Christmas 2012 – the year that on-line retailing came of age

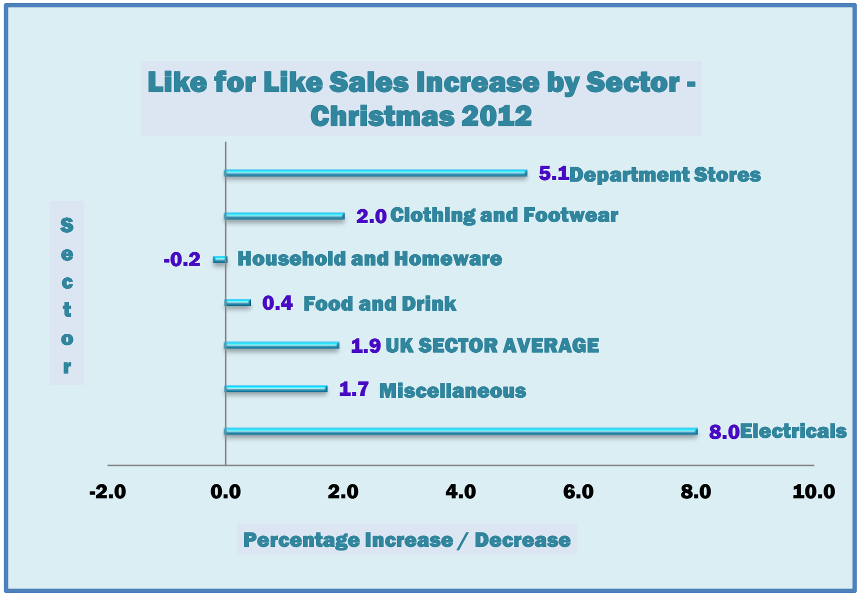
1. Summary findings

Of the 28 retailer trading updates reviewed over the Christmas 2012 period, 20 have reported increases in like-for-like sales and 8 have reported decreases in like-for-like sales. This compares with 29 and 13 respectively from our sample of 42 retailers reviewed for Christmas 2011.

The average like-for-like sales increase reported by the retailers included within our analysis was +1.9% (compared with +0.8% last year) with the Electricals sector reporting the highest average like for like sales increase at +8.0% and the Household and Homeware sector reporting the only sector like for like sales decrease at -0.2%.

The very fact that the number of trading updates in our survey this Christmas has dropped by a third from 2011 is symptomatic of the stresses facing the sector; many of the retailers surveyed last year simply do not exist any more. Data by the Centre for Retail Research highlighted that 50 large retailers went bust in 2012 impacting upon over 48,000 staff and 4,000 stores. Additionally, HMV and Jessops went into administration whilst this survey was being prepared. Until this year, our survey contained an Entertainment sector. In the last 12 months the last two surviving retailers in this group (HMV and Game Group) went into administration

With the exception of two sectors (Department Stores and Electricals) like for like store performance (being year on year performance in stores being open a full 12 months at Christmas 2012 and Christmas 2011) was mediocre. Electricals and Department Stores directly and indirectly owed their stronger performance to the sale of electronic goods (and particularly the Samsung Galaxy, Google Nexus and Apple iPad products; Dixons commented that it was selling five tablets a second in the last week before Christmas)



Dixons' like for like sales growth of +8.0% (compared to a like for like decline of -5.0% last year) was not only due to the popularity of its product range but the fact that it was 'last man standing' following the collapse of Comet in November and Jessops' recent traumas. John Lewis Partnership (who achieved the best like for like sales increase of +13.0%) attributed much of their success to robust electronics sales

Surprisingly, no retailers issued profits warnings as part of their Christmas trading updates (although a few were very close to doing so!). This mirrors last year's pattern where only Tesco actually issued a profits warning and a number of retailers got their bad news out of the way early with profits warnings issued before Christmas trading got under way

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2. Individual retailer performance review

Top five retailers based on like for like sales over Christmas 2012 period	
Like for like sales increase	%
1. John Lewis Partnership	13.0
2. Primark	9.0
3. Dixons Retail	8.0
4. House of Fraser	6.3
5. Debenhams	5.0

- The department stores once again proved the attractiveness to the consumer at Christmas of 'everything under one roof'
- Flying in the face of the perceived wisdom of the need for a powerful online offer, Primark demonstrated the simple but crucial virtues of clothing ranges that were fashionable and value for money

Bottom five retailers based on like for like sales over Christmas 2012 period	
Like for like sales decrease	%
1. Mothercare	(5.9)
2. Homebase	(3.9)
3. Marks and Spencer (non food)	(3.8)
4. Greggs	(2.9)
5. Signet Jewelers (H Samuel and Ernest Jones)	(2.6)

- H Samuel and Ernest Jones suffered in this online Christmas by stocking product that needed to be viewed and touched 'in the flesh'

3. Conclusions

All the retailers which had a successful Christmas were boosted by powerful online offers (for example, House of Fraser, John Lewis and Debenhams reported like for like online sales increases of 50%, 44% and 39% respectively). Argos reported year on year sales increases from mobile devices of 125%

The phenomenon of 'click and collect' was boosted by consumers' concerns over the price and reliability of external carriers (plus the need to give up time at home for receipt). Argos has reinvented its business on this model (31% of all sales are now via 'click and collect'). Marks and Spencer in particular suffered by being behind this specific technology curve. Wm. Morrison's performance suffered through having no online presence (unlike their direct competitors)

2013 will clearly remain extremely challenging for all retailers as consumers continue to tighten their belt. Further significant failures cannot be ruled out. However, the best retailers will continue to prosper. N Brown Group (the leading internet and mail order catalogue home shopping company who own brands such as Figleaves, High and Mighty and Home Shopping Direct) commented this week (on the back of a 17% like for like increase in online sales):

'it has been pleasing to see our investments in improved online systems and revamped product ranges and pricing continuing to drive a strong sales momentum despite the lacklustre retail environment'

Retailers take note!