



DAMP SPIRITS?

The OC&C Christmas Trading Index 2015

THE OC&C CHRISTMAS TRADING INDEX 2015

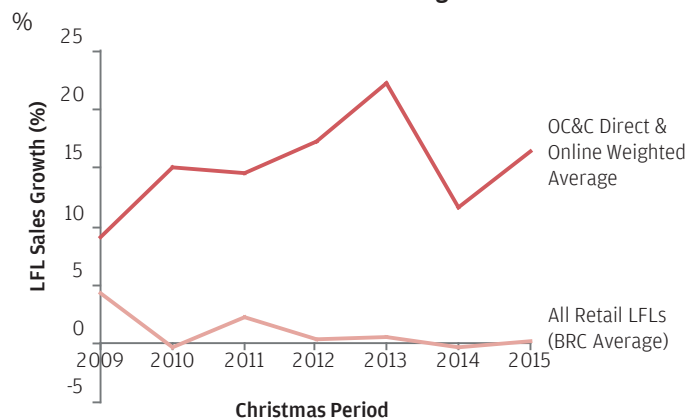
A merry online Christmas

Overall retail like-for-likes were broadly flat in Christmas 2015, continuing the trend of the previous 3 years. Over the entire period from 2011 to present, UK retail has benefited in aggregate from less than 0.5% of like-for-like growth – indicating how hard retailers are having to fight for consumer spend.

What spend growth there is continues to be captured by the online channel, experiencing an acceleration of growth rates, much of this growth being driven by mobile. Making mobile at the centre of online strategy rather than an afterthought is likely to be critical to future success – particular in attracting the millennial generation of shoppers.

The corollary of this was poor footfall on the streets – down by 2% in aggregate across all location types (and Retail Parks the only locations seeing any footfall growth this year). Using click and collect as a route for driving store footfall – and thinking carefully around how to build baskets / drive impulse sales on collection may be necessary to counter this trend.

UK Retail LFL Sales – Christmas Trading



Black Friday hangover

With hindsight, the impact of heavy Black Friday activity in 2014 became clear. From a trading standpoint, full price Christmas sales were pulled forward into lower margin discounted sales. From a customer perspective, shoppers were educated to look for deals (in what had been a prime period) and to find them online.

This Christmas, many retailers tried to step back from the excesses of the previous year's Black Friday promotional activity, but the discounting genie is not proving easy to put back in the bottle. Despite less activity, many retailers saw the "three peaks" trading pattern of spikes of sales on Black Friday, Cyber Monday and Boxing Day – with sales flat-lining in the fortnight before and after Black Friday. And faster online growth versus last year's level suggested it had accelerated the channel shift away from stores.

Retailers with strong propositions, planning for this new trading rhythm and preparing other marketing activity to drive consumer interest in the run-up to Christmas seemed to have held onto prime trading and margin in the festive period (Fat Face's charity giveaway on Black Friday a noticeable example). But elsewhere there were heavy promotions in December to attract a price savvy consumer. A topic for 2016 will be whether seasonal trading rhythms have fundamentally shifted – and require a rethink of Christmas trading strategy.

Mild weather but lukewarm sales

The mildest December for more than 100 years, coming after an unseasonably warm November, had a more chilling effect on retailer sales – particularly in fashion where outerwear and winter clothing sales were depressed and significant discounting activity was needed to move product. With early autumn also being unseasonably warm, this has been a challenging quarter or two for the clothing sector – and the full picture may only emerge when annual profit announcements reveal what level of markdown needed to be invested. Retailers will need to continue to build flexibility into supply chains, reduce lead times and increase open-to-buy levels to give flexibility to counter increasingly erratic weather.

Christmas winners

Christmas winners this year were very much in the same vein as in the last couple of years: specialist retailers, premium propositions and distinctive fashion brands. Mamas & Papas topped the OC&C index this year and with Mothercare LFLs also up by 4.2% it was a much better Christmas in the baby sector than previous years. White Stuff and Jigsaw were the best performers in fashion while Mountain Warehouse led a clutch of specialist retailers near the top of the index.

