Round Up of Weekly Retail News (ROAR) 20/08/2017

Welcome to the third edition of Bright Disposition's ROAR, helping you catch up on the main retail news which will you be discussing in your trade meetings on a Monday.

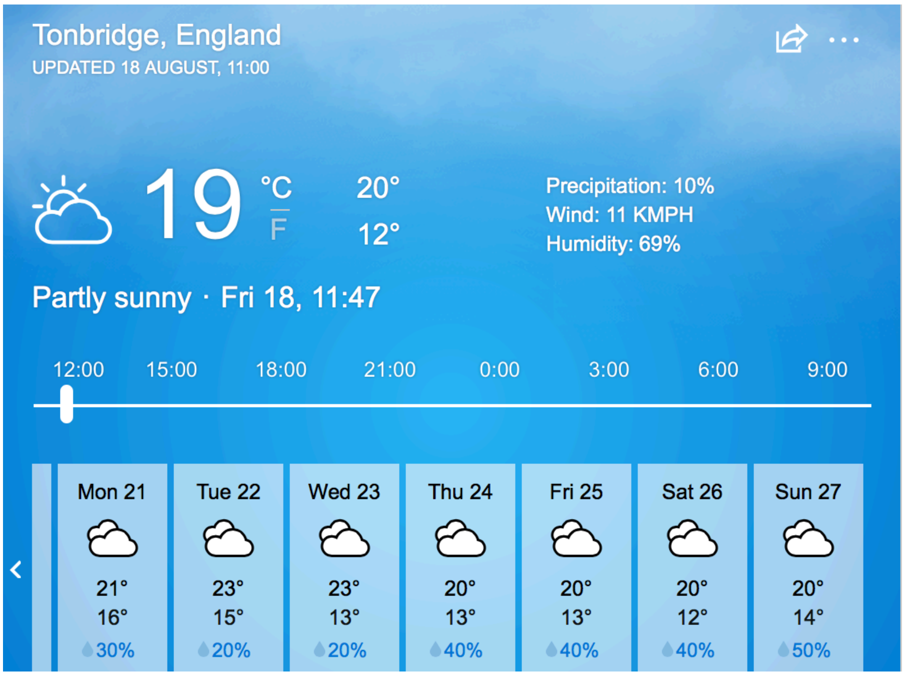
Trying to focus on the positive this week, so much going on retail and beyond…times are tough out there, let's hope the next few weeks in the run up to Back to School prove fruitful for retailers.

Weather

More uncertainty this week, some glimpses of sunshine, better than the last few weeks. I've even seen the shorts out!

A lot of retailers will be ramping up their trading activity over the next few weeks because of Back to School/ August Bank holiday – one of the biggest weeks for many retailers out there, and a good stable warm weather front will be important.

Looking ahead next week (London) - Cloudy but stable which is good news!



Sales and Trade reporting

"The UK consumer is extraordinarily resilient", Hardgreaves Lansdown's senior economist Ben Bettrell has said this week.

This comes off the back of July UK retail sales beating analyst' expectations, however the slowdown is still continuing. ONS (Office of National Statistics) showed that retail sales grew 0.3% month on month. Sales growth is still behind June, where it grew 1.5% in the 3 months to June, but the 3 months to July it fell to 0.6%.

Deloitte have reported that consumer confidence is at its lowest level in 2 years, falling from-7% to -10% in the second quarter. They state that rising inflation, and the first decrease in real wages in 3 years are to blame. Shoppers are watching what they spend due to the pressure on their disposable income.

So how has that translated into trading statements this week?

In the three months to July, Asda have reported a 1.8% increase in sales (excluding petrol). Also showing a 0.7% LFL performance, stating that they had a strong Easter performance which helped. They also attracted 275,000 new customers in that period. Strategy changes, which include targeted price reductions and reducing the number of options on shelves by 25%, have been attributed to helping the increase.

TJX, the parent company of TK Maxx, has reported strong sales for the 2nd quarter of the fiscal year. Its store sakes grew by 3% (last year this was 4%). Comparable stores in Europe grew by 1%.

Westfield, the major shopping centre operator, reported a profit increase of 20% for the first half of this year. They also took the opportunity to share that their £600 million expansion of White City, Stratford, will open 6 months ahead of schedule. Last week, whilst the IAAF World Championships were held, Westfield Stratford attracted 1.2 million visitors, marking its highest footfall week since 2012 London Olympics.

