



Data.  
Analysis.  
Insight.

Data  
Week  
2020



UK retail, **data strategy** and  
actionable insight  
to optimise  
**customer experience**



0203 696 0980



[enquiries@imrg.org](mailto:enquiries@imrg.org)



IMRG, 16 Neal's Yard  
London, WC2H 9DP

# Foreword

It's almost trite to say at this point, but as we all know **2020 has been an extremely challenging year.**

As we move forward into 2021, we must learn from these challenges and leverage them to create opportunity.

In order to make the best of this strange new world, business owners, thought leadership, and stakeholders will need to focus on **building data-driven strategy** to not only overcome the trials of the pandemic, but build a clear, evidence-based roadmap to help navigate an uncertain marketplace toward future growth and development.

In an increasingly data-driven world, innovative and dedicated leadership will be required to cut through the noise and adapt to constantly shifting horizons. Ensuring that these changes are made in-line with careful analysis of trends will be essential in surpassing expectations and keeping ahead of the curve.

With all this in mind, **Avalara** was overjoyed at the prospect of sponsoring **IMRG's Data Week 2020**, which gives business owners and thought leaders the opportunity to assess the role that data and information can play in building their business gain and improving performance across the board.

As the year begins to draw to a close along with all its assorted upsets and challenges, we can also begin to see opportunities emerge for those who can weather the storm and adapt to the 'new normal'. As always, **Avalara** will be there right alongside the business community to provide cutting edge technological support and industry-defining expertise in managing sales tax and VAT automation needs.

**Jason Uwakaneme**, events marketing manager, **Avalara the global leader in sales tax and VAT automation**

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# Introduction

Three of the largest UK retailers made significant data plays in 2020 by appointing new directors either specifically to **manage data strategy or who have data management as a key part of their job spec.**

Tom Betts arrived from the Financial Times to take on the newly created group data director role at B&Q parent Kingfisher, while Currys-PC World owner Dixons Carphone appointed Mark Allsop as chief operating officer with responsibility for data. In September, Steve Pimblett became chief data officer (CDO) at The Very Group.

They aren't the first to create such data-specific leadership roles, or indeed the only organisation to do so this year. But the fact three sizable UK retail businesses have made these moves is evidence of the importance of data strategy in modern commerce.

Retailers are prioritising doing something productive and business beneficial with the swathes of data flowing into their organisations.

It was therefore apt for online retail trade association IMRG to run a full week of webinars dedicated to the subject of data, under the banner of Data Week, between 14-17 September.

The event comprised four days of webinars featuring senior representatives from retailers, including Hobbycraft, Andrew Martin, and Wilko, and those working for research bodies and solution providers. It also contained unique IMRG insights, revealing several data points the wider industry can use to help shape their strategies.

There were in-depth examples of how customer and business intelligence data analysed by retailers during the coronavirus pandemic has helped them forge new strategies and enabled them to get to grips with a highly unusual period of trading in 2020.

**Focusing on the retailers' insights, the following chapters capture the key talking points from the event, giving a greater insight into how 21st century businesses are running their operations.**

# Huddles and higher value at Hobbycraft

**Arts and craft products retailer Hobbycraft experienced significant online sales growth in 2020, as interest in at-home hobbies ramped up in the pandemic.**

The company publicly revealed, in August, that online like-for-like **sales rose by 200%** at one point during the coronavirus-enforced UK lockdown, with its digital classes via social media and teleconferencing platforms now reaching more than 15 million customers.

**And during Data Week, Jennifer North, head of digital experience**

at the retailer, offered some more granular insight into how the business performed and transformed.

