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Mintel Group Ltd
11 Pilgrim Street
London EC4V 6RN
tel: 020 7606 4533
fax: 020 7606 5932

Sales hotline: +44 (0)20 7606 6000

email: info@mintel.com

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Analyst Comment

Online – Trying to get a sense of proportion

Too many commentators seem to lose all sense of perspective when it comes to talking about online. They seem to think that a good online service will cure all other evils. Typical of this sort of comment is that M&S poor recent sales performance is entirely down to its problems online. And to back up this assertion they can quote the excellent performance of Next where sales growth has been stronger online than in-store and it has been for years.

Yet it is worth pointing out that Next's online proportion is very similar to John Lewis', in spite of the fact that Directory is approaching its 30th anniversary and John Lewis has been trading online for little more than 10 years.

So we think it is worth repeating some basic truths about online.

1. Is it necessary to have an online offer?

Yes, we think it is. Online is primarily a service to customers and that is how it should be seen. It is to make it as easy as possible for customers to buy. That is not to say that it is essential – as Primark proves. But we do think that customers should expect a top quality online service, tailored to the device used. It does not matter how customers choose to buy, so long as they do so.

2. The corollary

It is therefore becoming increasingly artificial to make a distinction between online and offline sales. A store based retailer makes sales because its stores are the marketing for the whole business. The vast majority of online buyers from that business buy because they know what the retailer stands for and what its strengths and weaknesses are. There is a flow the other way, but very few people. Buy in John Lewis just because they are impressed with the website.

3. Drawbacks

It's worth remembering that online has its drawbacks. Online shoppers spend less. That is very obvious in food retailing where 18% tell us that they do their main grocery shop online and yet online takes under 5% of all food retailers sales. There are similar, though less extreme figures in fashion. The problem is that websites are not easy to browse. People who shop online generally know what they are looking for and when they've found it, they will buy. It is very hard to make opportunistic sales online - there is no passing trade.

The elephant in the room

We've got this far and have yet to mention the most important fact of all. Retailers succeed if they have merchandise that people want to buy. That is the single most essential thing about retailing. There are numerous other factors which may help enhance sales or whose lack may hinder them, but if the merchandise is unattractive, people won't buy. We have all seen shops on sale before Christmas which are still empty because of the heavy discounts.

M&S had a bad Christmas, not because it lacked an online offer, but because its merchandise did not appeal to enough people. Its problems online may have made matters worse, though its online share is not very large (8% of group revenue, though almost 20% of general merchandise sales in the UK in 2013/14 and a third of that is in homewares) so any adverse impact would have been quite small. Online is a service to customers and not a driver.

Retail Sales – Background and Outlook

Key points

- **January sales were positive, up 2.6%, as consumers continue to enjoy falling prices.**
- **Inflation hit a record low in January 2015 with continued deflation in oil and food.**
- **But wages growth increased and the margin of wages growth over inflation was the highest since the boom conditions of early 2008.**
- **We are optimistic about the prospects for 2015. There are uncertainties, especially in the Eurozone, but low inflation is set to continue and wages growth is outstripping inflation.**

Retail sales trends

January is traditionally the slowest month of the year for retail sales however January 2015 was a positive one for retail sales. The ONS reported growth at 2.6% whilst the BRC reported growth of 1.6% which, while markedly different, is in line with their respective current trends.

The weather will have caused some disruption to retail operations, particularly in the North of England and Scotland, with a number of retailers commenting on this. However deflation seems to have continued to urge customers to spend with volume growth outstripping value growth for the seventh month in a row.

Food retail sales were flat in January in value terms but up 2.5% in volume terms reflecting the continuing deflation in food prices, spurred on by fresh price cuts by from the four leading grocery retailers. There was also a strong performances from clothing (+4.9%) and furniture (+7.2%).

It is also worth noting here that January sales in December were downgraded from +2.5% to +2.1% with the release of the January numbers. As we noted last month it wasn't a great Christmas, with sales being pulled forward by Black Friday, and this downgrade further underlines this point.

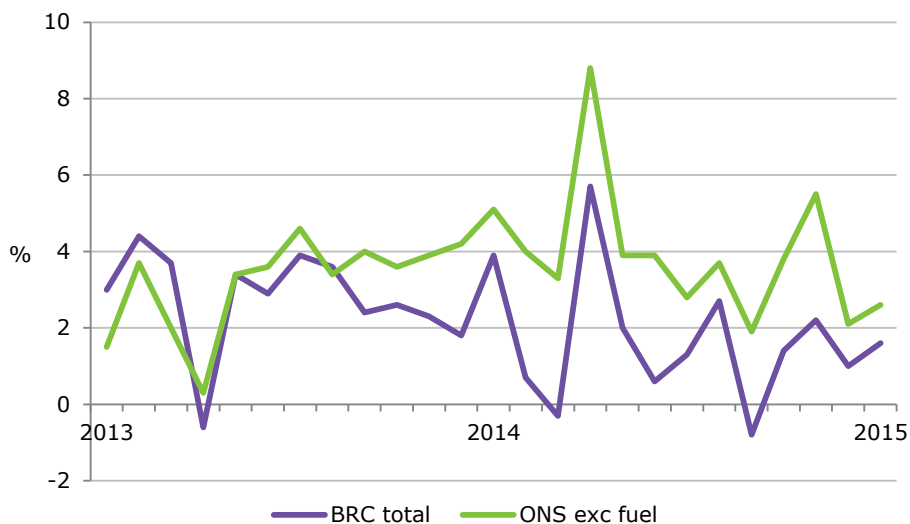
FIGURE 1: RETAIL SALES TRENDS, 2014/15

	Non-seasonally adjusted % value change on previous year	Seasonally adjusted % volume change on previous year	Seasonally adjusted % volume change on previous month
2013:			
Dec	+4.8	+5.8	+2.5
2014:			
Jan	+5.1	+3.8	-1.9
Feb	+4.0	+3.3	+1.5
Mar	+3.3	+4.2	-0.2
Apr	+8.8	+6.8	+1.5
May	+3.9	+4.3	+0.1
Jun	+3.9	+3.5	-0.3
Jul	+2.8	+3.2	+0.4
Aug	+3.7	+4.4	+0.4
Sep	+1.9	+2.8	-0.4
Oct	+3.8	+5.1	+1.2
Nov	+5.5	+6.9	+1.6
Dec	+2.1	+3.8	-0.1
2015:			
Jan	+2.6	+4.8	-0.7

Figures are for all retailers, excluding fuel

SOURCE: ONS/MINTEL

FIGURE 2: UK RETAIL SALES Y/Y GROWTH, BRC vs ONS, 2013-15

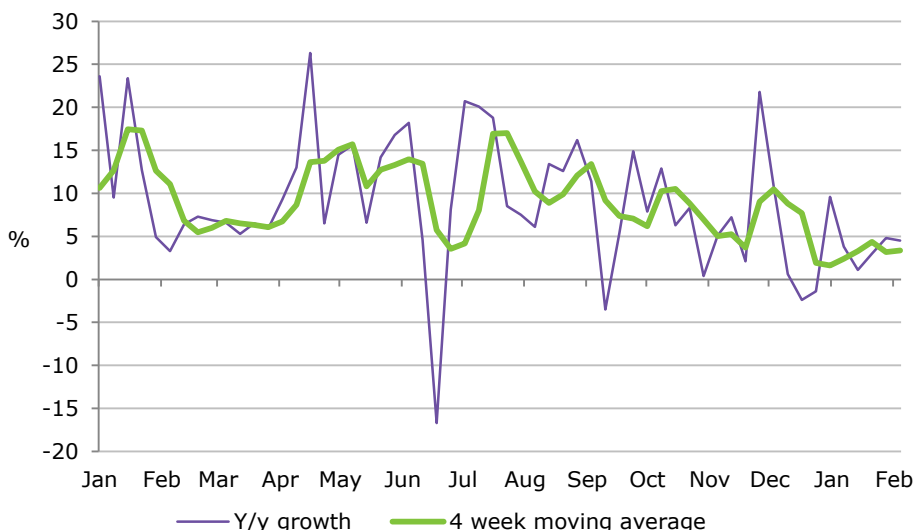


SOURCE: BRC/ONS/MINTEL

John Lewis

We noted last month that we were eager to see the steady downward trend of John Lewis numbers reversed. Unfortunately this did not come to pass in January, sales growth was significantly down year-on-year but it is worth noting this was against significant comparable figures in January 2015. The company also noted that weather disruption impacted its final weeks of clearance however online picked up any momentum lost in-store.

FIGURE 3: JOHN LEWIS: YEAR-ON-YEAR GROWTH, 2014



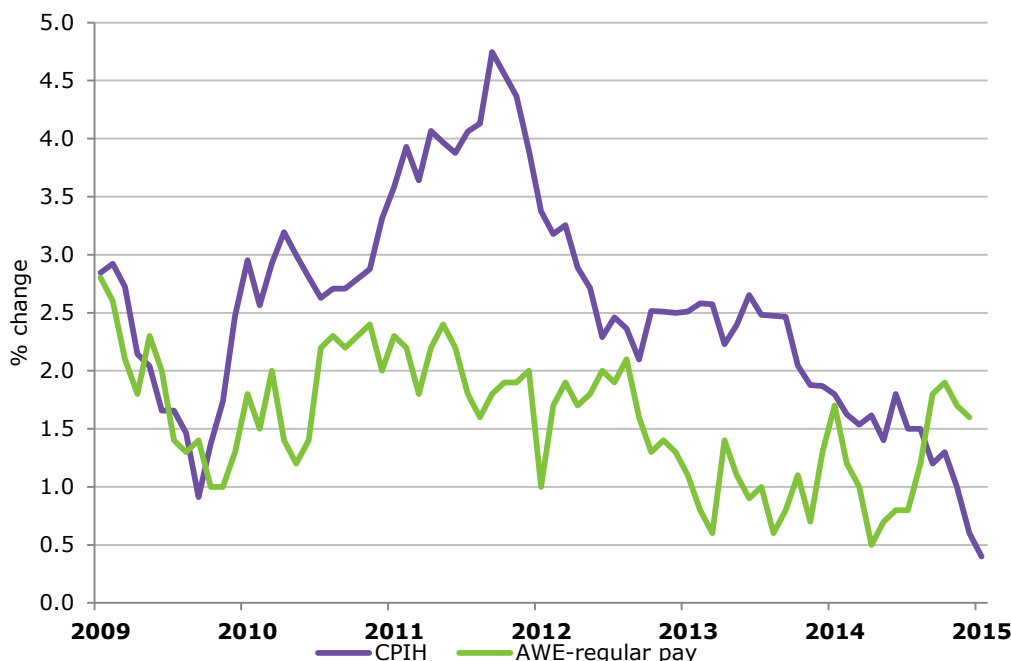
SOURCE: JOHN LEWIS PARTNERSHIP/MINTEL

Inflation and wages

Inflation hit a record low of 0.3% in January 2015 as prices continued to fall in fuel and food categories. Whilst we do not have wage growth figures for January at the time of writing, wage growth continues to outstrip inflation. Both the big six energy companies and the big four grocery retailers announced fresh round of price cuts in January and this should mean that inflation continues to remain low.