Watch the video here about the expansion:

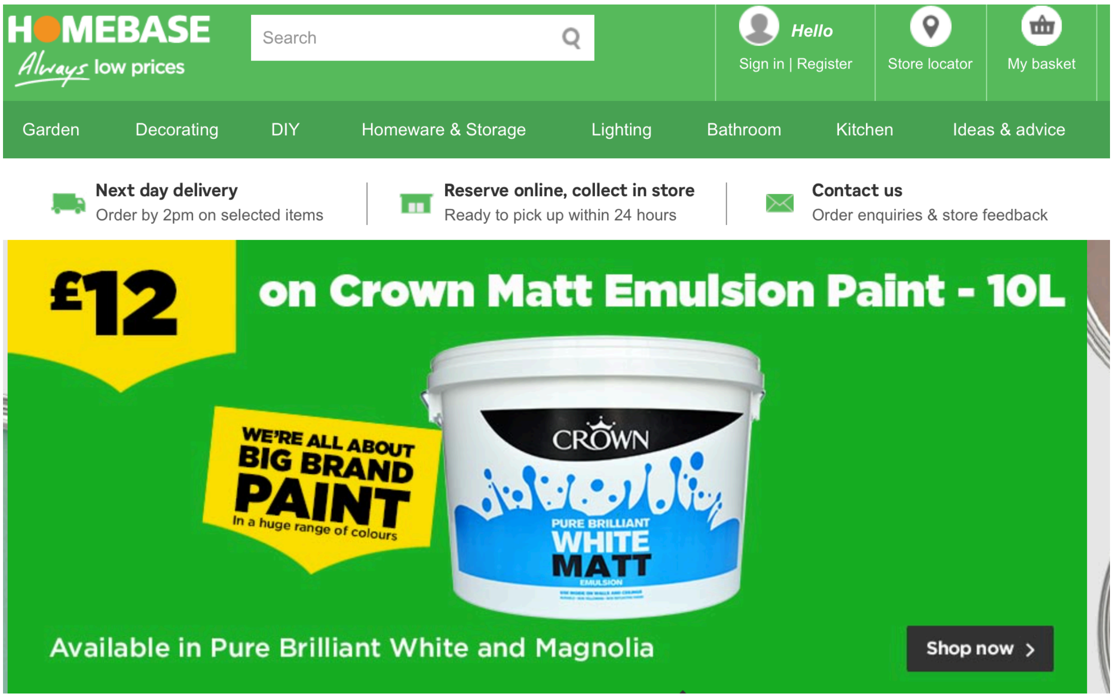
http://westfieldlondon-plans.co.uk

Alibaba, the online Chinese giant have reported a 56% increase in revenues for its first quarter, showing that its ecommerce arm had increased its % from 73% to 83%.

Gap have reported a sales growth of one percent in LFL stores for the three months to July 29, marking the third consecutive period of growth. Shares in the US retailer jumped as much as six per cent following the results, encouraged by Gap raising its expectations for the full year to between $2.01 and $2.10 per share, above previous projections of $1.95 and $2.05 a share.

B&Q have reported a sales decline of 7.7%, and LFL sales drop by 4.7% in the 3 months to July 31. Kingsfisher, the group which owns B&Q and Screwfix saw LFL sales drop by 1.9%. However, there was some good news, as Screwfix continues to outperform expectations with sales increasing by 17.2% and LFL sales increasing by 10.8%. The main factors which have attributed to the loss of sales are poor weather, an unstable and declining housing market and tough comparables. They are going ahead still with their turnaround strategy which has seen 65 stores shut so far and 3000 jobs axed in the last 2 years.

Bunnings Warehouse, which acquired Homebase, has reported a profit loss of £89 million in its first year managing the stores. Critics and analysts have said that the model of selling at low prices, as opposed to promotional activity is largely to blame for the loss. Westfarmers finance director has said that the concession based model and selling more and more parts of the store was unsustainable and there was always going to be a drop in sales whilst they traded out of that strategy. Definitely something to watch in the coming year.



Laura Ashley issued their second profit warning this week, and its shares tumbled by 18% following the announcement. Full year earnings will be hit by a £2.8 million loss, on the back of the revaluation of one of its freehold properties. It comes as 22 out of 25 of its concessions will be closed by the end of this year due to the Bunnings acquisition of Homebase.

Urban Outfitters has reported a 4.9% drop in LFL sales in the 3 months to July 31. This is the steepest decline in the last 7 years. Sales at Anthropologie fell 4pc in the quarter and were down 7.9pc at the Urban Outfitters chain. However, its European brand business, where comparable sales were up year-on-year and new customers grew almost 30pc.