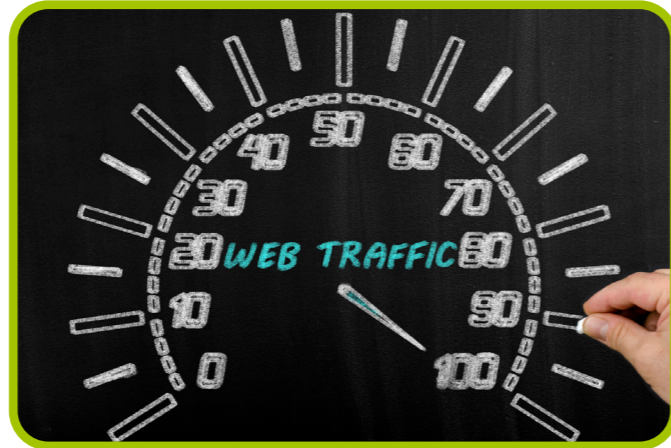
*“In March our eCommerce operations aged three years in three weeks and our feet haven’t touched the ground since,”* she explained,

adding that until March online sales comprised around 10% of overall sales, but they now account for double that.

In lockdown, as it closed shops in line with government guidance towards battling Covid-19, Hobbycraft – like many multichannel retailers – effectively became an online pure-play overnight. And the web data at the time made for fascinating reading.

**Organic traffic was up by just under 140% year on year**, with many new customers flocking to the website. And, as North said, it was very much a case of *“if you’ve got it, we’ll buy it from you”* because conversion was up by 95% and average order value (AOV) **ballooned by 20%**. Those metrics remain up year on year now stores are open.

*“We had a daily huddle and we focused on the operations end of the chain and stock – what is the backlog of orders what does volume look like, and are we going to be able to meet our delivery promise or are we going to extend it?”*, North explained, adding that customer feedback and NPS score became an increasingly important metric.



## New data and what to do with it

Instead of assuming online trading will return to pre-pandemic levels, Hobbycraft is planning for a permeant shift to more eCommerce. Although Hobbycraft CEO, Dominic Jordan has described stores as *“social centres for craft”* in their respective communities, a growth in digital interaction and transactions is still expected to take place online.

*“We are being bold and have set ourselves a new plan,”* said North, who explained online trading teams have been embedded in the central buying team, and the big focus is now on stock. She also said **attention has been paid to the CRM and how to segment customers.**

From a data perspective, she added: *“We’ve really built a lot of new reports, [and] conversion diagnostics.”*

*“We are doing things on the site with a new crafter and more audience in mind – first order incentives and helping new crafters get started and be relevant with category personalisation.”*

North commented: *“We have to think about the next six months and plan for the future.”*

*“Build behind that the right set of KPIs and reporting because it won’t be the same reports you used a year ago or for the last six months.”*

The data also shows Christmas and Halloween products have been searched for or purchased earlier than previous years, which Hobbycraft interprets as customers seeking *“something to look forward to and a distraction”*. **More than 120,000 sewing machines have been sold since lockdown**, she added, as customers showed a keenness for high value products alongside jigsaws, sewing kits, and other smaller items.

*“I think that is a transferable insight to other retailers to say ‘what is it in my proposition that would fill that need for customers?’. They are still willing to spend if you have the right thing.”*



# Home is where the growth is

**IMRG and Capgemini's Online Retail Sales Index shows UK retailers operating in the home, garden, and home & garden combined sectors are among the retail winners in 2020 so far.**

Year-on-year sales growth within those categories, respectively, was tracking at 47%, 132%, and 48% for the first seven months of 2020.



## Andrew Martin brings stores online

**Andrew Martin CEO, Mike Durbridge**, who is an experienced retail industry leader, having led marketing functions at Vodafone before becoming director of omnichannel at B&Q between 2013-17, has implemented several changes based on trading in 2020.

*"We're seeing customers will try us for the first time with something small [such as cushions], and they come back to us three and five weeks later to get a more expensive piece for the home because they're pleased with the quality,"* he said.

Visitor numbers to Andrew Martin showrooms are down, in line with the general slump in consumer traffic in London during the health crisis, but the business has pivoted to allow shop staff to undertake customer consultations virtually.

*"We adapted, using digital tech, to bring the store to the customer,"* Durbridge explained.

*"The sales performance of those remote conversations are the equivalent of those of a face-to-face consultations because the benefit is the customer is actually in their own home."*

The use of augmented reality to support consultations between staff and consumers is now also being considered, as a result.