In the short term this should continue to be positive for consumers however longer term deflation would lead to an uncertain outlook. Core-inflation, which strips out food, energy, alcohol and tobacco prices, improved from 1.3% in December to 1.4% in January easing some fears of a longer term deflationary spiral.

FIGURE 4: THE INCOME SQUEEZE: WAGES GROWTH VS INFLATION, 2009-14



Note: If inflation is higher than wages growth then real incomes are falling. If inflation is less than wages growth then real incomes are rising

SOURCE: OFFICE FOR NATIONAL STATISTICS/MINTEL

In the context of Europe, the UK avoided slipping into deflation in January when many of the biggest economies, Germany and France included, reported deflation prices. This led the European Central Bank to announce a stimulus package to ward off longer term deflation.

FIGURE 5: ANNUAL PERCENTAGE CHANGE IN THE CONSUMER PRICE INDEX FOR SELECTED PRODUCT GROUPS, 2014

	Food %	Alcohol & tobacco %	Clothing & footwear %	Household goods %	Recreation & culture %	Transport %	Misc goods & services %	CPI %	CPIH %
2014:									
Jan	+2.0	+4.5	+1.7	+0.6	+0.4	+0.5	+0.7	+1.9	+1.8
Feb	+1.8	+4.1	+0.8	+1.6	+0.7	-0.4	+0.8	+1.7	+1.6
Mar	+1.7	+5.0	+0.2	+1.1	+0.6	-1.0	+0.9	+1.6	+1.5
Apr	+0.5	+3.5	+1.2	+1.5	+0.5	+1.6	+0.3	+1.8	+1.6
May	-0.6	+4.6	-0.1	+0.9	+1.1	+0.4	+0.3	+1.5	+1.4
Jun	-	+5.0	+2.4	+1.6	+1.3	+0.9	-	+1.9	+1.8
Jul	-0.4	+3.6	-0.2	+1.1	+1.5	+1.3	-0.6	+1.6	+1.5
Aug	-1.1	+4.6	+0.4	+0.4	+1.4	+1.2	-0.4	+1.5	+1.5
Sep	-1.4	+4.9	+0.2	+0.8	+0.7	+0.1	-0.5	+1.2	+1.2
Oct	-1.4	+5.2	-0.2	+0.1	+1.0	+0.5	-0.3	+1.3	+1.3
Nov	-1.7	+4.0	-0.2	+0.3	+0.3	-0.2	-0.8	+1.0	+1.0
Dec	-1.7	+5.0	-0.3	+0.2	+0.6	-1.4	-0.6	+0.5	+0.6
2015:									
Jan	-2.5	+3.3	+1.4	+0.8	+0.1	-2.8	-0.4	+0.3	+0.4

Note: Household goods includes white goods
Recreation & culture includes brown goods, PCs, and Books as well as cultural events
Miscellaneous includes jewellery and financial services

SOURCE: NATIONAL STATISTICS/MINTEL



Looking forward

The short term outlook for consumers is good – as we argue in Mintel’s quarterly report on consumers and the economic outlook, February 2014. Everything is moving in the right direction and they are right to be positive. The risks are from the Eurozone and the Greek crisis and from the persistence of deflation into or beyond 2016. Perhaps one word of warning should come from the fact that while volume sales growth has been maintained, value growth is weaker and that is a little odd. When inflation picks up we often see value sales being maintained while volumes are cut, but the reverse is not happening – not yet, anyway. But it would be wrong to read too much into this. January is a relatively unimportant month and notoriously prone to weather disruption, as we have seen this year.

Sector Focus – DIY and Furniture Retailing

Key points

- **DIY and hardware sales grew by 5.1% in 2014 whilst furniture and lighting specialists' sales grew by 8.7%.**
- **DIY and Furniture sales grew strongly in the second half of 2014 with Furniture sales particularly strong throughout the period.**
- **The DIY and furniture categories have experienced low levels of inflation throughout 2014 with prices hitting an 18 month low in October 2014.**
- **The housing market continues to improve which should be to the benefit of both categories.**
- **The strong growth in the furniture market in 2014 has led to a number of IPOs and takeovers in the early months of 2015.**

Retail sales: A good year for both categories

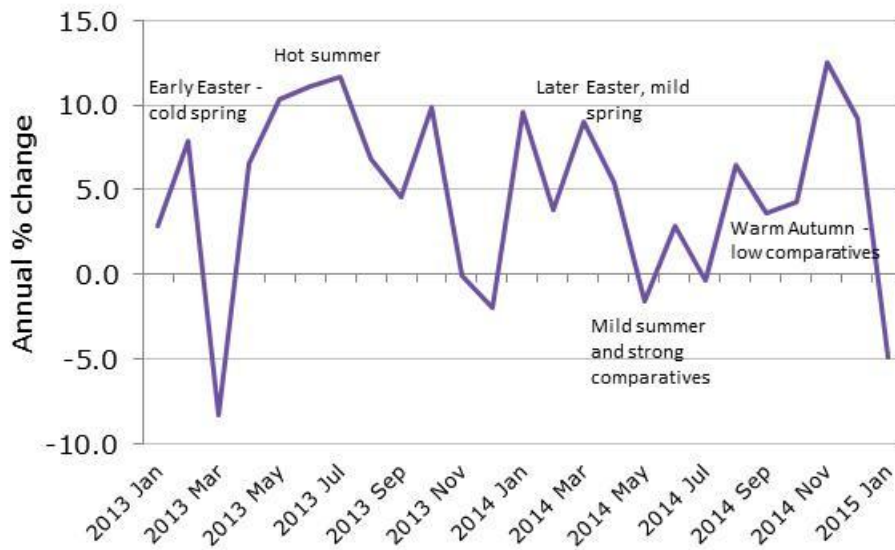
Both categories experienced record years in 2014 with DIY and hardware sales growing by 5.1% and furniture and lighting specialists' sales growing by 8.7%. These were the highest annual grow rates seen in the ten year reporting period of the ONS.

DIY and hardware specialist retail sales had a strong second half of 2014 following a dip in sales during the summer. January 2015 was the categories worst performance since March 2013 in value terms although volume sales remained positive. It is worth noting that whilst retail sales fell in January they did face the strongest comparative January figures since the ONS series began in 2004.

Weather plays a significant role in DIY retail sales. January 2014 faced extreme weather conditions including widespread flooding across the UK which in turn would have bolstered DIY and hardware specialist sales. In comparison the weather in January 2015 was less severe with the North of England and Scotland the worst affected.

Whilst sales in January suffered due to the weather the unseasonably warm autumn weather in October and November is likely to have encouraged DIY activity and given a boost to retail sales. The category also faced weaker comparatives during this period.

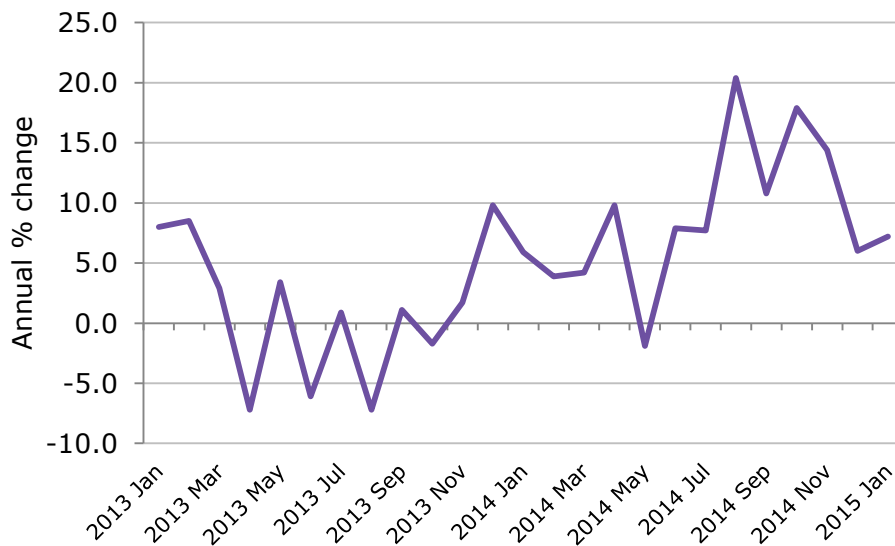
FIGURE 6: DIY AND HARDWARE SPECIALISTS' SECTOR SALES: ANNUAL % CHANGE, JANUARY 2013-JANUARY 2015



SOURCE: ONS/MINTEL

The furniture and lighting category was one of the quickest growing categories in 2014 with a particularly strong performance in the second half of the year. Whilst growth has slowed through December 2014 and January 2015 the category was still one of the best performing categories and ahead of the 2.1% and 2.6% growth seen in all retailer categories.

FIGURE 7: FURNITURE AND LIGHTING SPECIALISTS' SECTOR SALES: ANNUAL% CHANGE, JANUARY 2013-JANUARY 2015



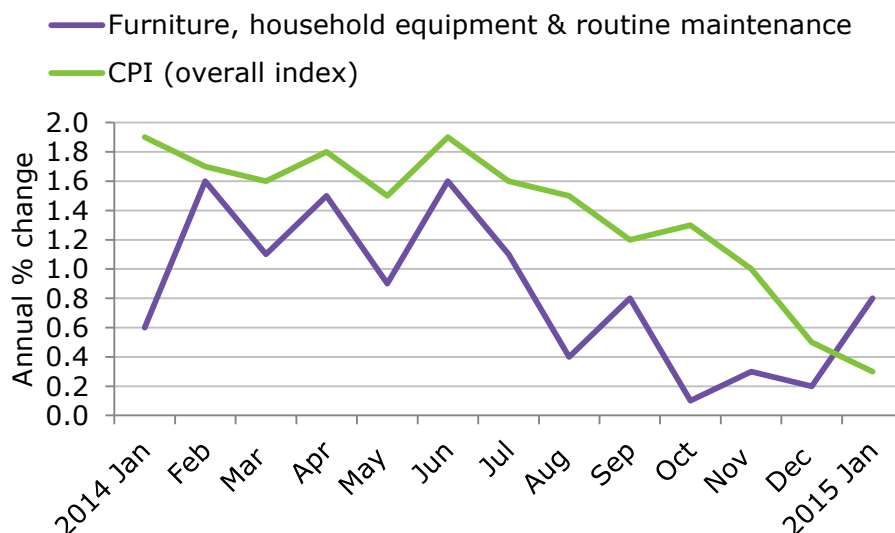
SOURCE: ONS/MINTEL

Record levels of low inflation

Another contributing factor to strong sales in the DIY and furniture retailing categories in the second half of the year was low price inflation. Whilst furniture, household equipment & routine maintenance prices grew below the overall CPI average throughout 2014, October saw prices hit an 18th month low (+0.1%) in October 2014.

On a broad note lower prices will encourage spending and the low inflation between October and November 2014 will have had some impact on the high levels of growth seen in both categories during this period. Average wage growth also outstripped inflation for the first time since 2009 in the second half of 2014 and has continued to do so in 2015. This combined with low food and oil price inflation should give a boost to consumers discretionary spending in the near future and in turn a boost to the DIY and furniture categories.

