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In association with



# The UK's top 30 growth retailers

From surviving to thriving:  
secrets of success uncovered

# AT A GLANCE »»»»»

**T**he pace of retail transformation refuses to slow down. Different business models for success are emerging, among both entrepreneurial newcomers and established players alike.

With increasing political and economic uncertainty, 2017's retail success stories are all the more impressive. Growth is the holy grail for retailers, particularly in a shifting trading landscape, and those achieving it should be applauded for their tenacity and triumph.

In this exclusive report, produced in partnership with PA Consulting Group, we name the UK's top 30 growth retailers for 2017 and unearth the secrets to their success, be they a strong entrepreneurial culture, innovative multichannel experience or flourishing international expansion.

Providing a SWOT analysis for each of the top 10, Retail Week's sister company, Prospect, will explain how each retailer is increasing the scale

of its operations, creating fast growth and big profits where countless others have struggled.

Luxury ecommerce platform Farfetch took this year's top spot. Created in 2008 as an ecommerce portal for luxury independent boutiques, Farfetch has increasingly positioned itself as a technology provider.

The blurring of physical and digital has proven a key theme across our top 10, as technology's never-ending invasion of the retail sector continues to transform shopping habits. But with retailers proving slower to switch to new technology than their customers, how do you keep up with the consumer demand for speed and efficiency that's been bred by advancing tech?

By celebrating the retailers achieving outstanding growth across the UK and abroad, this report identifies how technology is aiding them along their journey, and how the wider sector can aim to be top of next year's list.

## WHAT DOES THIS REPORT REVEAL?

- » SWOT analysis of the top 10 growth retailers
- » Words of wisdom from those leading the pack
- » How technology underlies success
- » The UK's top 30 growth retailers



# METHODOLOGY »»»»»

**T**he growth ranking used in this report is based on retailers who have the fastest-growing sales. To be considered, businesses must be privately owned and

registered in the UK, have had sales of at least £25m in their latest available accounts and have reported three years of consecutive sales growth. The table is ranked according

to retailers' average sales growth over this period and the calculations are based on the latest available accounts for each one as of December 2016.



MADE.COM

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“Regardless of their structural or operational differences,  
an overarching theme shines through all of the retailers profiled: technology”

# FOREWORD »»»»»



**PHILIP WIGGENRAAD**  
HEAD OF RESEARCH, RETAIL WEEK PROSPECT

With the outlook for the retail sector becoming distinctly more challenging as the UK prepares to untangle itself from the EU, now is the perfect time to highlight the retailers that have outpaced their peers over the past few years and, crucially, should continue to thrive in more uncertain times.

These are all businesses that have achieved extraordinary sales growth, not just over the past year but for an extended period of time. Without exception, they have also shown a real understanding of who their customer is and how they can best be served in today's

fast-changing consumer landscape. This is especially evident in this year's highest ranked retailer Farfetch. Its online platform features a curated range of products supplied by independent luxury fashion boutiques around the world, which is giving the likes of Net-a-Porter a real run for its money.

Having been founded as recently as 2008, Farfetch is the epitome of a growth retailer, with its website generating annual sales in excess of £300m. And with a recent cash injection of \$397m from Chinese retail giant JD.com, Farfetch's future looks destined for further greatness.

But make no mistake: it isn't just recently launched disruptive retailers that have taken the top spots in this year's ranking. Our research has thrown up a real mix of retailers – both old and new – active across sectors as diverse as homewares, fashion and health and beauty.

Regardless of their structural or operational differences, an overarching theme shines through all of the retailers profiled: technology. From incubator labs to shoppable video adverts, our retail growth stars show that by sensibly investing in tech that will shape their customers' futures, they're shaping their own future growth too.

## RETAIL WEEK CONNECT: THE UK'S TOP 30 GROWTH RETAILERS

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“The fast-growth retailers are using and blending technologies in a seamless way to provide better customer services through convenience, control and personalisation”

# PARTNER VIEWPOINT »»»»»



**KARL HAVARD**

RETAIL AND DIGITAL EXPERT, PA CONSULTING GROUP

**P**A Consulting Group is delighted to partner with Retail Week on our inaugural ranking of the UK's top growth retailers. Everyone featured deserves recognition for achieving rapid and continuous growth in such a tumultuous period – the type most retailers have never experienced before.

Driven by the speedy adoption of technology by consumers, this constant change is modifying their expectations and behaviours. It's a time when retailers must keep up or they'll become irrelevant.

There are three key traits demonstrated by the organisations featured in this report, which have clearly been strong contributors to their success:

## 1. TRUE CUSTOMER-CENTRICITY

A phrase often spoken, but rarely genuinely acted on. It's very encouraging to see we've moved beyond technology being used as a gimmick, and the deployment of fancy technology because it's 'cool'. The fast-growth retailers are using and blending technologies in a seamless way to provide better customer services through convenience, control and personalisation – achieving an increase in acquisition and retention.

## 2. PERSISTENT PRAGMATISM

Eliminating inertia (as there's always a good reason not to do something) and getting stuff done. This stems from the top down and is in the DNA

of each of the retailers. In agile speak, the leader is naturally the 'product owner', has a clear vision, communicates well and creates an environment that encourages others to take action.

## 3. TAKING CALCULATED RISKS

Testing and learning frequently, and at a fast pace. Well-constructed 'roll forward and roll back' processes (online and in store) are integrated with well-defined measures and monitored in real time.

We hope this report offers you some valuable pointers to help create growth in your own organisation. And if you're one of the retailers featured, congratulations!

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“Sometimes it requires a change of strategy for a business to be propelled forward”

## AGE OF GROWTH

### What common characteristics are shared by the UK's top 30 growth retailers?

**F**ast-growing retailers are often young businesses, as shown by the high ranking of businesses such as Boux Avenue (founded in 2011), Green Man Gaming (2010), Made.com (2010), Farfetch (2008) and Loaf (2008).

But that's not to say youth is a crucial ingredient. Sometimes it requires a change of strategy for a business to be propelled forward.

Childrensalon is a case in point. The luxury childrenswear retailer had traded for nearly half a century from a single store in Tunbridge Wells when it decided to launch a transactional website in 1999.

At the time, the retailer did not realise the full potential of the online channel, nor did it imagine its offer would resonate so well with affluent shoppers from as far afield as the Middle East and China. But these are exactly the reasons why it has undergone such a period of sustained sales growth over the past few years.

Luxury fashion retailer Matchesfashion.com – originally launched in 1987 – has followed a similar transformation. Having only fully committed to the online channel in 2013, it now generates 90% of its overall sales through the internet.

#### BLURRING OF PHYSICAL AND DIGITAL

Given the major shift that has taken place towards ecommerce, it is perhaps not surprising that there is a heavy representation of online retailers within this report.

That doesn't tell the whole story, however, as a number of businesses that originally started out online have now moved into bricks and mortar, having realised that a multichannel presence has its own advantages.

Luxury fashion platform Farfetch acquired the London-based boutique Browns in 2015 and is converting it into a 'store of the future', to use as an incubator lab for new retail technologies.

Despite having been so successful with its online approach – sales through its website surpassed the £300m mark in 2015 – Farfetch's

founder and chief executive José Neves does not believe the future of luxury retail will be purely online, but rather “a seamless merge of a fantastic physical experience with powerful, yet subtle, technology”.

Furniture retailers, such as Made.com and Loaf, have also made steps into physical retailing by opening their first few showrooms in recent years. While both companies admit that 90% of their customers are perfectly happy ordering online, there remains a small segment that prefers to feel and touch products before actually ordering them.

These stores also allow for experimentation with technologies that improve the customer experience. For instance, Made.com uses NFC (near field communication) enabled CloudTags on displayed furniture that give customers more information via their smartphone.

