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UK RETAIL 2012 & BEYOND



Introduction

Welcome to our forecast for UK retail in 2012 and beyond

UK retailers face yet another year of tough trading as the economy continues to suffer from the strains of the recession and global downturns. This whitepaper gives our forecast for the next year for total retail and the major sectors. It also explains some of the key issues and future developments that retailers will face over the next few years and what they need to do to survive and thrive.

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About SAS

SAS is the leader in business analytics software and services, and the largest independent vendor in the business intelligence market.

About Verdict

Verdict Research is the leading authority on retailing. Its research and publications provide executives in a wide range of business sectors with unrivalled independent analysis of retail sectors & trends.



Summary – key points

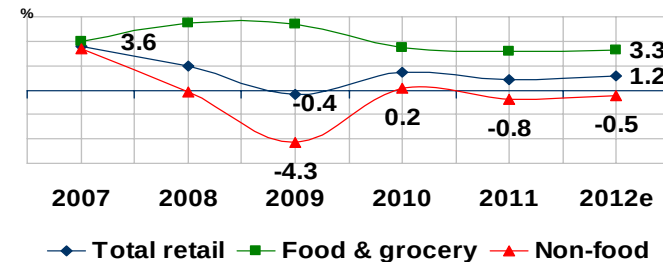
- 2012 retail growth 1.2% - third lowest growth rate in 40 years
- Non-food will shrink for fourth year out of five – down by £740m (-0.5%)
- Total sales lost by non-food categories since beginning of recession = £9.5bn (almost equivalent to combined sales of John Lewis, Next and all M&S non-food sales)
- Food will grow by 3.3%, but grocers adding c5.5% of new space so I-f-Is will be down
- Food winning at expense of restaurants and bars as we dine and entertain at home
- Tesco most challenged in food & grocery as competitors open more stores in its locations, offering shoppers greater choice
- Biggest losers are home related sectors – down £900m year on year
- Diamond Jubilee and Olympics will improve consumer sentiment, but not confidence in Q2 & Q3
- Q1 will be the toughest – expect more casualties
- Consumer shopping style is changing – from extravagance to austerity
- Lower volumes will hit all, especially low price/high volume value retailers – expect consolidation
- Too much retail space – expect more store closures as retailers develop new location/online strategies
- Shift from youth to maturity as 16-24 year olds suffer economic woes and 65+s grow in numbers and work longer
- New technology fuels rise in m-commerce by all age groups and empowers voice of the consumer
- Retailers must invest to create a brand that will travel globally as well as survive in the UK

2012 UK retail expenditure third lowest growth rate in 40yrs

Non-food spending contracts yet again

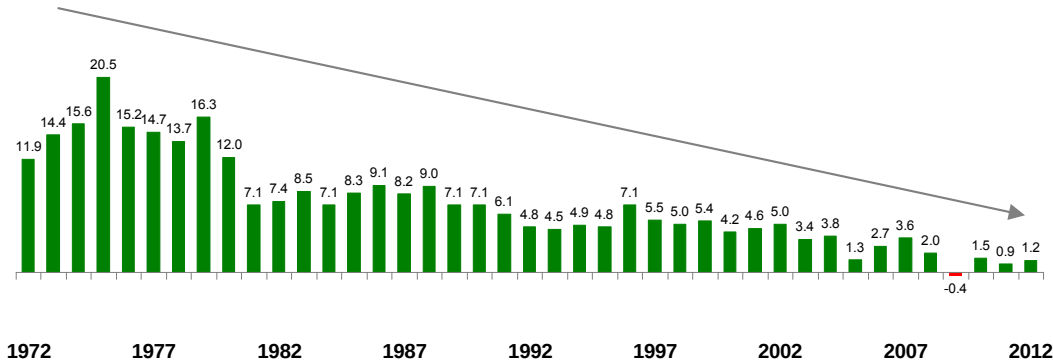
- At 1.2% we are forecasting retail expenditure growth in the UK in 2012 will be the third lowest rate in over 40 years – and each of these record years have been since the recession. Retail growth has been trending down every decade since the 1970s, but the recession has led to a virtual halt – average growth since 2008 will be 1.1% while in the previous five years (2002-07) it was 3.0%.
- Non-food is the biggest loser, shrinking by 0.5%, or £0.7bn. Between 2007, the year before the recession, and the end of 2012 non-food spending will have shrunk by £9.5bn. This is only a little under the total combined sales of John Lewis, Next and M&S' non-food sales.
- Food has been the driver of growth during the recession. It is an essential and regular purchase for everyone and despite price competition, inflation has led to us having to spend more for the same quantity.

UK retail expenditure growth year-on-year 2007-12e (%)



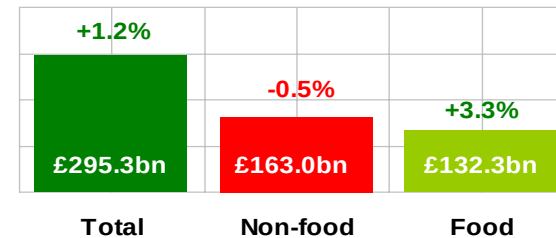
Source: Verdict Research

UK retail expenditure year-on-year growth (%) 1972-2012e



Source: Verdict Research

UK retail expenditure value (£bn) and year-on-year growth (%)