FIGURE 8: ANNUAL% CHANGE IN CONSUMER PRICE INDEX FOR FURNITURE, HOUSEHOLD EQUIPMENT & ROUTINE MAINTENANCE AND OVERALL CPI, JANUARY 2014- JANUARY 2015

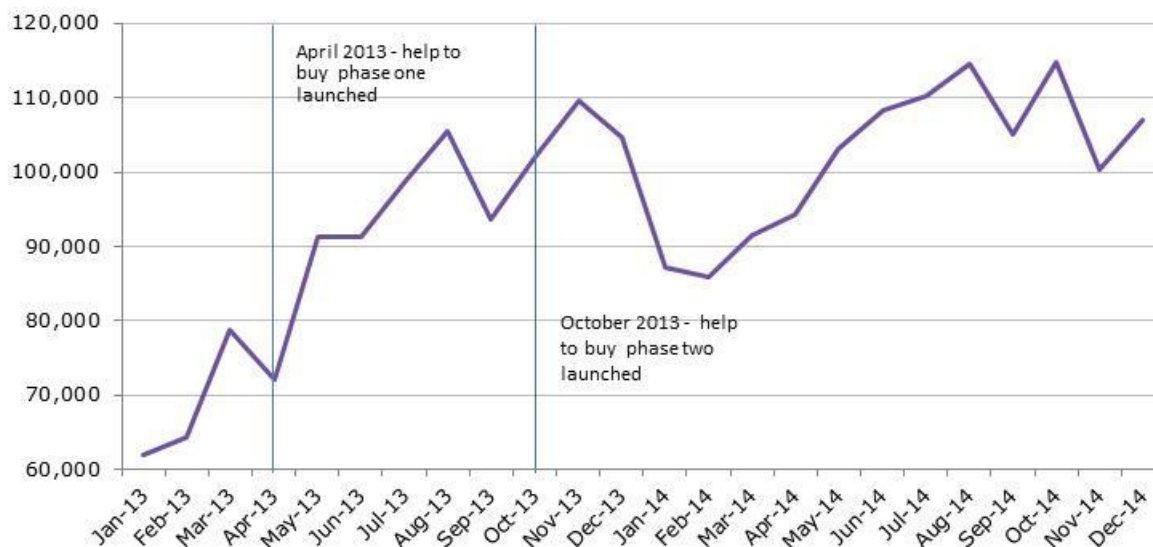


SOURCE: ONS/MINTEL

Housing market continues to improve

Both categories are also to a degree dependent on the housing market and will have benefitted from increased property transactions in 2014. The help to buy initiative first launched in April 2014 has encouraged activity in the housing market and property transactions topped 110,000 for the first time since November 2007 in July 2014.

FIGURE 9: NUMBER OF UK RESIDENTIAL PROPERTY TRANSACTIONS, NON-SEASONALLY ADJUSTED, JANUARY 2013-DECEMBER 2014



Note: Number of residential property transaction completions with a value of £40,000 or more

SOURCE: HMRC/MINTEL

Furniture news analysis

We have seen a number of high profile news stories involving furniture retailers in the first two months of 2015.

Sofa retailers head to the market

Leading sofa and furniture retailers SCS and DFS announced plans to list on the London stock exchange in 2015.

SCS announced plans for an IPO in mid-January and debuted on the stock market on 28 January. The company offered 51% of the business on the London Stock Exchange raising around £35m from its flotation.

Rival DFS announced its own plans for an IPO on February 6 and is looking to raise £105m from the flotation. The company had enjoyed the buoyant furniture market in the second half of 2014 announcing at the same time as the IPO that sales were up 9% in the 26 weeks to 31 January.

Key analysis: *There is a sense of striking while the iron is hot with both these announcements. Both businesses have grown their sales impressively in recent years and the market is currently strong. SCS store growth has stalled, standing at 97 stores, and there is a sense that the IPO will allow them to expand further. DFS's move also carries a sense that Advent International is looking to cash out on some of the businesses recent success. Whilst stores continue to be a big part of furniture retailers operations these two businesses have grown through a greater focus on successful multi-channel operations. Our recent Furniture Retailing – UK – December 2014 report found that 39% of consumers had purchased any furniture online and we see this as a key growth area moving forward.*

Sofa.com acquired

Whilst SCS and DFS announced IPOs, rival Sofa.com announced that it was to be acquired by private equity firm CBPE in a deal worth around £50m. The company was founded in 2005 and operates in a number of international markets with showrooms in New York City and Amsterdam. Sofa.com operates two UK showrooms in London and Bath and in the company's latest financial report saw sales grow 23.4% to £21.8m.

Key analysis: Sofa.com is a prime example of how a pureplay furniture retailer should function. It operates a clean and easy to use website with detailed product descriptions and offers free sample materials for delivery via the website. As we found in our Furniture Retailing – UK – December 2014 report customers favour going online to get ideas and to get sizing details. However in the same report we found that consumers favour viewing products and comparing quality in-store and it will therefore be interesting to see if the new owners invest in more UK showrooms to increase the multi-channel capabilities that are proving successful for the leaders in the market.

New 200-store floorings chain to launch in summer 2015

In early February 2015 we also got the news that Martin Harris, the son of Carpetright founder Lord Harris, is to launch a new 200-store floorings retailer. The chain, which does not currently have a name, is to target more affluent consumers. Harris, who left Carpetright in 2014, said that there is a gap in the market for a new national chain. Whilst the details remain scarce surrounding the chain, 200 stores would make the retailer a serious player in the market, for reference Carpetright currently operates 472 stores. However the retailer will have to slowly build its portfolio, it is very unlikely to open with 200 stores from the off.

Headlines for the Month

Grocers

- Aldi to open 70 new stores in 2015
- Asda prepared to invest £170m in superstores
- Grocery market grows over Christmas
- Morrisons CEO steps down as sales fall
- Tesco reveals the 43 stores facing closure

Other food specialists

- Naked Wines reports on a ‘bumper’ Christmas

Clothing retailing

- BHS up for sale
- Karen Millen’s losses double
- Matalan Q3 sales down 7.7%

Footwear retailing

- Kurt Geiger enters children’s footwear market

Department stores

- Beales accepts offer from English Rose

Multi-sector retailing

- B&M Q3 sales surge 28.8%
- Poundland to acquire 99p stores

Electrical retailing

- Dixons Carphone report ‘strong’ Christmas trading

Music and video goods retailing

- Game issues profit warning

Furniture and DIY retailing

- DFS to target valuation of £1bn
- Sofa.com sold for £50m

Home shopping

- Ocado reports first annual pre-tax profit

Book and stationery retailing

- Blackwell's returns to profit

Economy

- Retail sales grow 2.5% in December

News Analysis – Food and Drink

Convenience stores

UK: Booker to expand its Family Shopper banner

Booker plans to open at least 50 stores for the discount convenience chain in 2015.

Currently Booker owns 22 Family Shopper stores and plans to open at least 50 more this year. The target is for Booker to reach 300-400 of the independently-operated stores over the next three to four years.

- Booker increased its like-for-like sales by 2.5% in the 16 weeks to 2 January 2015, which includes its convenience store business and Makro, the cash-and-carry chain.

UK: Conviviality Retail purchases all GT News stores

The owner of Bargain Booze has acquired all 37 stores from GT News for £6m.

The majority of the 37 stores purchased by Conviviality Retail, of which 17 are currently trading under the Spar fascia, will be rebranded to the Bargain Booze or Convenience fascias. The stores are predominately located in the East Midlands and Yorkshire, improving Conviviality Retail's presence in these areas.

Conviviality Retail chief executive Diana Hunter said: 'The acquisition of 37 stores from GT News is in line with our stated aim to grow our business into areas which are underserved by our brands.'

- In May 2014, Conviviality Retail acquired 26 Rhythm and Booze off-license stores for £1.7m.

UK: McColl's posts 'resilient' Christmas sales

Total sales rose 4.7% in the six weeks to 11 January.

Despite the total sales rise, on a like-for-like basis sales dipped 0.9%. The number of convenience stores open on Christmas day increased from 500 in 2013 to 578.

- James Lancaster, McColl's chief executive, said he was 'delighted' with the 'solid trading performance'.

"A like-for-like decline of 0.9% is hardly "resilient", but it does tie in with the overall picture of a return to superstores for the Christmas period. The question now is whether that return was a Christmas blip, or whether the trend will continue into 2015. We suspect that the new year will see a return of the dominant trends of 2014 with a move away from superstores towards more frequent shopping and that will be good news for McColl's."

UK: Scotmid reveals first 'food to go' outlet

Scotmid Co-operative has opened 'The Kitchen' at its store in Rathos.

The Rathos store is the first of three stores to trial the new 'food to go' outlet. The Kitchen will offer fresh food, including porridge, salad pots and sandwiches, through to hot meals and pizzas. Customers can choose freshly ready-made sandwiches or 'made to order' items, as well as daily specials.

Stephen Brown, Scotmid's bakery and local sourcing manager, said: 'Following extensive customer research, the feedback we received overwhelmingly requested a range of meal offerings available throughout the day, from breakfast through to evening meals. Most importantly, customers asked us to ensure they could get served and pay as quickly as possible and therefore we have installed a dedicated Food To Go section, distinct from the standard counter area.'

- Scotmid's Carrick Knowe and Kingsknowe stores will open trial food outlets within the next five weeks.

UK: Spar UK sales up 5%

Like-for-like sales in Spar's company-owned stores rose 5% in the week ending 28 December 2014.

Wholesale revenues increased 3.5% on a like-for-like basis, with wholesale sales for Spar branded products rising 8.1%. The strong Christmas and New Year trading figures were helped by the positive reaction to Spar's Shop & Win campaign, as well as its focus on its own brand range, which is to be supported by more television advertising going forward.

Philippe Rondepierre, Spar UK head of marketing, said: 'This winning combination of good festive sales, our high-profile media campaign back on screens and positive Shop & Win involvement is setting Spar UK's 2015 to a flying start – with no doubt more success to come.'

- The latest advert by Spar, televised in January 2015, focuses on a Spar brand stir-fry meal deal that feeds a family of four for £5.

Grocers

UK: Aldi to open 70 new stores in 2015

The discount grocery retailer is also to create 5,000 more jobs.

Aldi is to open 70 new stores in the UK in 2015 which will give the retailer a portfolio of 630 stores. The plans are part of a wider eight year initiative begun in 2014 to double UK store numbers. The new stores will create 450 managerial positions as well as around 4,500 full and part-time roles.

- Aldi regional managing director Ruth Doyle said 'Aldi has seen rapid growth in recent years and with more store openings planned it's important that we attract the right candidates for the store management roles.'

