

THINK RETAIL THINK VERDICT

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# UK Retail Futures 2013: Sector Summary

Annual forecasts to 2013



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# About Verdict Research

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## Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

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.

## Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

## Global, European and UK analysis across nine core sectors...

Verdict Research reports cover nine core sectors, five-year forecasts, strategic issues, key locations, How Britain Shops consumer surveys the main European retail markets and global retail reports. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

## Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

## A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

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

# About Verdict Retail Futures 2013

Verdict Retail Futures 2013 reports are designed to provide an accurate and detailed five year forecast for each retail sector. Each report complements Verdict sector reports by providing a detailed market outlook for the forecast period by analysing a host of economic, social, political and technological factors that determine demand. In addition they take account of factors like fashion, changing consumer preferences and the influence of the media.

**As the only provider of forecasts exclusively for the UK retail industry, Verdict is uniquely equipped to give thorough and reliable projections and analysis on its future development.**

## Retail Futures 2013

The Retail Futures 2013 series of reports provide a complete overview of UK retail...

It provides 5 year forecasts for 73 categories...

Provides accurate projections of market demand and price pressures...

A unique and reliable forecasting tool...

## Categories examined by the Retail Futures 2013 series...

### CLOTHING & FOOTWEAR

- Women's Outerwear
- Women's Underwear
- Men's Outerwear
- Men's Underwear
- Girlswear
- Boyswear
- Infantswear
- Accessories
- Footwear

### HOMEWARES

- Glassware, crockery, cutlery & silverware
- Lighting
- Non-electric kitchen utensils
- Miscellaneous household items
- Bathroom & table linen
- Bedding/Bed linen
- Furnishing fabrics & curtains
- Other household textiles

### FURNITURE & FLOORCOVERINGS

- Upholstery
- Beds/Bedroom
- Kitchen
- Living/Dining
- Home Office
- Other Furniture
- Carpets
- Vinyl & Linoleum
- Hard Floorcoverings

### ELECTRICALS

- Audio-visual Equipment
- Games Consoles & Software
- Photographic & Optical Equipment
- Major/Minor Household Appliances
- Information Processing Equipment
- Telephones & Fax Equipment

### HEALTH & BEAUTY

- Babycare Products
- Bathroom Toiletries
- Cosmetics
- Dentalcare
- Haircare/Skincare
- Men's Toiletries
- OTC Medicines
- Paper Products
- Perfume
- Other Health & Beauty

### FOOD & GROCERY

- Bakery & Cereals
- Dairy Products
- Fruit & Vegetables
- Meat & Fish
- Oils & Fats
- Pets, Petcare & Petfood
- Sugar & Sweet Products
- Other Food
- Alcoholic Drinks
- Beer/Spirits/ Wine
- Soft Drinks/Hot Drinks
- Tobacco
- Non-durable Household Goods

### DIY & GARDENING

- Non-decorative/ decorative materials maintenance repair
- Tools, equipment & accessories
- Household utensils & lighting
- Fitted kitchens & bathrooms
- Flatpack furniture
- Floorcoverings
- Garden Structures
- Garden Tools
- Garden Utensils
- Outdoor Living
- Greenstock & Growing Media

### BOOKS, MUSIC & VIDEO

- Books
- Newspapers & magazines
- Personal stationery & cards
- Music & Video

# UK Retail Futures 2013: Sector Summary

## UK retailers face a rough ride...

Retailers in the UK face huge challenges as they struggle to cope with a sudden deterioration in consumer willingness to spend. The credit crunch, the downturn in the housing market and the rising cost of living are having a profound impact on consumer confidence which will require retailers to adapt their strategies.

**UK Retail Futures 2013: Sector Summary** is a new report published by Verdict Research that provides comprehensive and reliable forecasts for the retail sector. By examining and analysing a host of economic, social and political factors and modelling the impact of market-specific factors such as inflation/deflation, channel activity and shifting consumer preferences, this report provides an authoritative guide to the issues impacting the retail sector over the next five years. It examines growth areas in the market, identifies which categories and strategies have less potential, and highlights recent winners and losers in the market.