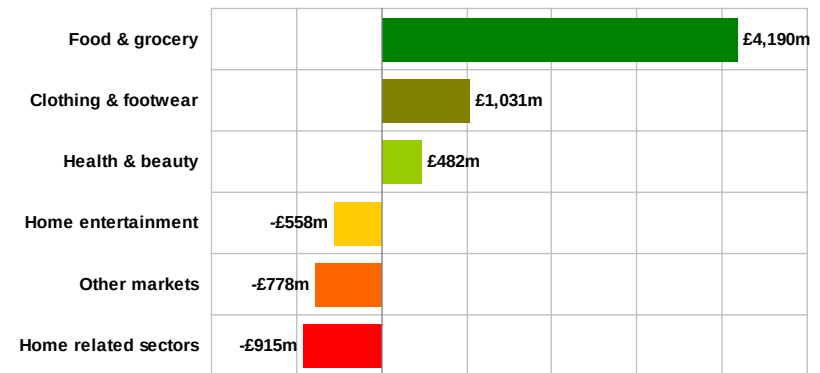
Source: Verdict Research

2012 Non-food volumes fall as well as value

Home related sectors show biggest losses

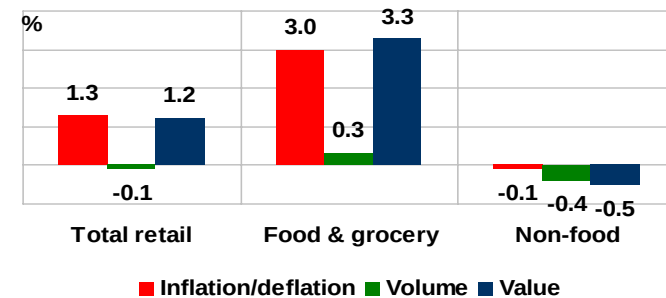
- The annualisation of the VAT increase helps to keep a lid on inflation, as does competition among retailers, but most worrying for businesses is the decline in volumes in non-food. This reduces the opportunities to sell to a consumer and is dangerous for retailers with low price/high volume models that depend on scale economies to maintain their proposition and margins.
- A combination of need and inflation has led to food becoming a much larger share of our expenditure again; in 2004 it accounted for 38% of total retail spend, but in 2012 this will have become 45%. Though the £4.2bn year-on-year gain looks impressive this will be spread across the whole retail sector and as the big players are planning to add around six million sq ft of new space in 2012 there will be heavy competition for this extra spending – particularly as volume growth is slowing.
- Clothing & footwear will add £1.1bn, but again this will be spread across a highly fragmented sector, with the increase only accounting for an extra £14.00 per adult over the year so there is little chance for big gains for single operators.
- The biggest losers are those sectors related to the housing market (furniture & floorcoverings, DIY and electricals) and home entertainment (music & video and books, news & stationery).
- The home related sectors are dependent on consumers moving, but the housing market is unlikely to recover significantly until 2013, while home entertainment is moving from physical stores to digital online delivery.
- For details on sectors see over.

Change in value of expenditure (£m) 2012 on 2011



Source: Verdict Research

Growth drivers year-on-year in total retail, food and non-food (%) 2012 on 2011



Source: Verdict Research

2012 – UK retail sector forecasts

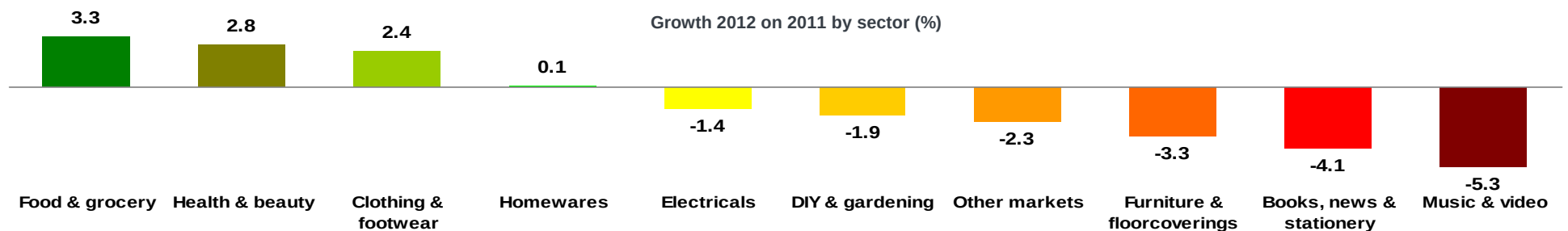
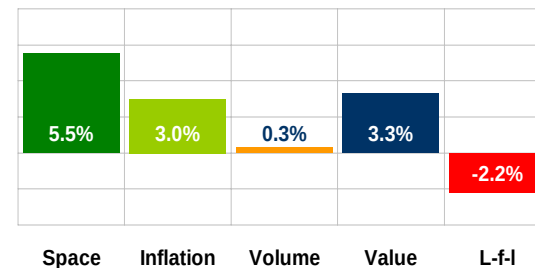
Food & grocery benefits from consumer austerity – staying in rather than going out



Food & grocery dependent on new space & inflation to drive growth

- The food & grocery sector is winning at another sector's loss. We are dining at home rather than going out so supermarkets are picking up spend that would have gone to restaurants and bars.
- While there will still be inflation it has slowed down. However there is a global market for food and increased global demand, plus high transport costs will ensure that prices are unlikely to fall except via competition. And as there has been inflation in food for the past seven years, consumers are paying much higher prices as a base.
- In food, there is little volume growth as consumers react to higher prices and squeezed incomes by cutting out waste. Also space growth in 2012 will outstrip spending growth, leading to more competition for market leader Tesco as competitors open more stores in its current locations and give consumers more choice of where to shop.
- Customers will continue to manage their spend through planned purchases online and more frequent top-up shopping trips in neighbourhood stores. As grocers expand further into the neighbourhood sector to benefit from this trend, convenience stores will be key to growth. Trends towards dining in and cooking from scratch will encourage trading up & provide possibilities for independent food specialists to revive.

