

UK Retail - 2014 Review

Whilst 2014 was disappointing for the Food sector, every other retail subsector saw improvement, leading to growth in retail's share of the national GDP. In this review we analyse trends which affect consumer behaviour and examine the impact on each retail subsector. We also point to key brand winners/losers and provide the 'CI view' to future trends by sub-sector and channel.

Sales of automotive fuel are excluded throughout this review.

Retail overview

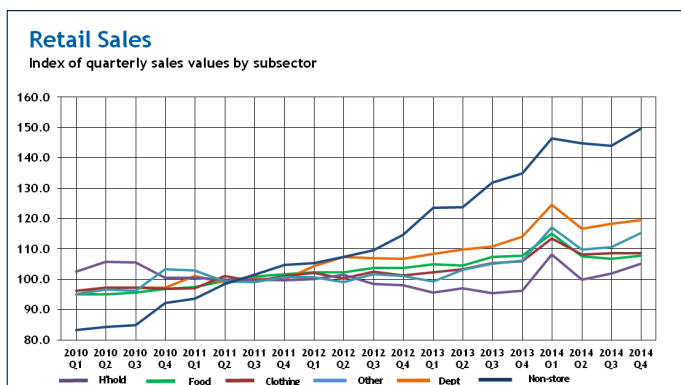
The sector was worth £340.6 billion in 2014

- a 5.9% increase on the £321.6 billion in 2013
- volume also grew by - 6.3%
- indicating a fall in prices of 0.4%
- in 2013 value & volume grew by 3.4% & 2.0%

The three major sectors which make up UK retail performed quite disparately:

	Growth	Share (by value)
• Food	3.0%	45.5%
• Non-food	7.6%	46.8%
• Non-store	11.8%	7.7%

Non-food comprises four further sub-sectors, as shown below, with details provided on the following pages.



Internet channel - growth slowing

Whilst still growing strongly, the velocity of Internet retail continues to slow. It's share of UK retail still increased.

Growth by year:-

- 2014 - 14.6% : 2013 - 15.4%

Share of total retail increased.

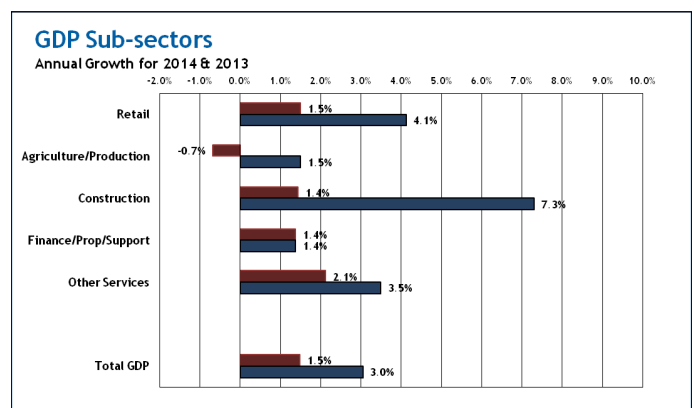
- 2014 - 11.3% : 2013 - 10.4%

Note:- Internet retail is a channel, not a separate Sector.

In the context of the UK economy

GDP growth in the retail sector out-performed that of the overall UK economy in 2014 with a contribution of 4.1% against the national growth of 3.05%.

Retail's share of the total also improved from 5.6% in 2013 to 5.7% in 2014



Sentiment of 2014 retailer statements

During 2014 CI reviewed 207 individual retailer statements, some of which were retailers publishing more than once during the year.

Of those reviewed 71.5% were positive, compared with 75.8% in 2013 reflecting that uncertainty still prevails in the sector.

Subsector	Total Qty	Positive Qty	Negative Qty	%
Food	36	20	16	44.4%
Variety	20	15	5	25.0%
Fashion	50	40	10	20.0%
Home	26	18	8	30.8%
Other	41	25	16	39.0%
Non-Store	34	30	4	11.8%
Total	207	148	59	28.5%

2014 Subsector Analysis

The three headline retail sectors, Food, Non-food and Non-store, are analysed below, along with the subsectors by which Non-food is sub-divided; Department Stores, Fashion, Household Goods and Other Stores. Internet retail is also examined - a channel through which all retail subsectors trade.

UK Retail (excluding automotive fuel)

The value of seasonally adjusted retail sales increased to £340.9 billion in 2014, representing growth of 5.9% compared with 2013.

