



## WHAT'S IMPACTING RETAIL AND WHOLESALE?

These are tumultuous times for the UK's retail sector. A shift in consumer spending habits and the rapid growth of online shopping platforms, such as Amazon, has reduced footfall on the high street and placed increased pressure on the operating margins of many SME retailers. Despite this, UK retail sales totalled £395 billion recently and businesses in the sector are striving to differentiate their offerings by providing an enhanced customer experience, easier access, improved payments and faster delivery.

### KEY CHALLENGES



#### SUPPLY CHAIN MANAGEMENT

Supply chain management is critical for many retailers, particularly those trading in the EU. As well as keeping their supply chain relationships under review, retailers may need to renegotiate contracts to reduce their risk exposure. Inventory control is essential for storebased retailers, due to high property costs, but online retailers also need to meet increasing customer demand for next-day delivery, whilst keeping delivery costs competitive.



#### PROFITABILITY

Operating margins for many high-street retailers have been hit by falling sales and rising costs, such as the higher cost of labour and imported goods. Growing consumer caution is also impacting sales, putting further pressure on profits. To optimise profitability, on and offline retailers need to know where their profit potential exists and where it will come from in the future. They should also be prepared to restructure their business model to improve their long-term profitability.



#### HUMAN RESOURCE

With 2.8 million employees, retail is the UK's largest private sector employer. Recent increases in the National Living Wage, combined with the cost of pensions auto-enrolment, have pushed up labour costs, impacting operating margins. The sector's high dependency on low-skilled EU workers also means there is a prospect of labour shortages in the future and this could increase costs further.



#### TAX CHANGES

The investment required in technology and fit-outs can be a strain on cash flow but in some instances, such investments may be eligible for R&D tax relief or other reliefs. Taking advantage of such tax reliefs can help to minimise cash flow disruption and reduce tax liabilities. Determining the correct VAT treatment can also be a challenge, particularly where businesses are buying and selling goods overseas, or making online sales.



#### DIGITAL

Digital technology is an increasingly important means of differentiating and personalising the consumer shopping experience. As well as investing in greater use of mobile Point-of-Sale devices, many retail businesses are introducing advanced technologies such as Augmented Reality and other sophisticated technologies to improve flow and personalise their proposition. For bricks and mortar retailers and etailers alike, improved data analytics can improve business decision making and enhance profitability.

# WHAT OUR CLIENTS SAY

## CONTACT THE TEAM AT

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**MENZIES**  
BRIGHTER THINKING  
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WE ARE AN INDEPENDENT MEMBER OF  
THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK




*Menzies have been an excellent partner in Idahoan's expansion into the UK, providing a full suite of services, including tax planning, accounting, VAT and on-going advisory support. As well as compliance services, we regularly use their local knowledge and extensive experience of supporting businesses like ours, in more specialist technical areas. We find the team extremely responsive and provide an exceptional overall service.*

**Aaron Oberhansley**  
Corporate Controller  
Idahoan Foods LLC




*Emmi UK began working with Menzies in 2012. Menzies act as our auditors and successfully meet exacting group reporting deadlines. In addition Menzies look after our tax affairs and provide constructive advice on accounting and tax issues. The team are experts in their fields with excellent knowledge, Menzies are also able respond effectively even when given short notice. We also use Menzies to provide Company Secretarial and Payroll services which are also delivered to the very highest standards. Menzies are a trusted and respected adviser and we look forward to continuing our relationship and have no hesitation in recommending them.*

**David Moss**  
Head of Finance and IT  
Emmi



*Throughout the 20 years Menzies have been our advisors, we have enjoyed a strong working relationship. They are consistently professional and helpful, always conforming to agreed deadlines. We appreciate their strategic approach and access to the wide range of experts on hand, providing specific advice for our business. Menzies currently provide our retail business with audit, tax, payroll and HR support and in the past we have received on-site training for both HR and tax issues. We look forward to continuing to work together.*

**Nigel Lavender**  
Finance Director  
Moss Europe



*We have been very impressed with Menzies, having worked with larger firms in the past, their approach to client service is refreshing (proactively, friendly team) and gives us great value for money. We are a complex retail business and Menzies have a clear understanding of what we do and how they can really add value in a timely way. The audit is efficient and wherever possible we have continuity of staff which really makes a difference.*

**Katie Baker**  
Finance Director  
Gift Universe