Drivers of growth in food & grocery 2012e (%)



2012 – UK retail sector forecasts

Looking and feeling good personally is preferable to spending on big ticket items



Clothing & footwear – value sector consolidates, young fashion no longer immune to economic environment

- Though inflation is lower than in 2011, it will continue to be a driver of value growth. Volumes will return to positive territory in 2012 though will remain low as discretionary purchases are careful and considered and elevated price points due to inflation will limit volume growth, as consumers simply cannot afford to purchase increased volumes of higher priced items.
- Increased levels of discounting and promotional activity will drive sales, but squeeze margins further. The value sector will continue to drive growth, in kidswear especially, though at a more subdued pace and there will be further consolidation in the sector as those on very low margins cannot drive the volumes to cover their costs.
- After significant growth in the young fashion sector over the last five years, the rising cost of going to university and the difficulties of getting a job post graduation will inhibit sales growth in the segment. This will make the young fashion sector more challenging, even for the largest operators.



Health & beauty – looking and feeling good a priority

- Inflation will be lower as rising costs flatten out and the VAT effect reverts to neutral. While at the more premium end prices will be pushed up as consumers seem to be less willing to cut back on products such as anti-ageing creams; intense competition in everyday products such as handwash and toothpaste will dampen this.
- While the economy is expected to remain tough, health & beauty will remain relatively resilient - with consumers viewing it as a necessity and a way of treating themselves for a relatively low cost.



Homewares – affordable products insulate the sector

- Settling cotton prices and the VAT rise dropping out of y-o-y comparisons means inflation will remain, but drop by one percentage point in 2012.
- The fall in inflation will also come from increased promotional activity, especially from the grocers and retailers at the value end of the sector. Volumes will return to growth from Q3 2012 as confidence starts to recover, however spending will remain low, keeping volumes down.
- The continued poor performance of the housing market - which is likely to be flat in 2012 - will continue to cause a drag on volumes as consumers cut back on big ticket items. However homewares exposure to smaller ticket items will mean it fares better than other home related sectors.



Electricals – overcapacity and online shrinks the market

- The sector continues to be very price competitive as it is easy for consumers to compare prices of branded products online. Manufacturers are producing cheaper versions of iPads and Kindles, with tablets and e-readers big sellers.
- White goods will be sluggish still because of the stagnant housing market and will be driven by replacement purchasing.
- Brown goods such as TVs are likely to see an uplift before and during the Olympics but this will not be sufficient to make a significant impact on the year overall.
- Spending in electricals has shrunk by £2.9bn since the beginning of the recession which is the main reason behind casualties such as Best Buy and Comet – there is too much capacity and 35% is bought online which negates the need for expensive store estates

2012 – UK retail sector forecasts

Sectors dependent on housing market and with high digital participation lose out



DIY & gardening – sales declining despite exit of big player and positive growth in gardening

- The dichotomy within DIY and gardening will continue as gardening continues to do well, growing by 1.5% due to a continuation of the grow your own trend and more people taking up gardening as a cheap hobby during the downturn. It is also a favourite hobby of the 55+s and each year this age group increases in numbers.
- DIY will remain weak however, declining by 3.6%, due to a continuation of the trends seen throughout 2011. The stagnant housing market and squeezed disposable income is stopping consumers taking on big projects or buying big ticket items unless really necessary.
- Though the exit of a big player, Focus, has provided opportunities for competitors to take its sales, and gardening is positive, in the overall market, sales have declined in four of the past five years and competition will still be intense.



Furniture & floorcoverings – single product dependency a core weakness

- One of the most challenging sectors to be in. The longevity and hardwearing nature of these products help make these purchases easier to defer buying until later, weakening demand beyond the sector's reliance on the housing market.
- The winners invest heavily in promoting their products, have large scale, and authority in the sector, but even these are looking to diversify away from single product dependency.
- IKEA's low price proposition, wide range of home product and large stores out of town give it a clear advantage over competitors in this sector. As it builds more authority in kitchens, bed and living room products and emphasises quality as well as investing in price it will take yet more share from the survivors.



Books, news, stationery – switch to digital weakens the sector further

- The shift in consumer behaviour to books, news and now greetings cards online has had a serious impact on retailers in the sector. iPads/tablets and Kindles/e-readers have made news and books even more accessible in a digital format and this is reducing the need for physical stores.
- Card stores have a double whammy – the switch to digital and the expansion of non-specialists, particularly supermarkets, into the sector. Selling relatively low price product in physical stores is no longer viable when volumes start to decline, hence the exits and profit warnings.



Music & video – 75% of expenditure is online

- Just as in books the switch to downloading has hit physical stores in the sector. Nearly 75% of expenditure is online, the most highly penetrated online sector of all.



Others – lower prices as non-specialists expand into sectors

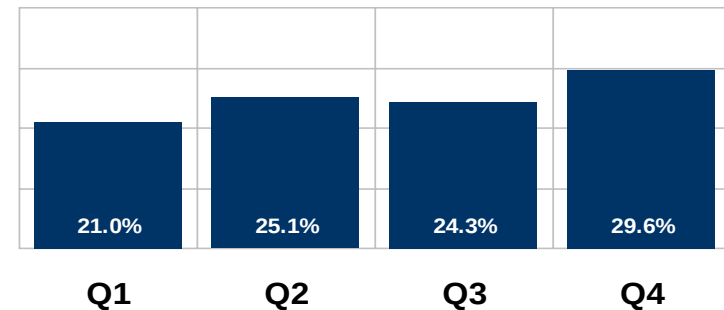
- Inflation is driven by fine jewellery - expect prices to continue to go up, but consumers will not be purchasing high volumes in the sector which will keep growth down.
- All other categories are deflationary with high levels of price competition, driven by increasing involvement of grocers in categories such as toys & games, sports, camping etc, though the latter becomes more popular due to more people holidaying in the UK.
- Bicycles are popular as a cheaper transport method but volumes will be in lower priced models.

