

The Retail Pulse

FSP RETAIL BUSINESS CONSULTANTS



RETAIL NEWS INDEX

ACCOUNTS BAROMETER

HOT 100

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Retail Burn



This month, the most talked about retailers, according to SnapShop and the Retail Burn, include **Debenhams**, **Waitrose**, **M&S**, **John Lewis**, **H&M**, **J Sainsbury PLC**, **Apple**, **Morrisons**, **Republic**, **House of Fraser**, **Ikea**, **Gamestation**, **Esprit**, **Donna Karen**, **CC**, **Carpetright**, **Calvin Klein**, **Blacks**, **Asda Living** and **USC**.

The retailer with the highest number of positive news articles in October was **Debenhams**, with the news that pre-tax profits rose nearly 15 per cent to £160.3m and the announcement of three new stores across the UK.

At the other end of the scale **USC** revealed that it is looking to offload around a third of its stores as part of a strategic review of its property portfolio.

Other notable stories include the news that **Esprit** is considering the sale of most of its UK shops as it realigns its business and brand. **Republic** trialled the MiMirror this month which allows consumers to take pictures of themselves wearing new clothes before sharing them on social media.

FSP on average review over 350 unique items of retailer news. Each article is then scored according to sentiment. RNI is the sum of these scores indexed against 2005 and averaged over a three month period. The RNI time series for all retailers starts from May 2002.

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Hot 100

The Hot 100 in October 2011 included;

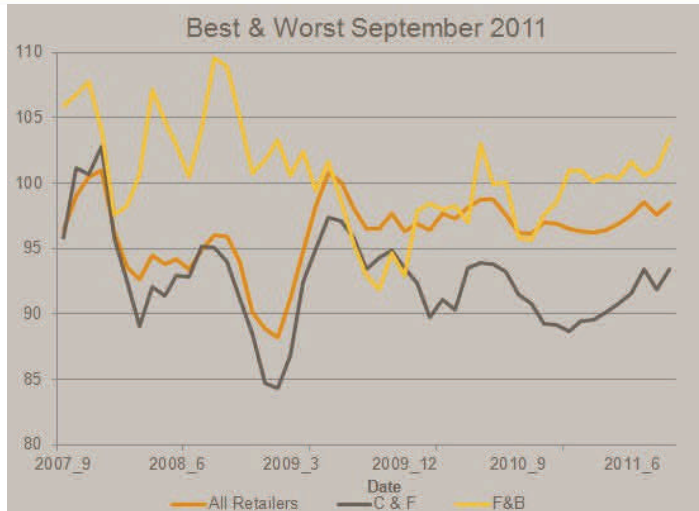
- British fast food chain, **Wimpy**
- Health food store, **Holland & Barrett**
- 'Should have gone to, **Specsavers**'
- Seasonal retailer, **Calendar Club**
- Mobile phone store, **Chitter Chatter**
- Japanese-style noodle eaterie, **Wagamama**
- Footwear retailer, **Schuh**
- Fashion jewellery designer, **Butler & Wilson**

These highly sustainable businesses have consistently delighted their loyal customers, have prudently managed their finances and have cautiously expanded, maintaining their appeal.

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RNI



FSPs Retail News Index is a 3 month moving average measure of sentiment in reported retail news stories. The overall index has remained at 98 for some time now.

All indices have increased or remained the same this month apart from *Leisure* which has decreased to 105.

Personal increased to 96, *Clothing & Footwear* remained at 93, *Household* increased to 98, *Grocery* increased to 101 and *Food & Beverage* remained at 103.

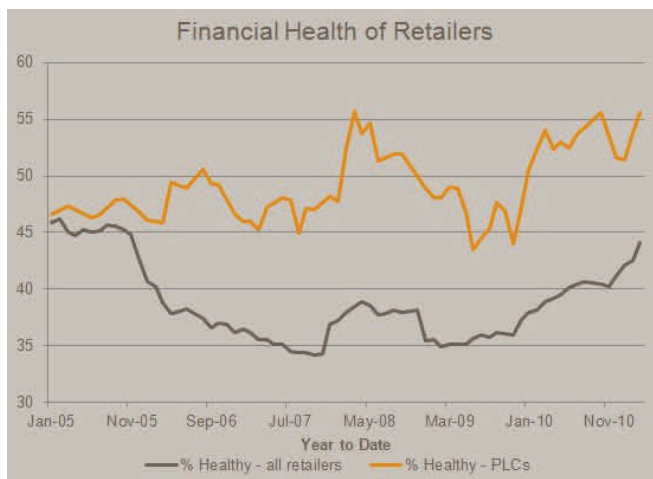
Food & Beverage, *Grocery* and *Leisure* currently now exceed the 2005 benchmark of 100, with all other indices are closely approaching the 100 mark.