#### PROSPERITY OVER PROFITABILITY

Investing in growth often comes at the expense of profitability, and five of the 10 fastest growing retailers in this report are currently still loss-making, including the entire top three.

However, without exception, these are all retailers that are still in the early stages of their development and are currently still focused on raising their brand profile, gaining market share rather than boosting the bottom line.

For Made.com and Boux Avenue, for example, additional costs have also been incurred because of international expansion as both are capitalising on the global appeal of their brands.

Losses are therefore to be expected and, generally, these businesses are given time to move into profit. After all, it took online grocer Ocado a decade and a half before it was able to report its first annual pre-tax profit a few years ago.

#### INSPIRING LEADERS

This report covers businesses that are privately owned and, in many instances, their growth continues to be driven by their inspirational founders.

What's especially striking is the level of innovation that has gone into some of the higher-placed businesses.

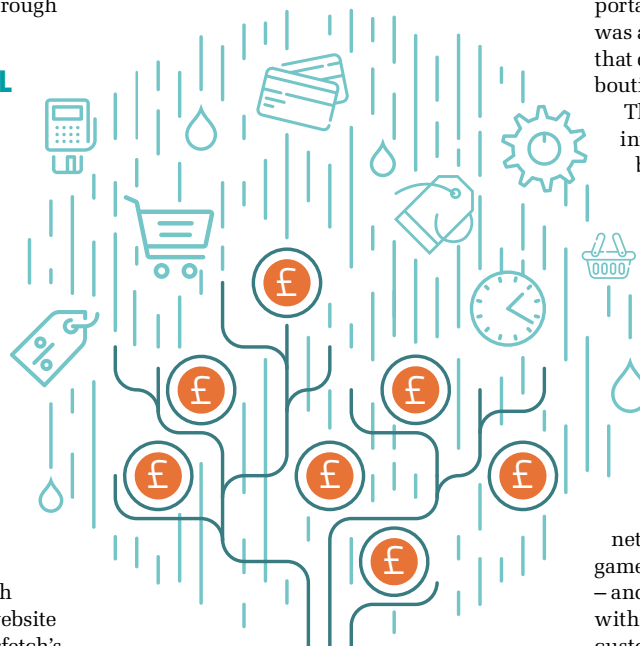
Farfetch is an excellent example of this. The portal was founded when Neves realised there was a gap in the market for an online platform that connects shoppers to independent fashion boutiques located around the world.

These businesses were often too small to invest in their own ecommerce capabilities, but thanks to Farfetch, they are now able to compete on a level playing field with major luxury retailers such as Yoox Net-a-Porter.

Digital games retailer Green Man Gaming – which came third in this ranking – also illustrates a high level of technological innovation.

It was created by Paul Sulyok as an innovative platform that combines an online shopfront with a marketplace where gamers can sell off pre-owned digital video games.

Sulyok has since added a social media network to the mix as well, which allows gamers to track their in-game performances – and, crucially, provides Green Man Gaming with plenty of valuable insight into its customer base.





## Leadership

### FARFETCH

José Neves is a seasoned entrepreneur who launched his first business, a technology start-up, while still at university in his native Portugal, before founding footwear brand Swear. However, the launch of Farfetch in 2008 has truly allowed him to combine his passion for technology and fashion, and he remains at the helm of the retailer.

### BOUX AVENUE

Boux Avenue was founded by retail entrepreneur and former *Dragons' Den* star Theo Paphitis, whose previous experience with lingerie business La Senza made him the ideal person to spot a gap in the market and expertly take advantage. He remains involved as chairman of Boux Avenue, but the day-to-day running is done by Kypros Kyprianou as group chief executive of all Paphitis's retail interests.

### GREEN MAN GAMING

Founder and chief executive Paul Sulyok established Green Man Gaming in 2010 as a disruptive video games retailer by combining an iTunes-style online store with an Ebay exchange model for digital games. Sulyok previously worked as a management consultant and banker, and also spent time as an officer in the British army.

### MISSGUIDED

Missguided was established by Nitin Passi in 2009 and he remains in charge as chief

executive of the fast-growing young fashion retailer. Missguided's success has been largely driven by Passi's ability to engage with its core audience of young females, having made social media a key tool in growing its customer base.

### MADE.COM

Made.com is led by Philippe Chainieux, after founder Ning Li stepped down as chief executive in early 2017. The Frenchman originally joined the furniture retailer in September 2013 and has been credited with driving Made's international expansion into France, the Netherlands, Belgium and, most recently, Germany.

### NOTONTHEHIGHSTREET

Retail whizz-kid Simon Belsham has been Notonthehighstreet boss since 2015, having joined from Tesco where he had spent most of his career, most recently as online managing director. He also spent time at Ocado, where he was responsible for ramping up the online grocer's non-food offer.

### LOAF

Loaf continues to be headed up by its founder, Charlie Marshall, who is the mastermind behind the furniture specialist's very distinctive 'laid-back' branding. Marshall has also been responsible for the successful transition into a 'bricks-and-clicks' strategy through the opening of Loaf Shacks.

### CHILDRENSALON

Luxury childrenswear retailer Childrensalon has been a family-run business since it was established in 1952. It is now headed up by Michele Harriman-Smith (the daughter of founder Sybil Harriman), who took over the reins in the late 1970s. She has since been joined by her husband (and creative director) George Smith, who was instrumental in taking the business online in 1999.

### OAK FURNITURE LAND

Oak Furniture Land is led by Jason Bannister, a true digital entrepreneur who originally founded the business by selling furniture on Ebay before launching his own websites. Oak Furniture Land is unusual in that it started out as a pureplay retailer, but now generates the majority of sales through a physical store network of close to 80. Bannister has been instrumental in driving this expansion, which has been entirely self-funded.

### MATCHESFASHION.COM

Ulric Jerome joined Matchesfashion.com as chief operating officer in 2013, before taking over as chief executive in 2015 when the luxury fashion retailer's co-founders, Tom and Ruth Chapman, stepped back from its day-to-day running. Self-confessed tech geek Jerome was brought in for his online expertise, having founded electricals retailer Pixmania before selling it on to Dixons.

**“We’re very specifically tuning in to the needs of independent retailers, so our technology does the job of helping independent retailers sell fashion at a global level”**

– Andrew Robb, chief operating officer

## 1 FARFETCH »»»»»

FARFETCH

**F**arfetch is the brainchild of serial entrepreneur José Neves, who founded the business in 2008. It is an online portal that sells luxury fashion from independent boutiques around the world, with Farfetch arranging collection and delivery.

The offer comprises around 1,000 brands from more than 400 boutiques, including New York’s Fivestory, Amsterdam’s Moooi and Copenhagen’s Emma Lu. Each boutique is selected by Farfetch for its unique, forward-thinking and diverse product offer.

Alongside the website, Farfetch has also made a move into bricks and mortar through the acquisition of the London-based Browns boutique in 2015. This store is going to be used as an ‘incubator lab’ to test out new retail technologies.



### STRENGTHS

#### UNIQUE BUSINESS MODEL

Farfetch’s success is due to having spotted an easily missed gap in the market, which benefits both consumers and the boutiques. By arranging collection and delivery of orders, the business is able to offer very attractive shipping rates.

#### IMPRESSIVE MANAGEMENT TEAM

The experienced management team has been strengthened in a number of key areas over the past few years. José Neves continues to lead Farfetch, but he has been joined by recruits from the worlds of retail and fashion publishing, including Andrew Robb from Cocos and Net-a-Porter’s Holli Rogers. Net-a-Porter founder Natalie Massenet joined as non-executive director in 2017.