“In the UK, Aldi has made a small but significant move towards the middle ground of food retailing and has followed the trends in the UK marketplace. It has widened its product offer (Aldi UK claims to have around 1,300 lines in-store at any time), developed premium lines, substantially improved the quality of its fresh foods and added some branded goods. The impact has seen a dramatic growth in sales with an increase in store numbers of around 10%. The latest store expansion plans represent a further 12% increase in store numbers for 2015 and will pose a continuing threat to the major grocery multiples. This growth has gone hand in hand with growing respect and liking for the business. As we show in the Brand section in the Supermarkets: More than Just Food Retailing - UK, November 2014 report, trust in Aldi has grown over the last few years and so has an understanding of how different it is in the marketplace.”

UK: Asda

...chief announces changes to executive team

Andy Clarke has announced several promotions ahead of the ‘toughest year yet’ in UK retailing.

Barry Williams, currently Chief Merchandising Officer for food, has been promoted to Chief Customer Officer. Andrew Moore has been promoted to Chief Merchandising Officer, with food trading added to his current responsibilities of George and general merchandise.

Asda chief executive, Andy Clarke, said: ‘A retail business runs in cycles and as we start the year – one which promises to be the toughest year yet for our sector – I want stability at the top of the organisation through fewer, bigger leadership roles which will speed up decision making in this highly competitive market.’

- Clarke has also consolidated accountabilities across Vice Presidents.

...prepared to invest £170m in superstores

If trials of new store layouts prove successful then the supermarket may invest £170m in its estate.

Asda spent £1m refurbishing its Grantham superstore in November and a similar amount on its superstore in Coventry. The new formats have more space dedicated to fresh food, health and wellbeing, while cutting back on space for general merchandising, as these sales are now more popular online.

The Grantham store has seen week-on-week sales rise 0.8% since the refurbishment took place. A further eight stores are due for renovation, starting with Hatfield, and the new format could be rolled out further in 2016 if the formats prove successful. Asda chief executive, Andy Clarke, said up to £170m could be invested in total in its superstores.

- In addition to the superstore investments, 45 of Asda’s supermarkets, which are under 25,000 sq ft, are also due for refits in 2015.

“This seems like a sensible move by Asda who are not the first food retailer to rethink how best to utilise the space within their larger format stores. Superstores have been the one format which have struggled of late due to the growth in online shopping, discounters and convenience retailing. Mintel's data shows that of all the product categories, electricals have one of the highest share of sales online and given that electricals tend to be lower margin it makes sense to reallocate space to other important categories such as fresh food and health and well-being. As e-commerce continues to grow (currently 11% of all retail sales and forecast to grow to 18% by 2019) retailers will continue to face the issue of not only reviewing their retail space requirements but also how best to utilise that space in order to drive growth. Food retailers will need to continue to invest in their stores to improve the shopping experience and make them more inspiring and user friendly retail destinations.”

...teams up with Timpson Dry Cleaners

Customers in London can now get their dry cleaning done as part of their home shopping or click-and-collect order.

Asda is trialling the service with Timpson for six months. Items to be dry cleaned will be collected when the customer's groceries are delivered, or at the selected click-and-collect point. The cleaned items will be delivered with the customer's next order. The minimum order for such deliveries is £25, which can be a combination of groceries and dry cleaning.

- Asda conducted research which found that 60% of shoppers already carry out their dry cleaning at the time of their weekly in-store shop, leading the supermarket to trial the service online.

UK: Budgens unveils new concept for smaller stores

The retailer's 'new-concept' store has been adapted for its smaller outlets.

Budgens' store in Byfleet, Surrey, has been refitted with the new concept, which focuses on a strong lunch offering, top-up shop and 'meal for tonight'. The new concept store offers free WiFi in store and a Free Coffee Friday Initiative where those that spend over £10 in store receive a free coffee.

- Budgens has already unveiled its new concept in Broadstone, Dorset and now plans to open a new store in Crouch End, north London.

UK: Grocery market grows over Christmas

For the 12 weeks ending 4 January 2015 grocery sales increased 0.6%, according to figures from Kantar Worldpanel.

Sainsbury's had the best performance of the big four supermarkets, with sales down by 0.7% pushing the supermarket up to second place in the UK. Tesco saw sales decline 1.2% while sales fell by 1.6% at both Asda and Morrisons.

- Continuing their strong sales momentum, Aldi and Lidl have grown by 22.6% and 15.1% respectively. Waitrose increased sales by 6.6%.

“One of the good things about the Kantar numbers is that they are put together on a consistent basis and for the same period. They are also just for grocery and so don't include any Black Friday effect. But they confirm the overall picture of the Christmas season - that there was a recovery at Tesco and Morrisons and a return to superstores. It is surprising to see Asda at the bottom of this list, but if that is true then it confirms our supposition that having established a position as the cheapest superstore it has nothing to gain from cutting prices further. At the same time Aldi and Lidl continued to grow strongly.”

UK: Lidl sales up 20% over Christmas

In the week of Christmas, the discount supermarket reported a 20% rise in revenues.

- Lidl said it sold three times as many bottles of Prosecco during the week, compared to 2013. One million bottles of its own-brand perfume Madam Glamour were sold.

UK: Morrisons

...CEO steps down as sales fall

Morrisons' like-for-like sales (excluding fuel) were down 3.1% in the six weeks to 4 January 2014.

Total sales excluding fuel fell 1.3% during the six-week Christmas period, while like-for-likes declined 3.1%. Morrisons described the results as a 'step-up' in a very competitive market. The company said sales were stronger in the last four weeks, having been impacted by Black Friday at the beginning. Items per Basket improved from -2.4% year-on-year in Q3 to -0.2% in the six weeks.

- Following the sales decline, Morrisons' chief executive Dalton Philips is to stand down after the end of year results in March 2015. Andrew Higginson, the chairman-elect, said: 'We need to return the business to growth. The board believes this is best done under new leadership.'

“The Christmas figures were very much better than expected, though still the worst of the big 4. So perhaps it is a little odd to see Dalton Philips departure at the same time. He's had a tough time and whilst he has certainly made mistakes (Kiddicare, for instance) he has done many of the right things as well - developing M Local and launching an online offer. He was late to bring pricing back into line and it remains to be seen whether the strong emphasis on fresh foods was the right way for Morrisons to go. He can point to an improving trend over Christmas, but all of the majors that have reported so far have seen a similar trend - people seem to have gone back to the superstores for their Christmas shop. The real test will be what happens after Christmas.”

...considers appointing David Potts

The former Tesco executive is thought to be the most likely to replace Dalton Phillips.

Morrisons' chairman Andrew Higgins is thought to have created a shortlist of four or five candidates to replace former chief executive Dalton Phillips, who left the business two weeks ago. Reports suggest David Potts, a former Tesco executive, is the prime candidate.

- Higgins had worked with Potts at Tesco between 1997 and 2012.

...like-for-likes fall 3.1% during the Christmas period

Excluding fuel like-for-like sales fell 3.1% in the six weeks to 4 January 2015.

Total sales excluding fuel fell 1.3% in the period whilst total sales including fuel fell 3.6% and like-for-likes including fuel dropped 5.2%. Morrisons described the results as a ‘step-up’ in a very competitive market. The company said that its online business had performed well over Christmas, contributing 1.0% to like-for-likes in the period, with 97.5% of deliveries arriving on-time deliveries and just 1.5% of ordered products requiring substitution.

Dalton Phillips said ‘Our like-for-like sales were a step-up on recent quarters and trends in the key operational measures continued to improve. Our three-year cost saving and cash flow targets remain on track. Although there is still much to do, we are building the platform to enable us to compete better in an industry that we expect to be highly competitive in the year ahead.’

- The company opened 17 new M local stores in the period and said that it had welcomed almost double the number of customers into the convenience arm in the six week period compared to last year.

...to sell three stores for £100m

The stores will be sold and then leased backed from the new owners, in order to raise capital.

According to press reports, Morrisons is to sell its Reading, High Wycombe and Darlington stores in a deal worth £100m. The shops will then be leased from the new owners for around £20 per square foot for the next 25 years. The grocery retailer is also reportedly in talks to carry out the same deal for a store near Newcastle.

Morrisons had announced in March 2014 that it intended to raise £1bn through the sale and leaseback of property, with between £400m and £500m expected to be raised in 2014/15. The retailer has already sold two distribution centres for £178m and three stores at the end of last year, in addition to the four listed above.

- Morrisons has said it will still retain 80% of its core estate as freehold, down from the 90% freehold share it held before the sales took place.

...to close salary-linked pension schemes

The planned move will affect some 8,000 staff.

The company sent letters to the affected staff on Friday (30 January) about the proposed plans which will save the grocer around £10m a year. Morrisons closed its defined-benefit pension scheme to new members five years ago and the latest news will stop the remaining individuals in the scheme from contributing further.

Human resources director Emily Lawson said that at this stage the plans are only proposals and added: ‘This proposal is intended to provide fairer pensions benefits to all colleagues, ensuring that those doing the same role primarily have access to the same benefits.’

- In January 2015 rival grocer Tesco said that it was to close its own defined-benefit pension scheme.

UK: Sainsbury's to cut 500 jobs

The jobs are to be cut in Sainsbury's store support centres, representing 13% of staff in the roles affected.

The plans were revealed in a letter to staff sent by chief executive Mike Coupe. A 12-week consultation process is to take place to decide which roles will be cut.

- Sainsbury's said in November that it planned to make £500m of savings within the next three years.

UK: Tesco

...appoints two agencies

The supermarket has appointed two agencies, BBH and Blue Rubicon, to assist with the company's turnaround plan.

Tesco Chief Executive, Dave Lewis, said: 'We are assembling a small team of world class advisers to work on the turnaround of our reputation and brand.' BBH will focus on advertising and customer relationship marketing, while Blue Rubicon is to concentrate on reputation strategy, positioning and reputation campaigning.

- Brunswick remains as financial PR adviser to Tesco.

...CIO leaves for Target

Mike McNamara has joined US retailer Target.

McNamara had been Tesco's chief information officer (CIO) since 2011, where he was instrumental in modernising and advancing Tesco's global IT and supply chain. Tesco is now looking for a technology officer to replace him instead.

- Dave Lewis said: 'Mike has been a tremendous asset to our business and we are sad to see him go. Given this change we take the opportunity to build on Mike's legacy by taking the next step in technology and recruit a chief technology officer.'

...close to Blinkbox Music sale

Reports suggest Guvera, an Australian online music service company, has entered into exclusive talks with Tesco.

The deal is expected to close in around one month's time, with reports suggesting Blinkbox Music's management team has already been briefed on the planned change in ownership.

- Tesco paid £12m for the music service that it re-branded to Blinkbox Music in 2012.

...creates shopping app for Google Glass

Tesco has become the first British supermarket to launch an app for Google Glass.

The app enables customers to add items to their online shopping basket hands-free, either by doing a voice search or by scanning a product's barcode by looking at it. Customers can also browse items and view nutritional information.

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- Tesco said it aims to ‘compliment’ other devices and integrate shopping into everyday life with its Google Glass app, but does not envisage it to become the new platform for shopping.

...facing investigation by Groceries Code Adjudicator

The government backed independent adjudicator is to investigate relationships between Tesco and its suppliers.