Olympics, Diamond Jubilee, lift consumer sentiment, but not confidence

Q1 will be the most challenging for weakest retailers

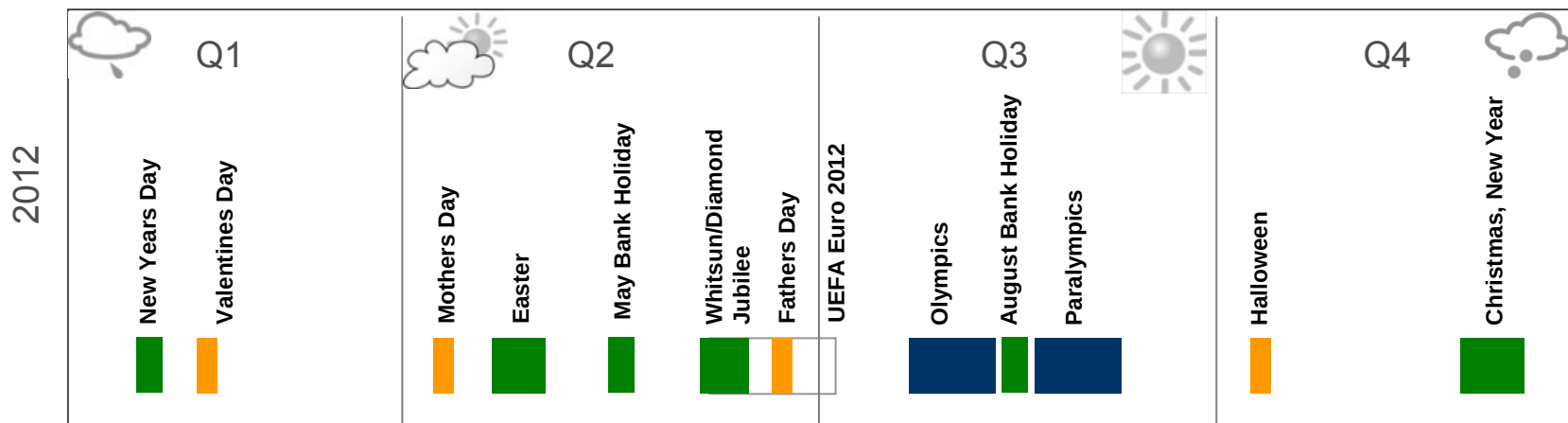
- In January consumers will cut back on spending after the outlay of the Christmas period. There are also no big events to encourage spending as Easter falls in Q2 this year. With lower spend retailers will have less cash coming into the business to pay operating costs and rents, and the weakest will not survive.
- The late Easter, plus the Diamond Jubilee and bank holidays will lighten Q2, but it is up against a good period in 2011 as well so is not likely to show large improvements. There is also the Euro 2012 football tournament, but how much this will drive spending depends on England's performance primarily and that is unlikely to be outstanding on past experience.
- The Olympics will improve consumer sentiment in Q3 but not generate high spending in retail. Food & grocery will be the main beneficiary as people stay home to watch events and eat in. Some electrical sales will benefit, such as TVs, but generally this will be an opportunity for global brand recognition rather than sales.

Retail expenditure share per quarter 2012e (%)