Department stores also continued their long term trend of winning at Christmas through a multichannel offer – with John Lewis, House of Fraser and Debenhams all report strong overall (and especially online / click & collect) trading.

Food fights

Of the Big 4 grocers reporting Christmas LFLs, Tesco, Sainsbury's and Morrisons all reported a LFL growth rate that was a little ahead of their performance last year – but the sector remains a tough place to play as Aldi and Lidl continue to put down more space driving double digit overall sales growth. Pricing deflation continues to run through the sector (1.8% over the Christmas period according to Kantar Worldpanel) – the majority of this driven by commodity deflation – but compounded by the Big 4 lowering everyday prices and simplifying promotions to respond to the discounter challenge.

Beyond pricing, the Big 4 continue to seek and invest in points of proposition difference versus the discounters – be that customer service or product premiumisation. In that environment, it was not an easy festive trading period either for more premium grocers – with Waitrose and Booths reporting negative store LFLs and M&S Food only marginally positive. Expect 2016 to be equally challenging for the sector.

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PREDOMINANTLY STORE-BASED RETAILERS

Retailer	% Change in Like-for-Like Sales 2015	Weeks of Period	Period End	% Change in Like-for-Like Sales 2014	Movement 2015 on 2014
Mamas & Papas (Retail) Ltd ³	18%	6	3 January	n/a	—
Fortnum & Mason	15%	5	3 January	18.3%	▼
Mountain Warehouse	14.7%	6	3 January	8.4%	▲
Jigsaw	13%	5	2 January	10.0%	▲
White Stuff Ltd	11%	5	2 January	6.5%	▲
JD Sports (Sports fashion fascias)	10.6%	5	2 January	12.0%	▼
ScS	8.8%	25	16 January	n/a	—
Boux Avenue (UK)	8.3%	6	24 December	31.7%	▼
The Fragrance Shop	7.7%	5	26 December	5.0%	▲
Majestic Wine	7.3%	10	4 January	-1.7%	▲
Ernest Jones (Signet)	6.9%	8	26 December	11.9%	▼
Superdrug ¹	6.8%	5	2 January	7.4%	▼
Paperchase Products Ltd	5.9%	5	27 December	3.1%	▲
House of Fraser (Stores & Online)	5.3%	6	2 January	8.0%	▼
John Lewis ¹	5.1%	6	2 January	4.8%	▲
Dixons Carphone (UK & ROI) ¹	5%	10	9 January	8.0%	▼
Homebase (Home Retail Group)	5.0%	18	2 January	0.6%	▲
WH Smith (Travel)	5%	20	16 January	2.0%	▲
The Entertainer	4.9%	5	2 January	5.5%	▼
Foyles	4.7%	4	31 December	8.1%	▼
Topps Tiles (UK)	4.4%	13	2 January	6.0%	▼
Moss Bros	4.2%	23	9 January	n/a	—
Mothercare (UK)	4.2%	13	9 January	1.1%	▲
Debenhams ¹	3.7%	7	9 January	4.9%	▼
Fat Face Ltd	3%	5	2 January	5.0%	▼
Blue Inc	3%	4	3 January	2.8%	▲
Original Factory Shop ¹	2.5%	5	3 January	3.3%	▼
Carpetright ³	2.4%	12	23 January	n/a	—
Greggs ¹	2.3%	13	2 January	8.2%	▼
Maplin Electronics ¹	2.3%	5	2 January	3.0%	▼
Pets at Home ¹	2.2%	13	31 December	4.1%	▼
H Samuel (Signet)	1.6%	8	26 December	8.1%	▼
Tesco (UK) ¹²	1.3%	6	9 January	-0.3%	▲
Supergroup (UK and Europe Retail)	1.2%	11	9 January	12.4%	▼
Ryman	0.7%	6	24 December	2.4%	▼
Marks and Spencer (Food)	0.4%	13	26 December	0.1%	▲
Morrisons ¹²	0.2%	9	3 January	-3.1%	▲
British Retail Consortium Average	0.1%	4	31 December	-0.4%	▲
Halfords (Retail)	0.0%	15	15 January	6.8%	▼
WH Smith (High Street)	0%	20	16 January	-5.0%	▲
OC&C Store Weighted Average⁵	-0.3%			-0.4%	▼
J Sainsbury ¹²⁴	-0.4%	15	9 January	-1.7%	▲
McColl's ²⁴	-0.7%	6	10 January	-0.9%	▲
B&M Retail Ltd	-0.7%	13	26 December	4.5%	▼
Dunelm Group ¹	-0.8%	13	2 January	6.2%	▼
Waitrose (John Lewis Partnership) ¹	-1.4%	6	2 January	2.8%	▼
Booths ¹	-1.4%	3	2 January	-0.8%	▼
Argos (Home Retail Group)	-2.2%	18	2 January	0.1%	▼
Marks and Spencer (All Categories)	-2.5%	13	26 December	-2.7%	▲
Robert Dyas	-2.5%	6	24 December	2.5%	▼
Bonmarché (Stores)	-2.7%	5	26 December	3.9%	▼
Booker	-3.1%	16	1 January	2.5%	▼
Marks and Spencer (General Merchandise)	-5.8%	13	26 December	-5.8%	—