### Sectors Analysed

Books, News & Stationery	Furniture & Floorcoverings
Catalogue Retailing	Food & Grocery
Clothing & Footwear	Health & Beauty
DIY & Gardening	Homewares
Electricals	Music & Video

## Understand the key factors influencing the development of the retail sector with this new report...

**Changes in shares of major channels in the catalogue market 2013 on 2008**

Channel	Percentage Point Change
Direct	+9.4
Door-to-door	-1.3
Agency	-7.1

Source: UK Retail Futures 2013: Sector Summary

**"After a period of declining spend (2003-08), the market has returned to growth, and is expected to deliver a 9.8% uplift over the next five years.** Increased revenues will be achieved despite customers increasingly turning their backs on the traditional mail order channel in favour of the Internet. However, it will be mail order retailers' ability to migrate spend from catalogues to the Internet that will ensure they continue to grow..."

- **Understand the impact of the deteriorating economic market conditions** and analyse how falls in the value of property and the number of house moves, together with banks' more cautious approach to lending will impact UK retailers with this report.
- **Identify which sectors offer the most potential** using this report's comprehensive 5 year forecasts to identify which categories should be developed to maximise your share of consumer expenditure.
- **Benchmark your performance against the market** based on this report's sector level sales density forecasts to set targets for the productivity of your store portfolio.
- **Identify which retailers present the greatest threats to your business** with this report's unique channels of distribution analysis and commentary on the strategic tactics of key players.

# UK Retail Futures 2013: Sector Summary

## This report answers key questions including...

- How fast will the retail market grow over the next 5 years?
- How severe will the impact of the credit crunch and weakness in the housing market be on the retail sector?
- What should retailers do to drive footfall to their stores and increase transaction sizes?
- What change will there be in sales densities as retailers take a more cautious approach to space expansion?
- How quickly will online retail sales grow and how will this affect sales through stores?

### Key Market Data

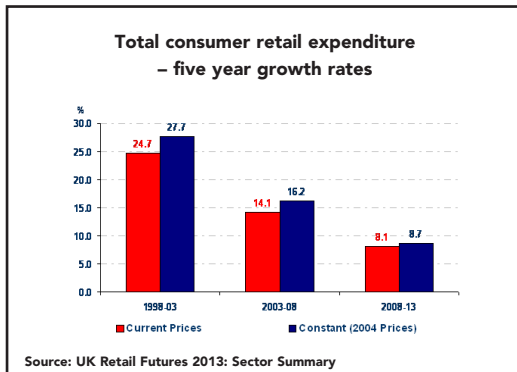
Forecasts for whole of UK retail for consumer spending on retail, store sales, store numbers, space, sales densities with a summary breakdown by channel.

Market value & growth, inflation 1998-2008 with annual forecasts to 2013 for 10 retail sectors

Summary growth rates & commentary for 73 categories.

Key macroeconomic forecasts that will shape retail demand over the next 5 years.

## Key issues examined in this report...



**"The impact of the credit crunch soon reached all corners of the UK economy, and widespread media coverage helped create a new dawn of frugality.**

With banks becoming more conservative in their lending the housing market deteriorated. Mortgage approvals and housing transactions fell sharply in the second half of 2008 and consumers across all socio-demographics tightened their purse strings. Consumer confidence was dented by economic uncertainty, rising unemployment, a declining housing market and subdued wage growth..."

- **Home-related markets to suffer.** DIY & gardening and electricals will fall rapidly into decline over the next five years, due to their close relationship with the housing market and high average selling prices. Electricals will also suffer from a weak pipeline of new launches that have traditionally fuelled growth.
- **Grocers have ambitious store opening plans.** Food and grocery will expand by 3.0%, with ambitious store opening plans by the major retailers, partly offset by the closure of independents and specialists such as butchers and fishmongers. The demise of tobacconists and off-licences will continue at pace, further offsetting new space by grocers. Much of the growth in the market will come from convenience stores.
- **Internet growth will hinder new store expansion.** Continued store closures and the collapse of retailers will ensure that total store numbers continue to decline. The Internet will also have a profound impact on store closures going forward, as more retailers direct their efforts online.

