

# Return Of The Delivery Boy

Last month saw some interesting ‘positioning’ by John Lewis plc, one of the UK’s most-respected retailers. JL has always been considered a safe bet for investors because of a reputation for cautious management and middle-England customers. Although sales fell 2.9 % in its department stores due to the ‘challenging economy’, its groceries arm, Waitrose, reported a 7.4% rise, largely due to online sales. The company said it anticipates a ‘slow, drawn-out economic recovery’ but went ahead to buy the rights to ‘Duchy Originals’, the organic bakery business of the Prince of Wales and to renew a five-year contract with home delivery service Ocado.

Generation Investment Management, the investment fund run by eco-warrior and former US vice-president Al Gore, then bought a chunk of Ocado and JL transferred its 29% stake into its sacrosanct staff pension fund. It seems like John Lewis and investors are positioning themselves for growth in online sales, organic produce and home deliveries as the UK emerges from recession.

*So what’s that got to do with me, you may think? Well, quite a lot if you want to stay in business. Despite the recession and unemployment nudging 2.5 million and 8 years of predicted public spending cuts, all the high street retailers continue to look for business growth areas. Online sales and home deliveries are it, so maybe it’s time to get on your bike – a bit like the lad in the Hovis Advert.*

At the same time, Google’s research department published a report suggesting online sales now account for 17p in every pound spent by UK consumers, whilst the recession forces retailers to adapt. So it’s ‘goodbye!’ to counter sales and ‘hello!’ to online sales as HM Government pushes out high speed Internet across the UK.

Google estimates that broadband subscribers already spend 33 hours per month – **that’s four full shopping days per month** - online. The UK has the largest online market in Europe and mainstream retailers are racing to cash in. The growth in online sales is their brightest hope as the economy emerges from recession.

Thanks to search engines like Google, the level of enquiries for ‘special offer vouchers’ has more than doubled in the last 12 months as shoppers seek out bargains. Google’s UK Managing Director, Matt Brittin said, “Consumer behaviour is changing rapidly as a

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*result of faster broadband speeds and the speed of change is accelerating in the recession. Shoppers are hunting for best value by searching for sales, special offers and discount vouchers. The smartest retailers are investing in their websites to ensure the shopping experience online is as seamless as that on the high street.”*

Is the markets industry gearing-up to do the same? I think not. Some five years ago I asked a market hall stallholder how she managed to pay the rent by selling such small quantities of GM-free and ethically sourced food. She revealed that her stall was just a shop front – 80% of her business was online where the sales came in 24/7 and she had no staffing costs. She spent her stall-time packing the orders or selling goods across the counter to people who couldn’t wait 48 hours for the post. Most importantly, she found her specialist Internet sales were not price-sensitive - her online prices were high but the enormous exposure of her website meant the orders kept rolling in. Which poses the



Market home delivery services – still looking for the right formula.



**Online sales and Ocado – Waitrose and Al Gore give it the thumbs-up.**

question - should you be diversifying into online sales or are you happy to fish in the shrinking pool of cash-only market shoppers?

OK, so you make the jump and decide to diversify into online sales to supplement your stall, but how are you going to deliver the goods?

Parcelforce love 'ebay' because of their sales and registered business sellers, but what if you're a market greengrocer selling perishables or a butcher needing to deliver that day? Speedy delivery is fundamental to Internet sales, but could you extend the same service to your traditional on-stall customers? If Doris doesn't have to carry all her veggies back home maybe she'll buy more. Your high-margin, online sales could be used to subsidise the cost of deliveries from your stall, so is it time to dig out your dad's old delivery bike?

The problem is that home deliveries are basically not viable for most across-the counter market businesses. Parcel deliveries are OK for high-value non-perishable online sales, but not low-value, high-volume sales that are the norm on markets. Running a delivery service is more than most market margins can bear unless delivered via a co-operative with other traders or subsidised from another source e.g. online profits. A butcher selling £30 worth of meat might be able to afford a delivery cost but not a greengrocer with a £10 sale.

*A successful market home delivery service has yet to be developed. Despite valiant efforts to establish co-operative schemes, most*

*have crashed and the number of stallholders with a web presence remains minimal. Although the online economy is here to stay, the industry can't find a way to jump onto the bandwagon. That's a pity because successful retailing is all about matching consumer demand. When Ocado is floated on the stock exchange it's three founders stand to pocket about £30 million each, which isn't bad for a business established seven years ago and continuing to fight off home delivery services from Tesco and Asda. They predicted what Shoppers want.*

Meanwhile in Bangor, North Wales, Mr Daniel Jones (23) got his predictions rather wrong. He was ejected from his local Tesco by security staff after refusing to lower his hood whilst shopping. Mr Jones and his brother Barney are founders of the International 'Church of Jediism' ([www.jedi-church.co.uk](http://www.jedi-church.co.uk)) which claims 500,000 followers worldwide and requires followers to wear their hood up whilst in public. Embarrassed at the evident failure of his Jedi mind-trick powers to persuade staff otherwise, Mr Jones claimed the Company was discriminating against him. He warned: *"If it happens again I'll advise worshippers to boycott Tesco. They will feel the Force."*

Full marks to Tesco though. The company is of course an enthusiastic follower of the 'dark side' and responded with: *"If Jedi walk around our stores with their hoods on, they'll miss lots of special offers"*. Nice one.



**Daniel Jones' Jedi mind-tricks prove powerless against Tesco.**

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