#### HIGH AVERAGE TRANSACTION VALUES...

Farfetch’s affluent customer base is reflected in its high average transaction values of more than £500 per order. There are few other retailers that reach this level.

#### ...AND LOW FIXED COSTS

Holding no physical stock, the business merely acts as a portal through which orders are made and arranges collection and delivery via third-party logistics providers. As such, it has low fixed costs and is able to direct investment towards the website, marketing and technology.

#### INCREASED SCALE

Farfetch has grown rapidly in recent years, and sales through its website surpassed the £300m mark in 2015. This is impressive for a business launched as recently as 2008.



### WEAKNESSES

#### STILL LOSS-MAKING

Like many fast-growing retailers, Farfetch is currently prioritising investment in the business over profitability. Its pre-tax losses widened to £28.7m over its most recent financial period and it has not given any indication as to when it expects to break into the black.

#### DEPENDENCE ON BOUTIQUES

Farfetch’s product offer relies on the independent boutiques that sell on its site. Without strong partnerships with these retailers, Farfetch would not be able to have such a compelling offer.



### THREATS

#### ECONOMIC HEADWINDS

Asia is an important market for Farfetch, but the recent economic slowdown in China and other emerging markets could put pressure on sales – although it could be argued that its target luxury market is likely to be less affected by these developments. The economic outlook in its domestic market is also not looking very rosy as a result of Brexit.

#### COMPETITION

While online is the fastest-growing sales channel in the luxury market, competition has also been on the rise. In order to stand out, Farfetch will need to continue to improve the customer experience and brand engagement.



### OPPORTUNITIES

#### EFFICIENCIES

Farfetch’s increased scale means it will be easier to achieve efficiencies, for instance through the contracts it has with third-party logistics providers and in its marketing activity. This should help the business break into the black within the medium term.

#### STORE OF THE FUTURE

The business made a move into physical retailing through the acquisition of the London-based Browns boutique in 2015. In September 2017, its ‘store of the future’ technologies will be launched, utilising data to drive highly personalised customer experiences. If successful, Farfetch could potentially make similar acquisitions in other fashion capitals around the world.

#### PROSPECTS OF LUXURY MARKET

The global luxury market continues to go from strength to strength, particularly in developing countries where it has been able to capitalise on growing middle classes, such as in China. Within the market, online luxury retailing is experiencing the fastest growth.

#### FULFILMENT OPTIONS

Farfetch is continuing to extend its fulfilment options, offering click-and-collect from some of its biggest boutiques and a same-day delivery service in several large cities around the world. Further new initiatives of this nature can almost certainly be expected.



## Farfetch quick facts



Founded  
in 2008



97.8% average  
sales growth



£87.1m sales



Average transaction value  
of over £500 per order



**“How will people shop for luxury fashion five or 10 years into the future?  
This won’t be purely online. The answer, we believe, will be a seamless merge of  
a fantastic physical experience with powerful, yet subtle, technology”**

*– José Neves, founder and chief executive*

**“Retail is facing many challenges, particularly with a decline in footfall on many high streets, but at the same time we see opportunities that come with the continued development of technology that make shopping as convenient for customers as it has ever been”**

— Theo Paphitis, founder and chairman

## 2 BOUX AVENUE »»»»»

Boux  
— AVENUE —

Lingerie retailer Boux Avenue was launched in 2011 by entrepreneur and former *Dragons' Den* star Theo Paphitis. Having cut his teeth in the sector by bringing La Senza to the UK in the 1990s, he saw a gap for a mid-market retailer with a focus on experience.

This has come to fruition in Boux Avenue, which, despite having been in existence for six years, has continued to achieve double-digit like-for-like sales growth, suggesting that its physical expansion has been well managed and avoided cannibalisation.

With ecommerce being a core part of the retailer's growth plans (now estimated to account for almost 10% of its overall sales) the success of Boux Avenue's multichannel approach has been demonstrated by its financial performance.



### STRENGTHS

#### CUSTOMER EXPERIENCE

Thanks to its luxurious shopfits and a heavy emphasis on service credentials, Boux Avenue has truly set itself apart from its competitors through its customer experience, which includes in-store perks such as a concierge service.

#### HIGHLY EXPERIENCED MANAGEMENT TEAM

Having been founded by Theo Paphitis, the business has access to a wealth of lingerie retailing experience. His involvement has also given the chain a much higher brand profile than might otherwise have been the case as a newly launched business.

#### ECONOMIES OF SCALE

Boux Avenue has joined the tycoon's other retail interests – Ryman and Robert Dyas – in the Theo Paphitis Retail Group. While each brand continues to be run independently, certain resources such as IT, logistics and ecommerce fulfilment are shared, resulting in synergies.

#### ONLINE FOCUS

As a new entrant to the sector, the retailer has been able to take account of the changed shopping habits now favouring the online channel. This means that it has needed far fewer outlets to establish a credible nationwide presence.



### WEAKNESSES

#### PROFITABILITY

Boux Avenue's solid sales growth has yet to translate into a sustainable level of profitability and it remains loss-making. However, Paphitis stresses its start-up nature, which requires constant investment in new stores and infrastructure.

#### DEPENDENCE ON FRANCHISE MODEL

The retailer has established international stores in Europe, the Middle East and Southeast Asia. However, the bulk of these are operated by franchise partners, meaning that it has had to give up a degree of control over the brand experience.



### THREATS

#### ECONOMIC CLIMATE

The high street remains a highly competitive battleground for lingerie, as highlighted by the demise of Agent Provocateur in 2017 and La Senza in 2014, while Abercrombie & Fitch has withdrawn its Gilly Hicks concept from the UK market. It also remains to be seen what the impact of Brexit will be on consumer spending.

#### NON-SPECIALIST COMPETITION

Boux Avenue needs to keep differentiating itself in order to avoid competition from more mainstream non-specialist players that have increased their focus on lingerie, such as H&M and Primark.



### OPPORTUNITIES

#### MAINTAINING MOMENTUM

Boux Avenue has established a strong brand proposition that caters to a very wide range of body shapes and ages. This is in contrast to more specialist operations such as Victoria's Secret and the ill-fated Agent Provocateur business.

#### PHYSICAL EXPANSION IN UK

Despite the importance of online, Boux Avenue still sees scope for additional stores in the UK. It is targeting a domestic network of around 30 to 35 stores, up from the current 28.

#### INTERNATIONAL

Boux Avenue remains on the hunt for franchise partners that can take it into new markets. Interestingly, the retailer wants to replicate the UK multichannel experience in these stores, by offering click-and-collect on online orders from its UK-based online business.

#### NEW TECHNOLOGIES

Among the first retailers to start using shoppable video ads, Boux Avenue has shown itself to be an early adopter of new technologies. Its flagship store on Oxford Street features a host of technologies, such as the use of intercoms in its changing rooms, to create a greater sense of theatre. Further investment along these lines can be expected in the future.



## Boux Avenue quick facts



Launched  
in 2011



82.5% average  
sales growth



£36.5m sales



Ecommerce accounts for  
10% of overall sales



“[Customer data] is absolutely key for what we do, to understand our customers on a deeper level”

– Paul Sulyok, founder and chief executive

## 3 GREEN MAN GAMING



**F**ounded by Paul Sulyok in 2010, Green Man Gaming has quickly grown into the second-biggest digital games ecommerce platform in the world.

The business sells activation codes so that customers can download video games, but it has mainly set itself apart from the

competition through its community features, and by allowing gamers to sell pre-owned digital copies of games.

Green Man Gaming's own Playfire social network stands at the heart of the customer experience. By capturing real-time data from the gaming accounts of its customers, it has

gained a level of customer insight that is the envy of many other retailers.