The news index shows that since April bad news has been gradually declining.

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FAB



The FSP Accounts Barometer monitors retailers' financial health using the Wealth Creation Index pioneered by the DTI, now Department for Business, Innovation and Skills.

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In the year to April 2011 (the latest date to which accounts have been filed), the percentage of all UK high street retailers deemed Healthy was 44%. PLCs are generally financially stronger, with 53% deemed Healthy.

Amongst all retailers the trend continues upwards, suggesting that the proportions of financially stronger retailers amongst the survivors has increased.

Most retailers which fail have been identified as being financially Vulnerable. The combination of Wealth Creation Index with a few other indicators is a good predictor of retailers likely to enter administration.

SnapShop members can be notified when retailers on their Favourites List file accounts

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Product Focus

The medium term outlook for UK retailing

The demand to understand the future course of UK retailing has grown sharply. A joint FSP and twentyretail research project published in Estates Gazette in 2010 continues to be up-dated and is proving prescient.

The need to know what lies round the corner is driven by unease within the UK retail property market. The fall of DTZ, articles such as Property Week's "Retail's Exiled Agents", unprecedented levels of shop vacancies in some locations and record rents in others, are a few indicators of the dislocation of the UK retail property market.

The change is embroidered by the current economic conditions but is driven by consumer desires. Shopper preferences have not dramatically changed. It is the means to satisfy them that have been transformed. The impact of new technology is growing exponentially. The impact of the mobile internet is 80 times greater than on-line retailing at an equivalent stage of development. CSC can testify to the power of social media. An over-zealous security guard inappropriately enforced a no photography rule and within 3 days a Boycott Braehead Facebook site had attracted 20,000 supporters. Meanwhile, its IPO valued Groupon at \$12.7bn (£7.9bn) reflecting the consumer appetite to drive a bargain by acting in concert. And technology still has far to run. There is serious talk of internet-enabled contact lenses that will allow users to look at a product, for example a pair of jeans being worn in the street, and order a similar pair for themselves.

On-line shopping, once seen as a major threat to the existence of shops, is providing many benefits. Increased information about customers enables retailers to improve the relevance of their offer.

Shopper demand for value for money and for convenience goes some way to explain the apparently inexorable rise in the Non-Food market share of the supermarkets. However, "value for money" is a multi-dimensional concept. This is evident when John Lewis (Never Knowingly Undersold), Ikea and Ryan Air are all perceived to offer good value. The rise of Groupon speaks to the shopper appetite for a bargain. In a recent Kelkoo survey, 1500 UK shoppers were asked to identify which, of 10 possible reasons, was the most influential when choosing where to shop. The second largest response (17%) was Offers and Deals. Shoppers love a bargain.

The implications of these changes for retail property are various and profound. FSP has calculated that since 2008 across the UK retail space equivalent to three times all the space in the West End has fallen vacant. Not all of this is likely ever to be used again for retailing. The transition to alternative uses, so necessary to revive the communities thus blighted, is delayed by the unwillingness of lenders and landlords to recognise their losses.

Any change creates opportunities and threats. It is easier for new players, un-burdened by legacy investments, to seize the opportunities. However, to thrive again, existing investors and retailers need also to identify and take the opportunities. This in turns requires an understanding of what now and in the immediate future is driving the retail market.

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What is Retail Pulse?

Retail Pulse is a free monthly publication that highlights information available at www.fspretail.co.uk.

Helping clients make best use of their retail property is FSP's role, and although all property is location-specific, its best use is affected by industry-wide trends. FSP maintains unique measures of trends in UK retail property, and it's proven that monitoring existing trends improves the understanding of likely future ones.

FSP measures are focused on patterns in retail performance, and are therefore designed to supplement the standard property driven measures. Interpretation of all these data is the FSP business, [contact us](#) for information.

For more information please contact us at fspretail@fspretail.co.uk or call 01494 474740




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