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 or less than 3 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:

- 2015 period length differs from 2014
- Excludes petrol
- No 2014 LfL available

- Like-for-like change in sales including VAT
- Weighted by most recent reported annual revenue

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ONLINE AND DIRECT RETAILERS

Retailer	% Change in Like-for-Like Sales 2015	Weeks of Period	Period End	% Change in Like-for-Like Sales 2014	Movement 2015 on 2014
Mountain Warehouse (Online)	49.2%	6	3 January	36.3%	▲
Superdrug (Online) ²	47%	5	2 January	n/a	—
Boohoo ²	45%	17	31 December	n/a	—
Fat Face Ltd (Online only)	43%	5	2 January	25.0%	▲
made.com ²	43%	5	31 December	n/a	—
White Stuff (Online)	40.7%	5	2 January	38.1%	▲
The Entertainer (Online)	40%	5	2 January	60.0%	▼
Fortnum & Mason (Online)	38%	5	3 January	31%	▲
Jigsaw (Online) ²	31%	5	2 January	n/a	—
ASOS (UK) ¹	25%	17	31 December	27.0%	▼
AO World	24%	13	31 December	26.0%	▼
Dunelm (Home Delivery)	23.4%	13	2 January	n/a	—
John Lewis (Online) ¹	21.4%	6	2 January	19.0%	▲
Marks and Spencer (M&S.com)	20.9%	13	26 December	-5.9%	▲
OC&C Direct Weighted Average³	16.4%			10.7%	▼
Debenhams (Online) ¹	15.4%	7	9 January	28.9%	▼
British Retail Consortium Average (Online, non-food)	15.1%	4	31 December	7.0%	▲
N Brown (Online) ²	13%	18	2 January	n/a	—
Virgin Wines	12%	6	2 January	n/a	—
IMRG Capgemini e-Retail Sales Index (December)	12%	8	26 December	13.0%	▼
Mothercare (Mothercare.com)	11.8%	13	9 January	16.1%	▼
Booths (Online incl C&C)	11%	3	2 January	n/a	—
Waitrose (Online) ¹	7.9%	6	2 January	26.3%	▼
Shop Direct (Group)	6%	7	25 December	4.0%	▲
N Brown (Group) ²	4.1%	18	2 January	n/a	—
Bonmarché (Online)	-2.4%	5	26 December	41.3%	▼

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Notes:

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2. No 2014 LfL available
3. Weighted by most recent reported annual revenue

Belo Horizonte

Düsseldorf

Hamburg

Hong Kong

Istanbul

London

Mumbai

New Delhi

New York

Paris

Rotterdam

São Paulo

Shanghai

Warsaw

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