# UK Retail Futures 2013: Sector Summary

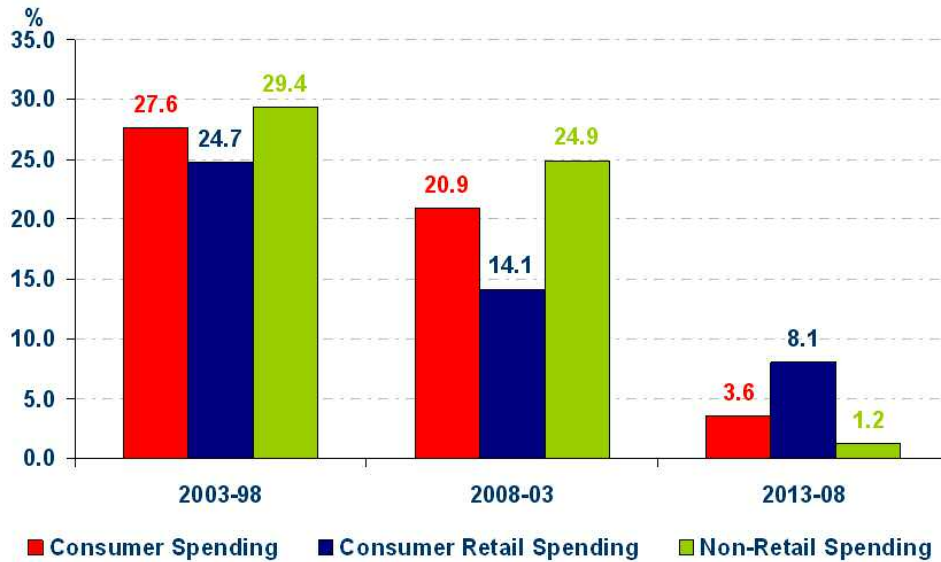
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## Retail Expenditure

Total consumer expenditure – five year growth rates 1998-2013



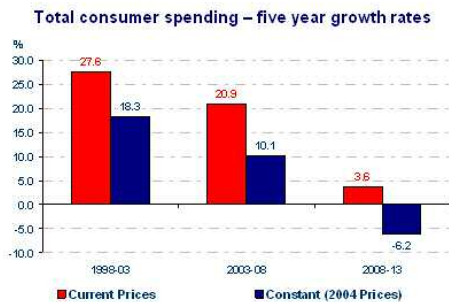
Source: Verdict Research

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## Retail Expenditure

Total consumer spending 1998-2013



**Total non-retail consumer spending – five year growth rates**



### Retail spending to gain share ...

- Total consumer spending, which includes spending on other goods and services that fall outside our retail definition, will slow more severely than retail. Total spending in 2003-2008 rose 20.9%, far stronger than retail, buoyed by rising disposable incomes and the expansion of services and leisure activities. Until the onset of the recession, retail had been losing share of consumer spending, reflecting the higher cost of housing and consumers spending more on leisure activities.

### ... as total consumer spending growth falls at a faster pace than retail

- However, we expect total consumer spending growth to fall more severely than retail alone, to just 3.6% between 2008 and 2013. Overcapacity in the market, driven by rapid expansion over the past decade of high street services – which have largely filled the void left by collapsed independent retailers – has in the past sparked a boom in overall spending.

- The availability of credit has also driven demand for additional – and in many respects – non-essential spend. Examples include cars and holidays, which have enjoyed strong demand over the past five years, funded by debt and housing equity withdrawal.

### Big ticket purchases will suffer the most ...

- However, going forward we expect consumers to take a more cautious view of spending on non-essential purchases. Retail in comparison is often less discretionary and demand will hold up well. With consumers changing their spending behaviour all businesses stand to suffer. But in particular, it will be big ticket purchases such as cars, homes and holidays that see the sharpest declines as shoppers defer purchases.

### ... but strained purse strings will hit all areas

- Furthermore, there is little evidence to suggest that petrol and diesel prices will rise significantly in 2009 and thus consumer spending on fuel is likely to fall, particularly with shoppers cutting back on the number of trips made by car.

Source: Verdict Research

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