Trish Donnelly, who heads up Urban Outfitters Group, said Europe had made good progress in speed-to-consumer, meaning its buying team was able to "make product decisions as quickly as four weeks before the in-store delivery". (Source Telegraph)

Jones, the footwear brand has announced they will be closing another 9 stores, which adds to the 25 that have already closed. Drapers cited resources also state there could be another 10. It was rescued from nearly collapsing back in March and this is part of the strategy to ensure sustainability going forward.

Store launches announced this week

For those baby clothes addicts (yes I do count myself as one of them), Zara has opened its first dedicated baby store in Covent Garden this week. I for one will be taking a look as soon as I can!

Polish brand Reserved will be opening their first UK store on Oxford Street next month. Kate Moss is heading their brand campaign, which will add massive weight to the launch, as she will also be attending the store launch. This is adding to their already 450 stores operating in 18 countries, but they do see the UK as a key market for them to trade in.

Reserved x Kate Moss - The AW17 Campaign

Important to take note of...

Sainsbury's are trialing a 30 min click and collect service, for no fee in its Pimlico store. You will be able to pick up 25 items. Another drive to be the quickest to market!

H&M has opened 16 stores in 20 months in India and has reported profit growth for the last 6 months. Its drive in opening stores quickly, compared to Zara who have taken over 7 years to open 21 stores has really stimulated the Indian market where there continues to be massive growth potential for international companies.

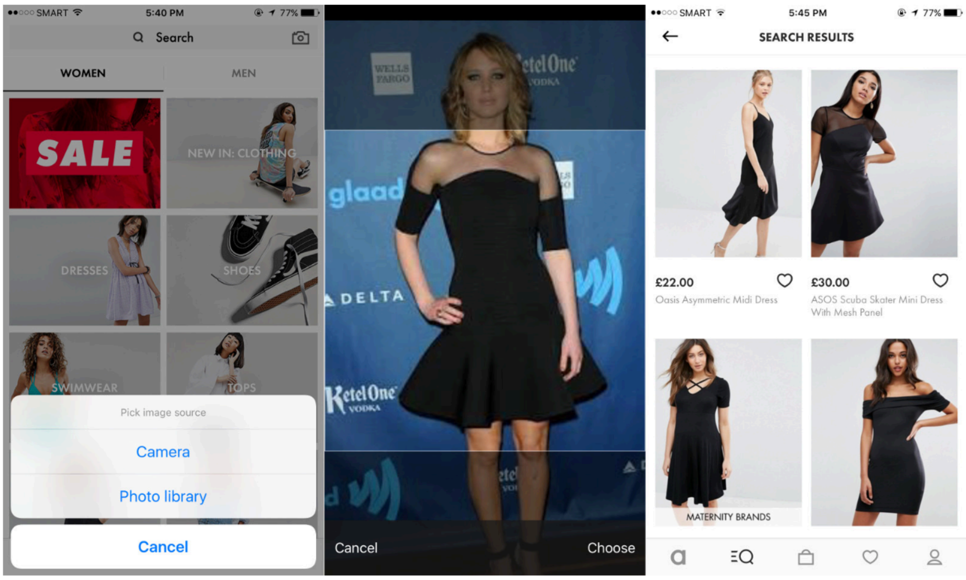
Matchesfashion.com looks to be in talks of a takeover bid which could be worth £600 million. This is off the back of recent a sales increase showing 61% growth and an EBIDTA rise of £19 million.

The world of online

Online Luxury retailer, Avenue 32 has ceased trading this week, despite trying to sell the business.

Our pick of the articles this week

Asos have launched their visual search on their app that allows you to take a picture of a dress or an accessory that you like and to upload it on the site where Asos will compare products for you! 80% of their sales come from mobile sites so this is the prefect accessory for the brand



(Source engadget.com)

Did any stationery news tickle our fancy?

We are going to be a bit biased here as Bright Disposition is featured in Stationery matters this week, promoting the Back to School Market Research report which provides a well detailed competitive market review of Back to School and also in depth pieces on Amazon and Smiggle.

http://www.stationerymatters.news/home/bright-disposition-to-launch-third-back-to-school-report-51975

And to make sure you know the Goss in the office!

Its been a slow week this week for gossip I have to say, Sarah Harding on Big Brother seemed to dominate the Daily Mail gossip headlines, sorry!

http://www.dailymail.co.uk/tvshowbiz/article-4800940/CBB-fans-think-Brandi-Glanville-s-JEALOUS-Sarah-Harding.html

See you next week!

This week's ROAR was collated by Faika Khurram, Retail Analyst and Consultant at Bright Disposition Ltd. Email roar@brightdisposition.com.

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