



CHRISTMAS CHEER?

The OC&C Christmas Trading Index 2011

Positive headlines but a weaker true story

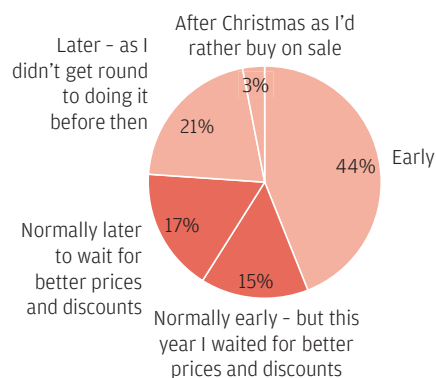
Christmas trading results this year generated some positive headlines suggesting better than expected performance - but the actual like-for-like out-turn for UK retail was negative (particularly taking account of the full trading period in the lead up to Christmas rather than just December). This is against weak comparatives from a really poor trading period in 2010 that was significantly disrupted by snow.

In practice, even to achieve this performance many retailers needed to discount significantly to drive sales - and the level of promotion and pre-Christmas discounting was at a record high. It was yet another demonstration that consumer confidence remains extremely fragile and retailers are needing to work extremely hard to drive sales in this environment.

Delaying for Discounts

A key feature of Christmas this year was the consumer leaving it late before shopping - with retailers needing to cut prices to encourage consumers into spending. Nearly a third of consumers claimed to have left their shopping until close to Christmas in the hope of benefitting from discounts - with 15% specifically changing their behaviour this year to wait for lower prices. While discounting may have been necessary to drive sales in an exceptionally tough trading environment this year, retailers will want to avoid consumers expecting discounts pre-Christmas as par for the course.

“When did you do your Christmas shopping this year?”



Source: Online survey of 1,004 consumers in January 2012

‘Purge’ and ‘Splurge’

Luxury and department stores were the big winners this festive period - with Mulberry and Burberry reporting rapid growth, while House of Fraser's +11% LfL results were the pick of an all-round strong performance from the major department store chains. Underpinning this were trends that have been seen for much of the last 12 months; more resilient spending from affluent consumers less impacted by the disposable income squeeze - and when shoppers are breaking from austerity, they often demand quality for their occasional indulgence.

On the ‘purge’ side of the equation of Austerity Britain, a number of value retailers had a good Christmas with Matalan, Poundland and Blue Inc all posting strong LfL growth. Clear demonstration of value has been critical to winning the spend of less affluent shoppers.

Food Fights

The big news in grocery was weaker than expected Tesco trading, with -1.3% LfL growth in the UK well behind that of the rest of the sector. Rivals should perhaps only enjoy Tesco's misfortune for a short while - Tesco's response of investment in price, stores and proposition will increase competitive pressure in grocery in 2012 at the same time as food inflation falls out of the market. With price transparency in grocery well embedded and headline price moves tracked by other majors, the pricing battle will extend to other fronts. Expect to see more targeted discounts and couponing in the battle to win price sensitive ‘swing’ customers. Finding smart ways to identify and target this segment will become increasingly important.

But perhaps the most significant news was the longer term signal that Tesco intends to pull back from aggressive space expansion of hypermarkets and shift focus in non-food to the internet. It may be looked back on as a defining moment - signalling that not even the grocers are immune to the changes in non-food store economics resulting from the growth of online.

Online marches on

Yet again, the online channel had another very strong Christmas, with both pureplays and online operations of multichannel players delivering robust levels of growth (15% on average). Star performers this festive period included department stores and perfume retailers - highlighting consumer willingness to shop online for Christmas gifting and that store players with effective online operations can capture that spend.

The impact of increasing online penetration is most acute in the entertainment and electricals categories - where online share is high and still rising rapidly. Structural change and the cyclical nature of these markets are placing increasing pressure on store-based retailers - reflected in this year's OC&C Christmas Trading Index where five of the bottom six retailers had substantial exposure to these sectors. These players face the simultaneous challenge of rightsizing their store portfolios, building their online businesses and managing their multichannel pricing against cheaper, online pureplays with lower cost business models.

Retailers in categories where online pressure is not yet this acute may be asking themselves how they best prepare their store businesses for potential challenges to come.

Roll on 2013?