With negative price inflation of -0.4% sales volume

Retail Sales Data - Growth % on prior year

Period	Value			Volume		
	Food	Non-food	All	Food	Non-food	All
2013						
Q1	2.7	-0.6	2.0	-0.6	-0.2	0.7
Q2	2.1	1.5	2.7	-1.4	1.7	1.2
Q3	3.6	1.9	3.9	0.2	1.9	2.3
Q4	4.0	3.8	4.8	1.1	3.8	3.5
Total	3.1	1.7	3.4	-0.2	1.8	2.0
2014						
Q1	9.6	14.3	12.4	7.3	15.0	11.8
Q2	2.8	5.2	4.9	2.2	5.2	4.8
Q3	-0.5	5.2	2.8	-0.4	6.1	3.4
Q4	0.0	6.1	3.6	1.0	7.8	5.1
Total	3.0	7.6	5.9	2.5	8.5	6.3

Food

Food came last of the three headline sectors with sales growth of 3.0% value and volume lower at 2.5% as consumers continue to focus on reducing waste food.

Good performance:-

- Waitrose up 7.9% - 5 wks to 3 Jan.
- Greggs up 6.0% (lfl) - 13 wks to 3 Jan.

Poor performance:-

- Tesco down 4.6% (lfl) - 26 wks to 23 Aug.

The future holds:- more sales contraction

Non-food

In 2014, the non-food subsector posted exceptional growth of 7.6% in value and 8.5% in volume compared with 2013. Against an average of only 1.9% since 2010, the recovery is clearly evident.

We now examine the four Non-food subsectors

Department stores (variety stores)

The department store sector was worth £32.0 billion in 2014, growth of 8.1% compared to 2013. The sector slightly increased its share of UK retail from 9.2% last time to 9.4% in 2014

Good performance:-

- HoF up 8.0% (lfl) - 6 wks to 3 Jan.
- Debenhams up 4.9% - 4 wks to 10 Jan.

Poor performance:-

- M&S (GM-UK) down 5.8% (lfl) - 13 wks 27 Dec.

The future holds:- more strong growth for this aspirational sector, with the internet retail channel driving growth for John Lewis and HoF.

Fashion

The fashion sector was worth £46.1 billion in 2014, growth of 5.2% compared to 2013. The sector again lost a small share slice of UK retail; from 13.6% last time to 13.5% in 2014.

Good performance:-

- Primark up 15.0% - 16 wks to 3 Jan.
- Supergroup up 11.4% - 13 wks to 25 Oct.
- Ted Baker up 17.4% - 28 wks to 9 Aug.

Poor performance:-

- Mulberry down 3.0% - 17 wks to 25 Jan.

The future holds:- the sector is over supplied by too many brands, combined with strong growth in the internet retail channel placing pressure on costs. The strong will prosper but more weak brands will fail.

Household goods

The household goods sector was worth £31.5 billion in 2014. Reversing regression of the prior four years, the sector posted strong growth of 8.0% compared to 2014. This subsector's share of UK retail increased to 9.2% in 2014 against 9.1% the previous year.

Good performance:-

- Carpetright up 6.5% (lfl) 26 wks to 25 Oct.
- Dixons Carphone up 6.0% (lfl) 31 wks to 1 Nov.

Poor performance:-

- United Carpets down 11.7% - 26 wks to 30 Sep

The future holds:- a strong property sector will drive demand for household goods



Other stores (ONS miscellaneous)

The 'other' stores sector was worth £49.5 billion in 2014 up 9.4% the strongest of the non-food sector.

The sector gained share of UK retail up from 14.1% to 14.5%.

Good performance:-

- Halfords up 6.8% (lfl) - 26 wks to 26 Sep.
- Poundland up 4.7% (lfl) - 26 wks to 28 Sep.

Poor performance:-

- WH Smith down 4.0% 26 wks to 26 Sep

The future holds:- continued growth at rates of circa 3.0% pa.

Non-store (catalogue & sole internet)

Non-store retail, comprising catalogue, sole-Internet, and market trading, was worth £26.7 billion in 2014, an increase of 13.7% compared with 2013, again outstripping all other sectors. As Non-store retail continues to enjoy the impetus of the internet channel, the sector increased share of UK retail from 7.3% to 7.8%.

