioritised large multichannel retailers from a wide variety of verticals, including: Fashion, Footwear, Food, Grocery, DIY, Gardening, Health, Beauty, Homeware, Electrical, Furniture and Flooring.

What kind of retail organisation do you work for?

17% Fashion & Footwear
15% Food & Grocery
13% DIY & Gardening
13% Health & Beauty
15% Electrical
13% Homeware
13% Furniture & Flooring

Respondents to the survey were Directors, Managers and Heads of Operations, Digital, Retail, eCommerce and Omnichannel, and those of an equal standing, and will be referred to throughout the report using the shorthand Heads of Commerce.

The survey was conducted by appointment over the telephone. The results were compiled and anonymised by WBR Insights and are presented here with analysis and commentary by WBR Insights and Valitor.
How can retailers avoid getting dragged into the price war with eCommerce?

**Angus:** Retailers need to take a step back and really think about where their value lies. The reduction in the price of goods effectively makes consumers believe that they can always get something at a reduced price. It means that retailers have increasingly polarised peaks and troughs in their sales because people simply wait for the sale to happen. They're browsing goods at a full price never really believing that the full price is the value of the product. It ultimately leads to not only a reduction in revenue, but also to a complete devaluation of the brand overall.

**Halldór:** If you're not competing on price, you need to provide the consumers with something different. This is a key concern among retailers. The best way to differentiate your brand is to really put the consumer at the center of their experience. If you have the right data available, you’re well placed to fully understand the consumer so that you can create tailored marketing.

What will be the defining factors of the brands that survive the next 10 years?

**Angus:** Ultimately it’s going to come down to understanding the consumer and building a really tangible dialogue with them. There isn’t one perfect journey for every consumer. Retailers need to really understand who their target market is in order to learn how they interact with the brand and what they want to get from it.

**Halldór:** Mastering the consumer experience is going to be key. Retailers need to master all aspects of the consumer experience. The experience leading up to a payment, the payment itself, and then the after payment experience. The brands that are going to survive will be the ones who focus on a single holistic customer journey, rather than three distinct journeys that need to be glued together.
interacting. It shouldn’t matter where they’re returning items, or reporting a complaint.

The consumer should be at the center of their world so that the retailer can make sure they understand their behaviours and are able to interact with them regardless of where they were.

How do you think that retailers should respond to the lack of governmental support?

Angus: I think that’s a really tough one. Ultimately, local governments have costs to pay and most of them have huge debts. Although the governments across Europe could assist by helping retailers in terms of varying rates, I think they can easily become a scapegoat.

The real issue is that many retailers haven’t adapted quickly enough to the day-to-day technology which has completely changed the behaviour of the consumer: how the consumer engages with the brand, how the consumer shops, what the consumer buys, how they buy it, and what the consumer pays with.

Do you think tech when considered independently, is a red herring when creating true omnichannel experiences?

Halldór: Tech is not a silver bullet in itself. It is a necessary component in an omnichannel strategy, but you cannot start your strategy by looking at tech assets. You need to think about what the brand stands for, what customer experience you want to offer, and then you need to find a solution which can meet those criteria.

Angus: I think there is a huge proliferation of technology providers into retail at various different levels, whether that be the best SEO online, apps within apps, face ID scanning for verification. There is an enormous amount of technology out there.

There is the danger for a retailer to start partnering with a number of these suppliers, thinking that will be the answer to all their problems when really it’s not. It’s understanding their consumer and the journey that they need to create in order to be successful. A disparate tech strategy can get in the way of that, not least, because they all require huge amounts of development if it’s from multiple different organisations. We see in the payment space alone that we are able to dramatically reduce the number of technology pipes that a retailer has in their business for payment acceptance across Europe.

