JIGSAW TALENT MANAGEMENT

MONTHLY MARKET REPORT

SEPTEMBER 2020

SYDNEY
Level 43, Australia Square
264-278 George St
Sydney NSW 2000

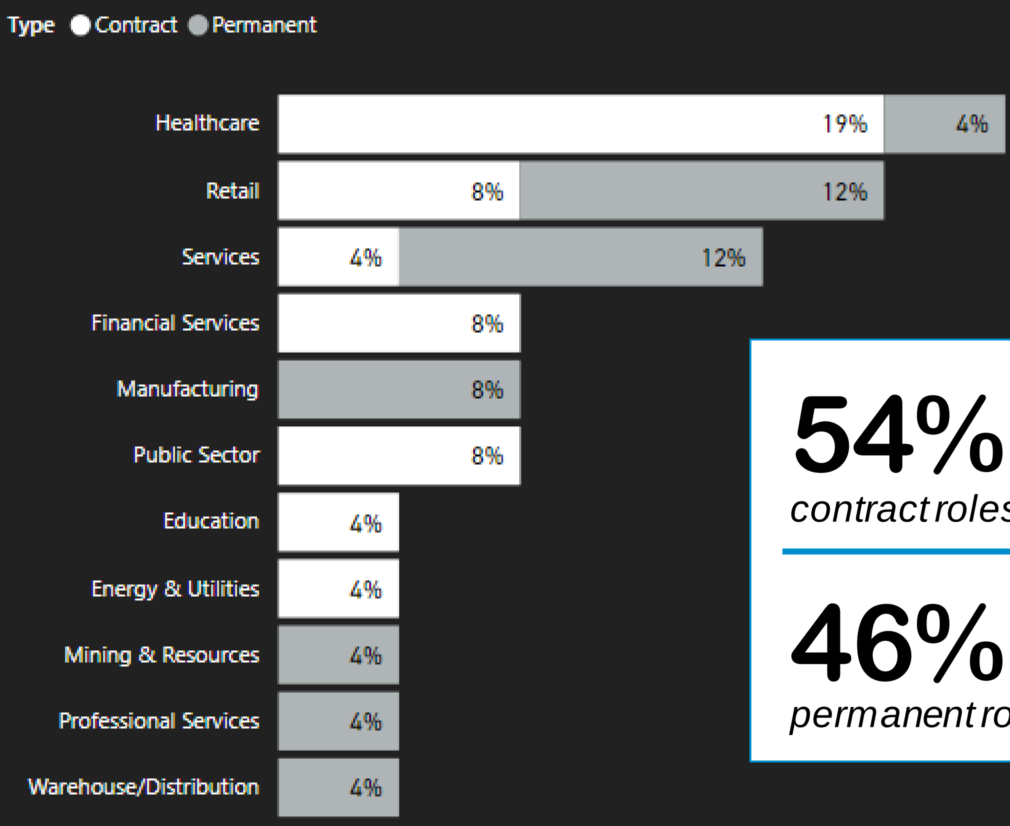
MELBOURNE
Level 9
2 Queen St,
Melbourne VIC 3000