Mainly focusing on the PC games market, the retailer sells more than 7,500 titles and works with more than 500 publishers, developers and distributors, as well as platforms such as Sony PlayStation and Nintendo.



### STRENGTHS

#### A DISRUPTOR

Within six years, Green Man Gaming has grown into a business with sales approaching £40m. What makes the retailer a disruptor is its combination of an iTunes-style online store with a platform on which gamers can exchange second-hand games.

#### COMMUNITY ENGAGEMENT

The global market for game downloads is dominated by US-based Steam, but Green Man has created a niche for itself with its community features. It runs Playfire, a social network on which gamers can benchmark themselves against friends.

#### CUSTOMER DATA

Playfire has given the retailer an unparalleled level of insight into its market, allowing it to personalise its marketing and achieve higher conversion rates. Green Man Gaming requests the consent of its customers before collecting their data and offers them Playfire rewards in return.

#### SCALABILITY

Green Man Gaming's business model of digitally distributing games is a highly scalable operation, meaning that it can easily grow its sales without incurring too many incremental costs. Highlighting this is the fact that the retailer generates just 7% of its overall sales in the UK.

#### INSPIRED LEADERSHIP

Founder Paul Sulyok retains a hands-on role in the business as chief executive. He is very results-oriented and has instilled a commercial focus across all his teams.



### WEAKNESSES

#### PROFITABILITY IS STILL ELUSIVE

As Green Man Gaming continues to invest in the expansion of its operations, it has yet to report its first profits. However, the business will draw comfort from the fact that its losses have been much reduced over more recent years.

#### SUPPLY CHAIN CONTROVERSY

The business came under fire in 2015 for selling games as new that it had not obtained directly from the games publishers, but rather from the 'grey market'. Despite having provided assurances that it works closely with more than 500 publishers, these issues have continued to linger.



### OPPORTUNITIES

#### MOBILE

It was late to see the potential of mobile and did not launch iOS and Android apps until late 2016. It now has plans to launch additional features and is looking to boost conversion by engaging with its customer base when they are away from home.

#### INTERNATIONAL GROWTH

Green Man Gaming generated 93% of its overall sales internationally over its most recent financial year, but there is still much to play for. Steam generated sales of \$3.5bn in 2016, underlining the market's potential.

#### RELAUNCH OF COMMUNITY PLATFORM

The retailer is planning to launch a new community platform in 2017 that will fully integrate the online shop with Playfire.



### THREATS

#### STIFF COMPETITION

Green Man Gaming faces stiff competition from a variety of sources. Steam is its main rival, but platforms such as Xbox and PlayStation also sell directly to consumers. Meanwhile, bricks-and-mortar rival Game has increased its focus on digital to counter the ebbs and flows of the consoles cycle.

#### DISAGGREGATION OF GAMES DISTRIBUTION

While the retailer is primarily focused on the PC games market, rather than console games, there remains a risk that the likes of Microsoft and Sony will exert greater

control over the digital distribution of games for their platforms.

#### CURTAILING OF SECOND-HAND MARKET?

Green Man Gaming sets itself apart from the competition by allowing gamers to sell activation codes of pre-owned games. However, this is a business that has faced criticism from games publishers as they receive no income on these sales and would prefer to curtail this activity. To a certain extent, Green Man Gaming is dependent on maintaining good relationships with these games publishers.



## Green Man Gaming quick facts



Founded  
in 2010



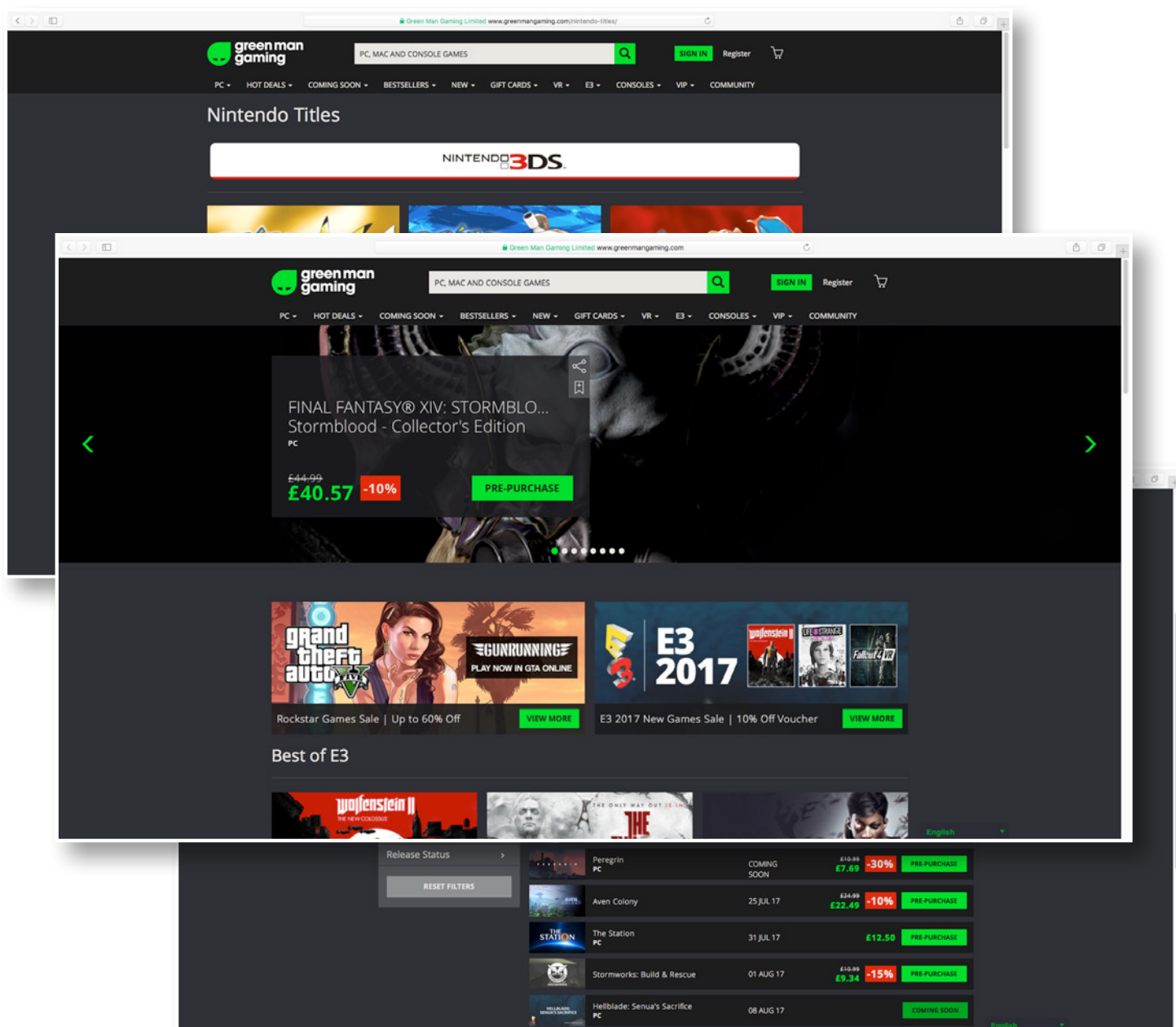
65.1% average  
sales growth



£29.6m sales



Generates 93% of overall  
sales internationally



“Our customers were all born after 1980 and their expectations are higher than the rest of the nation.  
It is our job to find out what they want so we can convert them at a much higher rate”

– Paul Sulyok, founder and chief executive

**“Online-only brands are small. If you want to be a big player, you’ve got to be multichannel”**

– John Allen, chief technology officer

## 4 MISSGUIDED »»»»»

**MISSGUIDED**  
PEACE. LOVE AND FASHION

**F**ounded in 2009 by entrepreneur Nitin Passi, Missguided is a fashion retailer that targets women aged 16 to 34 with celebrity-inspired, affordable clothing.