The Groceries Code Adjudicator (GCA) has announced an investigation into Tesco following an assessment by GCA Adjudicator Christine Tacon who said she had ‘reasonable suspicion’ that code had been breached. The investigation will centre on Tesco’s misstated profits as well as alleged delayed payments to suppliers.

A Tesco spokesperson said ‘We have worked closely with the office of the Adjudicator since its creation to put in place strong compliance processes. Following our announcement last September regarding commercial income, we have worked with her to identify any relevant GSCOP [Grocery Suppliers Code of Practice] issues. An internal review we carried out and shared with the GCA identified some areas of concern.’

- Tesco said it will co-operate fully with the GCA’s investigation.

...implements online community for suppliers

More than 5,000 global members will be able to connect with each other and with Tesco’s buyers.

Tesco said it hopes to encourage suppliers to share their ideas through the online platform, in order to ‘improve the products that our customers enjoy’. The grocery retailer hopes discussions will include topics such as energy, food waste and innovation.

- Jason Tarry, head of commercial at Tesco, said: ‘This new community of Tesco teams, suppliers and producers from around the world gives us the opportunity to improve communication, share ideas and continually improve the products that our customers enjoy.’

...makes further senior personnel cuts

Head of sourcing and supply chain to Tesco F&F clothing and GM Christophe Roussel will leave the company.

Roussel has been with the grocer for 11 years and headed Tesco’s sourcing arm from Hong Kong. The news follows reports that operations and development director Steve Strachota, retail director Richard Baker and managing director for Metro Neil McCourt have also left the company. Suspended executive Sean McCurley returned to the company yesterday (2 February) after being cleared of any wrongdoing in the company’s accounting investigation.

A spokesperson for Tesco said: ‘As we made clear at our trading update on January 8, we will be cutting costs across our head office functions by 30%. These changes are under way, starting at the top of the business - when the consultation process is complete we will provide further information.’

Separately, Tesco has announced that it has agreed to pay the liquidated damages contractually due to Philip Clarke and Laurie McIlwee. The payments had been suspended due to the accounting investigation.

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- In a statement, Tesco explained: ‘The Company is contractually committed to make the relevant Payment to each former director unless it can legally establish a case of gross misconduct against him. The Company has taken legal advice and has concluded that it does not have the basis for continuing to withhold the Payments.’

...narrows down the search for chairman role

Press reports suggest that John Allan is now the favourite candidate, after Sir Ian Cheshire decided not to proceed.

According to reports, John Allan is the favourite to take over the chairman role at Tesco. Allan is currently chairman of housebuilder Barratt and co-deputy chairman of Dixons Carphone.

Sir Ian Cheshire was the previous front runner, however the former Kingfisher chief executive has reportedly decided not to proceed for the Tesco chairman role, as he would like to take up another chief executive role.

- Separately, Tesco’s head of convenience stores Sean McCurley is to return to his role, as the inquiry into the grocer’s accounting scandal has cleared him of any wrongdoing.

...reveals the 43 stores facing closure

Around 2,000 jobs are to be affected by the closures, although Tesco hopes to offer alternative roles where possible.

Tesco has announced the 43 unprofitable stores that are going to close as part of its cost cutting programme. The total is made up of 18 Express stores, 12 Metro shops, seven superstores and six Homeplus stores. Internal meetings took place with affected staff yesterday (28 January 2015).

As part of the cost cutting, Tesco is also stopping 49 new developments and closing the Cheshunt headquarters, consolidating into the Welwyn Garden City office.

- Chief executive Dave Lewis said: ‘The decision to close the stores has been exceptionally difficult to take. I recognise it will affect many hard working colleagues, our customers and local communities. Our priority is to explain what this announcement means for our colleagues and wherever possible, offer them alternative roles with Tesco.’

“Every chain has a tail of weak stores and given the rate of expansion in smaller stores at Tesco it is, perhaps, surprising that there aren't any more. But it's worth putting this in perspective. 7 superstores are to close (less than 1% of the superstore estate) and 18 Express stores (about 1%). The proportion of Metro outlets to go is rather more, but still only 6%. This does not suggest that there is anything intrinsically wrong with the Metro format, though it might suggest that it is a little more difficult to make it work. Metro is not a large part of the business - just 5% of UK retail space. Homeplus, the non-food superstore format, is even less important, and half of its stores are due to go. We have always had doubts about this format, but presumably the remaining 6 outlets are profitable, so there is little point in closing them.”

...to close Blinkbox Books

Tesco has failed to find a buyer for its e-book service.

Tesco announced earlier in January that it had sold Blinkbox Music to Australian business Guvera for around £5m and BlinkBox Movies to TalkTalk for £25m but has failed to find a suitor for the e-books arm of the business. The closure puts around 60 jobs at risk.

- A Tesco spokesperson said ‘We’ve learnt a lot since launching the service and whilst we saw encouraging levels of take up, we believe that we can do more for our customers by focusing on our core business. The service will close by the end of February.’

UK: Waitrose

...announces 2015 expansion plans

The supermarket is to create 2,000 jobs this year in new and extended shops.

Waitrose is to open 14 shops in 2015, including seven new supermarkets across the UK, and seven new little Waitrose convenience shops in the south east. This comes on top of the two shops which have already opened this month in Egham and Walbrook. The new stores and refurbishment projects will add almost 230,000 sq ft of selling space to the Waitrose estate.

The new supermarkets include Wollaton (Nottinghamshire) Milngavie (East Dumbartonshire), Bagshot (Surrey), Oxford, King's Cross (which will incorporate a new cookery school), Basingstoke (Hampshire) and Guildford (Surrey).

- Waitrose is also opening a new e-commerce grocery depot in South London in March 2015.

...alters free hot drink deal

The grocery retailer has altered the terms of the deal as a reminder to myWaitrose card holders of the “etiquette” involved in the arrangement.

From 9 February customers must now buy a ‘treat’ such as sandwich or cake in order to receive a free tea or coffee. Waitrose said the change was designed to be fair to shoppers who intend to buy a meal or a snack in cafes who find that all the seats are occupied by non-paying customers. Takeaway customers will not be affected.

- A Waitrose spokeswoman said ‘Most people understand that if they want to sit in the cafe and enjoy their hot drink, they buy something to go with it.’

Off-licences

UK: Bargain Booze sales dip 0.4% in first half

Sales dipped but pre-tax profits grew in the 26 weeks to 26 October 2014.

Owner Conviviality Retail has announced that sales dipped 0.4% to £182.9m in the period whilst operating profits before exceptional items fell 1.6% to £3.3m. However pre-tax profits after exceptional items grew 46.7% to £3.2m. The retailer also said that Christmas trade in the two weeks to 4 January 2015 had been strong with franchisee retail like-for-like sales growing 2.8%.

CEO Diana Hunter said: ‘I am pleased with our first half year results which are in line with our expectations in a highly competitive market. Despite closures of underperforming stores in the period and the integration of the Rhythm and Booze units, sales have been maintained and store numbers have started to grow as we open higher quality outlets. This has led to increased profits for both the Company and its Franchisees.’

- Store numbers grew to 599 in the period, a net increase of 4 stores compared to last year, with 50% of Bargain Booze stores being refurbished.

Other food specialists

UK: Greggs reports a ‘very strong Christmas’

Own shop like-for-like sales grew 8.2% in the five weeks to 3 January 2015.

Greggs has reported that Christmas was a successful period driven by a focus on serving the on-the-go food customer. The Christmas period also brought a close to the company’s financial year which saw total sales grow 5.5% and own shop like-for-like sales grow 4.5%.

- Greggs continued to update and consolidate its store portfolio in the year with 213 refurbishments completed, 50 new stores opened and 71 closures. Greggs currently operates 1,650 bakeries throughout the UK.

UK: Naked Wines reports on a ‘bumper’ Christmas

Sales grew by 40% over the Christmas period.

The online wine specialist said the average spend per bottle rose 7% year-on-year in the period to £8. The business is supported by 250,000 Naked Wine Angels, customers who pay £20 per month to receive exclusive offers, and the business said there are a further 45,000 customers who have joined the Angel waiting list. The business intends to grow its number of Angels in 2015 to raise £70m to fund investment in independent producers.

- Founder and chief executive Rowan Gormley said: ‘It’s incredible to think we have a quarter of a million Angels- especially for a company that didn’t exist six years ago. Our bumper Christmas means we can invest even more in small independent winemakers around the world in 2015.’

“Great figures. Customers of Naked pay a monthly subscription giving the business a minimum assured cash flow that it can then invest in small wine producers. The business is only 6 years old and it broke through into profit in 2012. Last year’s operating margin was an impressive 4.6% and with this sort of progress it should be even more profitable in the year just finished. But one wonders why it has chosen to publish its Christmas trading numbers - does it just want to attract more subscribers, or is it thinking of a public flotation?”

UK: Thorntons reports strong Christmas trading

Retail like-for-like sales grew 5% in the 14 weeks to 10 January 2015.

The chocolatier said its strongest performance came during the 1 to 24 of December when like-for-like sales rose 7.8%. Total sales in the retail division fell 2.4% to £44.9m in Q2 reflecting a further four store closures which leaves Thorntons with a portfolio of 247 stores. Thorntons’s FMCG division had a ‘disappointing’ period with total sales falling 10.3% to £41.9m, leaving group sales down 6.4% in the period.

Chief executive Jonathan Hart said: ‘Good growth in many of our grocery, convenience and high street accounts and a strong performance from our Retail division gives us confidence in shopper demand for our brand and products. We continue with our transformation towards an FMCG business and the investment in our people, systems and factory is ongoing. We have good plans for the spring seasons and the Board remains confident in its multi-channel strategy and ongoing transformation.’

- Total sales in the first half of the year have fallen 8.2% to £128.2m with retail like-for-like sales growing 2.2% in the same period.

News Analysis – Non-food

Clothing retailing

UK: Austin Reed Group

...to close 31 stores

The stores are to be closed through a Company Voluntary Arrangement (CVA).

A strategic review found the 31 stores in question – 22 CC shops and nine Austin Reed stores - are ‘no longer viable’ leading the group to launch the CVA and ask landlords for a 50% rent reduction in the run up to the closures. A further 35 underperforming stores will receive a 20% rent reduction for the next year.

- The group will receive £3m from shareholders to improve its multichannel offering and re-launch its website.

...CVA gains approval

Creditors have approved the Company Voluntary Arrangement measures, including the ‘likely’ closure of 31 stores.

Under the Company Voluntary Arrangement (CVA), 31 stores, including 22 Country Casuals and nine Austin Reed stores, will be subject to 50% rent reductions and are likely to face closure after six months. A further 35 stores will receive a 20% rent reduction for 12 months. The group’s remaining 166 stores will be unaffected.

- In order to support the business, shareholders are to inject £3m into the business. This will be spent on operational restructuring and an improved multichannel offer.

UK: Bank gains interest

Retailers including Bestseller, Select, Quiz and Foot Asylum have reportedly shown an interest in Bank’s assets.