Durbridge said *"there's no doubt"* the upturn in eCommerce since Covid-19 *"has accelerated the belief in customers using digital media"*.

*"The big question in my mind is what's the role of the store?"* the CEO added.

*"There is no doubt in my mind, the store has a role; the question is do I need as many stores, do I need stores in different locations? I don't know how quickly central London will recover in footfall – I certainly don't see if happening in the next four months."*

Should Andrew Martin relocate stores just outside London where those who used to commute into London every day are situated? Should the retailer set up a dark store which effectively operates as a warehouse and houses the consultants doing virtual sales calls? These are the questions on Durbridge's mind as 2021 approaches.

## Every day like Black Friday

**Wilko**, a general merchandise retailer selling many home and garden SKUs, has also benefited from this shift in category focus among consumers in 2020.

**Fabien Le Houezec, eCommerce & web analytics manager** at the retailer, says this does come with its challenges.



*"The level of orders now looks like the previous Black Friday week, so it's quite difficult to predict how Black Friday 2020 will be for us because Black Friday 2019 is now the new norm for us,"* he told Data Week's listeners.

Le Houezec said finding a suitable trading and user experience balance by getting *"the right product to the right customer at the right time using the right content"* inevitably comes with difficulties.

*"And it's even harder in the current context because if you look at the last six months, we've had so many new or first-time customers,"* he remarked.

He told the audience Wilko is looking to customise its pages to individual consumers, so returning shoppers are presented with appropriate material. The retailer is trying to build its online offer *"on data not assumptions"*.

# Data talking points

Data Week brought insights from multiple areas of the retail industry – we’ve picked out a few key talking points below, supported by graphs and charts for you to benchmark.

## Warehouse space waning

Kevin Mofid, head of logistics & industrial research at Savills, told the Data Week audience the rise in eCommerce in 2020 may create a logjam in availability for warehouse space.

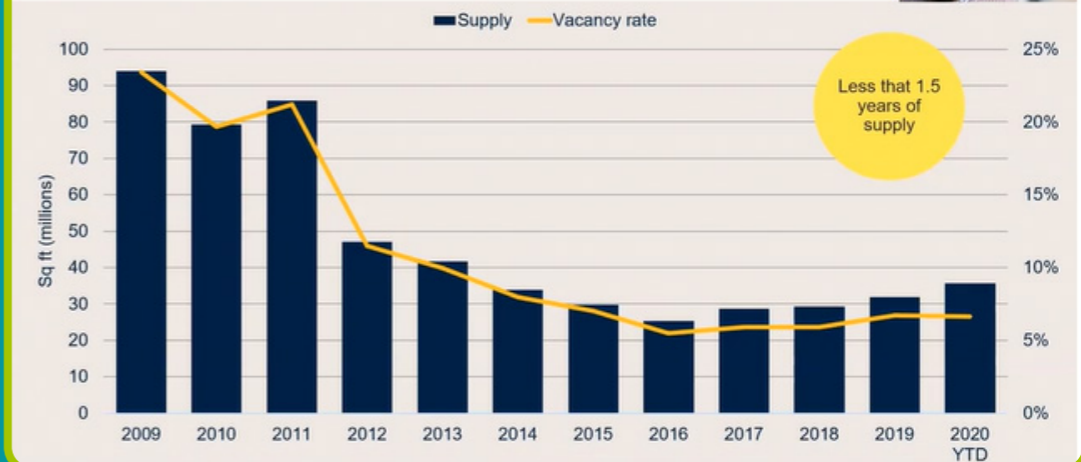
Citing Prologis research, he said the industry follows the standard assumption that for every €1 billion spent online, an additional 775k sq ft of warehouse space is needed. He predicted 2020 is going to be the biggest year for new warehouse space leases signed.

Whereas in 2009, warehouse vacancy rates sat at around 25% and landlords “were falling over themselves to give good deals”, there is now less than half a year’s supply. And general supply and demand economics means it could become more costly for retailers, Mofid warned.

“The demand for warehouse space is huge,” he said.

