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The OC&C Christmas Trading Index 2016

OC&C
Strategy Consultants

THE OC&C CHRISTMAS TRADING INDEX 2016

Christmas Cheer?

Overall retail LFLs were up by 1.0% in Christmas 2016 (as measured by the BRC average) – after 4 years of broadly flat LFL growth. Footfall also held up much better than the previous year (slipping by only 0.2% in December 2016 versus 2% in 2015).

This was actually the strongest overall festive retail performance since 2011, when Christmas also fell on a Sunday. There was likely some gain from stores shutting for Christmas / New Year on a Sunday rather than a weekday (as in previous years) with unrestricted opening hours.

UK Retail Christmas Trading – by Channel
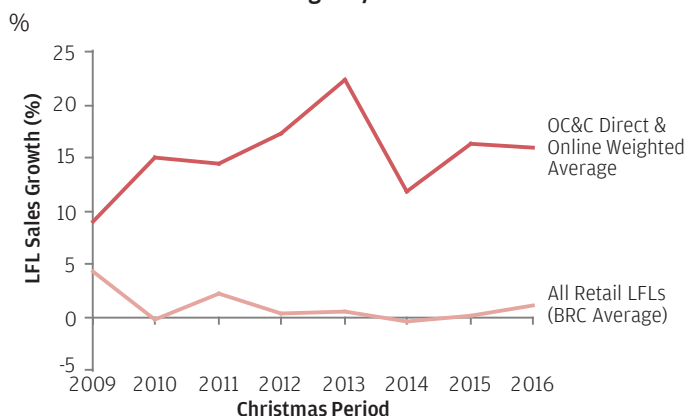
Even in an era when online shopping can be done anytime and consumers have sufficient confidence in delivery options to leave shopping until late, there was still a late surge in store sales. Many retailers reported strong trade on the Friday and Saturday pre-Christmas – and those who held their nerve to remain on full price and capture last minute needs reaped benefits.

The online channel continues its onward march – recording yet another year of double digit growth rates and providing most of the growth at Christmas. Much of this is now powered by mobile (with smartphones rapidly catching up with tablets as a means of transacting) and click & collect. Retailers will need to continue to enhance and develop mobile and multichannel capabilities to win in this evolving environment.

Festive Winners

Burberry topped the list of Christmas winners this year, with a 40% increase in like-for-like sales and Fortnum & Mason also delivering strong growth. Worldpay reported high street spending on non-UK credit cards in December was up 22% year on year, much of this focused on high-end boutiques and department stores. While sterling's decline is causing pain for most retailers in managing cost inflation, for luxury retailers it tempted international shoppers to the UK high street looking for a bargain.

Other winners were those in discretionary categories with distinctive propositions or targeted clear niche needs; Boux Avenue, Mountain Warehouse and Supergroup being the pick of store-based players.

Feast or Famine?

The grocers had a better Christmas than many had expected – and while Morrisons and Waitrose topped like-for-like growth in the sector, all of the major players reporting made it into positive territory. Easing grocery deflation helped (grocery inflation up 0.2% in December after a prolonged period of deflation) – but was not the whole story. Kantar reported total supermarket market sales up by 1.8% in December and it is likely strong product innovation efforts by most major players in tempting consumers to trade-up into own label premium lines paid dividends.

While the Christmas period was positive, no-one expects 2017 to be easy. Much work has been done to combat the discounters but their ongoing space growth still poses a headwind. And while the curse of deflation looks to be receding, passing through cost inflation to a price sensitive consumer will pose a different set of challenges.

Black Friday

Black Friday continues to embed itself in consumer consciousness with rising awareness and participation versus the previous year. However, retailers are becoming more savvy on how they use this event – learning from previous years where widespread discounts cannibalised from future full price sales and a focused trading peak drove operational challenges. Efforts are increasingly focused on carefully selecting the promotional offer to target specific components of the range and spreading offers over a longer period to maintain excitement.

Looking Forwards

After the surprises and shocks of 2016, any predictions for the coming year need to be treated with a large element of caution while the shape and impact of Brexit remain unclear.

Nevertheless, higher buying prices from weaker sterling are already a reality for many retailers and rising business rates and minimum wage will put further pressure on costs. In an environment where weakening consumer confidence is a risk, maintaining margins may not be as simple as merely passing price rises through to the consumer. A focus on cost efficiency and carefully managing price perception will be essential tools for surviving and thriving in 2017.

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PREDOMINANTLY STORE-BASED RETAILERS