The fast-growing business describes itself as a “rapid fashion specialist” with short lead

times that allow it to respond quickly to the latest trends.

Missguided tested its bricks-and-mortar potential in 2015 through international concessions in premium department stores in the US and Spain.

Opening its first standalone store in the UK in late 2016, three more UK stores are due to come on stream this year, all of which underlines what the business views as the importance of having a multichannel approach.



### STRENGTHS

#### YOUNG TARGET MARKET

Missguided’s rapid growth has been driven by its edgy branding and constant stream of new products, which has resonated well with its core 16 to 34-year-old female target market.

#### SPEED TO MARKET

The retailer is able to introduce new items from design to production and on to the website within 10 days. Lead times are kept low as more than half of its range is produced in the UK.

#### TECH-FORWARD BUSINESS

Seeing itself as a technology company in the mould of Google and Apple, Missguided has created a modern, fun space for staff at its new offices in Manchester’s Salford Quays.

#### LOW LEVEL OF RETURNS

The retailer’s younger customers do not typically have the financial resources to purchase the same item in multiple sizes in order to try them all on at home. This results in the business having a lower level of returns than rival Asos.

#### AFFORDABILITY

By designing its own ranges, Missguided is able to offer value for money through keeping production costs down.



### WEAKNESSES

#### PROFITABILITY

Missguided’s profits came under pressure during 2015/16 as a result of increased investment in its IT infrastructure, localised websites and a new head office.

#### MULTICHANNEL CAPABILITIES

Its lack of an extensive physical presence puts Missguided at a disadvantage against bricks-and-mortar retailers that are able to offer click-and-collect. Continued investment in new fulfilment options will be necessary to stay ahead.



### OPPORTUNITIES

#### YOUNG FASHION MARKET

While the outlook for the overall fashion market is tough, online fashion for young women continues to show strong growth.

#### PHYSICAL PRESENCE

Having not opened its first standalone store in the UK until late 2016, three more UK stores in 2017 will help to boost its multichannel capabilities. International concessions in the US and Spain have also proven successful.

#### DEVELOPMENT OF OFFER

The retailer is continuing to extend its range by moving into activewear and plus-size clothing. It also made a cautious move into menswear in late 2016.

#### PERSONALISATION

Missguided has recognised that it needs to do more to offer a personalised customer experience, particularly as a tool to retain new customers.

#### INTERNATIONAL GROWTH

International revenue accounted for just over a third of all sales during 2015/16, but there is still much to play for, particularly as the business leverages its recent investment in a new fulfilment site and localised websites.



### THREATS

#### PROFITS

With the business continuing to invest in technology and its fledgling bricks-and-mortar presence in prime retail locations, it will be difficult to achieve a material improvement in its profit performance.

#### OVER-STRETCHING

There is a risk Missguided could spread itself too thinly, given its rapid growth. As it spreads further into multichannel, its agility and speed to market must be retained.

#### EXCHANGE RATES

An increased focus on international sales puts Missguided at risk of adverse currency movements. While currently benefiting from the weaker pound, the reverse situation could occur again.

## Missguided quick facts



Founded  
in 2009



60.7% average  
sales growth



£117.2m sales



International accounted for over  
a third of sales during 2015/16



**“Personalisation is such a hot topic. We’ve kind of sat down and said,  
‘Hang on, what are we actually trying to do?’”**

*– Mark Leach, head of ecommerce*



“Customers can discover the products, test and touch them, collate and save information on items of interest through the use of CloudTag technology and complete their order online in the showroom, or later at home”

– Ning Li, founder

## 5 MADE.COM »»»»»

MADE.COM

Launched in 2010, Made.com started out as an online retailer of designer furniture, offering more affordable prices than the high street. This discount is created by designing products in house and sourcing directly from factories in Asia.

Resonating with style-conscious young professionals, Made.com's appeal extends beyond the UK. In recent years, it has entered France, Germany, Italy, the Netherlands and Belgium, with its bricks-and-mortar strategy following suit.

Its three UK showrooms are innovative stores that merge the boundaries between digital and physical, using beacon technology to offer enhanced product information and provide customers with the ability to make online orders through Macs.



### STRENGTHS

#### CLEARLY DIFFERENTIATED BUSINESS

Made.com has brought something new to the furniture sector by combining content and commerce, and taking a digital-first approach. It has built a clear brand identity that has resonated well with today's constantly connected consumer – not only in the UK, but also in Europe.

#### ENGAGEMENT WITH CUSTOMERS

Shoppers are engaged with the brand through the editorial content on its site, as well as its Unboxed online forum, where customers share pictures of Made.com furniture in their own homes.

#### SHOWROOMS

While currently still small in size, the etailer has established a network of innovative showrooms in the UK that feature technology such as NFC-enabled CloudTags, which allow shoppers to receive more information about products on their mobile devices.

#### SUPPLY CHAIN CAPABILITIES

Because Made.com orders furniture directly from overseas factories, it can easily scale up its operations as it enters new markets. This method also ensures that costs are kept to a minimum, allowing it to remain price-competitive.



### WEAKNESSES

#### SMALL PHYSICAL PRESENCE

Many shoppers prefer to touch furniture before they commit, leaving Made.com at a disadvantage to bricks-and-mortar retailers.

#### SCALE

Despite its rapid ascent, the business is still a relatively small player, with sales dwarfed by the likes of Ikea and DFS.

#### PROFITABILITY

Investing in international websites and new showrooms, Made.com has yet to break into the black, with its losses having widened in 2015.



### THREATS

#### CONSUMER SPENDING

As a big-ticket item, furniture is one of the first categories where consumers reduce their expenditure during a downturn. This may raise concerns as the full impact of Brexit becomes apparent.

#### EXCHANGE RATES

The weakening of the sterling against other currencies will create short-term impact on margins as it becomes more expensive to source products from abroad.

#### INCREASING COMPETITION

Competition in the online furniture market has increased sharply in recent years. New entrants typically adopt aggressive marketing strategies to win new customers.



### OPPORTUNITIES

#### DIVERSIFICATION

Made.com's expertise in product development and the supply chain can easily allow it to diversify into other categories within the wider home market. It has already developed a mattress range – the One – and has introduced new product categories, such as home accessories and garden furniture.

#### OVERSEAS EXPANSION

Having demonstrated the appeal of the format in the UK, the big opportunity for Made.com now lies internationally. It already generated close to a third of its sales internationally in 2015 and further growth is on the cards now that it has established a presence in France, Germany, Italy, the Netherlands and Belgium. It has also opened its first few showrooms on the continent.

#### UK SHOWROOMS

With Made.com having revealed that one in four customers that visit its showrooms in the UK end up making a purchase, it would seem like a no-brainer to open additional showrooms in large urban areas, where it could easily attract high footfall.



## Made.com quick facts



*Founded  
in 2010*



*58.6% average  
sales growth*



*£61.6m sales*



*Generated a third of sales  
internationally in 2015*



**“The change in customer behaviour from offline to online only happens once, and we are one of the few players who are able to capture this demand at this moment in time”**

*– Ning Li, founder*

“A big part of our future is to tie together online and offline experiences”

– Simon Belsham, chief executive

## 6 NOTONTHEHIGHSTREET



**N**otonthehighstreet is an etailer that offers a curated online marketplace for crafts and unique gifts. Suppliers that want to sell through the site need to pass a rigorous selection process, ensuring that the quality of the product offer remains high.

