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Market Insight News from CSA

CSA Market Insight: Retail



At first glance, much of the news on the British retail sector right now is good. Economic growth is back to scratch following the national crisis, unemployment is low and, with inflation at zero, real wage growth is back in positive territory. Coupled with improved retail technology and the rise of online shopping, the sector presents both an opportunity and a challenge for front line service providers, suppliers of the supporting technology and equipment – and their financial backers.

Retail sector expenditure in the UK is valued at almost £400bn. Although retail industry volume increased by 4.7% in April 2015 compared with April 2014, value increased by 1.8% only; showing that a high level of price sensitivity remains in the marketplace.

Over 40 retail companies failed in 2014, affecting some 1300 stores. As an indicator of market health, these numbers represent something of an actual improvement over recent numerical highs. However, in a volatile sector a principal driver of performance is not necessarily singular, connected to the performance of the overall economy but plural; including brand positioning, store selection and location and channel-to-market flexibility, inclusive also of control over the retail supply chain.

A recent examination by CSA of the trading performance of several companies in each of six retail categories revealed little comparative trend consistency in the annual, like-for-like, sales growth between retailers sharing the same market vertical, other than witnessing the substantial growth of 'online' in recent times.



Online represents a segment of the market which in 2014 was valued at c.£45bn or c.10% of the UK total. With recent growth estimated at over 15%, the channel has become mainstream; blending retail concepts such as marketing display, purchase payment, collection and return into a seamless 'omnichannel' in which consumer convenience and mobility are key factors driving retail sales. This is driving changes for retailers in terms of store design and layout, equipment and technology which, in turn,

creates business opportunities for the retail OEMs and their associated services providers.

Our work has revealed four key trends:

- Online purchasing, click and collect or return is changing stores previously laden with rack and shelf stock items and attendant sales assistants into slimmed down retail design formats. These give greater emphasis towards virtual product presentation and display
- In-store audio visual monitors, displays and PA systems are increasingly networked, linking store with store and to a head office; enabling retail products to be campaigned in tune with anticipated demand
- Electronic, point of sale (EPOS) systems software increasingly will accommodate not only the initial consumer sale and payment process but also integrate various back office activities, ranging from stock control and warehousing/logistics to home delivery, returns and personalised customer promotion
- Fixed point cash registers and other end-of-counter hardware replaced by shop floor, hand-held mobile EPOS units that move to the customer, rather than the other way around



In our opinion, headline reports about the ‘demise of the High Street’ are not a worry. However, retail is changing and technology is accelerating that change. The sector will remain characteristically volatile and not all business innovations and developments will be equally successful. Those with a business model capable of being flexed to accommodate downward and upward market cycles will certainly have the potential to not only survive but thrive.

CSA has undertaken commercial due diligence in the retail space on behalf of a number of bank lenders and private equity investors. Recent assignments have included the fashion and specialist sailing clothing market, coffee shops and office vending in addition to cakes and gateaux and retail payment systems.

*If you would like to know more about our experience of retail, or any other market where we may be able to support your assessment of business and market attractiveness, please contact: **David McClelland, Director, via carlton-advisors.co.uk***