“Be aware, rents are rising, lease lengths are rising, and that could be a barrier to your growth as an online retailer because the warehouse and your real estate is key to servicing that growth.”

Nationwide supply has risen but vacancy is stable



## Black Friday expectations

Expectation is Black Friday will get bigger earlier than previous years, and there are more reasons supporting this prediction than not. IMRG is estimating a circa 30% increase in sales over Black Friday week 2020, compared to the same period in 2019.

## Email marketing success rates

IMRG research analysing email marketing performance at 35 retailers shows:

- Average email open rate = 23%
- Average click through rate once opened = 5%
- Average conversion rate once clicked = 2.6%
- Average customer engagement emails sent per retailer per week = 2

IMRG delved deeper into the data, looking at different types of email:

### Stirring the Black Friday cauldron

#### Big Black Friday

- More people shopping online
- Huge online demand
- Economic situation
- Late in month
- Further virus outbreaks
- Plenty of excess stock
- Desire for good Christmas
- Less willing to travel
- Delivery timeframe concerns



#### Subdued Black Friday

- Economic situation
- Prime Day in September

### Email Conversion Rate

	Abandoned Basket	New customer encouragement	Discount Alert	Regular messaging (full price/new products etc)
Open Rate:	41%	50%	23%	22%
Click Through Rate	16%	15%	8%	6%



## Customers want retailers to be greener

IMRG and research group Maru/Matchbox showcased research analysing consumers' sentiment towards retailers' efforts in improving their environmental credentials.

Large organisations have more of a responsibility than individuals to improve their environmental impact, according to the survey, with consumers suggesting the supermarkets were doing more than other retail sectors to improve.

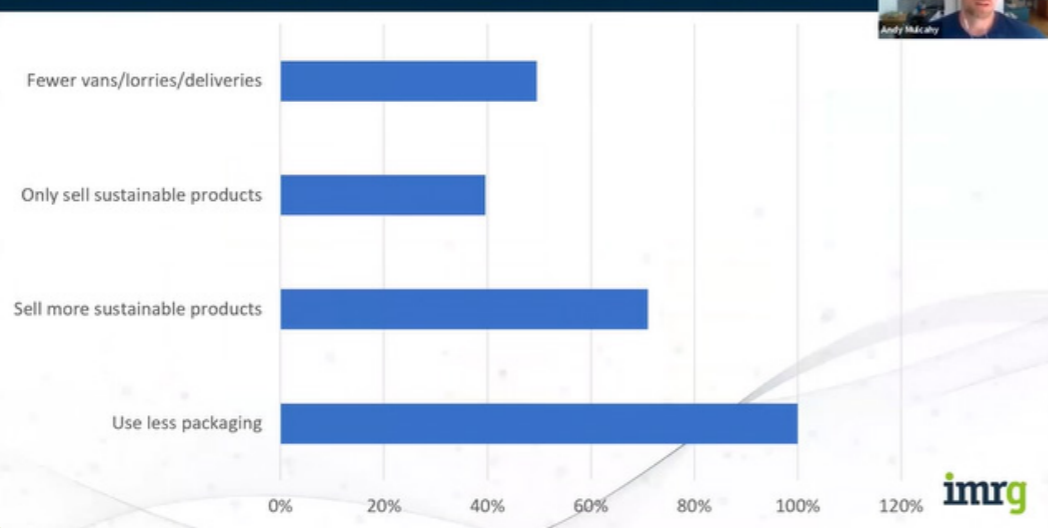
Air pollution, plastic pollution, deforestation, food waste, climate change/global warming are the most emotive issues among consumers, the study found, with 90% agreeing large organisations such as retailers have a responsibility to be greener.

Steve Brockway, chief research officer Maru/Matchbox: *"This is a clear message to brand owners if you do nothing then you risk being marginalised."*

*"If you're going to talk about plastic or deforestation, avoid using vague terms – what I would call greenwashing – be specific how you are reducing plastic, how you are making a difference otherwise you won't make that connection with people."*



### What should retailers focus on?



## Key takeaways

IMRG Data Week was a diverse event, looking at many different aspects of the retail industry. But there were some great insights that should provide useful advice for organisations whatever sector of the retail industry they reside in.