While the anticipated Christmas retail bloodbath may not have fully occurred, prospects for early 2012 are hardly rosy. Rising unemployment and the ongoing squeeze on disposable incomes are leading to very weak levels of consumer confidence. There is perhaps a more optimistic case to be made for the second half of the year; inflation is falling as commodity price increases annualise out, and an Olympics and Jubilee feel good factor should give a consumer boost. However, if the eurozone collapses all bets are off. Roll on 2013?

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STORE-BASED RETAILERS

Retailer	% Change in Like-for-Like Sales, 2011	Weeks of Period	Period End	% Change in Like-for-Like Sales, 2010	Movement 2011 on 2010
Mulberry ^{1,3}	35%	6	14-Jan	-	-
The Garden Centre Group ^{1,3}	17%	6	25-Dec	-	-
Burberry Group (Retail)	13%	13	31-Dec	14%	▼
House of Fraser ⁴	11.1%	5	31-Dec	8.5%	▲
Matalan ³	9.9%	5	31-Dec	-	-
Supergroup ^{1,3}	9.3%	4	31-Dec	-	-
Blue Inc Stores (Blue Inc Ltd) ¹	9%	4	31-Dec	1.7%	▲
Robert Dyas ^{1,3,4}	7.4%	4	25-Dec	-	-
Booker	6.5%	16	30-Dec	5.4%	▲
Debenhams ^{1,4}	6.5%	4	31-Jan	-1.3%	▲
John Lewis (John Lewis Partnership)	6.2%	5	31-Dec	7.6%	▼
Poundland ¹	5.9%	5	31-Dec	-	-
QD (Buyright, Lathams, Cherry Lane Garden Centres) ^{1,3}	5.7%	5	24-Dec	-	-
Greggs	5.1%	5	7-Jan	0.6%	▲
JJB Sports (Retail) ³	5.0%	4	26-Dec	-	-
Pets at Home ³	4.9%	6	12-Jan	-	-
The Entertainer (Stores Only) ^{1,3}	4.7%	5	31-Dec	-	-
The Perfume Shop ³	4.5%	4	24-Dec	-	-
Original Factory Shop	4.2%	5	8-Jan	5%	▼
Alliance Boots (UK Retail) ^{1,4}	4.1%	5	31-Dec	3.8%	▲
Majestic Wine	4.0%	9	2-Jan	3.7%	▲
Dunelm Group	3.8%	13	31-Jan	-4.2%	▲
Waitrose (John Lewis Partnership) ¹	3.8%	4	31-Dec	5.4%	▼
New Look ^{1,4}	3.6%	5	31-Dec	-9.1%	▲
Co-operative Group (Food Stores) ^{1,2,4}	3.1%	4	31-Dec	5.0%	▼
Marks and Spencer (Food)	3.0%	13	31-Dec	1.8%	▲
Ernest Jones (Signet)	2.3%	9	31-Dec	-5.9%	▲
JD Sports (Sports Fascias) ³	2.3%	5	7-Jan	-	-
British Retail Consortium Average	2.2%	4	31-Dec	-0.3%	▲
J Sainsbury ⁴	2.1%	14	7-Jan	3.6%	▼
Marks and Spencer (General Merchandise)	1.8%	13	31-Dec	3.8%	▼
JD Sports (Group)	1.6%	5	7-Jan	2.5%	▼
H Samuel (Signet)	1.4%	9	31-Dec	-2.8%	▲
Maplin Electronics ³	1.4%	4	31-Dec	-	-
Clinton Cards (Clinton Brand)	0.8%	5	1-Jan	-2.0%	▲
Morrisons Group	0.7%	6	1-Jan	1.0%	▼
Marks and Spencer (All Categories)	0.5%	13	31-Dec	2.8%	▼
Officers Club (Blue Inc Ltd) ³	0%	4	31-Dec	-	-
OC&C Store Weighted Average⁵	-0.3%	n/a	n/a	4.1%	▼
JD Sports (Fashion Fascias) ³	-0.7%	5	7-Jan	-	-
Tesco (UK) ⁴	-1.3%	6	7-Jan	0.6%	▼
Homebase (Home Retail Group)	-2.6%	18	31-Dec	-1.2%	▼
Clinton Cards (Birthdays UK)	-2.7%	5	1-Jan	-1.5%	▼
Next Retail (Next plc)	-2.7%	21	24-Dec	-6.1%	▲
Mothercare Group ¹	-3.0%	13	7-Jan	-5.8%	▲
Thorntons (Own Shops)	-4.2%	14	7-Jan	-5.9%	▲
Topps Tiles (UK)	-4.2%	13	31-Dec	2.2%	▼
Carphone Warehouse (Best Buy Europe)	-4.7%	13	31-Dec	2.3%	▼
Halfords Retail	-4.8%	13	30-Dec	-6.6%	▲
Dixons Retail PLC ⁴	-5%	12	7-Jan	-4%	▼
HMV (UK & Ireland)	-8.2%	5	31-Dec	-13.6%	▲
Argos (Home Retail Group)	-8.8%	18	31-Dec	-4.9%	▼
Theo Fennell ¹	-11%	5	31-Dec	-7%	▼
Comet (KESA) ³	-14.5%	10	8-Jan	-	-
Game (UK & Ireland Stores) ¹	-15.2%	8	7-Jan	-0.5%	▼