Source: Verdict Research

Bank holidays and major events for retailers in 2012



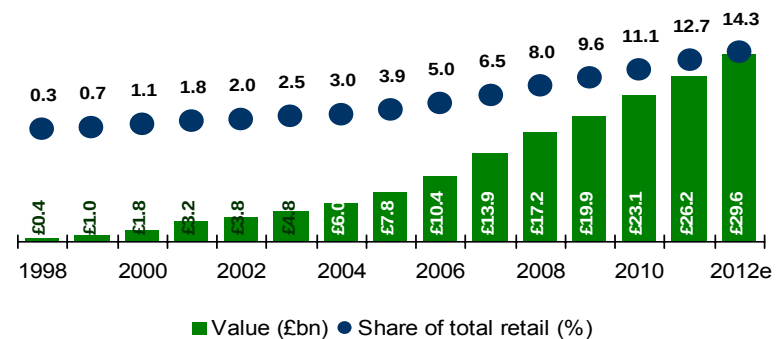
Source: Verdict Research

Low growth + internet = excess of space

Space contracts from oversupply

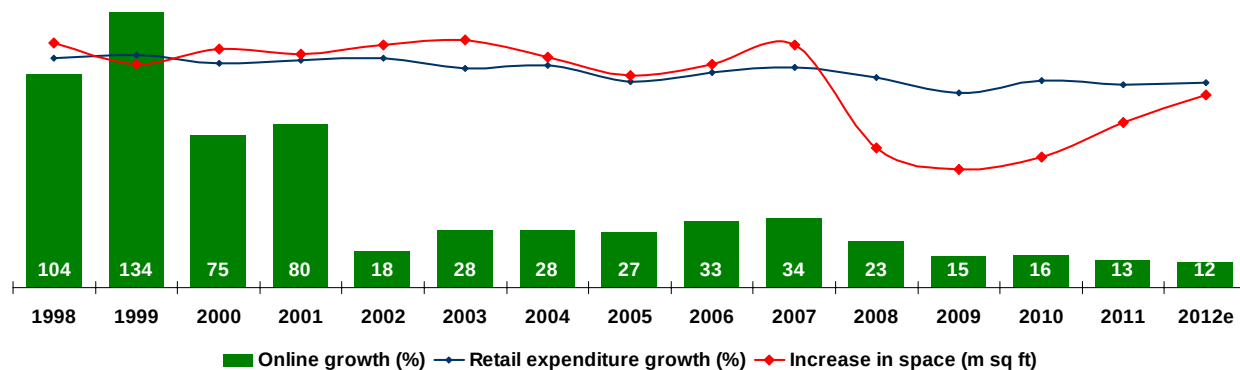
- Since the recession hit there has been a decline in space growth as secondary and tertiary locations have lost out to larger and new shopping locations. Casualties have released space too. The stores in good locations and with large enough space have been taken by competitors, but stores in irrelevant or poor performing locations have closed or moved out of retail entirely. This has hit the smaller store formats and independents particularly.
- Planned shopping centre projects have been put on hold but more will come through over the next five years, however new centres tend to pull from older surrounding ones so displacing demand rather than creating new demand.
- Meanwhile retailers are closing non-profitable stores, shifting to larger stores in better, more relevant locations which is increasing the average store size but reducing the number of stores.
- The main losers are small independents who cannot generate the footfall to cover their increasing costs, and secondary and tertiary centres.
- In addition the internet reduces the need for more stores and a new location model is emerging.

UK online retail expenditure (£bn) 1998 -2012e and share of total



Source: Verdict Research

UK online and retail expenditure growth and space growth 2002-12e (%)



Source: Verdict Research

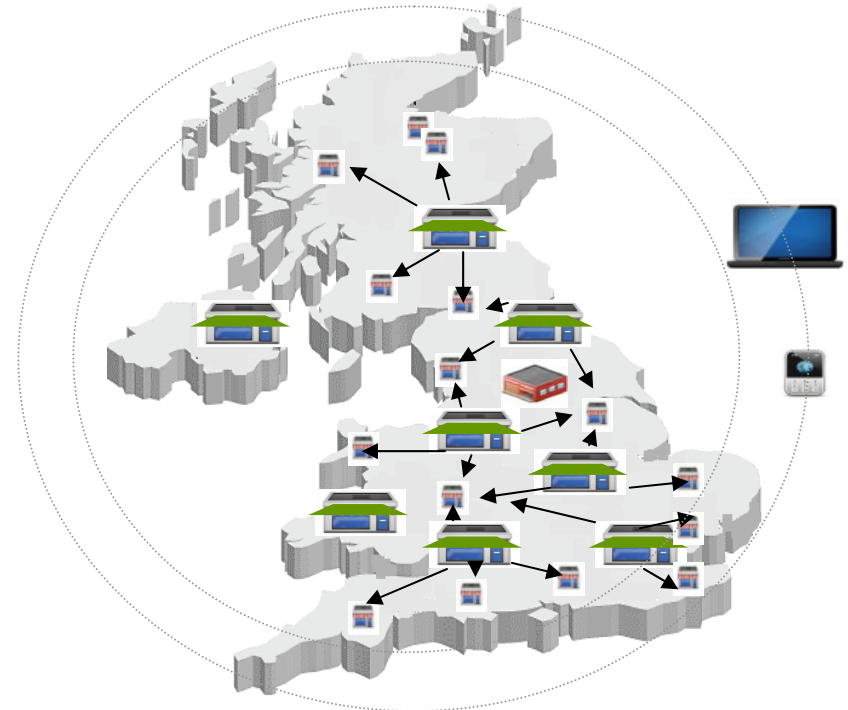


New model emerging; flagships + outliers + online

Non-food: optimising stores and location strategy

- Non-food retailers are being forced to analyse their location strategies. In the face of falling sales and volumes, combined with rising operating costs, retailers can no longer afford to run unprofitable stores. When volumes were high and there was growth in the market, retailers' best performing stores would support underperforming ones and the latter would be supplying cash to boost the topline. Now however they are a drain on profits as margins tighten.
- With too much space retailers are reconfiguring their store portfolios, closing underperforming stores as leases expire or, in the worst case scenario entering into pre-pack administrations where they can reduce store numbers and eliminate debt before commencing trading again in a reduced format.
- The new model that is emerging is one of flagship stores with full ranges, in the largest, or most appropriate, locations for a retailer's target market, combined with smaller stores in satellite locations with online facilities (ordering kiosks with access to full range, sample ranges in stock for selection, click & collect facilities). This is complemented by transactional internet and mobile commerce sites that allow shoppers to access stores from any location at any time, and order goods.
- Some examples of this already happening are Debenhams with its smaller Desire stores, m-Commerce facilities and instore kiosks; House of Fraser's click & collect store in Aberdeen, M&S' trial boutique which has sample ranges of clothing with online videos and ordering facilities.
- The benefit of this model is it reduces costs of stores – rents, rates, staff, operating costs, delivery costs, and of cannibalising sales. Stock is in places where there is demand, and online also reveals where the demand is so that retailers can investigate the feasibility of opening new stores with less risk than in the past.