We’ve had a number of pieces of independent research carried out whereby we have interviewed both retailers themselves and consumers. The number of retailers that believe they are on top of their game is quite incredible when actually you drill down into what they have in place, and find out it’s nothing like what they need, or indeed think they have. Retailers say they know what they need, but when they actually find out that they don’t have it, it comes down to cost and risk. That’s what they’re not really prepared to do, they’re not prepared to take a risk based on what they feel the consumer wants. I’ve come across a lot of retailers who say they want to be unique, but nobody wants to lead the charge.
Key Findings

58% agree that the traditional high street is dead.

75% of Heads of Commerce believe that the high street is falling short because it can’t compete with online prices.

However, when we asked what the most successful retailers will have done to survive the next 10 years, answers were focused on customer experience. Price was low priority.

92% of Heads of Commerce surveyed agree that massive sales events such as Black Friday have devalued products in the minds of consumers to the extent that they’re less likely to shop during non-discounted periods.

69% of respondents reported that customers want stores to act as distribution hubs for online (37%) or showrooms for online products (32%).
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Introduction: The State of the High Street

Hundreds of brick and mortar stores across the Nordics have been throwing down their shutters for good, altering the landscape of the high street drastically. Even massive brands we once thought unshakable aren’t immune to the blight.

While online shopping continues to boom with the promise of convenience, low cost and a personalised shopping journey, the humble high-street shop must create and refine a new strategy to remain relevant. Among the Heads of Commerce we surveyed, the consensus confirms it: 58% agree that the traditional high street is dead.

Although it’s tempting to catastrophise and point fingers, a crisis like this calls for a level-headed investigation. This research aims to trace the steps that lead to these mass closures, while exploring how the surviving retailers can go back to basics with their strategy in order to pinpoint and exploit the true value of their in-store experience.

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Do you believe the traditional high street is dead?

58% YES

42% NO
Part One: What Killed Customer Experience?
Competition Online

Our research discovered that the high street collapse is generally perceived as a consequence of eCommerce poaching customers by undercutting physical retailers on price. In fact, 75% of Heads of Commerce agreed that the high street was falling short because it couldn’t compete with online prices, making it the most widely agreed upon weakness of the high street.

In terms of what has done the most harm to the high street, respondents reported that increases to centralised retailer costs, increases to taxes, and restrictions from the local government have played a large part in the collapse of the high street. The trading landscape has presented retailers with a plethora of new challenges to overcome, and the lack of governmental support means that retailers must rely on themselves to pinpoint and emphasise the value of bricks and mortar in order to survive.

Despite retailers reporting that the price war with online retailers had caused dwindling footfall, when we asked what the most successful retailers will have done to survive the next 10 years, answers were focused on creating an experience. At the top of the list was competing with online retailers on service and customer experience, closely followed by the creation of a brand complementary experience. In fact, price was a lower priority. Clearly there’s a dissonance here between how retailers see their value, and how they exploit it.

While the majority of retailers are distracted with the price war and the battle between in-store and online, the strongest players are making their way to the top by exploiting the differences between the two. By creating a destination as part of their omnichannel strategy, brands can leverage their real-estate as space within their communities for customers to have a true connection with the brand.

Which of the following factors has hurt high streets in the Nordics the most?

- Increases to centralised retailer costs: 27%
- Competition from online retailers: 18%
- Prohibitive rules and/or taxes from local governments: 22%
- Short-term promotional and retail strategies on the part of businesses: 13%
- Lack of investment into the local economy/infrastructure by local governments: 12%
- The poor performance of the economy overall: 5%
- Lack of affordable/free parking: 3%
To what extent do you agree with the following statement?

The high street has failed to compete with online retail because it cannot sell goods cheaply enough.

- Agree: 45%
- Somewhat agree: 30%
- Neither agree nor disagree: 15%
- Somewhat disagree: 5%
- Disagree: 5%

To what extent do you agree with the following statements?

In 10 years’ time the successful high street retailers will be the ones who...

