

THINK RETAIL THINK VERDICT



The Impact of the Credit Crunch on European Retail

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Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

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In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



"Verdict are the company of choice for any research analysis and insight into retailing"

Sir Stuart Rose
Executive Chairman
Marks & Spencer

The Impact of the Credit Crunch on European Retail

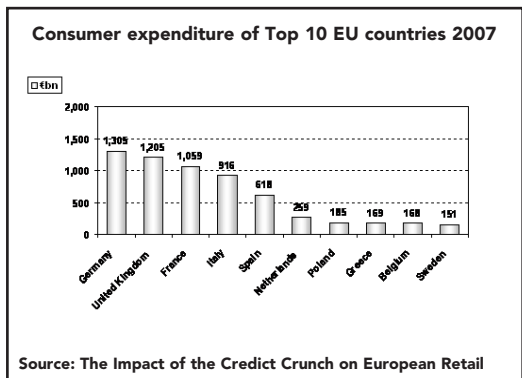
The impact of the credit crunch has led to a reversal in fortunes for much of the EU retail sector. Most consumers in the EU have reached the peak of private indebtedness; with unemployment rates rising, consumer confidence dipping, consumer credit becomes increasingly hard to get hold of. Less debt financed consumption means that the EU is now entering a phase of contracting economic activity. This will impact and hurt the housing market, stock exchanges and retailing hard. Most countries with the exception of France, Greece, the Netherlands, Poland, Slovenia and Sweden showed a significant easing in monthly retail growth towards the end of 2008.

The Impact of the Credit Crunch on European Retail is a new issue-based report that examines how the current economic climate is impacting individual retail sectors and identifies strategies retailers can deploy to cope with the downturn.

Detailed market analysis on

Germany
 France
 UK
 Spain
 Netherlands
 CEE

Create effective retail strategies to combat the effects of the global credit crunch with the help of this new issue-based report from Verdict...



"Among the Top Five economies, the major mature economies of western Europe (Germany, France, the UK, Italy and Spain), rankings remained stable – with the UK ahead of France. And in the Top 10 Poland's consumer expenditure has leapfrogged Belgium's. However, Greece has displaced Austria in the Top 10 and has overtaken Sweden in the process..."

- Understand how evolving consumer behaviour is forcing retailers to develop new product, sales and marketing strategies to appeal to a profoundly changed market.
- Assess the growth potential and the challenges facing the key CEE markets and benchmark their performance with the aid of this new report.
- Learn how difficult market conditions are driving competition among retailers and what the outlook for EU retail will be in the short to mid-term.

Key questions answered by this brief...

- What strategies can EU retailers adapt to beat the downturn?
- How will the CEE economies be impacted by the after-effects of the credit crunch?
- Will trading deteriorate further in the year ahead as the recessionary environment and mass redundancies continue to erode consumer confidence?

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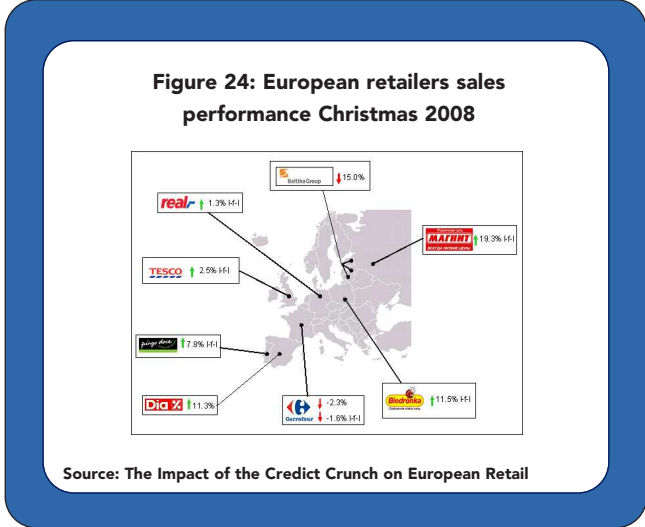
Pages 67

Figures 27

Tables 1

Chapter 5: European Market - Retail Spending

- Most countries with the exception of Greece, France, the Netherlands, Poland, Slovenia and Sweden showed a significant easing in monthly retail growth figures towards the end of 2008 and we expect this trend to exacerbate going forward. Only these six out of 27 countries showed minimal positive growth as they were entering the crucial Christmas trading period.
- In spite of depressed trading over Christmas 2008, many retailers' results remained broadly positive. The winners were unsurprisingly grocers, as the non-discretionary nature of their offer helped sustain sales over the festive period. Other strong performers were value-based retailers as credit-crunched consumers have become increasingly price sensitive. As price has become the overriding factor for consumers' purchasing decisions, discounting was heavy over the festive season across all markets in the EU. Consequently such aggressive trading tactics had a negative impact on many retailers' margins for the period.