New location model 2012 onwards– flagships + satellites + online



Source: Verdict Research

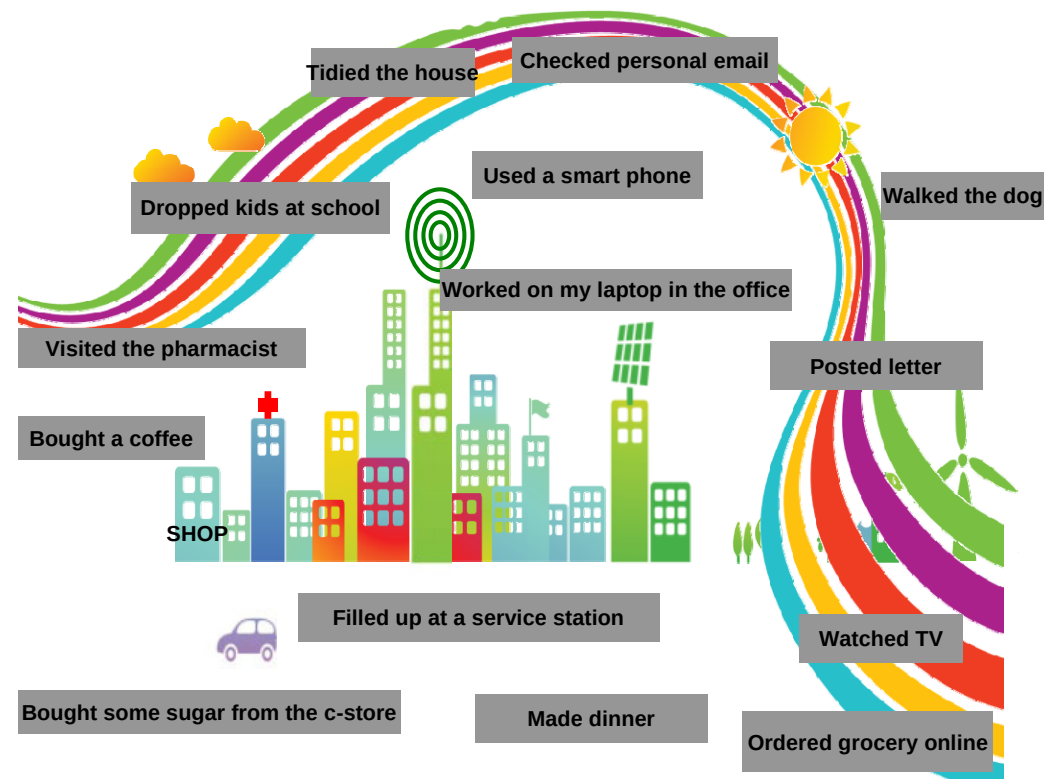
- New model; large stores with full ranges in largest, or most appropriate location with smaller satellite stores carrying limited or sample stock, plus full online range, and click & collect facilities.
- Served by central distribution centre and outliers if necessary.
- Plus transactional online facilities and mobile commerce give consumers a wide variety of convenient options for buying.

Changing consumer behaviour – life & shopping complexity

Fragmentation of shopping behaviour, diverse channels, diverse locations

- The 21st century consumer leads a far more complex life than predecessors. We shop in a way that reflects that complexity, buying from a variety of different channels and locations dependent on where we are in the day and what we are doing. What drives our buying patterns is convenience – does it fulfil our need at the time, and does it save us some time?
- There are now a diversity of shopping opportunities – local, out-of-town, town centre, service station, online, travel locations, TV shopping, mobile shopping, airport retailing – the choices are increasing all the time. However having such a choice with retail growth slowing, or in the case of non-food declining, means that not all these locations and channels are necessarily profitable. The challenge for the retailer is to provide the choice of multi channel shopping, but to make sure that overall it is a profitable model.
- So there is fragmentation of shopping – we go out-of-town infrequently for major shopping, top-up locally and in fill on the move as well as order online.
- Technology has been the main driver of this change. The internet has become far more accessible with the advent of smartphones, tablets and iPads, and more user friendly.
- Technology is also providing a diversity of payment methods which will expand so we will have cash, credit, cards, online, mobile touch, and more. The next iPhone, version 5, is expected to have a chip that will allow wireless payment by phone for example.
- This complexity, plus technology, is forcing retailers to think differently about their propositions and how they deliver them to the customer.

Typical day for the 21st century consumer



Source: Verdict Research

Expansion of click & collect and mobile commerce

Technology is expanding and changing our shopping styles

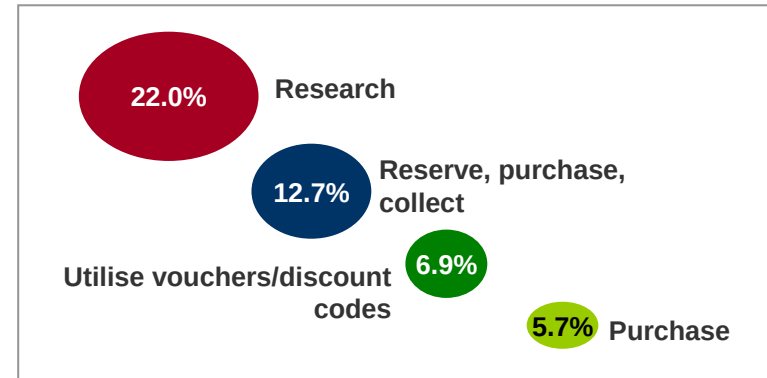
- Technology is driving change in our shopping styles even faster with smartphones and tablets – both make online more accessible and being very user friendly and intuitive are extending the age range – even the Queen is rumoured to have an iPad.
- Though only 6% of consumers with smartphones use mobiles to purchase online they are becoming a key influencer in the way we shop online, from research, to checking prices, to utilising codes and discounts at the point of purchase in stores, even to paying for products.
- The driver is convenience, and delivery is where online has fallen short in consumer expectations in the past, but retailers have been addressing that with various different options recently. The expansion of click & collect has been very successful.
- Now we can collect parcels from local convenience stores, lockers in railway stations, drive to collection points out-of-town – there are far more options than just waiting at home for a delivery or having to go to the Post Office to collect.
- For retailers click & collect saves delivery costs to individual addresses – they are delivering to their stores anyway if they are physical retailers and if not parcels can be delivered and collected from one local delivery point rather than customers' homes.
- Retailers are innovating in the way they use technology. John Lewis launched virtual window displays in seven shops for its New Year Sale enabling the retailer, which did not open its shops for Clearance until December 27, to capitalise on high street footfall on Boxing Day.
- Customers passing the Peter Jones, Oxford Street, Brent Cross, Milton Keynes, Reading, Liverpool and Edinburgh branches were able to use their iPhones to scan the barcodes of clearance products featured on the window in order to buy them via a link to johnlewis.com and use the click & collect service to get them the next day.