- Agree: Have found a way to compete directly with pure-play eCommerce retailers on price.
  - 90%
- Agree: Have removed in-store staff and automated the entire shopping journey.
  - 88%
- Agree: Have complemented their in-store experience with as much technology as possible (VR, AR etc.).
  - 85%
- Agree: Have created a brand complementary experience which ensures the customer enjoys their time in the store.
  - 81%
- Agree: Have found a way to compete directly with pure-play eCommerce retailers on experience and service.
  - 80%
- Neither agree nor disagree: Have found a way to compete directly with pure-play eCommerce retailers on experience and service.
  - 8%
- Neither agree nor disagree: Have removed in-store staff and automated the entire shopping journey.
  - 7%
- Neither agree nor disagree: Have complemented their in-store experience with as much technology as possible (VR, AR etc.).
  - 5%
- Neither agree nor disagree: Have created a brand complementary experience which ensures the customer enjoys their time in the store.
  - 3%
- Neither agree nor disagree: Have found a way to compete directly with pure-play eCommerce retailers on price.
  - 2%
- Disagree: Have found a way to compete directly with pure-play eCommerce retailers on experience and service.
  - 2%
- Disagree: Have removed in-store staff and automated the entire shopping journey.
  - 7%
- Disagree: Have complemented their in-store experience with as much technology as possible (VR, AR etc.).
  - 5%
- Disagree: Have created a brand complementary experience which ensures the customer enjoys their time in the store.
  - 3%
- Disagree: Have found a way to compete directly with pure-play eCommerce retailers on price.
  - 2%
The term omnichannel is often misunderstood. Customers demand to have multi-sensory, multi-channel shopping experiences wherever they are, whatever they’re doing. By integrating the various channels that shoppers move between, retailers can make sure customers get what they want as soon as they make the decision to invest in the brand. At its core, an omnichannel strategy should be about supporting your customer at every step of the customer journey, regardless of which channels they move between.

A truly omnichannel solution will reflect on the death of the traditional high street and recognise that this is part of a necessary evolution. The purpose of the high street is shifting, and it’s time to rethink traditional bricks and mortar to make it part of a wider omnichannel customer experience.

Respondents reported that customers want stores to act as distribution hubs for online (37%) or showrooms for online products (32%). While some retailers perceive this shift as a threat to bricks and mortar, the new dynamic poses an opportunity to seamlessly integrate channels – an opportunity to focus on customer experience as respondents noted the most successful retailers in the next 10 years will have done, and to tie physical retail into a broader omnichannel strategy.

In your opinion, what is the significance of having a high street retail presence for companies today?

- It’s a distribution hub for online purchases (Click & Collect) - 37%
- It’s a showroom for online products - 31%
- It’s an experience-led brand differentiator - 17%
- It’s simply a vehicle for in-person transactions - 15%
Do you think that local governments should be doing more to reinvigorate their local high streets?

84% YES 16% NO
What killed customer experience?

- Temptation to engage in the price war with eCommerce has been a key factor in the collapse of the high street.

- Customer demand is shifting, and we need to rethink the purpose of bricks and mortar. Retailers report that customers want stores to act as distribution hubs for online (37%) or showrooms for online products (32%).

- 75% of Heads of Commerce agreed that the high street was falling short because it couldn’t compete with online prices, however, when we asked what the most successful retailers will have done to survive the next 10 years, answers were focused on creating an experience.
Part Two: Recognising the Value of Bricks and Mortar
An Obsession with Price

Online stores continue to entice customers with low prices, and brick and mortar shops feel they can’t keep up. Many of the retailers we’ve seen go out of business have bowed under this pressure to engage in the price war, hosting year-round sales to encourage footfall. In fact, 92% of Heads of Commerce surveyed agree that massive sales events such as Black Friday have devalued products in the minds of consumers to the extent that they’re less likely to shop during non-discounted periods.

As our research has revealed, the most successful retailers to survive the next 10 years will be those who focus on customer experience. The short-term price-slashing tactics which we’ve seen failing the high street before are a dead-end. In trying to compete with online in this price war, retailers end up slashing overheads and emaciating their customer experience. Remarkably, and despite this, only 13% of respondents said that short-term price reduction tactics have done the most harm to the high street.