BRISBANE
Level 38
71 Eagle St
Brisbane QLD 4000

CURRENT MARKET DEMAND

SEPTEMBER 2020

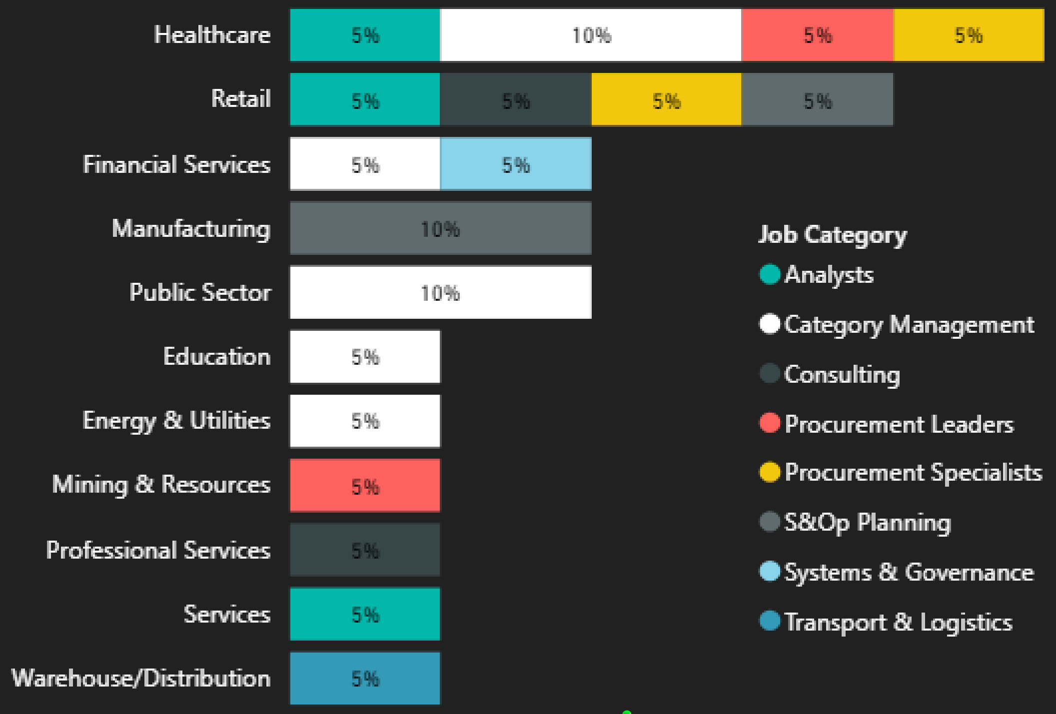
Live Roles by Industry



54%
contract roles

46%
permanent roles

Live Roles by Industry & Job Category



INTRODUCTION

To open up Jigsaw's September report, we couldn't help but present an extract from Carl Sagan's 1995 book - The Demon-Haunted World – Science as a Candle in the Dark. In the extract here from the book, it almost eerily predicts and captures our modern world, both economically and mentally. See below

"I have a foreboding of an America in my children's or grandchildren's time – when the US is a service and information economy; when nearly all the key manufacturing industries have slipped away to other countries; when awesome technological powers are in the hands of a very few, and no one representing the public interest can even grasp the issues; when the people have lost the ability to set their own agenda's or knowledgeably question those in authority; when, clutching our crystals and nervously consulting our horoscopes, our critical faculties in decline, unable to distinguish between what feels good and what's true, we slide, almost without noticing, back into superstition and darkness. The dumbing down of America is most evident in the slow decay of substantive content in the enormously influential media, the 30 second sound bites (now down to 10 seconds or less), lowest common denominator programming, credulous presentations on pseudoscience and superstition, but especially a kind of celebration of ignorance."

The combination of global debt, Keynesian economic principles gone rogue and a pandemic, have made us realise how fragile society and the wider economy actually is. Governments are facing huge challenges attempting to wrestle with a pandemic crisis and an economic crisis. The decisions governments are making to counter the circumstances are polarising. Many people believe the cure, be it lockdown, is far worse than the disease itself. Suicide and crippling, lasting wealth destruction for many individuals is far more scary than COVID -19, which according to many credible statistics, has a death toll of under 1%. Economic destruction expands social unrest, in turn increasing crime and government stimulus that is required to subsidise the impacts.

The alternative stance is to ban all social activity, strictly, for a set amount of time, like NZ, to get ahead of the curve once and for all and attempt to knock the issue of contagion on the head, so economic and social normality can be resumed. Only then, can the government focus on the task of re-building the economy. If this is not done, our health system will be over whelmed, death rates will increase and we will never achieve a state of normality, forever cycling a state of social government intervention and forever changing the structure of society and business.

What is clear, no matter who is right re the solution, what is needed is a clear, unwavering approach that the nations citizens buy into through understanding. Trust in political leadership and media output is surely key to making this happen. In times like this, fluctuating slogan based policies and dramatic media sound bites seem to only divide opinion further, and make fact based decision making a highly challenging process.

It is a strong possibility that no matter if we have disciplined lockdown or take the approach of opening up the economy in an attempt to gain herd immunity, the structure of consumerism, business, immigration and freedoms will be forever changed. Below we look at some of the changes.

Since September 2019, Jigsaw has been highlighting a number of articles in reference to the global economy, and have consistently been voicing our concerns on the mismanagement of interest rates, open market operations and the credit bubble that was a ticking time bomb just waiting for the right fuse to light it. This fuse could have been inter-bank lending, the derivatives markets, US, Australia or Chinese property bubbles or the bond market bubble. Since the US yield curve inverted in March 2019, this was an early indication there were economic problems looming. Yield curve inversion simply means short term interest rates are higher than long term interest rates, which essentially distorts the value of time and risk association. Overnight Repo operations ramped up in September 2019 and things went from bad to worse when COVID-19 struck in Jan/Feb 2020. There are a number of articles that can give anybody who is interested greater clarity on what has and will happen, but for simple reference on monetary policy, Richard Hillberg has put together a visual model to help show how interest rates control the expansion or contraction of money (M1 and M2). As can be seen in the diagram, as interest rates lower, money velocity and creation expands, creating a larger circumference. If the expansion of money and velocity gets too great, typically, interest rates rise, money becomes more expensive and velocity slows and the circle contracts or money contracts.