Reports suggest that Bank has gained interest from a number of young fashion retailers, including Bestseller, Select, Quiz and Foot Asylum for whole or parts of the Bank business. Bank, which fell into administration at the start of 2015, is thought to have an attractive store estate for these brands, as locations include the Bullring shopping centre in Birmingham and Liverpool One, among others.

- In the year to 1 February 2014, Bank made a pre-tax loss after exceptionals of £8.1m.

UK: BHS up for sale

Owner Philip Green has put the business up for sale.

Reports have suggested that Phillip Green is looking to sell BHS and has had a number of approaches from interested parties. BHS, which is part of the Arcadia Group, was purchased by Green in 2000 for £200m but has struggled to turn a profit in recent years.

- A spokesperson for Phillip Green said ‘We have had several approaches on BHS over the past few months. It is now the company’s plan to explore whether any of these can be brought to a conclusion.’

“There should have been a place for a Bhs style chain on the high street when Sir Philip Green bought it, after all Primark had hardly started its expansion programme then. But he has done very little with the business apart from put some Arcadia concessions in. It's hard to see why he didn't sell the business years ago. So - who would want it? This is a big chain. The average store size is just under 30,000 sq ft (2,700 sq m). Typically the stores have clothing on the ground floor with a cafe and homewares on the first floor. We suspect that it is those first floor areas which are the most successful. There are rumours that one or more of the leading food retailers is interested. That is quite possible. If the ground floors are between 10,000 and 15,000 sq ft, then a Tesco Metro style outlet might work well there and whoever bought it might be able to develop a Food and Home outlet on the lines of Waitrose's Food and Home stores. But Bhs does still have a loyal, if dwindling customer base. It appeals to a less affluent, older customer and perhaps any buyer could make use of that. But if such a format is to succeed, then the business would need to develop new, add-on ranges to start pulling in younger customers to refresh the present aging customer base (we have been saying much the same about M&S). It's hard to see any of the present market leaders being interested in the stores. Next, for instance, already has as much high street space as it can manage and so do Primark and Poundland. Overall, this is good news for the high street. It is not good to have an ailing large space retailer sitting in prime positions. The high street is stronger without Woolworths and it will potentially be strengthened through the absence of Bhs.”

UK: Bonmarché sales up 6.1% over Christmas

In the five weeks to 27 December 2014, the value retailer’s like-for-like sales increased 6.1%.

Online sales increased 41.3% during the Christmas period, while comparative store sales increased 3.9%, leading to a like-for-like growth of 6.1%. For the third quarter, in the 13 weeks to 27 December 2014, total sales were up 9.1%.

- Bonmarché described the market as challenging and promotionally-driven, stating that gross margins remain under pressure.

UK: Burberry Q3 retail sales increase 15%

Burberry announced another strong quarter, covering the three months to 31 December 2014.

Burberry achieved double-digit comparable growth in America and EMEIA, however growth suffered in Asia due to disruption in Hong Kong, leading to total comparable growth of 8%. Total retail revenues increased 15% to £604m, attributed to commitment to ‘every element of the customer experience.’

- The company reiterated that they are expecting ‘downward pressure’ on full year retail/wholesale margin due to exchange rate fluctuations, a more difficult external environment and continued investments.

UK: Jules B owners invest to make up for accounting errors

Jules B's profits had been overstated by £916,000 due to mistakes by a former in-house accountant.

The £916,000 overstatement was made up of over £714,000 worth of overvalued stock, £479,000 of understated trade creditors and an overstatement of £74,000 for provisions for sales credit notes.

The prior-year adjustment, paired with a £546,000 loss relating to 2014, resulted in a total loss of £1.46m for the year to 31 January 2014.

- Jules B owners, Julian and Rhona Blades, have since invested more than £875,000 of their own money into the business. They expect the company to be back in profit by December 2015.

UK: Karen Millen's losses double

The fashion retailer widened its losses from £2.7m to £6.1m in the year to March 2014.

Karen Millen's turnover declined from £259m to £256m during the year, however operating profits rose 27% to £2.8m. The company made a number of investments in the year, including a brand re-launch and marketing investments, which led to a decline in EBITDA and widening losses. One-off costs from the demerger of the Aurora group and unrealised foreign exchanges were also thought to have impacted profits.

- Chief executive Mike Shearwood said: 'We're pleased with our performance given the level of investment we made in the business during the year to position Karen Millen for future growth. We're continuing to make exciting changes on a number of fronts, particularly around the multichannel brand experience and new store formats, designed to create a client experience which will stand out among retailers.'

"Karen Millen has repositioned its brand, moving away from an occasionwear retailer selling mainly dresses to a higher priced womenswear retailer. While it saw a decline in turnover and pre-tax losses due to costs associated with demerging from the Aurora Group, it has invested in modern looking stores and updated systems and closed smaller concessions and stores, which should put it in a good position to grow the brand. The wider product range looks good and the company is creating a USP and capitalising on the trend for personalisation with its Tailored In London collection of customised tailored and leather garments.

It will nevertheless take time to change the image of the brand away from glitzy dresses and there is a risk involved in attempting to change its target market to attract a slightly older and more affluent consumer who is willing to spend more on quality clothes."

UK: Mamas & Papas widens losses

The nursery brand made pre-tax losses of £10.9m in the year to 30 March 2014.

Group turnover fell £5.8m to £137.6m during the year, resulting in the widening of losses from £1m in 2013 to £10.9m. The decline was attributed to general economic conditions and the 'behaviour of some competitors in the nursery industry'.

- Following the approval of a company voluntary arrangement for its UK retail subsidiary, and a majority stake acquisition by Blue Gem Capital Partners, Mamas & Papas says it is confident of returning to profitability.

UK: Matalan Q3 sales down 7.7%

Sales fell to £298m during the 13 weeks to 29 November 2014.

Matalan's EBITDA decreased to £39.6m, from £41.5m in 2013, although the company ended the quarter on a stronger cash position, at £93.7m. During the five weeks to 3 January 2015, sales fell by 1.7% year-on-year, however the sales started with less stock, thanks to a 'tightly bought seasonal range'.

Managing director Jason Hargreaves said: 'The business has delivered a resilient margin performance in what was a very challenging sales environment.'

- In 2014, Matalan opened its first true city store format in Cardiff.

"The figure just emphasises how bad the Autumn was for clothing retailers, but one would have like to see a stronger recovery over Christmas and it is clear that Matalan continues to lose market share. For us the underlying problem is the basic concept. What is there about the Matalan offer that makes it worthwhile to make a separate shopping trip. The range may be low priced, but it is conservative in its lower middle market pitch. It has no USP to make it a destination store in its own right."

UK: Mothercare UK like-for-likes edge up over Christmas

In the 13 weeks to 10 January 2015 UK like-for-likes grew 1.1%.

Total UK sales fell 1.9% in the period as the company witnessed a 4.2% reduction in UK selling space. UK online growth continued to be strong with sales growing 16.1% in the period. In the 41-week period total UK sales were down 1.4% and like-for-like sales were up 1.3%.

CEO Mark Newton Jones added: 'Third quarter results are in line with our plan. Importantly, in the UK, we have continued to reduce the level of promotional activity and went into the end of season sale on Boxing Day, with less stock and later than in recent years. These actions are re-establishing Mothercare as a full price retailer and in turn stabilising our margin.'

- Internationally, Mothercare's trading has been strong. International sales on a constant currency basis grew 14.4% in the 13 week period, up 5.4% in actual currencies, whilst selling space grew by 11.5%.

"Mothercare is seeing some like-for-like growth in the UK, which is positive for a business that has been struggling for several years. The maternity and childrenswear retailer said that it had benefited from selling more product at full price and delaying the end of season sale until Boxing day. Despite this, Mothercare is still underperforming and continues to face increased competition from all sides, as online pure plays Amazon and eBay have launched designated baby shops, more clothing retailers growing their focus on the sector and from new players such as specialist Mayoral entering the market. Retailers need a USP to stand out in such a competitive market and as Mothercare can't compete on price it needs to focus on excelling in customer service. Mothercare has staff expertise but hasn't used it enough. New parents want advice, they don't go to a store just to buy, they want interaction."

UK: New Look like-for-like sales fall 1.7%

The unseasonably warm weather hit sales at New Look during the 13 weeks to 27 December 2014.

New Look's total sales fell 1.6% to £399.9m. UK like-for-likes declined 1.0% but e-commerce revenues increased 28.6%. Adjusted EBITDA fell 2.7% to £76.8m in the quarter. Sales for the year to date are up 3.6% on a like-for-like basis. Online sales surged by a third over the Christmas trading period.

Chief executive, Anders Kristiansen, said: 'The return of more seasonal weather in January has supported the planned clearance of winter lines as we resume full price trading. Whilst we remain watchful of the wider consumer environment we remain confident in the strength of the New Look brand and we have seen a promising early response to our new ranges.'

- New Look operates more than 800 stores in 21 countries and opened new stores in China, France, Germany and Poland last year.

"New Look has like many other clothing retailers seen third quarter sales impacted by the unseasonably warm weather in October and November 2014. Like-for-like sales during the Christmas period, however, were reported to have been strong in response to new ranges and it has continued to see e-commerce sales rise. Mintel's consumer research shows that New Look is the second clothes retailer of choice for young females, with 61% buying garments from the retailer in the last year.

New Look has been upping its game over the last six months and has launched a strengthened product offer that includes some more quality focused garments at a higher price point. It has unveiled a new store concept at Westfield London that embraces in-store technology, as well as making big improvements to the functionality, design and content of its website, which have helped grow online sales. Mintel's Brand Research highlights that New Look's brand image is closely associated with being fun and vibrant, but also accessible. We think all of these factors will help differentiate New Look as a retailer that is innovative rather than just focused on price."

UK: Phase Eight bought for £238m

The womenswear retailer has been bought by South African retailer The Foschini Group.

In a statement, Foschini said it had 'entered agreements to acquire 85 per cent of Poppy Holdco Limited, which trades as Phase Eight.' Private equity firm Towerbrook Capital Partners sold its stake to Foschini and will exit the business completely.

- Foschini said it is considering introducing Phase Eight into the South African market, as the product and value offering combines 'exceptionally well' with the Group's current brand portfolio.

UK: Pretty Green sales climb by a third

Like-for-like sales increased 33% in the run up to Christmas.

Pretty Green, the menswear retailer part-owned by Liam Gallagher, grew total sales, including VAT, by 39%. Online sales increased 41%.

- Pretty Green chief executive, Richard Ralph, said: 'We are particularly pleased with our record performance over the Christmas period, but also for the whole first quarter of this financial year.'

UK: SuperGroup sales rise 12.4%

In the 11 week-period to 10 January 2015, the Group's like-for-like sales increased 12.4%.

According to the company, this was up against 'softer comparatives' than the second quarter, when sales dipped. Total retail sales in the festive period were up 17.8%.

E-commerce performed particularly well. SuperGroup's upgraded infrastructure proved to be 'resilient and effective' on Black Friday and during the busy peak period.

- SuperGroup remains confident that it will achieve full-year profits of £60-65m.

UK: The White Company sales jump 14.4%

In the year to 30 March 2014 sales grew to £143.7m.