To what extent do you agree with the following statement?

Special sales events such as Black Friday have devalued products in the minds of consumers to the extent that it has made them less likely to want to shop during non-discounted periods.

- Agree
- Neither agree nor disagree
- Somewhat disagree
- Disagree

92%
Leveraging Difference

Our research revealed that the greatest hidden strengths of the high street are rooted in utilising the physical space to create an experience which integrates with and adds to an omnichannel journey. When a customer journey moves into a bricks and mortar store, the ways in which the physical space interacts with the digital aspects of the customer journey can be a key differentiator. These moments of channel integration are the building blocks of an omnichannel experience. In total, 56% of respondents feel the strengths of the high street are connected to creating an experience which is symbiotic to the omnichannel journey.

The potential to create a tech driven experience came out on top, with 20% of respondents selecting this as physical retail’s key strength. Respondents also reported that the human centered design of a store (18%) and the potential for a multisensory experience (18%) were at the top of their list.

By putting the customer at the center of their experience and creating multiple, integrated touchpoints, retailers can find an omnichannel strategy which reaches the expectations of their consumers.

However, very few retailers are actually utilising omnichannel at the moment. For the most part, retailers are still dealing with silos across a multichannel strategy, but when it comes to integrating these seamlessly into the customer experience, there’s still a lot of untapped potential. It shouldn’t be a case of eCommerce versus the high street – retailers need to break down the silo and create one holistic system which works as a symbiotic relationship.

Having an omnichannel strategy means leveraging the strengths of a range of channels in order to help your brand meet customers’ expectations whenever and wherever they want. While many are distracted by flashy tech, it’s possible that they have neglected the fundamental integrated technology to support an omnichannel experience.

It follows that the regeneration of the high street calls for a simplification, in which retailers focus on the differentiating strengths of their physical stores and working these into the wider omnichannel strategy. While marketing technologies have advanced massively, online personalisation can only go so far. When it comes to creating a real connection between consumers and brands, bricks and mortar provide a fresh opportunity for a customer experience which truly conveys the brand beyond what online can offer.

What is the greatest hidden strength of high street retail?

- **20%** Technology assisted sales (VR, AR etc.)
- **20%** The ease of the returns process
- **18%** The human-centred design of stores
- **18%** The potential for an experience-led multisensory experience
- **15%** Ease of payments
- **8%** The quality of the in-person support
Survival of the Fittest

Which of the following retail strategies have been priorities in recent years to drive in-store sales?

To find out more about the next steps successful retailers have been taking, we asked respondents to rank the retail strategies they use to drive in-store sales in order of priority. The clear priorities for Heads of Commerce were email (a fundamental staple of any retail strategy), and the in-store experience. Each of these channels has evolved substantively to meet the modern consumers’ expectations of personalised interactions at every touchpoint.

Previously our research revealed that customer experience would be the major focus of brands who will survive the next 10 years, and here we can see the drive for an integrated omnichannel strategy continues. The Nordics are notorious for pushing the boundaries of the retail journey, and in terms of prioritising the in-store experience, the Nordics came out on top in comparison to the rest of Europe who ranked innovating in-store experiences much further down, averaging as the fifth most important retail strategy for driving in-store sales.

Have these strategies been effective in differentiating the high street shopping experience and maintaining revenue against eCommerce?

Despite the high street’s lacklustre response to customer demand, 88% say their retail strategies have been effective in differentiating the high street shopping experience and maintaining revenue against eCommerce. However, this doesn’t ring true with the countless headlines of retailers closing stores, or indeed our own research in which the same respondents reported the collapse of the high street. Physical retail has reached a tipping point, and until retailers realise that they must either evolve or be left behind, the problem cannot be properly addressed.