Innovation and the customer experience stand at the core of the business, and it is continuing to invest in technology as it gears up for further growth. Recent projects have focused on personalisation and optimising the site for mobile usage.

Notonthehighstreet is also currently seeking to increase the appeal of the site by extending its offer into the wider lifestyle market.

The business is currently only active in the UK, having withdrawn from the German market in 2016.



### STRENGTHS

#### SOLID SALES PERFORMANCE

Notonthehighstreet has experienced rapid growth in the UK in recent years. It continues to benefit from the shift towards online retailing as consumers become increasingly disillusioned with homogenised high streets.

#### PRODUCT OFFER

Unlike rivals such as Etsy, the etailer heavily scrutinises the suppliers that sell on its platform and rejects around 80% of applicants. There's also a feel-good factor involved that comes from supporting the small companies that sell their lines through the marketplace.

#### MANAGEMENT TEAM

While founders Sophie Cornish and Holly Tucker remain involved with the business, from 2015 the day-to-day operations have been overseen by the highly regarded Simon Belsham, who was previously online director at Tesco.

#### MARKETING

Notonthehighstreet's popularity has been driven by solid marketing campaigns, which effectively reach out to its target market. A heavy user of social media, it has embraced the use of pop-up stores and events to engage with its customers.

#### RELATIONSHIP WITH SUPPLIERS

Notonthehighstreet forges strong partnerships with its suppliers, helping to make their listings as attractive as possible and offering exposure through magazine features.



### WEAKNESSES

#### HIGHLY SEASONAL BUSINESS

With Christmas accounting for more than half its annual sales, the business is trying to reduce its seasonality, by stepping up marketing and diversifying its offer.

#### BRANDING

Notonthehighstreet is looking to widen its appeal from women, who dominate its supplier pool and consumer base, but will need to avoid alienating its following.

#### PROFITABILITY

Investment in its platform and increased marketing have come at a price, as the etailer made a loss in its past two financial years.

#### FAILED INTERNATIONAL MOVE

An ill-fated attempt to crack Germany was aborted within a year of its launch in 2016.



### OPPORTUNITIES

#### EXTEND PRODUCT OFFER

In order to reduce seasonality, Notonthehighstreet is currently extending its offer into the wider lifestyle market, such as distillery visits, craft or cookery workshops and unusual trips. Linking this to its core focus on gifting, it is able to take advantage of the consumer shift towards experiential buying.

#### CUSTOMER RETENTION

Although Notonthehighstreet has previously focused on getting more men to sell through its platform, women remain its target audience. With around 90% of its partners being female, further sales growth is being targeted by getting its core customer base to spend more frequently, rather than widening the appeal of the format.

#### INTERNATIONAL EXPANSION

Lessons have been learned from Notonthehighstreet's failed move into Germany, and the etailer has not ruled out any further international moves in the medium to long term.

#### BUOYANT MARKET

The etailer should be able to take a larger share of the crafts and gifting market as consumers value its unique product offer, and are increasingly turning towards online shopping around peak periods such as Christmas.



### THREATS

#### FINDING SUPPLIERS

Rival platforms such as Ebay and Etsy are much more easily able to attract suppliers, as they offer near instant access to their marketplaces and do not have such a cumbersome sign-up process.

#### COMPETITION IN THE GIFTING MARKET

Competition in online crafts is continuing to heat up. Despite its focus on quantity over quality, Etsy in particular has proven to be a formidable competitor, with more than 40 million registered shoppers.



## Notonthehighstreet quick facts



Founded  
in 2006



55.7% average  
sales growth



£38.7m sales



Rejects 80% of  
supplier applications



**“The reason we do so many events is because it gives customers a real opportunity to interact with the business and see the products, and, crucially, meet some of our partners”**

*– Simon Belsham, chief executive*

## 7 LOAF »»»»»



**F**ounded by Charlie Marshall in 2008, Loaf is an online furniture retailer that is characterised by its laid-back and informal approach.

The retailer originally sold a limited range of beds, but it has since moved into furniture

and accessories for the whole house. Making furniture buying as simple and convenient as possible is at the heart of the Loaf strategy, and its proposition is based on the relationship between commerce and content on its well-designed website.

Loaf is currently making a massive push into a full multichannel offering by developing a series of Loaf Shack showrooms. These are 'relaxed' retail destinations where customers have the opportunity to try out products and 'loaf around'.



### STRENGTHS

#### PRODUCT OFFER

Because it designs and sources its own products, Loaf has a unique offer that is not available anywhere else.

#### CLEAR BRANDING

Previously trading as The Sleep Room, it was rebranded as Loaf in 2012 as founder Charlie Marshall wanted a "four-letter-word-type brand" that encapsulated the business. The name is based on the idea of being laid-back and loafing about.

#### KEEPING THINGS SIMPLE

Loaf adheres firmly to its brand principles of keeping things simple and making the buying process – from first click to delivery – as easy and hassle-free as possible.

#### SHOWROOMS

A move into bricks and mortar through the launch of its first few Loaf Shack showrooms has helped to heighten the profile of the brand, and is allowing it to reach customers that want to touch and feel its products.

#### PROFITABILITY

In contrast to many other fast-growing online businesses, Loaf has managed to achieve a very healthy level of profitability as it benefits from vertical integration and a slightly more upmarket positioning than rivals such as Made.com.



### THREATS

#### INCREASED COMPETITION

Online furniture retailing is a segment in which competition has greatly increased in recent years. New entrants in particular are now putting downward pressure on prices as they seek to establish their own brands.

#### CURRENCY FLUCTUATIONS

As Loaf sources around half its offer from factories in East Asia, it would have been adversely affected by the significant weakening of sterling following the EU referendum. This is likely to have impacted

its margins, and its prices will certainly come under review this year.

#### ECONOMIC OUTLOOK

The UK's decision to exit the EU is expected to result in a slowdown in consumer spending, which will disproportionately affect retailers of high-ticket items such as Loaf.

#### COSTS OF OPENING SHOWROOMS

Loaf's strategy to start opening showrooms will be impacting its cost base, particularly as it has opted for relatively high-profile locations in the Southeast.



### WEAKNESSES

#### SCALE

Compared with established players, such as DFS and Ikea, Loaf is still a very small player in the furniture sector and therefore has much less scope to benefit from economies of scale in its sourcing and operations.

#### BRAND PERCEPTION

Loaf has so far not been very effective in communicating about its wider product offer, which now extends into furniture and accessories. It is primarily known for sofas at the moment.



### OPPORTUNITIES

#### BESPOKE IT PLATFORM

Loaf has made a significant investment in building its own back-end IT platform, which has strengthened its capabilities to extract customer data.

#### MORE SHOWROOMS

Loaf is targeting 10 showrooms across the Southeast, up from three at present.

#### INTERNATIONAL EXPANSION

Loaf could easily follow in the footsteps of Made.com and expand internationally. However, Marshall has said that he wants Loaf to get things absolutely right in the UK before making such a move.

## Loaf quick facts



Founded  
in 2008



55% average  
sales growth



£26.9m sales



Bricks-and-clicks  
strategy being pursued



# 8 CHILDRENSALON »»»»»



**C**hildrensweat retailer Childrensalon might not be that widely known, but by carving out a very distinctive niche it has become one of the most profitable in the UK. By targeting affluent parents who want their children to wear stylish clothes from brands

such as Gucci, Fendi and Dolce & Gabbana, the retailer has resonated not only with UK shoppers, but has attracted interest from around the world. Childrensalon is now thought to generate around two-thirds of its sales internationally.

Originally founded in the 1950s as a single store in Tunbridge Wells, it is now primarily an e-tailer. Despite this, it still aims to provide seamless customer service to match its premium credentials, seeing it invest in merchandising, fulfilment and warehouse space in recent years.