Selected Major Cases - Germany

- Since the turn of the millennium retailers in Germany have suffered from declining real incomes and an increased savings rate among the German population on the back of high unemployment levels and structural readjustments – as many companies restructured in the face of global competition and many jobs were lost. As a direct result of squeezed consumer spending levels, retail has seen the rise of the hard discount phenomenon, with both Aldi and Lidl outperforming general retail. There was also a near collapse of the biggest department store Karstadt – which was stuck in the middle ground in a polarising retail environment – and the withdrawal of Wal-Mart from the German market.
- Germany's 2008 retail sales held up, but only just. According to the German national statistics office, from January to November 2008 retail sales grew by +2.1% in nominal terms and declined by -0.5% in real terms. Its forecast range for the whole year is for nominal growth of between +1.9% and +2.4% and in real terms holding level with the previous year at best and -0.5% below at worst.
- Broadly, food retailing only grew due to inflation while non-food retailing suffered nominal and real declines – inflation did not play such a major role in these sectors.
- Sales of clothing in Germany were down -4.0% in 2008 according to consumer research by TW-Testclubs. The decline contrasts with two previous years of marginal growth at +1.0%. Many German clothing retailers commented that the sales slump had been unexpected and really kicked in during the second half of the year. Verdict expects the downward trend to continue into 2009 as non-essential spend is further tightened.

Table of Contents

The Impact of the Credit Crunch on European Retail

CHAPTER 1: EXECUTIVE SUMMARY

CHAPTER 2: EUROPEAN MARKET – ECONOMIC OVERVIEW

- Main Messages
- GDP Top 10
 - Forecasts – Bleak Outlook
- GDP: Midranking Eight
 - Growth Erosion
- GDP: Smaller Nine
 - Growth Erosion Bad For Baltics
- Consumer Expenditure
- Structure
- Inflation Falls Rapidly At End-2008
- HICP Annual Averages
- Savings Rate To Increase Sharply
- Euro Interest Rate Turns Downward
- Other Interest Rates
- Unemployment – Lagging Indicator

CHAPTER 3: FOCUS ON CEE – ECONOMIC OVERVIEW

CHAPTER 4: DEFLATION THE MAJOR THREAT

- Threat of Deflation in Wider Economy
- Food Prices Turn Downward

CHAPTER 5: EUROPEAN MARKET – RETAIL SPENDING

- Latest Expenditure Trends
- Selected Major Cases
- Germany
- France
- UK
- Spain
- Netherlands
- CEE

CHAPTER 6: GROCERY

- Six Victims of Circumstance
- Decline in Organics
- Non-food
- M&A Activity Virtually Stops
- Format Diversification on Back Burner
- Expansion Abroad Cut Off
- Sale and Leaseback Deals Dry Up

CHAPTER 7: HOME RELATED SECTORS

- DIY Relentless Concentration on Value
- Electricals Party Over

CHAPTER 8: OUTLOOK

CHAPTER 9: GLOSSARY

TABLE

- Monthly retail growth rates Y-o-Y Jun-Nov 2008

FIGURES

- GDP
 - Top 10 countries in EU 2008e
 - Change % forecast for Top 10 EU countries 2008 & 2009
 - Midsize Eight (€100bn+) & Smaller Nine (€100bn-) of other 17 countries in EU 2008e
 - Change % forecast for Midsize Eight (€100bn+) & Smaller Nine (€100bn-) of other 17 EU countries 2008 & 2009
- Consumer expenditure of Top 10 EU countries 2007
- Consumer expenditure as % of GDP 2007
- Countries among other 17 in EU with consumer expenditure of €18bn+/- 2007
- European retailers sales performance Christmas 2008
- Six victims of circumstance 2009
- Impact on non-food in grocers 2009
- Quarterly house price trends in Estonia, Ireland, Spain & the UK 2006-08
- HICP
 - Annual average growth of Top 10 EU countries 2007 & 2008
 - Annual average price inflation in eurozone vs EU 2005-08
 - Monthly food price change Y-o-Y Jan 2007-Oct 2008
 - Countries among other 17 in EU with annual averages under/over 4.5% 2007 & 2008
 - Trend – EU27 markets monthly % change Oct-Nov 2008 vs 2007: Top 9, mid ranking & bottom ranking
- Gross household saving % of gross household disposable income (latest data) 2007
- ECB interest rates 2005-08
- Central bank annual averages for key reference interest rates 2008
- EU countries seasonal unemployment Nov 2008
- Oil spot price FOB weighted by est. export volume (\$/barrel) – monthly Jan-Nov 2008