While this culture of innovation is certainly a healthy sign for the Nordics, the fears around the price war and misconception of technology as a silver bullet rings true. Our Nordic respondents may understand better what their priorities should be, and to some extent where the value of the high street lies, but there remains a struggle to reconcile this with the short term price tactics which eCommerce has set out.
Recognising the Value of Bricks and Mortar

- 92% agree that the way we shop has changed due to short-term sales tactics spurred on by eCommerce. Retailers must focus on the potential for bricks and mortar as part of a wider omnichannel strategy.

- Instead of competing with eCommerce on price, recognise the differing strengths of channels and leverage these to create a fully integrated, brand complimentary experience which puts the customer at the centre.

- Brands who survive the next ten years will be focusing on customer experience.

- While many are distracted by flashy tech, it’s possible that they have neglected the fundamental integrated technology to support an omnichannel experience.

- The mentality of “in-store versus online” rather than a truly integrated and symbiotic omnichannel structure is ruining retail in the face of ever increasing customer demands.
Part Three:
Long Live the High Street
Taking the Customer Experience Back to Basics

Having examined where the true value of bricks and mortar stores lies, the next steps for retailers who have found their real estate in peril are clearer. Instead of competing with online in every facet including price, retailers should be focusing on the strengths of physical retail, and how these tie into the omnichannel experience their customers are demanding. One way in which savvy retailers are leveraging their bricks and mortar sites is by following up their sales with diligent customer care.

While our respondents reported that in-store service has also been shifting towards much more human-centric customer service centres where people can conveniently and easily access physical aftercare services and fulfilment options.

As customer expectations continue to grow in complexity, retailers need to make sure they have a good grasp on the demands being made. This tipping point is an opportunity to carefully consider which elements of the customer journey will trigger the desire to engage with a brand. By pinpointing these as a competitive advantage, brands will be able to deliver a more personalised, convenient and better serving experience. Physical stores should work symbiotically with a brand’s eCommerce strategy to meet high customer expectations by conveniently situating pre-sale and post-sale experience centres to serve known and addressable local and regional communities.

How well do you, as a retailer, currently do at providing a top quality after-sale experience to your customers?

Quality of after-sale care in-store.
- Very high quality
- High quality
- Somewhat high quality
- Neither low or high quality
- Somewhat low quality

Quality of after-sale care online.
- Very high quality
- High quality
- Somewhat high quality
- Neither low or high quality
- Somewhat low quality
Which of the following elements of the after-sales customer experience is the biggest area you need to improve on?

- Personalisation: 3.47
- Complaints: 3.45
- Customer service: 2.80
- Email marketing: 2.78
- Returns: 2.50

Respondents were asked to rank options from one to five, five being the area which needs the most improvement.
Conclusion: Not all That Glitters is Gold

Retail and marketing technology is inherent to an omnichannel strategy. However, if the technology strategy isn’t based on a fundamental drive to create a customer experience which connects people to the brand and really foster loyalty, then retailers are essentially spending money on an expensive band aid.

While 27% of respondents believe shops have been shutting because they fail to inspire loyalty in their customer base, 18% say this happened because customers only care about price. It’s likely that the assumption that consumers only care about price is not only a self-perpetuating cycle, but also the root of 27% reporting a failure to inspire loyalty.

As our research has established, the real strengths of the future high street lie with the experience afforded by the physical space – with the parts of the omnichannel experience you can’t get online.

However, 40% of respondents said that when they hear of a brand going out of business, their first thought is that the brand wasn’t investing enough in technology.

Certainly, technology can help to augment and enrich an experience – but ultimately it’s not what gets a customer off the sofa and onto the high street, and it’s not where loyalty is built. A strong omnichannel strategy is about more than throwing money at cutting edge tech vendors. It’s about taking the time to understand your customers’ needs, and build an experience from the foundations up which is best suited to them.