Development of click & collect options 2012



Source: Verdict Research

How consumers use mobiles to shop 2011



Source: Verdict Research

Casualties – common factors

Inability to drive volume in low growth environment

- The main cause of retailers falling into administration is that they do not have the cash flow to cover their costs and debts.
- Many of the retailers that have got into difficulties have high debt levels and support from banks has been withdrawn, while trading is not producing enough cash to service debt. When debt was cheap and the retail environment was buoyant weaker operators were shielded, but now growth is low any progress is at the expense of weaker competitors.
- Operators in the home related sectors are particularly vulnerable as demand for big ticket items and goods generally bought after house moves has shrunk by £8.8bn since 2007. Not until there is a boost in consumer confidence and the housing market improves will operators in this sector be able to look towards a better future.
- Though price is important to consumers, the typical value customer is on a low income and has an even lower proportion of disposable income to spend than more affluent consumers. The outcome is that they have less to spend and buy fewer items, but value retailers need high volumes to maintain low prices and cover costs. This is resulting in a shakeout of weaker operators and consolidation into the hands of the largest retailers, such as the supermarkets.
- It is also very difficult for specialists to survive in this kind of environment – they also need to sell high volume to cover costs, but when this is reliant on just one product they have no alternative option if that product is not selling well.
- We are likely to see more casualties with these propositions in 2012, especially in Q1 when the rents and VAT bills are due, and especially if the retailers are carrying high debt burdens.

Casualties 2011

Focus

World of Sofas

Lombok

Homeform

Dependent on the housing market, consumer confidence and ability to spend on big ticket items.

Officers Club

TJ Hughes

Life & Style (Ethel Austin)

Value retailers dependent on high volumes to maintain margins

Oddbins

Barratts/Priceless

Jane Norman/La Senza

Specialists dependent on one category to drive enough volume to cover costs and make a profit

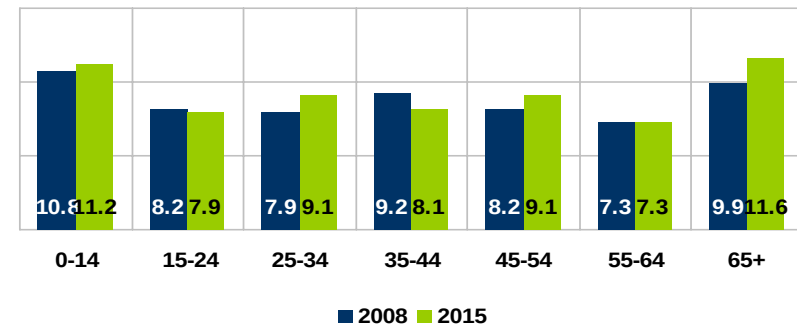
Source: Verdict Research

Changing demographics – shift from youth to maturity

Population ageing and youth less insulated from economy

- With growth so low retailers need to target different customer groups more effectively and the 65+s have tended to be ignored, but with over 12 million of them in 2015, 18% of the population, retailers need to rethink.
- Many of these 65+s will continue working, not just because they need to financially because of falling household incomes and rising outgoings, but also because of the pension age being extended each year.
- Retailers will need to consider the lifestyle and needs of the older consumer and target them correspondingly. While their needs may be different to younger consumers they are just as likely to be using technology in similar ways, particularly as new technology and mobile technology are far more user friendly now.
- Click & collect and home delivery will be more important to older shoppers who are less mobile, as will local shopping, which will boost neighbourhood and local stores (and the satellite stores mentioned previously as part of the new store configuration model).
- Meanwhile the 16-24 year olds – major drivers of young fashion spending and entertainment and technology - will be shrinking in numbers as well as disposable income. If they are undertaking further education they will be less willing to spend because of the cost of that education and the future debt burden they will incur.
- Gaining employment is going to be harder for this age group so disposable income will be squeezed whether they are in education or not, and the fall back of parents' financial subsidies will be more limited as household incomes overall are squeezed.
- The family shopper, which has been the main target for retailers because of their spending across so many categories, and their numbers (the 35-44 year olds particularly), are going to be on a very tight budget over the next few years which will make selling to them even harder.

Changes in population numbers by age group 2008 & 2015



Source: ONS, Verdict Research

Consumers changing from extravagance to austerity

Shifting consumer attitudes & behaviour



From affluence to austerity – cutting spend

- Inflation is one of the biggest challenges consumers are facing following a decade of deflation and low prices. As living expenses rise and disposable incomes fall, consumers are changing their spending habits, cutting back and spending wisely.