The expanse of currency in the economy should be equal to the value of production, assets and services. If too much money is created and exceeds the value of what is being produced, or is channelled into vertical markets to inflate assets, you have a bubble. As money is debt and debt is money, and the economy is based on leverage, it is simple to see how fragile our current system is and why it needs to be re-engineered. Fiat currency that is not liked to a tangible asset offers the economy far more agility to expand as it is not limited to the capital flow of a hard asset and hence limited to reserve holdings either in the asset or the chosen currency that is asset pegged. The issue with having a currency linked to gold, silver or a tangible rare asset class is the constraints on expansion and the damage caused by asset re-distribution. Still, there is no reason the metric for how tangible assets can be linked to fiat have to be so fixed, and it is usually the conversion metric and idealism that create issues, not the underlying value or limitation of the peg.

For instance, WW1, capital flowed out of Europe (gold) from France and the UK to the US. WW1 destroyed the economies of Britain, France, Germany etc and the US became the world's biggest creditor nation and held most of the world's gold. Gold is incorrectly attributed to the destruction of the UK economy post WW1, but this is not entirely accurate. The destruction of the pound was due to British idealism and its love of the pound being valued by the rest of Europe. The central bank of England wanted to keep the pounds peg to gold at pre-war levels, which was $4.86 . The UK prided itself on not damaging the pounds credibility, it wanted to keep confidence in the currency to attract capital, so did not debase the currency to deflate US debt obligations and instead rose interest rates, which created an economic contraction. Unemployment skyrocketed, but compared to France and Germany, the UK was financially sound but had a sick economy. Prices were 10% too high and for the pound to return to gold, the right calculation was critical. By pegging the pound to gold at the pre-war rate of $4.86, the pound was over-valued. As un-employment was already at over 1 million in the UK, this over-valuation tightened credit and caused even more economic pain. High interest rates and strong currency adversely impacted the UK's coal, steel and ship building sectors, they essentially destroyed the economy to save the pound, gold itself was misallocated but not to blame. At this time, France was attracting vast quantities of gold out of the UK, as the Franc was weak and trade was booming. The German marc was also weak, and although capital was flowing into the German economy, its sovereign debt was rapidly expanding. These dynamics between France, Germany and the UK prompted the US to ease credit in 1928 by 0.5%, which in turn created a stock bubble and as the US countered this via interest manipulation (raised rates to curb broker credit), it resulted in a market crash. If interested in the history of the financial system, Lords of Finance is a fantastic book and we in Jigsaw highly recommend it.

Below is a diagram that looks at typical elements that impact economic expansion and contraction, including the tools central banks have at their disposal to manage the economy. We have also included a governments inputs and benefits. We hope this visual diagram makes monetary policy simpler to understand.

Government Benefits
- Easy to Tax Inflation
- High Employment
- Debt Value Decreases
- Increased Tax Revenues
- Consumer Prices Rise
- Purchasing Power Decreases

Government Liabilities
- Cannot Tax Deflation
- High Unemployment
- Debt Value Increases
- Less Tax Revenues
- Consumer Prices Fall
- Purchasing Power Increases

Dynamics of National Currency

High Velocity of Currency
- High Confidence
- Highly Leveraged
- Currency Expansion
- Low Interest Rates
- Inflation
- High Consumer Demand
- Weakening Currency
- High Currency Demand

Economic Expansion

Economic Contraction

Low Velocity of Currency
- Savings
- Lack of Confidence
- Low Leverage
- Currency Contraction
- High Interest Rates
- Deflation
- Currency Strength
- Low Consumer Demand
- Low Currency Demand

Central Bank Manipulation
- Increase Interest Rates
- Reduce Government Spending
- Increase Taxes
- Increasing Fed Funds Rate

Central Bank Manipulation
- Lower Interest Rates
- Lower Banking Reserves
- Increase currency supply
- Open Market Opps
- Cut Taxes
- Increase Government Spending

MARKET SNAPSHOT HOLISTIC

For Q3, Jigsaw are seeing an uplift in market demand for supply chain resources across all industry sectors. Jigsaw recently recruited a GM role based in QLD, and have two GM roles open in WA and QLD. In addition, we are pitching for 3 senior supply chain opportunities across NSW and VIC. As businesses in Australia attempt to consolidate P&L's, merge with competitors, acquire, divest or re-capitalise, supply chain professionals with experience in integrating supply chains, re-modelling supply chains or integrating/re-negotiating contracts post M&A are in demand. As energy demands across the world change, and countries continue to develop industrial independence, demand for minerals, materials and base metals will continue, driving demand for supply chain professionals that can reduce the cost of production. Many resource businesses are pivoting away from coal, which is experiencing price pressure and is near breakeven to produce, to more profitable operations that are supported by market demand for future technologies.

