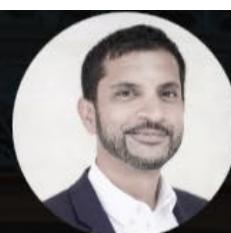


World Retail Congress Annual Report

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**WORLD RETAIL
CONGRESS**

THE ACCELERATION OF UNCERTAINTY



SELVANE MOHANDAS
MANAGING DIRECTOR
INTERNATIONAL ASSOCIATION OF
DEPARTMENT STORES

For the past two years, retailers, including department stores, have learnt the hard and almost Clausewitzian way that business, just like war, is now the “realm of uncertainty” to paraphrase the military theorist. To be fair, only nostalgia would suggest that before 2020, business was a long, quiet river, as challenges have always been part of the job, but the acceleration of chain reaction crises has transformed business as usual into permanent heavy weather management. After all, we are talking about no less than an unprecedented pandemic which gave way to social and political unrest, leading to a war, an energy crisis and the rise of inflation, completed by environmental catastrophes and a supply chain crunch. No wonder retail leaders, as resilient as they may be, are trying to guess what is in store for 2023. At IADS, we see three top priorities for the year to come.

The first one is of course to be able to deal, this year again, with extreme uncertainty. Even though it is essential, it is really hard to plan the budget for the year to come, as many of the parameters still remain unclear. While it is clear that inflation is going to hit many countries, its amplitude remains to be seen, as it will impact relationships with brands eager to preserve their margins through retail price hikes, leading to consequences at the customer level and ultimately the retailers’ bottom line. This is all recurring in a context where profitability remains a priority to be able to invest in store experiences, online and supply chain capabilities, and system upgrades. In addition, as seen already in some markets, some weaker competitors might make decisions which could worsen market conditions, such as increasing salespersons’ pay to retain them, or offloading excess inventory. But while “plans are worthless, planning is everything” and being able to react fast to changing conditions is key, the right human organisation is required, which has a cost.

The second priority that we see are the ongoing environmental and social concerns. As we document it in our latest White Paper about sustainability and department stores (to be released in January 2023), addressing such concerns is all about being able to deal with a variety of stakeholders with different views and expectations (including retailers’ own teams), in a context of evolving but uncoordinated international regulation. The most pressing issue is that while we already know that there will not be a one size-fits-all answer, there is also no clear solution already identified, as sustainability is “a framework rather than a destination”. And as shown already by some initiatives such as the 2030 Breakthrough, department stores will be increasingly cooperating between themselves to learn and make progress together.

Finally, such changes, dubbed “The Triple Transition” by McKinsey (systems, sustainability and people transitions), come at a hefty cost in a context of shrinking margins. Retail leaders are pushed to review their business model to create new sources of revenue. This involves thinking out of the box and allows them to generate new initiatives, such as the Tailored Insight retail media program launched by Galeries Lafayette (a first in Europe), new partnerships with brands allowing them to propose infinite shelving to instore customers, new financial accords, or even bringing in a new typology of partners, as shown by Manor with Sephora or El Corte Inglés having the first Michelin-starred chef to ever team up with a department store.

All in all, 2023 will be, no doubt, another “extraordinary” year for department stores, which will continue their transformative journey due, or thanks to, renewed uncertainty, as well as the need to find the key to sustainability, and finance it through new models. If needed, this is proof that collaboration groups and think-tanks, such as the World Retail Congress and the IADS, are more useful and relevant than ever to help retailers cooperate and learn from each other.

The International Association of Department Stores is an Association partner of the World Retail Congress.