## STRENGTHS

### SPECIALIST CREDENTIALS

Childrensalon has positioned itself as a true specialist, with a heritage stretching back to 1952. Preserving its focus on childrenswear puts it in stark contrast to many other players in the sector, for whom the category is non-core.

### HIGH-MARGIN BUSINESS

Among the most profitable retailers in the UK, in 2015 Childrensalon had a very elevated pre-tax profit margin of 24.9%. While investment continues to be made, the business clearly benefits from its premium offer, which comes with exceptionally high margins.

### CUSTOMER FOCUS

Investment decisions are taken with a business strategy of 'putting the customer first'; its live chat service is served by a team who speak a total of 25 languages.

### BRITISH HERITAGE

Childrensalon has proven extremely popular with affluent overseas customers based in markets such as the Middle East and Asia, not least due to its branding, which makes a play on its British roots.

### FAMILY OWNED

It is still owned and run by the founding Harriman family, meaning its growth has been achieved without scrutiny from the investment community, allowing it to take a customer-centric approach.



## WEAKNESSES

### EXCHANGE RATE MOVEMENTS

With around two-thirds of its turnover generated internationally, Childrensalon's sales and profits can easily be impacted by adverse currency movements. However, this is unlikely to be of concern in the short term, given the sharp devaluation of the pound in the wake of the EU referendum.

### DEPENDENCE ON BRANDS

Childrensalon is dependent on good relationships with luxury brands, some of whom have expressed an interest in selling directly to consumers through their own transactional websites.



## OPPORTUNITIES

### FAST-GROWING SEGMENT

The luxury fashion market has remained buoyant in recent years, and with many top designers creating collections for young children specifically, childrenswear is a fast-growing segment.

### FULFILMENT

Childrensalon's fulfilment options are still behind many other online retailers. While it allows click-and-collect at its Tunbridge Wells store – which needs to be arranged over the phone – it could consider teaming up with third-party logistics providers to offer greater convenience for its customers.

### LOCALISING ITS WEBSITE

In recognition of its large overseas market, Childrensalon is looking at ways to localise its website for international shoppers, through increasing the number of payment options and extending the hours of its customer service team.



## THREATS

### ECONOMIC CLIMATE

Designer clothing for children is probably one of the first areas consumers could start cutting back on during an economic downturn. However, it could be argued that Childrensalon's very affluent target market is likely to be less affected by any financial weaknesses.

## Childrensalon quick facts



Founded  
in 1952



46.5% average  
sales growth



£41.3m sales



Among the most  
profitable retailers  
in the UK

# 9 OAK FURNITURE LAND



After humble beginnings as an Ebay seller in 2004, Oak Furniture Land soon became the UK's biggest seller on the auction site, prompting founder Jason Bannister to develop his own websites instead. Oak Furniture Land currently trades through its core eponymous website as well

as offshoots The Online Furniture Shop, OFL Home and Sofastore.

It no longer sells on Ebay, but in a major change of focus it embarked on one of the most aggressive opening programmes in UK retail in recent years; since 2010 it has opened close to 80 large stores in retail parks around the UK.

Oak Furniture Land's proposition is all about value for money and Bannister's mantra is to cut out the middleman wherever possible. The business now has its own delivery company – JB Global – and likes to keep as much of its technology development as it can in house.



## STRENGTHS

### INVESTMENT IN EFFICIENCIES

A focus on offering value for money permeates through Oak Furniture Land. As a result, the business has invested considerably in improving efficiencies in the supply chain, including a new warehouse management system.

### FOCUS ON MULTIPLE SITES

Oak Furniture Land trades through four ecommerce sites, as well as an Amazon storefront. These sites allow it to target slightly different customer segments, as well as highlight its range extensions – in the case of Sofastore.

### DIVERSE PRODUCT RANGE

Despite the name of its core Oak Furniture Land brand, the product offer now includes a range of sofas sold under the Sofastore brand, as well as beds and mattresses.

### LOGISTICS

The retailer has identified that the final mile of delivery is a crucial part of the customer journey in the furniture sector. Since it operates its own logistics company, it is able to offer a far more flexible delivery service than many of its competitors.

### SELF-FUNDED EXPANSION

Rather than taking on debt, Oak Furniture Land's aggressive store-opening programme has been financed by reinvesting its profits. The retailer has been shrewd and capitalised on a plethora of sites with advantageous deals.

### FOUNDER INVOLVEMENT

Jason Bannister continues to lead the brand and takes a hands-on role in the sourcing of the range. However, he has also brought in outside expertise, including head of IT Ross Lawson and Jon Shepherd as digital director.



## WEAKNESSES

### MARGINS UNDER PRESSURE

Margins at Oak Furniture Land are distinctly lower than they were when it was still exclusively an online retailer. This is obviously because it now operates a store network of around 80, and it remains to be seen how the retailer will fare once some of its initial property agreements come up for renewal.

### BRAND PROFILE

To date, Oak Furniture Land's marketing campaigns have not been particularly well executed and it could be limiting its potential target market.

### SALES DENSITIES

Oak Furniture Land's sales densities currently stand at a low level of around £150 per sq ft. While this partly reflects its preference for retail park locations, rival DFS achieves sales per sq ft that are broadly double that.



## OPPORTUNITIES

### MOVE INTO THE US

Oak Furniture Land has launched a US site, which is serviced through a distribution centre in New Jersey. If successful, it could potentially pave the way for the launch of showrooms there, although the US is a notoriously difficult market to crack for UK retailers.

### SHOWROOMS

Trading through 78 showrooms in mid-2017, the retailer continues to see potential for additional stores. In the past, it has said that it would like to have a presence in every major town and city in the UK, but it has now reduced this to a more manageable goal of 100 "prime locations".

### HIGH-STREET LOCATIONS

Oak Furniture Land has not ruled out a trial with a store in a high-street location, although there are no firm plans at present.



## THREATS

### OVER-EXPANSION?

There is a real danger that Oak Furniture Land could over-stretch itself as a result of its aggressive store-opening programme. While the management team has been strengthened in several key positions in recent years, the pace of change in the retail sector is currently unprecedented, and the business could require additional recruits.

### EXCHANGE RATES

Oak Furniture Land sources a large proportion of its offer outside the UK and its sourcing costs will have been impacted by the sharp fall in sterling following the EU referendum.

### ECONOMIC ENVIRONMENT

The furniture sector is particularly vulnerable to the economic cycle and the outlook is looking less rosy as a result of the UK's decision to exit the EU. While the initial economic impact has been limited so far, consumers have started becoming more cautious with their expenditure on big-ticket items.

## Oak Furniture Land quick facts



Founded  
in 2004



44.4% average  
sales growth



£239.3m sales



Opened close to  
80 large UK stores  
since 2010



**“The sheer speed of change in myriad things is a major challenge – technology being the main one. We’ve got to make sure we’re on top of this and not resting on our laurels”**

*– Jason Bannister, founder and managing director*



**“In recent years we have focused on building the foundations – of people, operations and technology – to enable future growth, with a focus on driving an agile business at scale”**

*– Tom Chapman, founder*

## 10 MATCHESFASHION.COM

MATCHESFASHION.COM

**L**uxury fashion retailer Matches started out as a single shop in Wimbledon, London, in 1987.

Having expanded to a handful of stores in the London area, the business shifted its attention towards the online channel in 2013 and added

the .com suffix to its fascia to underline its multichannel credentials.

Online now accounts for more than 90% of sales, but Matchesfashion.com's main aim is to achieve a “total synergy” between physical and digital luxury retail. In its stores, it does this

through the use of a mobile point-of-sale system, which gives staff access to the full online range.