Inflation will likely be fuelled by supply chain disruption. Services have typically been inflationary over the past 10 years with an inverse relationship to tangible products which have been less volatile, with deflationary forces such as overseas manufacturing and automation . Energy, agriculture and metals will likely experience rising prices over the next decade.

Big ticket items for supply chain operations will include traceability, trust and transparency. Science may come into play as a key theme for validating where product is produced, especially across the food based supply chains. Carbon tracing and other mineral diagnosis could become a popular element of supply chain quality control and driving customer confidence and retention.

Unfortunately procurement is still viewed as a transformation capability for many service based businesses, which is a real hurdle for career growth and stagnates the real value an enterprise can obtain from the function. In Jigsaw we believe procurement is at a pivotal point re its ability to have a mainstream seat at the executive table, as supply chain and procurement have become more main stream re COVID-19 supply shocks. For years, procurement had to convince CEO's and CFO's alike that is was a strategic function that could add value to an enterprise beyond transactional purchasing. To an extent, this has been achieved only to counter a new issue, that is, procurement being a transformational activity not a continuous activity. Jigsaw witness many service based businesses go through a cycle of transactional fragmented purchasing, investment in structured procurement, drive outcomes to the bottom line and then contract procurement operations and release control back to the business – repeat. Jigsaw are convinced, any business not investing in the long term for supply chain (procurement incorporated) will be at a competitive disadvantage over the next decade and not for the past reasons re value to EBIT. Procurement/supply chain maturity will likely be a key criteria for investment capital, as continuity of supply and customer fulfilment will be critical indicators of future enterprise value and investors will be looking into a supply chains ability to be future fit. In addition, themes such as supplier trust, traceability and transparency will become ever more critical for enabling customer loyalty. Food supply chains will likely venture into bio-science to further enhance customer confidence re transparency of materials sourced. In a world where globalisation is contracting, customer retention could override growth for the short to medium time line. The investment it takes to obtain new customers is costly, and to do this organically can be fiscally inefficient, especially when profits are contracting. Like a car attempting to go faster against the resistance of air, the faster you go, the greater the number of horses are required to beat the invisible barrier of air. In the end, the inputs are so much greater than the outputs gained, the endeavour becomes in-efficient.

JIGSAW TALKING POINTS

Outsourcing

A key concern for the wider Australian economy is the impact of lockdown on employment and the structure of the ongoing economy. A lot has been publicised on the lack of production in Australia and questions have been raised to the possibility of bringing production back home. In last month's report, Jigsaw explored some ideas on how an insource of capital could eventuate as long as governments, companies and the education system collaborated. An issue that has not been discussed in the mainstream is how companies will transition from phase 1, which will be lowering opex costs re corporate real estate contraction/utilisation to phase 2, which may involve lowering the cost of retained labour by appointing contractors or full time resources overseas to execute highly skilled tasks. This transition is a very real threat to white collar Australian's who now enjoy the wellbeing of working from home. Typically, BPO is used at scale for tactical operations such as purchasing, call centre operators, administration and tactical finance like payroll. Skilled outsourcing is a trend across small businesses, yet in Jigsaw, we have not seen this at scale in large companies outside of ICT. There is a genuine risk moving forward, that Australians will be competing for their roles with highly skilled technicians overseas as businesses continue to find ways to off-set the decrease in demand for goods and services. This has been done previously at scale via off-shoring, but the re conditioning to the virtual office could increase and widen the roles that are considered to be outsourced. Roles that were viewed as highly skilled and required on the ground in the local market place may be viewed differently in future by senior executives, who are keen to drive down opex costs further to retain shareholder value. If you are employed virtually and are not based in the CBD, then it makes little difference if you are in Singapore, Vietnam or Bowral. These impacts would be catastrophic for the Australian economy. Australia would not just have little in the way of manufacturing, but the country would slowly contract its skilled workforce across the white collar sector to the emerging markets, further stressing the economy and placing pressure on housing, retail and other verticals.