Retailer	% Change in Like-for-Like Sales 2016	Weeks of Period	Period End	% Change in Like-for-Like Sales 2015	Movement 2016 on 2015
Burberry Group (Retail)	40%	12	31 December	n/a	—
Boux Avenue (UK)	16.6%	6	24 December	8.3%	▲
Fortnum & Mason	16%	5	1 January	15.0%	▲
Supergroup	14.9%	10	7 January	n/a	—
Mountain Warehouse	13.6%	6	1 January	14.7%	▼
Mamas & Papas (Retail) Ltd[1]	11%	13	25 December	18.0%	▼
Majestic Wine	7.5%	10	2 January	7.3%	▲
Superdrug	7.2%	5	2 January	6.8%	▲
B&M Retail Ltd	7.2%	13	24 December	-0.7%	▲
Halfords (Retail)	7.0%	15	13 January	n/a	—
The Fragrance Shop[1]	6.8%	6	31 December	7.7%	▼
Greggs	6.4%	13	31 December	2.3%	▲
Moss Bros Group	6.1%	23	7 January	n/a	—
Dixons Carphone (UK & ROI)	6%	10	7 January	5.0%	▲
Debenhams	5.0%	7	7 January	3.7%	▲
WH Smith (Travel)[1]	5%	21	21 January	5.0%	=
Foyles	4.3%	4	31 December	4.7%	▼
Argos (J Sainsbury plc)[1]	4.0%	15	7 January	-2.2%	▲
Hobbs Ltd	3.9%	13	31 December	n/a	—
Cooperative Group (Food stores)	3.5%	3	31 December	n/a	—
TOFS	3.3%	6	8 January	2.5%	▲
Booker[1]	3.2%	13	30 December	-3.1%	▲
Morrisons Group	2.9%	9	1 January	0.2%	▲
Waitrose (John Lewis Partnership)	2.8%	6	31 December	-1.4%	▲
ScS[1]	2.7%	26	28 January	8.8%	▼
House of Fraser (Stores & Online)	2.7%	6	31 December	5.3%	▼
John Lewis	2.7%	6	31 December	5.1%	▼
The Entertainer (Total)	2.6%	5	31 December	n/a	—
Booths	2.6%	3	7 January	-1.4%	▲
OC&C Weighted Store Average[2]	**2.6%**	**—**	**—**	**-0.3%**	▲
Marks and Spencer (General Merchandise)	2.3%	13	31 December	-5.8%	▲
Nisa	2.2%	10	1 January	n/a	—
Conviviality Retail	2.1%	6	1 January	1.1%	▲
Carpetright[1]	1.9%	13	28 January	2.4%	▼
Maplin Electronics (Stores)	1.4%	6	24 December	n/a	—
Ryman	1.4%	6	24 December	0.7%	▲
Marks and Spencer (All Categories)	1.3%	13	31 December	-2.5%	▲
British Retail Consortium Average[1]	**1.0%**	**5**	**31 December**	**0.1%**	▲
Mothercare (UK)	1.0%	13	7 January	4.2%	▼
WH Smith (Group)[1]	1%	21	21 January	2.0%	▼
Tesco (UK)[1]	0.7%	6	7 January	1.4%	▼
Marks and Spencer (Food)	0.6%	13	31 December	0.4%	▲
Dunelm Group	0.20%	13	31 December	-0.8%	▲
J Sainsbury (J Sainsbury plc)	0.1%	15	7 January	-0.4%	▲
Pets at Home[1]	0.1%	12	31 December	2.2%	▼
Topps Tiles (UK)	-0.3%	13	31 December	4.4%	▼
Ernest Jones (Signet)[1]	-2.2%	9	31 December	6.9%	▼
WH Smith (High Street)	-3.0%	21	21 January	n/a	—
Bonmarché (Stores)	-3.4%	5	24 December	-2.7%	▼
H Samuel (Signet)[1]	-4.9%	9	31 December	1.6%	▼

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 exclude fuel sales.

Notes:
1. 2016 period length differs from 2015
2. Weighted by most recent reported annual revenue

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ONLINE AND DIRECT RETAILERS

Retailer	% Change in Like-for-Like Sales 2016	Weeks of Period	Period End	% Change in Like-for-Like Sales 2015	Movement 2016 on 2015
Superdrug (Online)	47.0%	5	2 January	47.0%	=
sofa.com (Online)	38%	12	9 January	n/a	−
Mountain Warehouse (Online)	31.8%	6	1 January	49.2%	▼
The Entertainer (Online)	31.7%	5	31 December	40.0%	▼
Boohoo	31%	17	31 December	45.0%	▼
Maplin Electronics (Online)	29.3%	6	24 December	n/a	−
Gear4Music	29%	17	31 December	n/a	−
Hobbs (Online)	26.7%	13	31 December	n/a	−
Reiss (Holdings) Ltd (Online)	26.4%	6	7 January	n/a	−
The Entertainer (Click & Collect)	25.0%	5	31 December	29.3%	▼
Fortnum & Mason (Online)	22%	5	1 January	38.0%	▼
Shop Direct (Very.co.uk)	19%	7	23 December	n/a	−
ASOS (UK)	18.3%	17	31 December	25.0%	▼
Hotel Chocolat (Online)	17.1%	13	25 December	n/a	−
Debenhams (Online)	17.0%	7	7 January	15.4%	▲
IMRG Capgemini e-Retail Sales Index[1]	**16%**	**6**	**24 December**	**12.0%**	**▲**
Express Gifts (Findel)	14%	16	24 December	n/a	−
N Brown (Online)	12.0%	18	31 December	13.0%	▼
John Lewis (Online)	11.8%	6	31 December	21.4%	▼
OC&C Weighted Direct Average[2]	**11.0%**	**−**	**−**	**16.4%**	**▼**
Findel plc	11%	16	24 December	n/a	−
Game (Online)	10.3%	23	7 January	n/a	−
Marks and Spencer (M&S.com)	9.4%	13	31 December	20.9%	▼
Shop Direct (Group)	9%	7	23 December	6.0%	▲
AO World	8.9%	13	31 December	24.0%	▼
Fat Face Ltd (Online)[1]	7.6%	8	24 December	43.0%	▼
British Retail Consortium Average (Online, non-food)[1]	**7.2%**	**5**	**31 December**	**15.1%**	**▼**
Mothercare (Mothercare.com)	5.5%	13	7 January	11.8%	▼
N Brown (Group)	4%	18	31 December	4.1%	=

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