Matchesfashion.com is also all about customer service. It aims to replicate the luxury experience online by giving shoppers access to a team of stylists 24 hours a day, seven days a week.



### STRENGTHS

#### SCALE

Matchesfashion.com has quietly grown into a business with sales of just over £200m, with its international markets accounting for nearly 75% of that. Its increased scale will have given it access to more advantageous buying deals.

#### BRAND RELATIONSHIPS

The business benefits from strong relationships with brands in the luxury sector and its backing of up-and-coming designers at an early stage has stood it in good stead. Its reputation has also allowed it to open franchise stores for upmarket brands Max Mara and Diane von Furstenberg.

#### ECOMMERCE

Following a digital transformation in 2013, the business now generates more than 90% of sales through online.

#### ONLINE AND OFFLINE CUSTOMER EXPERIENCE

Enhancing the customer experience has been a major priority for the business, supported by the launch of online fashion advisors and the use of mobile point-of-sale systems in store.

#### PROFITABILITY

Following several years of losses – mainly due to investment in its digital platform and new stores – Matchesfashion.com moved back into the black during its most recent financial year.



### WEAKNESSES

#### BRAND RECOGNITION

Despite its substantial size in terms of sales, Matchesfashion.com lacks the brand recognition of competing luxury retailers such as Farfetch and Net-a-Porter.

#### LONDON-FOCUSED STORE NETWORK

Matchesfashion.com's store network is still limited and restricted to the London market. This means it is unable to offer a credible click-and-collect service in large parts of the UK as well as internationally, which currently accounts for a large proportion of its sales.



### OPPORTUNITIES

#### INTERNATIONAL BRICKS AND MORTAR

Given the importance of its overseas markets, Matchesfashion.com should consider establishing a physical presence in major fashion capitals around the world. While it has opened a pop-up shop in New York, a permanent presence would appear to be warranted.

#### MOBILE DEVELOPMENT

Matchesfashion.com made a serious move into mobile with the launch of an app in May 2016. With mobile accounting for around half of its overall sales, it has become the real driving engine of growth for the business and further development of the channel should not be ruled out.

#### SALES OF £400M

Matchesfashion.com has set itself ambitious growth targets that should see sales surpass the £400m mark by 2019.

#### MARKET SHARE

The retailer believes market share is up for grabs due to the recent merger between Yoox and Net-a-Porter, as this enlarged business has more of a focus on mainstream luxury fashion and lacks the up-and-coming designers that Matchesfashion.com offers.



### THREATS

#### COMPETITION

Competition in the online premium sector will intensify over the coming years, not only from the likes of Farfetch and Yoox Net-a-Porter, but also from luxury brands themselves, which are increasingly looking to establish their own direct-to-consumer websites. Maximising technology to gain an edge in innovation and personalisation will be vital for Matchesfashion.com.

#### GLOBAL ECONOMY

The economic outlook in a number of key international markets, such as China, is looking uncertain, while the UK could be impacted by the fallout from Brexit. Having said that, the sector did show great resilience in the aftermath of the global financial crisis.



## Matchesfashion.com quick facts



*Founded  
in 1987*



*42.3% average  
sales growth*



*£126.9m sales*



*Sales set to surpass  
£400m by 2019*



**“For us, it is vital that we have the best technology, and the best digital innovators and engineers, who are thinking ahead for our business”**

*– Ulric Jerome, chief executive*

# TOP 30 RETAILERS 2016 »»»»»

		Sales*	3-year average sales growth			Sales*	3-year average sales growth
1	Farfetch	£87.1m	97.8%	16	Oliver Bonas	£42.5m	31.7%
2	Boux Avenue	£36.5m	82.5%	17	Smyths Toys	£334.4m	30.1%
3	Green Man Gaming	£29.6m	65.1%	18	The Hut Group	£333.5m	28.8%
4	Missguided	£117.2m	60.7%	19	Poundworld	£422.3m	27.4%
5	Made.com	£61.6m	58.6%	20	Aldi	£7.7bn	26.1%
6	Notonthehighstreet	£38.7m	55.7%	21	Mountain Warehouse	£141.4m	23.6%
7	Loaf	£26.9m	55%	22	Feelunique	£65m	23.5%
8	Childrensalon	£41.3m	46.5%	23	Lush	£95.1m	22.5%
9	Oak Furniture Land	£239.3m	44.4%	24	Charles Tyrwhitt	£172.6m	20.6%
10	Matchesfashion.com	£126.9m	42.3%	25	SportsShoes.com	£41.3m	20.5%
11	SecretSales	£29.3m	40.9%	26	The Range	£674.2m	20.9%
12	Flying Tiger Copenhagen	£40.9m	40.8%	27	Better Bathrooms	£49.5m	21.1%
13	Lovehoney	£56.6m	34.4%	28	Pro:Direct Sport	£71.2m	19.4%
14	Sweaty Betty	£34.9m	34.3%	29	Sofology	£142.9m	18.1%
15	Mint Velvet	£81.4m	33.4%	30	MandM Direct	£164.3m	16.8%

\* Most recently filed accounts after applying Retail Week Prospect methodology



FARFETCH



BOUX AVENUE



MADE.COM



**“Have you considered how you’re going to keep pace with the rapid uptake of connected home appliances and in-home digital voice assistants?”**

*– Karl Havard, PA Consulting Group*

# NEXT STEPS »»»»»

## OUTPACING THE COMPETITION

My opening statement that “retailers must keep up or they’ll become irrelevant” wasn’t meant to be provocative, it’s more a statement of reality; too frequently we read stories of retailers in trouble.

I always think about the analogy of two people being chased by a lion. One stops to put on their running shoes and the other says: “They won’t help you run faster than the lion!” The other responds: “I know, but they’ll help me run faster than you.”

The same is true for technology and customer behaviours – you won’t outpace them, but you can outpace your competitors.

## ELIMINATING INERTIA

The inertia that can present itself in the form of existing legacy systems and infrastructures, the cost of change and fixed mindsets at the top level must be seen as excuses. They need to be overcome.

There are plenty of ways to approach this from technological, organisational, process and cultural angles. Some may call it ‘digital transformation’ and that’s not a bad description.

But it goes beyond digital. It’s a continual, fast-paced evolution, as opposed to transforming from one state to another.

## STRATEGIES FOR SUCCESS

There’s no let-up in this rate of change. Take your eye off the ball and you’ll need to run even harder to catch up. Have you considered (because other retailers have) how you’re going to keep pace with the rapid uptake of connected home appliances and in-home digital voice assistants, like Amazon Echo and Google Home?

Have you thought through your audio-optimisation strategy, so that your products or brand become the answer when people ask questions such as: “Alexa, what should I buy Mum for her birthday?” Or: “OK Google, where can I buy boyfriend jeans in size 10?”

Such things are making life easier for the consumer, but not for the retailer. A simple request from a consumer will require technology, digital and business changes for the provider. As a result, pragmatic innovation is key to surviving and thriving.

It’s tough out there and it’s getting tougher, but there are strategies, technologies, approaches and people to help you.

On behalf of PA Consulting Group, thank you for reading this report. If you wish to learn more about transformation in a post-digital age, please get in touch. We’d be delighted to share further insight with you.

**Karl Havard**  
Retail and digital expert, PA Consulting Group



Google Home (above) and Amazon Echo (below, left).  
Is your audio-optimisation strategy up to scratch?



## ABOUT PA CONSULTING GROUP

Using a unique blend of product, service and business redesign, we help retailers reimagine, reinvent and enhance their customers’ experience. We apply an agile approach to implementing leading-edge technologies, including physical, digital and automated processes, the internet of things and artificial intelligence. We are driven by results, and our experience is deep and wide.

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