Immigration

If we look at changing immigration policy, the impacts here alone on global employment and businesses structures will be enormous. Many countries and the businesses within them rely heavily on migration to drive increase in capability that may not be abundant within the country or to deflate the cost of labour. Migrants themselves support families back home in poorer nations with weaker currency and less opportunities, exporting a portion of their income back overseas. Immigrants make up a diverse portion of the employment market with employment covering farm hands, nursing assistants, cleaners, drivers, warehouse operators and Doctors, CFO's, COO's and Supply Chain leaders. Over the years, Jigsaw has seen a vast increase in supply chain professionals migrating from India, Brazil, UK and Europe. The experience these people bring is often exceptional, as they play in highly competitive markets, where competition is aggressive and the pace of business is altogether quicker than in Australia. If these highly skilled professionals can get over the initial hurdle of finding an employer who is prepared to invest in getting them up to speed re the Asia Pac market dynamics, which include suppliers, engagement culture, trade regulations etc, the value obtained per hire is compelling to both the individual and the business. Of course, many times, to make the appointment compelling, the entry point for foreign professionals is often below local rate. This is not a concern so much for the individual, they understand the predicament and are happy to enter the market place at a discount and back their experience to create value and progress. Australia is attractive beyond just economic drivers, weather, food, life style and lack of crime all factor in to the equation. The businesses, likewise, benefit by obtaining key skills at a discounted price point. Immigration has some genuine benefits for Australia that can contribute to industrial growth and with it, real increases to GDP. For supply chain professionals, Jigsaw would estimate the lag from market entry point re salary to local market rate takes between 4 and 6 years and far less to actually get conditioned to Australian regulations and culture.

It is evident, like lock-down, the subject of immigration is polarising and complex. Mass immigration (250,000 per annum) is an economic dilemma for Australia. Since the pandemic, over 300,000 have departed our shores and by Xmas, a forecasted further 300,000 will follow. Immigration no doubt places stress on external factors such as infrastructure, healthcare and can have a deflationary impact on wage growth. There is also the question of demand and supply. Would Australians typically apply for some of the jobs immigrants take at the lower levels? Do these jobs get filled by immigrants as supply of local resources is sparse? For more skilled jobs, is there a genuine lack of supply in Australia which makes immigration a critical component for economic health? It is not lost on us at Jigsaw that many of our own employees are immigrants, including myself, the Founder. Like most things re the economy, the questions are simple but the answers are complex and nuanced.

Like most complex solutions, such as flow of capital through the economy, the flow of labour requires a bottom up approach. Businesses understand what they require and why they require it. For overseas employment, over regulation re this is a genuine economy killer. The risk associated with employing a candidate from overseas is high, so no business is likely going to take this risk on unless, in not doing so, a skill set cannot be obtained locally. The frustration for many Australians is immigration being leveraged for the sole purpose of achieving GDP per capita growth and pumping up bubble markets like property, which as we have identified in previous articles, does nothing for true GDP and only compresses wage growth and enables under-employment re the gig vertical. Jigsaw's viewpoint is we need to have a deeper understanding of the skills required in the wider economy to impact industrial growth and advancements in healthcare and innovation. Enabling businesses to achieve these objectives if required is both critical and beneficial to a buoyant economy. The question is, how do we obtain this deeper understanding and put it into practice. In last months report we touched on University integration with Industry, creating manufacturing hubs with key universities on the site. This movement alone may allow companies to give early insights to where demand will be across the economy and allow Australian students to seamlessly educate, culturize and obtain employment at the seed level.

To just stop immigration could be drastic, but a planned process of leveraging political, educational and industrial integration could, over time, be a solid answer to reducing its dependency. Immigration should happen with highly experienced and capable resources that are scarce and can assist Australia build into new sectors, this would then enable seed capability in the universities to have opportunities post education. Tax contributions over time could be a key metric to achieve citizenship for immigrants and would prove the flow of labour coming into the Australian economy is both productive, highly skilled and contributing to the tax system as a whole. Many of the immigration policies previously implemented seemed to be misguided. Many foreigners arrive in Australia and struggle to find employment, even though the skills they bring are apparently, according to the government, in short supply. Many are employed in a job that was not even positioned on their skilled visa application. Another issue is the government's policy of attempting to channel immigrants towards regional areas or states that are not as economically robust as Melbourne and Sydney by comparison. Issue with this policy is the lack of investment in a diverse economy for these areas and public sector or mining seem to be the bulk of where the opportunities exist. This, combined with the inaccuracy of skill reconciliation in the market, means many immigrants end up both under paid and ultimately compete for jobs with the local community at a heavily discounted price point. These jobs are typically transactional, as even the skilled workers fail to be appointed in higher paid, strategic roles. Often, businesses push back on employing foreign labour as they lack local experience, in addition, many times immigrants are not supported by the recruitment firms, as the cost to sell their skills and experience to a client is high and the return is typically lower than what can be achieved with local resources.