The company described the results as particularly pleasing given the 'continued difficult trading environment in the UK.' Pre-tax profits advanced 37.4% to £6.5m. In the year the company also launched its first international website covering the US and also expanded its franchise network in Asia, although 94% of revenues still come from the core UK business.

- The White Company operates 52 stores in the UK, including three Little White Company stores, and 12 stores internationally.

UK: TM Lewin returns to profit

The shirt maker made a pre-tax profit of £636,000 in the year to 31 March 2014.

TM Lewin's sales increased slightly from £106.7m to £106.8m in the last financial year. The £636,000 pre-tax profit was a marked improvement on the £1.4m loss made in the previous year. Sales were helped by a new casual clothing range and an extended womenswear selection.

- During the year, TM Lewin expanded internationally, with stores in the Czech Republic, Australia and Singapore.

UK: White Stuff sees strong uplift at Christmas

Total sales surged 17.9% during the five weeks to 5 January 2015.

Like-for-like sales grew by 6.5% helped by White Stuff's full-price strategy. The brand continued to invest in multi-channel; online sales increased 38.1% compared to the same period the previous year and six new stores opened in the three months running up to Christmas.

- White Stuff chief executive Jeremy Seigal said: 'Our customers responded very positively to our strong multichannel proposition, improved gifting product offer and new shops.'

Footwear and accessories retailing

UK: Kurt Geiger

...enters children's footwear market

The shoe retailer is to launch its first children's range, of both branded and own-brand footwear.

Kurt Geiger is to take over the children's footwear departments at Harrods and Selfridges in the summer this year. The retailer has signed over 20 new brands for its children's footwear range, as well as developing its own-brand line, which will be sold in the department stores and online on a dedicated multi-brand and own-brand kids' website.

Kurt Geiger's own-brand range will launch in autumn 2015 and will cover new born babies to 11 year-olds. Mini versions of existing adult styles will be included, as well as new designs.

- Kurt Geiger chief executive Neil Clifford said: 'Multi-branded footwear buying and retailing is what we do every day, and it's exciting for us to be challenged by a whole new category.'

"Kurt Geiger is largely known for its premium-end, fashion-forward footwear designs. As a brand it is thought of as cutting edge, trend-setting and aspirational according to brand research carried out for our Footwear Retailing – UK – July 2014 report. Certainly there should be demand for fashionable shoes for children under 11, one would imagine mainly for girls. However, there are two important considerations. Children's feet grow fast, and that may be a deterrent to such high spending here. Additionally, where parents can afford to spend more on their children's footwear, they are likely to put that extra towards ensuring a good fit, through retailers like Clarks and Startrite. Kurt Geiger will need to make sure it satisfies parents' demand for a good fit as well as meeting the fashion standards expected of it as a brand."

...reports Christmas boost

Like-for-like sales grew 14% during the holiday period.

Kurt Geiger said that its party shoe range had driven growth with sales in the category growing 26% whilst handbags saw a jump in sales of 233%. Online sales continued to grow with sales up 35% and the company sold 6,000 pairs of shoes on Christmas Day, up 130%.

- Chief executive Neil Clifford said: 'The Christmas period is always busy for our business, but we're delighted to have delivered solid results when so many retailers have suffered from mild weather and tough trading conditions.'

UK: Jimmy Choo grows revenues by 12%

The shoe designer's yearly net revenue reached £299m in the year ending 31 December 2014.

In the company's first trading statement since listing on the London Stock Exchange, Jimmy Choo announced revenue growth of 12.0%. On a like-for-like basis, sales grew 5.7%. Jimmy Choo's new store concept was successfully launched, with 15 stores now trading in the new concept.

Commenting on the results, Pierre Denis, CEO of Jimmy Choo PLC said: 'We are delighted with this record net revenue performance, with a mix of like for like, retail and wholesale growth underlined by the success of our products.'

- Nine new stores were opened in 2014.

UK: Office receives official warning following customer data breach

The Information Commissioner's Office has handed the footwear retailer an official warning.

Details of around one million office customers were exposed during a security breach in May 2014, although Office assured customers that no payment details had been accessed. Since the event Office has taken a number of steps to address the problem including decommissioning the affected servers.

- Enforcement group manager at the Information Commissioner's Office said 'All data is vulnerable even when in the process of being deleted, and Office should have had stringent measures in place regardless of the server or system used.'

UK: Radley increases turnover by 13%

In the year to 30 April 2014, the handbag retailer made revenues of £38.5m.

Radley made a pre-tax profit of £1.1m, up from a loss of £1.7m the year before. This was on the back of a 13% rise in sales, to £38.5m. Radley operates 33 retail outlets and 39 concessions, with a website selling to 47 countries.

- Chief executive Xavier Simonet said: 'We saw strong growth last year and there are many opportunities for Radley in the UK, Germany and across Asia. Radley is all about Britishness, colour and affordable luxury and we're rolling out a new store concept which will grow sales further.'

"Radley has benefited from a shift in the market towards British women buying mid-priced handbags over top-end designer handbags. Mintel's Brand Research in the recent Handbags report published in January 2015 shows that Radley is the most trusted brand analysed. While it does not have the same standout appeal as the super-luxury brands like Burberry and Louis Vuitton, it has a slightly more accessible brand image among those that have heard of it which is likely to have helped to boost trust. Under chief executive Xavier Simonet, the company has succeeded in turning the British brand into a younger, trend-led affordable label helped by innovations such as a collaboration with Apple on bags to fit mobile devices and a new store concept."

UK: Shoe Zone sales drop 10.8% in 2014

Sales fell to £172.9m in the 52 weeks to 4 October 2014.

The footwear retailer said that the drop in sales reflects the planned closure of a number of temporary stores, with 25 stores closed in the period. Pre-tax profits before exceptional items jumped 124% to £11.4m whilst gross margins grew from 59.4% to 61.3%. Shoe Zone said its online business had performed well in the period with a 25% year-on-year increase in website traffic and online sales accounting for 3.1% of total revenue.

Chief executive Anthony Smith commented: 'I am delighted to report our first full year results as a public company and am very pleased with our strong financial performance.'

- Smith added that despite an unseasonably warm Autumn/Winter the company is optimistic for further growth in 2014/15.

“Impressive maiden figures from Shoe Zone, but so they should be. The company was in the middle of a transformation period when it came to the market and certainly should have been able to match expectations for this first year. The sales fall looks alarming, but the average number of stores trading during the year was down 14%. Even so, it is odd that the company hasn't estimated like-for-like sales. It is developing online and 3% of sales now come that way. It does not look like a growth stock, but there is room on the high street for a lower end shoe retailer filling the gap more effectively than Stylo which has, at long last, gone altogether.”

UK: Shoon put up for sale

A year after acquiring the chain, Shoon's owners have appointed advisors BDO to find a buyer.

Reports suggest Ken Bartle and Peter Phillips, who took over the Shoon business in January 2014 from GA Europe, are to sell the ten-store footwear chain as Phillips is suffering from ill health. BDO have been appointed as advisors.

- Shoon has stores in locations including Bath, Guildford and Reading.

Department stores

UK: Beales accepts offer from English Rose

The discounted cash offer values the department store chain at around £1.2m.

The offer of £1.2m from English Rose, the company controlled by property investor Andrew Perloff, values the shares at 6p per share, down from the closing price of 11.5p on 16 January 2015. The board had commented that the offer was ‘disappointing’ and that in ‘different circumstances’ it could have ‘achieved a price that would value the business and assets of Beales more fully’ - but recommended accepting the offer.

William Tuffy, chairman of Beales, said: 'English Rose's proposal offers the certainty of a cash exit for shareholders today and improves the medium term financial security of the Beales business.'

- Beales sales slipped 0.6% in the 19 weeks to 13 September 2014.

“The offer values Beales at £1.2m, and comes from its major shareholder, English Rose. The business has been loss making for 5 of the last 6 years and the reverse takeover involving the purchase of 19 stores from the Anglian Co-op only seems to have made matters worse. English Rose must be attracted by the redevelopment potential of the portfolio. Apart from the flagship store in Bournemouth the stores are mostly small - their average size is only 3,000 sq m (to put that in perspective a ‘standard’ John Lewis is about 14,000 sq m) and they are mostly in smaller towns. They also tend to be somewhat old fashioned and have to some extent aged with their customers. So Beales looks set to follow many other small department store groups whose stores are worth far more as a property development than as a trading asset.”

UK: Debenhams hosts Bestseller's first UK concessions

Bestsellers' denim brand Only will be stocked in Debenhams stores this spring.

Only, the women's denim brand owned by Bestseller, is to open concessions in a handful of Debenhams stores this spring, starting with Oxford Street, Westfield London, Manchester and Leeds at the beginning of March. Debenhams said it has been in talks with Bestseller for a while, having worked with the company since taking over the Danish Magasin du Nord store in 2009.

Sarah Savva, director of external business at Debenhams, said: 'New concessions have to offer something different and must not compete with our own brands. The Danish brands are very contemporary without being too leftfield for our shoppers.'

- Only targets young women with its denim offering. Jeans retail at around £30 and t-shirts at £15.

UK: Harrods to stock smart running jackets

The full range of Glofaster running and cycling jackets will be available in Harrods for six weeks.

The Glofaster jackets feature external light strips that are synced to a mobile app which has the runner or cyclist's training targets set. The lights of the jacket flash once a pace or speed goal is met. The range was developed by Simon Weatherall, a former Royal Marine Commando. He gained investment after appearing on the television show Dragons Den.

- The jackets are priced between £139 to £240 and cater for men and women. They are available in Harrods for six weeks.

UK: John Lewis

...closes Defined Benefit pension scheme

The retailer has instead adopted a hybrid pension scheme.

John Lewis has replaced its defined benefit pension scheme which members did not have to pay into. The new pension scheme means John Lewis will continue to offer a non-contributory Defined Benefit scheme based on a Partner's final salary, but at a reduced accrual rate of 1/120th for future service from April 2016.

The group will pay 3% of employees' basic pay on a non-contributory basis and will match up to 4.5% for the full length of service. New employees now have to wait five years until they can join the scheme, up from the previous three years.

- John Lewis said the review into its pension scheme ensured it remains fair to partners and affordable to the Partnership.

...makes changes to holiday pay policy

From February 2015, John Lewis will take paid overtime into account when calculating holiday pay for Partners.

Furthermore, a one-off back payment will be made, where applicable, for holidays taken since 1 November 2014 in order to align as closely as possible to the date of the ruling. The changes will cost around £12m annually to the company, as well as a one-off payment of £10m this year relating to the back payments.

- The changes have been made following an Employment Tribunal ruling on 4 November 2014 which changed the way UK legislation is applied in relation to holiday pay.

...to open third distribution centre in Milton Keynes

The new centre will handle large furniture, electricals and home furnishings.

John Lewis is to open its third distribution centre in Milton Keynes, in addition to Magna Park, which opened in 2009 and Magna Park 2 which is expected to be fully operational in 2016. A 25-year lease has been signed for the new 638,000 sq ft warehouse, which will be responsible for large furniture, electricals and home furnishings.