Here are some key quotes on data:

### Data for personalisation

Jennifer Tully, eCommerce manager at Sunuva, a kids swimwear retailer, said: *"We've done more work on how we speak to a customer based on their behaviour. We find a high repeat purchase rate after we have sent them things we've matched together."*

### Data-driven to the core

Sarah Edwards, a merchandise business consultant currently working as operations & commercial director at beachwear brand, Aspiga, said: *"Encourage your team to be data-driven rather than insight-driven – spend more time on that data."*

### Always think bigger picture

Irene Carolina Román Freire, a Fashion Management student at London College of Fashion, at the University of the Arts London, who is part of an IMRG research programme, analysed fashion websites throughout the pandemic lockdown in the UK.

She said: *"The most effective messages were those that talked to consumers on a more personal level. Those messages that recognised consumers' struggles or needs during lockdown."*

# Key takeaways Continued

## Analyse the data, make the plan

Jennifer North, head of digital experience at Hobbycraft, spoke about the importance of looking at the data during unusual trading times, and responding accordingly. Some SKUs were in huge demand during lockdown, and the retailer had to manage customer expectations in new ways.

NPS and customer feedback became more important data metrics for measuring performance, she explained.

“We looked at our whole stock position and worked out where we had stock, where we could do different bundles and deals. We could tap into long stock holding, [and] how to make that more visible, and communicate to customer [when we had the items in big demand].”

# Summary

IMRG thanks its partners for their support, and for their contribution to the success of the inaugural virtual Data Week.

# Other Contributors

**HEADLINE PARTNER**

*Avalara helps businesses of all sizes get tax compliance right. In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-based compliance solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types. Headquartered in Seattle, Avalara has offices across the U.S. and around the world in Canada, the U.K., Belgium, Brazil, and India. More information at [www.avalara.com](http://www.avalara.com).*

(0)1273 022499 
 [emeasales@avalara.com](mailto:emeasales@avalara.com)
[www.avalara.com](http://www.avalara.com)
 Avalara Europe Limited, 3rd Floor, Lanchester House, Trafalgar Place, BN1 4FU, UK

## Black Friday sales may topple tax thresholds in the EU and US



After a turbulent 2020, this year's annual Black Friday/Cyber Monday could well be the most competitive, and potentially lucrative one, yet.

With the decline of the high street, European online retailers have seen increased growth, with the shift to more mobile shopping, easy and convenient delivery, and payment innovations.

### Make the most of Black Friday – Don't be caught out by new US sales tax obligations.

As fourth-quarter sales will be larger than the preceding three quarters combined, large-scale EU sellers may be pushed over both the EU VAT Distance Selling and US remote seller tax thresholds.

For European ecommerce merchants selling into the United States, this jump in transactions means they could be triggering new sales tax obligations or "nexus". Given the number and complexity of sales tax jurisdictions in the US, it can be challenging for businesses to assess whether they are liable for sales tax and where.

### How much can my business sell before I go over tax thresholds in the EU and US?

Some US states operate on a \$100,000 sales limit or delivering over 200 products into the state, whichever comes first. It is important to remember that companies have to pay both federal tax, governed by the Internal Revenue Service (IRS), and state tax, which is governed by the state and ranges from 0% to 9.43%.

For companies exporting goods into the EU, HMRC says that UK VAT should be charged until "the value of your supplies in a calendar year exceeds the distance selling threshold in that country."

Additionally, if a company trades above the UK Intrastat threshold, all distance sales that were made to a non-taxable person should be reported on an Intrastat Supplementary Declaration form—even if the distance sales from the UK are "below the distance selling

### Make the most of Black Friday

To learn how to stay sales tax compliant call +44 (0) 1273 022400 or visit [avalara.com](http://avalara.com)



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0203 696 0980



[enquiries@imrg.org](mailto:enquiries@imrg.org)



IMRG, 16 Neal's Yard  
London, WC2H 9DP