Supply & Demand

The pandemic created both a supply and a demand shock for many markets around the world. Popular economic theory explains, supply and demand is the relationship between the quantity of something the market can produce, be it a good, commodity or service that is being sold and the quantity that consumers require or want to buy. The price point between these two forces is referred to as the equilibrium price. Procurement, as a skill set that forms part of the wider supply chain, has a key scope within business to understand the market place for a given commodity, and assists the business understand the symmetry between these two forces of supply and demand, ensuring the business is balancing the price to the business in line with business demand, as well as understanding the aggregate supply and demand in the wider market. Only if this information is available and obtained can a clear opinion on value be truly understood. Information symmetry is very difficult to obtain. In a perfect trade, both the seller and the buyer would require total knowledge of the product or service they are trading, to establish if value is on point, under-valued or over-valued. This, in the real world, is impossible, not only as people process value differently, but time also changes value, so if you agreed on a value in a moment of time, time and conditions will change the value and symmetry is again lost, even if this fact is not acknowledged. This means that a win-win outcome is almost an impossible circumstance in reality, win – perceived win is often the reality of trade.

Free market capitalism is based on this idea (supply/demand) that the economy is a self-regulating closed system and that individuals behave in accordance with inner laws. Each person (agent) enters the market with labour, credit, material or capital and a series of inputs and outputs are created by these interactions, in turn creating an economic equilibrium of supply, demand, price, production, service and income. So, we are led to believe re mainstream economic theory that understanding a person's requirement for utility and creating a business that can service these needs, will drive a successful business model. This model of thought places the consumer (demand) as the driving force of how and where capital flows, what is produced and what is consumed.

According to Shimshon Bichler and Jonathan Nitzan, this theory is incorrect. They believe consumers have little influence on the price or the demand for goods in the real world. In an article written by J Nitzan (JN for further ref), a compelling point is raised. The first thing (JN) establishes in his theory of supply and demand is the difference between industry and business. (JN) explains "Industry, understood as the collective knowledge and creative effort of humanity, is inherently cooperative, integrated and synchronized. It operates best when its various events resonate with each other. Business, in contrast, is not collective; it is private. Its goals are achieved through the threat and exercise of systemic prevention and restriction – that is, through strategic sabotage. The key object of this sabotage is the resonating pulses of industry – a resonance that business constantly upsets through built-in dissonance."