Good performance:-

- HoF online up 31.2% - 6 wks to 3 Jan.
- Boohoo up 31.0% - 26 wks to 31 Aug.

Poor performance:-

- M&S online down 5.9% - 3 wks to 27 Dec.

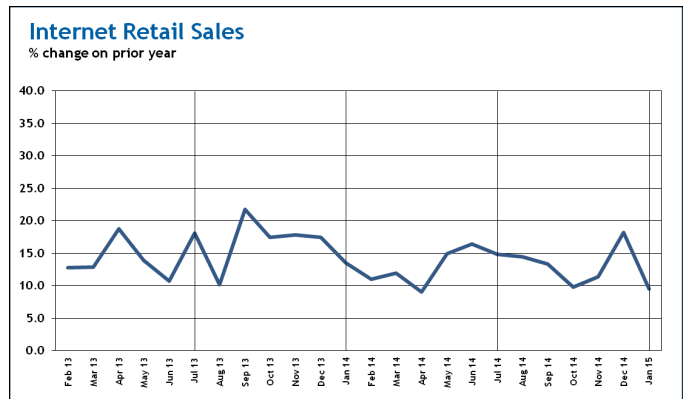
The future holds:- more strong growth for this direct-to-consumer channel, aided by continued strength of internet channel.

Internet channel

Retail sales via the Internet were £38.3 billion in 2014 compared with £33.4 billion in 2013, representing:-

- growth of 14.6%,
- 11.3% of UK retail

Although the growth of the Internet channel still remains in double digits, it is slowing, from peaks of nearly 20% in earlier years.



Growth through this channel is at the expense of store-based retail and is not adding to UK retail.

Whilst some retailers are gaining share in the online retail market, it will be at the expense of store-based trading for both themselves and others.

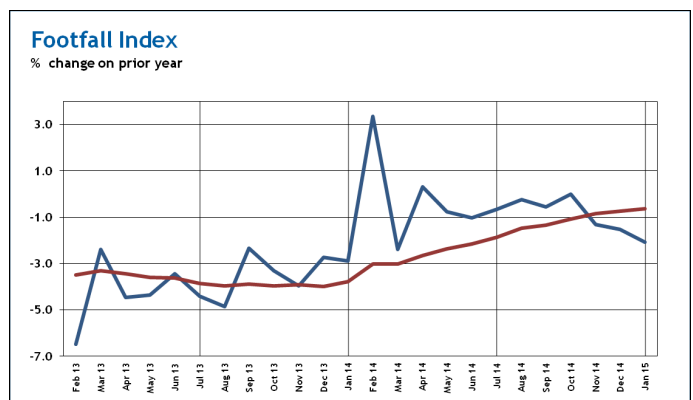
Shopping visits

As internet retail again increased its share of the overall UK retail in 2014, consumer shopping visits continued to decrease, albeit at a lower rate of reduction. Compared to 2013 visits were 0.6% lower.

Shopping visits annual growth on prior year:-

- 2011 down 1.3%
- 2012 down 3.2%
- 2013 down 3.8%
- 2014 down 0.6%

The rate of decline has at least reduced.



Annual growth and participation					
	2010	2011	2012	2013	2014
Subsector	£bn	£bn	£bn	£bn	£bn
Total Retail Sales	292.3	302.8	310.8	321.1	339.2
Online Retail Sales	21.3	25.1	29.0	33.4	38.3
Annual growth	19.7%	18.1%	15.3%	15.4%	14.6%
Participation	7.3%	8.3%	9.3%	10.4%	11.3%

Consumer price inflation

The annual headline rate of consumer price inflation (CPI) was 0.3% in January 2014, down from 1.9% a year earlier and continuing to fall.