Omnichannel depends upon interconnected foundations, and the most important technologies for retailers who are pursuing omnichannel are those that allow information to be layered into intelligence both in-store and online. Retail technology is an expensive gimmick in an ecosystem where you do not have a truly omnichannel approach to payments, marketing and fulfilment.

You hear about another big name high street retailer going out of business, which of the following most closely matches your thoughts as to why?

- This happened because businesses aren’t investing enough in technology
- This happened because businesses failed to inspire loyalty in their customer base
- This happened because customers only care about price
- This happened because businesses failed to understand their customers’ evolving expectations
Long Live the High Street

- A common pitfall for retailers is investing in tech for tech’s sake. An omnichannel solution doesn’t start with tech. It starts with determining what your customers want across all channels and then providing tech internally and externally to deliver against expectations.

- It’s likely that the assumption that consumers only care about price is not only a self-perpetuating cycle, but also the root of 27% reporting a failure to inspire loyalty.

- Physical stores should work symbiotically with a brand’s eCommerce strategy to meet high customer expectations.

- The most future-proof strategies will be ones which focus on retaining customers and driving loyalty rather than providing short-sighted tactical experiences, pricing and promises, that only cater for the first-time buyer.
Appendix

To what extent do you agree with the following statements?

The high street has failed because...

- 40% Agree
- 30% Somewhat agree
- 15% Neither agree nor disagree
- 5% Somewhat disagree
- 5% Disagree

- The high street has failed to compete with online retail because it cannot sell goods cheaply enough.
- It cannot compete with the simplicity and convenience of shopping online.
- It is unpleasant to go to.
- It has not been able to sufficiently establish its own unique identity as a destination.

To what extent do you agree with the following statements?

In 10 years’ time the successful high street retailers will be the ones who...

- 90% Strongly agree
- 88% Neither agree nor disagree
- 7% Somewhat disagree

- Have found a way to compete directly with pure-play eCommerce retailers on experience and service.
- Have complemented their in-store experience with as much technology as possible (VR, AR etc.).
- Have created a brand complementary experience which ensures the customer enjoys their time in the store.
- Have found a way to compete directly with pure-play eCommerce retailers on price.
- Have removed in-store staff and automated the entire shopping journey.
Appendix

In terms of developing loyalty, how important do you think it will be in future to maintain a physical presence on the high street?

From the perspective of your company.
- Not at all important
- Somewhat important
- Important
- Very important

From the perspective of your customers.
- Somewhat important
- Important
- Very important
About

**VALITOR**

At Valitor, we take care of our customers’ payments, which means they can focus on buying and selling. Valitor is guided by three principles: we think differently and solve your problems simply; we always put our customers first, and we build our own solutions, so you know they will work perfectly.

We remove complexity from payments, using our own technology, solutions and regulated services to help merchants stay focused on their business.

We are an international payment solutions company and one of the few who offer end-to-end solutions with payment acceptance, issuing, omnichannel gateway and point of sale services. Founded in 1983 and headquartered in Iceland, we operate across 22 European countries with a strong presence in the UK, Ireland, Nordics and pan-European retail.

We provide a single connection to receive payments across e-commerce, in-store and mobile. Our omnichannel payment solution simplifies payments processing and helps merchants expand internationally, consolidate service providers, add or merge sales channels, and implement true omnichannel experiences.

That’s the Valitor Difference.

Please visit [www.valitor.com](http://www.valitor.com) to find out more.

About

**WBR Insights**

At WBR Insights we conduct professional, executive research in key industry verticals. We use this research to create content-powered marketing campaigns designed to kick-start dialogue, share insights, and deliver results.

From whitepapers focused on your priorities, to benchmarking reports, infographics and webinars, we can help you to inform and educate your readers and reach your marketing goals at the same time.

Contact us to find out how your business could benefit from:

- Year-round access to our network of decision-makers and industry leaders
- Lead generation campaigns that fit your priorities
- In-depth research on current fast-moving issues and future trends
- Promoting your organisation as an authority in your industry.