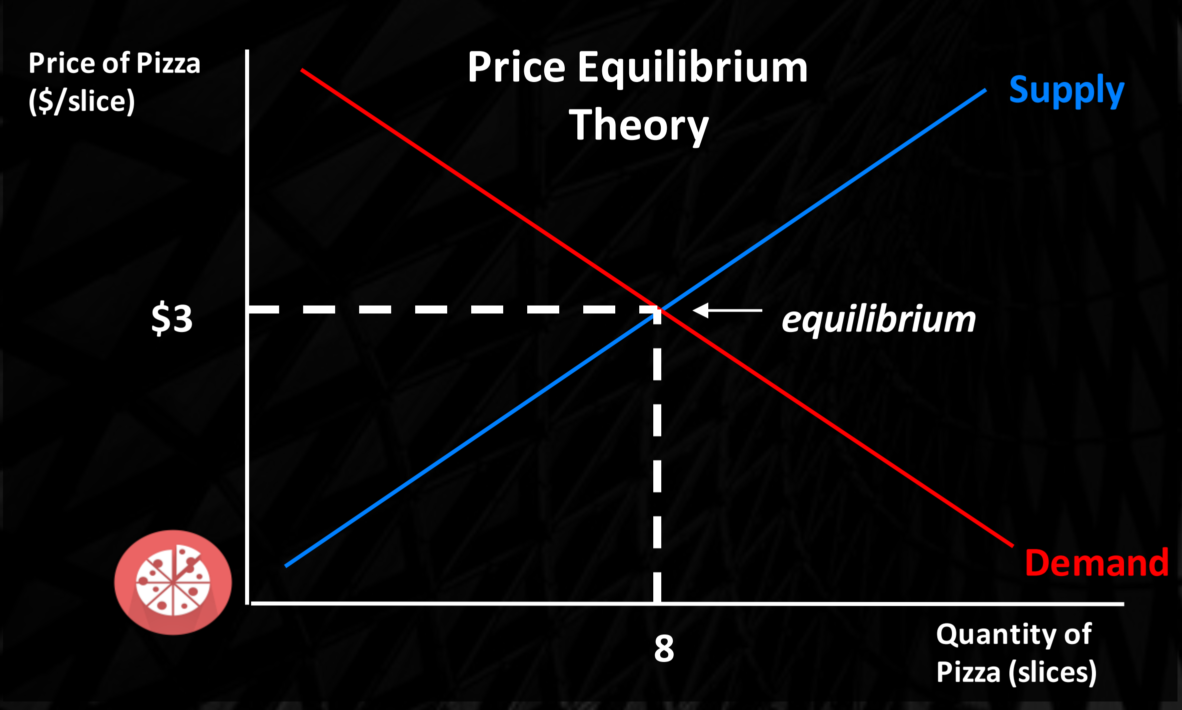
So according to (JN), industries are collaborative and a result of aggregate knowledge, have synergy, but the businesses that make up the system of industry are ultimately disruptive, selfish and exist to increase power to control the aggregate industry sector they play in. (JN) goes on to explain that capitalism is a system of commodities and so is driven by universal price points and so, to understand this further, he looks into pricing and the theory of value including both utility and labour. Value is split into two, nominal and real with real being the key to understanding economic reality of supply and demand. According to (JN) "This is where production and consumption take place, where supply and demand interact, where utility and productivity are determined, where well-being and exploitation take place, where surplus value and profit are generated". (JN) disagrees with the fact that the economy is double sided and contained within Newtonian like vacuum with invisible laws, where price and quantity assume an equilibrium point. (JN) points out that pricing is not a natural force, it is not created by some invisible hand of the free market, but is created by power and administered pricing. (JN) points out, pricing and in-turn inflation is driven by large corporations, who have the scale, power and regulatory backing to fluctuate at will and dictate economic forces. Smaller business are at the mercy of such tactics, as they cannot change pricing points as fluidly. In times of recession, smaller businesses have to contend with falling prices, yet mostly have to retain output volumes, and in turn, the costs to serve remains whilst profits deplete, insolvency can result. Larger companies (global), were able to retain price points, and in some cases, increase them, whilst letting output contract. So supply and demand, and in turn, recessions are driven by a process called Differential Accumulation. This is a process where dominant market players who are typically supported by government regulation or large amounts of capital, exceed the normal rate of return. This takes the view of capital being a social order and not material, and it as such depends on institutional arrangements re profit expectations and an understanding of the normal rate of return typically associated by competition. Once these are understood, there is a vast array of influences that then shape rapid scale that include M&A, PE, Cost Cutting and Stagflation. In effect, the process creates a dominant capital flow that expands and consumes until an oligopoly is formed.

To summarise (JN), as pain and pleasure cannot be conceived, they cannot be measured. (JN) theory seems to indicate that capitalist create/influence consumer behaviour and supply, ultimately creates demand. Outside of a perfect free market and outside of a monopoly, there are Oligopoly markets that control industries, and these large businesses that own multiple brands work in collaboration to control pricing and consumer behaviour. Each industry is ultimately controlled by an oligopoly model, and if we look at Australia, this would ring true. We have 4 major banks, 3 main retailers of consumer staples and any industry you think of will have between two and four major players. When we enter a depression, theory would suggest demand shock would create a reduction in the price of goods, enabling the market to continue and consume its way out of hard times.

In truth, this is not what happens. Pricing can stay the same or indeed go up, and only production contracts, further adding to forces of stagflation. Taking (JN) theory, even a perfect market would eventually morph into an oligopoly, as businesses merge, or acquire to gain greater power, scale and control of consumer demand.

For procurement leaders in global businesses, it could answer key questions re procurements relevance to pricing and why pricing should be neglected as a metric of measurement for the functions performance. If global businesses operate in these oligopoly markets, and they can impact global markets via pricing and value creation to consumers, then there is more value re investment in marketing and sales than there is attempting to impact business inputs. It is obvious to us as consumers, that large businesses track and measure each other's outputs and these fluctuations re promotions, discounts or increases in price points are a result of B2B collaboration more than consumer demand. What would be interesting to explore, is whether this economic theory of price and value is true at all layers of commerce. Does this theory ring true at the SME level, or at the B2B level down through the supply chain?

If Jigsaw look at procurement value to enterprise, we have indicated for some time, procurements greatest impact is in the small and medium size enterprises that operate in local markets. Is this because at a certain scale of business, pricing cannot be administrated by the business at will, and, to some point is controlled by consumer demand? Within Jigsaw, we believe all economic models stem from some truth and maybe they are progressive in relation to scale. Price related to labour, utility, rational demand, scarcity of supply or other factors maybe all part of the fabric of the supply and demand equation that play out at varying levels of business maturity and in so being, procurements value to influencing pricing and sales ability to administer margin are highly variable. Maybe procurements maturity curve and accountability progresses from value discovery re price as the business is embryonic and at scale transcends to business discovery to optimise differential accumulation.