Methodology: OC&C has used the shortest reported period of like-for-like sales during the Christmas period. Excludes results where the shortest reported period is greater than 26 weeks. Periods vary significantly between retailers therefore care should be taken in interpreting the results. Definitions of like-for-like may vary between retailers but principally refer to same-store sales. Where possible figures relate to trading in UK / UK & Ireland. Figures are stated as reported - no decimal place indicates rounding at the reporting stage. Figures are for like-for-like growth in sales excluding VAT unless indicated otherwise.

Notes:

1. 2011 period length differs from 2010
2. Excludes petrol
3. No 2010 LfL available
4. Like-for-like change in sales including VAT
5. Weighted by most recent reported annual revenue

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ONLINE AND DIRECT RETAILERS

Retailer	% Change in Like-for-Like Sales, 2011	Weeks of Period	Period End	% Change in Like-for-Like Sales, 2010	Movement 2011 on 2010
House of Fraser (Online) ⁴	124%	5	31-Dec	120%	▲
Superdrug (Online) ^{1,3,4}	94.9%	5	31-Dec	-	-
Slurp Wines ^{1,3}	73.4%	4	31-Dec	-	-
The Perfume Shop (Online) ¹	42.0%	4	24-Dec	0%	▲
The Entertainer (Online) ^{1,3}	36.7%	5	31-Dec	-	-
John Lewis (Online)	27.9%	5	31-Dec	42%	▼
Marks and Spencer (Direct)	22.4%	13	31-Dec	25%	▼
Shop Direct (Online Only) ³	20%	6	31-Dec	-	-
Co-operative Group (Online Electricals) ^{3,4}	18.4%	4	31-Dec	-	-
Next Directory (Next plc)	16.9%	21	24-Dec	8.7%	▲
Ocado	16.0%	4	25-Nov	26.7%	▼
OC&C Direct Weighted Average²	14.5%	n/a	n/a	9.0%	▲
Tesco (Online) ^{3,4}	14%	6	7-Jan	-	-
Express Gifts (Findel) ^{1,3}	11.1%	15	17-Jan	-	-
N Brown (Online Only)	9.0%	19	7-Jan	26%	▼
Shop Direct (Group)	9%	6	31-Dec	5.0%	▲
Game (Online) ^{1,3}	3.9%	8	7-Jan	-	-
Kitbag (Findel) ^{1,3}	2.0%	15	17-Jan	-	-
N Brown (Group)	2.0%	19	7-Jan	1.2%	▲
Comet (Online) (KESA) ^{1,3}	0%	10	8-Jan	-	-
Kleeneze (Findel) ^{1,3}	-1.2%	15	17-Jan	-	-
Mothercare (Direct sales) ¹	-2.2%	13	7-Jan	10.2%	▼

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Offices

Boston

T +1 617 896 9900

Düsseldorf

T +49 211 86 07 0

Hamburg

T +49 40 40 17 56 0

Hong Kong

T +852 2201 1700

London

T +44 20 7010 8000

Mumbai

T +91 22 6619 1166

New Delhi

T +91 11 4051 6666

New York

T +1 212 803 7280

Paris

T +33 1 58 56 18 00

Rotterdam

T +31 10 217 5555

Shanghai

T +86 21 6115 0310

www.occstrategy.com

For further information on the themes raised in this article, please contact

Tom Gladstone

tom.gladstone@occstrategy.com

James George

james.george@occstrategy.com