SUMMARY

Christmas 2013 was a fairly mixed bag. Figures from the British Retail Consortium showed lacklustre growth for the period, with like for like sales up just 0.4%, whilst food sales had a fairly disastrous showing, declining by 0.6% on a like for like basis. Although there were indications that shoppers were feeling more buoyant on the approach to Christmas, a lack of real earnings growth meant that this increased confidence didn’t translate into sales on the high street.

The festive period reinforced a few key trends from 2013:

- E-tailing and, more specifically, mobile retail is accelerating faster than had been imagined. A new generation of cheap tablets and mobile internet devices meant that more and more of us shied away from the high street this Christmas and instead shopped from the comfort of our own homes. Indeed, on the run up to Christmas, reports showed that footfall on the high street declined by 3.8%, in shopping centres by 1.8% and on retail parks by 1.2%. Preference for purchasing goods online has in turn led to increased acceptance of click and collect, both by consumers and retailers.

- The way in which we are buying our groceries is shifting. Grocers have reported that sales within their larger stores have slipped, with consumers preferring the use of smaller format convenience stores. With convenience stores also being used by retailers as a physical network for click and collect delivery, this trend is set to continue.

- We have witnessed further polarisation of the grocery sector and notably the rise of the budget supermarket. Waitrose continued to perform well at the upper end, whilst Lidl and Aldi came into their own over the festive period, with both grocers celebrating record trading. By widening their range and offering premium products such as caviar and lobster on the run up to Christmas, the retailers were able to lure in members of the ‘squeezed middle’ who previously would not have considered them as a viable alternative to the ‘Big 4’ grocers.
RETAILER DISCUSSION

• For all the festive gloom, retailers who have reported this Christmas were for the most part positive. Of the 61 retailers whose results we have recorded, only Morrisons, Tesco, Mothercare, Mulberry and WH Smith registered negative like for like sales for the Christmas period. However, there is perhaps something quite telling in the lack of reporting of Christmas sales across the industry as a whole.

• Almost without exception, the retailers who performed well over the period displayed a combination of traits. A seamlessly integrated multi-channel platform allowed online sales to compensate for generally poor physical store sales. Furthermore, by not discounting prior to Christmas retailers were able to engender a sense of trust with their consumers. Conversely, several retailers performed badly, in part, as a result of not adopting these strategies. Morrisons lacked a coherent online offer, whilst Marks & Spencer and Debenhams discounted heavily in the weeks preceding Christmas. Fashion retailers fared particularly well in 2013, with retailers such as Next, Ted Baker and Burberry reporting stellar sales. Food suffered its worst sales for five years with only Waitrose, Aldi and Lidl posting anything better than underwhelming or negative results. For the most part, this has been blamed on an increasingly competitive market for the mid-tier grocers.

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PREDICTIONS FOR 2014

• The broader economic environment will continue to improve. BNP Paribas is forecasting that the UK economy will grow by 2.7% in 2014, with consumer spending driving the growth.

• It is quite hard to see beyond the continuation of 2013’s dominant trend. Online retail will persistently cannibalise high street sales with the IMRG Capgemini e-Retail Sales Index suggesting that in 2014, online sales will increase by 17% to £107 bn.

• Click and collect will continue to mature. Whilst this is perhaps obvious for multichannel retailers, 2014 will be the year that pure play operators will begin to seek out a physical presence on the high street and on retail parks. Online retailer Moo.com took a physical London store in 2013, whilst it has been reported that Ebuyer.com is planning on taking high street units to supplement its online offer.

• As rafts of 1980/90’s leases begin to expire over the course of the year, inferior towns and cities will continue to decline as retailers exit less profitable areas. We expect vacancy rates in certain areas to increase, whilst core and more affluent areas will be unaffected. For landlords, the challenge of how superfluous retail units could potentially be utilised as leisure or residential space has been well documented. For retailers, the challenge for 2014 will lie in ascertaining which stores have strategic importance not only as a direct point of sale, but also as part of a multi-channel platform.

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