Retail

The retail sector consists of winners and losers since the March lock-downs, with grocery, on-line and even homewares and appliances doing well. On the flip side, car sales, luxury food & beverage, restaurants and fuel have been drastically impacted with many retailers holding too much inventory. What is a little concerning is these surges in demand has come from Australians raiding super or via government subsidies. In combination with changing working conditions (home office), it will be interesting to see how these revenues normalise over time once government stimulus contracts and workers settle into new working conditions.

In last month's report for July, Jigsaw indicated that key to retail survival will be a business's ability to transform its operating model whilst contending with the pressure of volatile revenues, caused by both COVID-19 lockdowns, a change in consumer behaviour and overly invested real estate. Large retailers in Australia are limited and the market is dominated by two main players who make up circa 30% of the market, which is worth $90 billion per annum. The remaining market is made up of small to medium size enterprises that cover a range of goods and services.

According to Jigsaw's research, a transformation needs to focus on the customer experience primarily, whilst having good visibility of input cost and the supply chain mechanics. Customers typically want value for money, good customer service, a variety of merchandise and quality of product. This is especially important with high order goods like vehicles, watches and furniture. On researching the future of retail, the buzz word that keeps being highlighted is omni-channel strategies.

Omni-channel is not to be confused with multi-channel. Although similar concepts, multi-channel strategies are less customer centric, less integrated and essentially engages with customers, but often fails to fulfil customer expectations, resulting in a failure of transaction and in turn revenue. Omni-channel exists to provide an integrated customer experience, where transactions and products can be perused or purchased in store, on-line and via a number of peripherals. It exists to create a seamless experience that empathises with customer time lines, frustrations and optimises fulfilment. To make this happen, retailers will likely need to invest in an omni-channel strategic plan, invest in systems enablement and open source architecture and align business goals and processes to customer experience. Many retailers understand this concept, but are slow to make the required changes from multi-channel to omni, as the change management and costs associated with the journey is challenging.

The question Jigsaw are keen to explore, is does this mean an end to brick and mortar retail? How much of future retail will take place on-line? Retail is far more than just a transaction for many people, even though the ultimate goal is to acquire goods. The exploration of product and value discovery is often more exciting than the actual acquisition of the merchandise itself. As the future could involve working from a home office spending multiple hours on Zoom etc, the question is, will we want a break from our 4 walls and desire to swing back to old school retail and venture out to buy? There is a reason people like markets, they often bring together a vibrant energy and array of unique, customised products, smells and interactivity.

A shopping trip is often a social undertaking that can involve meeting family members or friends, canvassing opinion on products, grabbing a coffee or a bit of lunch. This means that a change in retail behaviour from analogue to digital will impact the economic fabric beyond just retail itself, it will also impact public transport, car parks, fuel sales, make-up and toiletries, restaurants and other key facilities that support foot shoppers. So a shift to on-line retail, if adopted too efficiently, will we further poke the deflationary fires of the main street economic framework, which in turn could impact everything from employment, energy, property as well as corporate real estate and a diminishing selection of boutique enterprises. This, strangely, could impact the very sector that is seeking to transform. As with a contracting economy, there is less money overall for retail consumption. Retail, especially non-grocery, is very dependent on people feeling flush, wanting to spend and treat themselves to the good things life has to offer. Even a shopping trip itself drives consumers to dress up, look smart and venture out. If other sectors contract and these jobs losses in small businesses do not get replaced by other sectors of the economy, the benefits of on-line commerce could be, in the short term affected by further contractor forces related to un-employment. Like the trend of outsource manufacturing was a great initiative to deflate input costs and increase profits for a company in a vacuum, it becomes an economic nightmare it all businesses within an industry or entire country adopt the initiative for similar advantages. The irony of commerce is in its advancements to become ever more efficient and meet market demands for customer experience and value, it creates deflationary forces when executed at scale which contract overall market wealth and this is detrimental to sales. This resulting stagflation assists create oligopoly markets and eventually reduces customer choice and the power shifts from consumer to producer.

Hopefully, the digital world of ecommerce retail will blend seamlessly into the world of brick and mortar retail. This, would then service two different markets or occasions and retain the businesses that support foot traffic even if, this contracts by 40% as a result. As a portion of consumption is transaction value only, a lot of retail will likely remain a social experience. Stores will undoubtedly become smaller, and merchandise will likely be touched in store but purchased via your phone. This model will optimise storage and transport, as CBD access for SKU delivery will be optimised. In store space can be better utilised to cater for refreshment, digital presentations, or even partnerships with other service providers (non-competing) that can optimise costs and add to the customer value proposition.