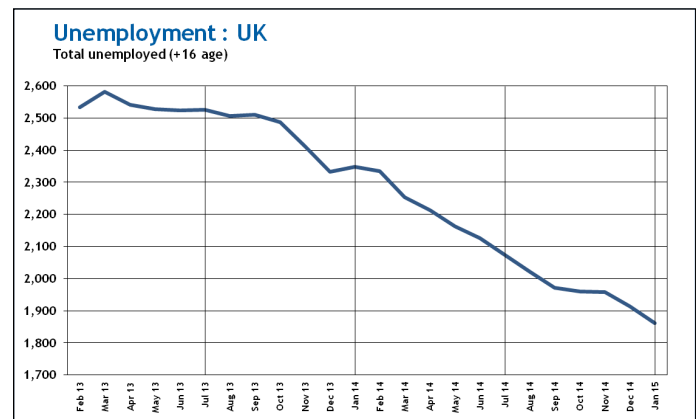
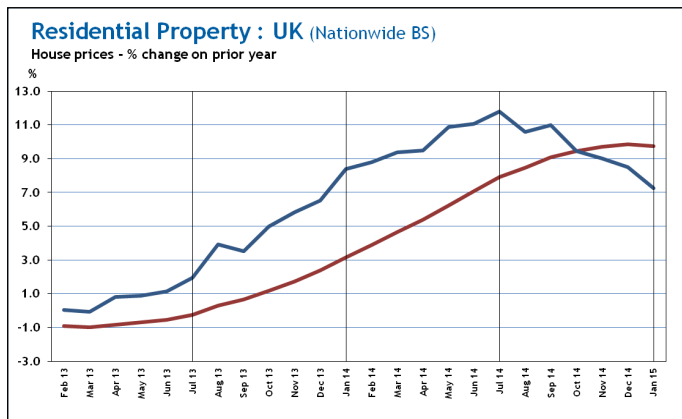
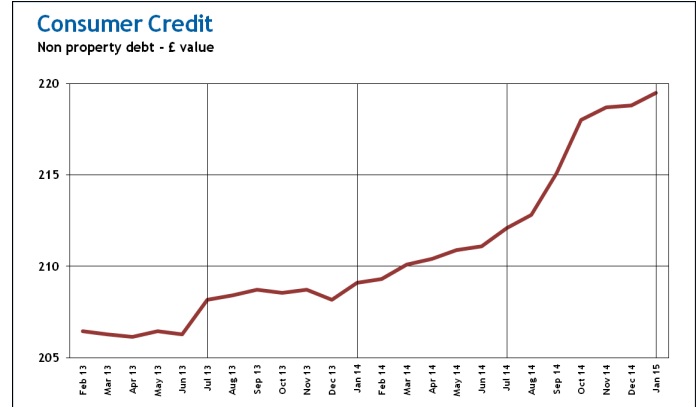
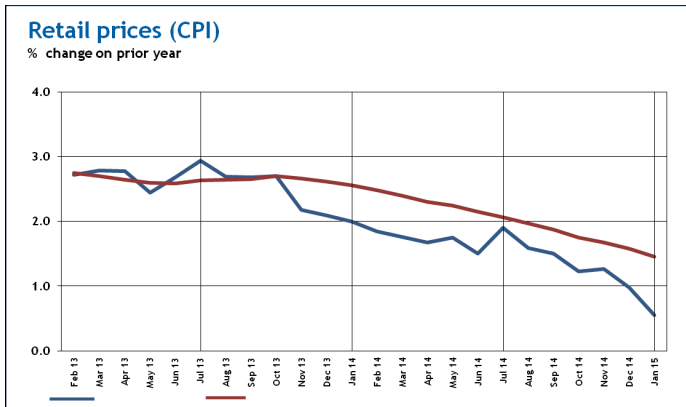
Movements in key retail sectors were:-

- Food down from 2.0% to -2.5%
- Clothing and footwear down from 1.7% to 1.4%
- Furniture & HH goods down from 0.6% to 0.0%
- Alcohol and tobacco down from 4.5% to 3.3%

Consumer credit (non-property)

Consumers again increased their indebtedness on non-property borrowing in 2014, ending the year at £218.8 billion - a significant increase of £10.6 billion (5.1%) in the year.

Having doggedly reduced their exposure to this form of short-term debt, since its peak of £236.6 billion in September 2008, UK consumers are now content to see it increase - a sure sign of confidence.



Residential property

The average UK house price ended 2014 at £188,559 up £12,773 (7.2%) compared to a year earlier.

UK house prices have now eclipsed the high reached in October 2007, standing £2,515 greater than then.

Compared to the low point of February 2009 prices have improved significantly - by £40.813 (27.6%).

This important driver of consumer confidence will drive both consumer confidence and retail demand in the forthcoming year.

Unemployment

The level of UK unemployment has decreased dramatically during 2014, ending the year 486,000 lower than reported a year earlier.

Unemployment now stands at 5.7% (1.86m) compare to 7.2% in December 2013.

Compared to the high reached in January 2012 there were 846,000 fewer people unemployed in the UK, by 2014 year end.