From buying lots to buying little – lower volumes

- Low prices encouraged shoppers to buy more, and retail volumes grew every year from 1992-2008; the end of one recession to the beginning of another. But with goods costing more, shoppers are buying fewer items and volume growth has stalled significantly.



From price to value – selective shopping

- Inflation brings a new attitude to value; price is still important but products must offer more than low prices to be perceived as good value. Depending on the sector, value is a combination of price, quality, service, exclusivity, relevance, store experience and convenience. In food best price + best quality = good value, as it means less waste and a more enjoyable eating experience.



From waste to no waste – quality not quantity

- Consumers do not want to waste money, food, time, or fuel so they are shopping less, and buying less. They do not want to waste food so buy what they need and make sure it is good to avoid throwing any away (and therefore wasting money). They shop less frequently out-of-town to save fuel, cutting down on big supermarket visits and top up locally.



From going out to staying in – home & local focus

- Leisure and entertainment focuses around the home and local venues – the latter saving travel expenses as well as costs of leisure activities. People are dining at home with family & friends instead of visiting restaurants, going to local coffee shops to meet rather than pubs and wine bars, downloading the latest film to their 3D TV rather than going to the cinema.



From impulse to planned shopping – sticking to a budget

- Consumers are planning their shopping. Buying food online avoids travelling to supermarkets and also the temptation of non-list products. Indeed online shopping saves travel and time costs overall. Shopping trips are planned now and less of a leisure activity, especially among older shoppers.



From e-Commerce to m-Commerce – a leap in technology

- Consumers are taking to m-Commerce fast as smartphones and tablets make shopping easy for everyone. Not just for researching and buying (with QRs providing instant information) they also give quick access to savings with immediate price checks, vouchers and promotions available as you shop.



From youth to maturity – demographic focus changes

- Young shoppers are no longer immune to economic crises – unemployment, high tuition fees, inflation and the reduction in support from the cash-strapped bank of mum & dad is seriously impacting their spending capabilities, and they are no longer the cash cow for young fashion retailers. Meanwhile the older generations are expanding in numbers creating a large market, albeit also with restricted spending power.

The impact on retailers of changing environment

Power with the consumer not the retailer as they buy less and change shopping habits



Lower volumes

- Fewer opportunities to gain a share of a shopper's wallet as they are shopping less, visiting fewer stores and buying fewer items. If you are not number one on their list then you have little chance of getting a sale.



Fewer store visits

- More online shopping equates to lower store footfall and lower store revenues, while higher costs make stores unprofitable. Space, the great driver of retail growth over the past 40 years, no longer drives growth but instead dilutes profits.



High volume business under pressure

- Low price, high volume businesses will suffer as volumes but not costs fall. Furthermore retailers with low margins and high debt levels will be in peril, particularly if they have a narrow product range.



Technology is driving a leap in shopping style

- m-Commerce is growing fast and will become an integral part of shopping for all ages – retailers need mobile capability to engage with shoppers as well as sell to them.



Local shopping increases in importance

- High cost of transport, reduction in buying trips and an ageing population will reduce trips to out-of-town supermarkets, retail parks and shopping centres, hitting footfall and spend in those locations. Local, neighbourhood locations will offer more opportunities.



Shift from youth and family focus to mature consumers

- Young fashion retailers will no longer be immune as their target market is hit financially. Older generations will work longer and therefore retain higher incomes, but be on tight budgets as they face inflation in living expenses, so a large market on a tight budget.
- The new 55+ generation will be tech savvy and even the existing 80+s are finding latest developments in smartphones and tablets user friendly, so more opportunities to reach less mobile consumers.



Customer loyalty will define success

- As consumers look for the best offers, most relevant deals, best value and use the internet to inform their choices, they will be less loyal to specific retailers but retailers need that loyalty to capture spend.
- Social networking, blogs and website feedback give the customer rather than the retailer power.

Key retail trends to 2015

Reconfiguring UK space, locations, and channels while brand building for expansion internationally



Virtual replaces physical

- Retailing must be multi channel – winners are those that offer both the virtual and the physical store option. However having a large number of stores is no longer viable – getting the optimum mix of channels and locations defines success.



Reconfiguration of store portfolios

- Retailers are reducing store numbers and focusing on the best retail locations in terms of their customer numbers, footfall and profitability.
- This is becoming a new model – large flagship style stores, with satellite stores that have click & collect facility and online access to full ranges, plus a transactional website and mobile capabilities.



Click & collect and Collect + will expand and boost local stores' business

- Collect +, the service that offers parcel collection and delivery points in local stores, will expand because of its convenience for shoppers. This will help to boost local stores' top-up shopping business and make them more relevant. New collection options will also be developed.



More consolidation in the value sector

- More consolidation in the value sector, particularly in clothing as those with more financial stability pick up casualties' sales.



Rise in local, and home based shopping events and retail opportunities

- There will be a rise in home based shopping events such as those of Jamie Oliver and Body Shop as retailers reach out to consumers.
- More propositions will be developed targeting older shoppers who are less mobile in their homes or place of residence, including shopping events.



Development of premium takeaway and delivery food

- The increase in home based activities will lead to the development of premium takeaway/ home delivery food and local rotisseries, delicatessens and cafes catering for home entertainment activities on a budget.



Investment in differentiation and loyalty schemes

- To build loyalty and win share retailers will invest more in differentiation – ranges, service, store environments and brand building.
- Improved staff training, not just for service but instore stock management and merchandising, will maximise sales opportunities, plus the tailoring of ranges to local catchments.
- There will be greater innovation in loyalty schemes, especially in mobile and social networking.



Focus on international expansion

- Low growth and saturation in the UK changes retailers' focus to international expansion and brand building that will travel globally.

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