The existing two warehouses will deal with smaller products such as ipads, accessories and hanging garments. A number of Partners at John Lewis' other distribution sites, including Milton Keynes, Stevenage and Carlisle have been offered new roles at the new site.

- Dino Rocos, Operations Director at John Lewis, said: 'As customers shopping habits evolve so too does our operational business model. The new DC will enable us to better respond, react and fulfil omnichannel shopping experiences be it via phone, tablet, desktop or visiting a shop.'

UK: Sports Direct's Mike Ashley increases put option in Debenhams

Mike Ashley has agreed a put option of 10.5% in Debenhams but denies an offer plan.

This follows a put option of 6.6% in November 2014, which means Sports Direct has the right to buy 16.6% of Debenhams.

The put option agreement means that, if the Debenhams share price is less than the agreed exercise price when the contract expires, Sports Direct can purchase ordinary shares in Debenhams at the exercise price. If the share price is higher, Sports Direct will have no further obligations.

- The group said: 'Sports Direct does not intend to make an offer for Debenhams and would encourage the Debenhams leadership team to concentrate fully on delivering their strategic plans.'

Multi-sector retailing

UK: Argos

...like-for-like sales flat over Christmas

Argos' comparative sales edged up 0.1% in the 18 weeks to 3 January 2015.

Total sales were up 0.8% to £1.8bn. The company said Black Friday 'significantly impacted the shape of Argos' sales' and led customers to 'satisfy their Christmas shopping lists with bargains'. Gross margins edged up 25bps.

Homebase's total sales were down 2.7% during the 18-week period, due to net selling space declining 3.3%. Like-for-like sales edged up 0.6%, helped by the growth in sales of seasonal products, as a result of the warm weather.

- John Walden, Chief Executive of Home Retail Group, commented: 'I am pleased with our overall performance during our important peak trading period, having managed through a volatile trading environment with good control of both gross margin and costs.'

"Like-for-like sales growth was disappointing. As with John Lewis, Argos pointed to the changed patterns of pre-Christmas trade as a result of Black Friday. In spite of the Black Friday discounting frenzy, Argos grew margins in the period by adopting "a more cautious trading stance" over the period as a whole. And that is something of an achievement."

...to exclusively stock Cherokee

Argos has taken over the rights from Tesco to become the exclusive stockist of Cherokee in the UK.

The Cherokee at Argos range will launch this year in the summer and will include clothing, accessories and footwear.

David Robinson, Argos chief operating officer, said: 'Part of our transformation strategy is to broaden our product ranges and bring on board more great brands which our customers know and want. Cherokee is already a well-established clothing brand with UK shoppers and we are pleased to be able to offer our customers convenient, nationwide access to a range of new, quality Cherokee products later this year.'

- The range will be available across all Argos' channels and will be supported by digital and in-store marketing.

...to open digital shops in Sainsbury's

Ten Argos digital stores are to open in existing Sainsbury's outlets, by summer 2015.

The ten new format Argos digital stores will range in size from around 1,000 to over 5,000 square feet, within Sainsbury's outlets. Customers will be able to purchase in store via tablets, reserve online for collection the same or the following day, or order online for home delivery.

John Walden, Chief Executive of Home Retail Group, said: 'Our new distribution model allows us to provide customers in any Argos location with a choice of around 20,000 lines within hours, regardless of the size or stocking capacity of the store. This strategic capability has opened up options for a variety of new Argos stores and formats, and the possibility that we can now cost-effectively reach more customers and neighbourhoods with an Argos presence.'

- Over 20,000 products will be available in-store, as well as the full range of 40,000 products online for home delivery.

UK: B&M Q3 sales surge 28.8%

B&M made group revenues of £527.9m in the 13 weeks to 27 December 2014.

Within the UK, sales increased 20.5% to £493.8m with a like-for-like sales growth of 4.5% - on top of a strong quarter in 2013. A net 24 stores opened in the third quarter, with a further 50 planned for the UK in the current financial stores.

Simon Arora, Chief Executive, said: ‘The Group's third quarter trading performance has been pleasing despite the competitive market. Our Christmas Decoration and Gifting ranges enjoyed a good rate of sell-through and we believe we are becoming a destination store for these important seasonal categories.’

- The company said it is confident it will increase market share in both the UK and Germany.

“This is undoubtedly a highly impressive figure, but it is worth putting it in perspective. It is mostly driven by new space. Like-for-like growth was 4.5% - also an impressive number, but much of that would have been second year growth in stores opened more than a year ago. Taking that into account the underlying performance is actually no better than Original Factory Shops, except that that company has not been expanding so aggressively.”

UK: Marks and Spencer poaches Next’s head of menswear design

Simon Hawksworth has left Next to take up the same role at M&S.

Marks and Spencer’s previous head of menswear design, Tony O’Connor, left at the beginning of 2015. He will be replaced by Hawksworth, who was at Next since April 2012. Hawksworth is expected to join in the summer, although a date is yet to be confirmed.

A spokesman for M&S said: ‘We are delighted that Simon will be joining us as head of menswear design. He brings with him a wealth of valuable design experience and we look forward to welcoming him to the team.’

- The news follows a number of appointments made by M&S, including Mark and Neal Lindsay, who joined M&S in March 2014 as sourcing directors for general merchandise, from Next.

“A high profile appointment, however the main problem at M&S at the moment is womenswear which is the main traffic driver in general merchandise. There is certainly scope to make its menswear more exciting, but in the context of M&S at the moment that is no more than a nice to have, and without a significant improvement in womenswear any upgrading of the menswear offer can only have a limited impact.”

UK: Original Factory Shop report record-breaking Christmas

Like-for-like sales in the four weeks to 28 December 2014 grew 3.3%.

Total sales in the period grew 6.2% with sales being driven by a strong performance from the retailer’s gift lines including fragrances and toys. There was also strong growth in the sale of seasonal goods such as decorations.

Chief executive Tony Page said ‘We are delighted that we have been able to attract plenty of new brands to trade with us and we are finding success driving these at great value to a primarily local customer base. Our Christmas figures are evidence that consumers continue to seek trusted, quality products, at great prices.’

- Original Factory Shop opened seven stores in 2014 taking its total store portfolio to 198.

UK: Poundland

...posts revenue growth of 9.8%

Total sales, excluding Spain, increased 9.8% on an actual currency basis in the 13 weeks to 28 December.

This meant Poundland made revenues of £328.4m during the third quarter, excluding Spain. The company said growth was achieved in both like-for-like stores and new stores, of which there were 17 net new openings taking the total to 573 in the UK and Ireland.

Commenting on Poundland's performance, Chief Executive Jim McCarthy, said: 'Despite the tough trading conditions, Poundland continued to perform well and we served more than 7 million shoppers in the peak Christmas trading week alone.'

- The trial in Spain has made good initial progress, with four new store openings taking place in Q3. Further details will be revealed at the preliminary results.

"Another set of superb results and there is an ambitious programme of store openings for next year to drive sales further. But by then the company will be approaching 600 stores in the UK and that must surely be approaching saturation. Poundland is right to be looking to expand elsewhere and the progress in Spain is encouraging. Our main concern about the business is that the whole non-food discount arena is looking overshopped and when we do get a sustained upturn there may well be consolidation in the sector."

...to acquire 99p stores

Poundland has announced today (6 February) that it is to acquire rival 99p Stores for £55m.

Both retailers have signed a conditional sale and purchase agreement for Poundland to acquire 99p Stores for £55m. The enterprise value is comprised of a cash consideration of £47.5 million and the issue of new Poundland Shares with a value of £7.5m at closing.

In a statement Poundland said: 'Poundland believes that the combination of the two businesses will provide better choice, value and service for 99p Stores' customers. The proposed transaction includes 99p Stores' network of 251 stores (trading as '99p Stores' and 'Family Bargains'), which serve more than two million customers a week, as well as its warehouse and distribution centre.'

- The acquisition is still subject to approval by the Competition & Markets Authority. The review process is expected to take around two months.

"The mixed goods discounters have enjoyed considerable growth in recent years and we have commented before that the intensifying competition would inevitably lead to consolidation within the sector. They have capitalised effectively on consumers trading down during the economic downturn with some frugal shopping habits remaining entrenched due to inflation outpacing average wage growth and consumers seeking greater value. In property terms the mixed goods discounters have also benefited from the demise of other retailers on the High st particularly Woolworths which was also a direct competitor in terms of retail offer. If the sale goes through (conditional on approval from the CMA) it will certainly strengthen Poundland's position by eliminating a smaller competitor and further establish itself as one of the leading players in the sector."

Electrical retailing

UK: Dixons Carphone report ‘strong’ Christmas trading

Group like-for-like sales grew 7% in the nine weeks to 3 January 2015.

In the UK & Ireland like-for-like sales in the period grew 8% whilst in Northern Europe like-for-likes were up 6%. In the Group’s Southern European operations like-for-like sales fell 4%. The company said it had gained further market share in the electricals and mobile categories in the UK & Ireland and expects Group pro forma headline pre-tax profits to fall between £355m and £375m in the full year, ahead of expectations.

Dixons Carphone chief executive, Sebastian James, said: ‘There is no doubt that the huge scale and success of our Black Friday promotion impacted the three weeks that followed, but it was good to see customers respond positively to the deals that we had on Boxing Day where we saw growth from our record-breaking numbers last year in both the UK and Nordics.’

- James added that there had been ‘excellent growth’ in both home-delivery and click-and-collect online orders in the period.

“Great figures and a very upbeat statement. The company says that it has maintained gross margins and has actually raised its profits guidance for the year. Black Friday was a boost and there won't be many retailers this Christmas who will be able to claim that they held margins after that day. Elsewhere the figures are also excellent - the Norwegian business was hit by currency conversion and southern Europe (Greece) could have been a lot worse. It's early days to talk about the merger and Dixons has restricted itself to topline figures.”

UK: Dixons Carphone signs new partnership with EE and launches own mobile service

The electrical goods retailer has signed a new long term deal with EE.

The new multi-year deal with EE follows similar deals the retailer signed with O2 and Vodafone in late 2014. Chief executive of Carphone Warehouse UK and Ireland, Graham Stapleton, said the deal would take the two businesses in to ‘the next decade’ and added: ‘With the pace of change happening across the industry, we are thrilled that all the major networks value Dixons Carphone’s contribution to their business in the UK.’

In separate news Dixons Carphone has announced that it is to launch mobile services in Britain through a partnership with Three. The new mobile phone tariffs will use Three’s network and will allow customers more flexibility to change the terms of their contract. Dixons Carphone will also offer mobile connections to customers buying connected devices such as tablets and smart home appliances.

- Stapleton said the company had been working on the service for nine months and that it is to launch in the summer under a yet to be announced brand name.

“This is good news and finally lays to rest the idea, at least for the time being, that Carphone Warehouse could go the same way as Phones 4U and find that all its contracts are terminated as the networks take all business in house. CPW argues that the networks need a business such as CPW for those customers (about a third of the market) that actually want to deal with an independent and don't want to have to go direct to a network store. CPW also represents the networks in locations where they wouldn't want to have a store. But looking further forward we wonder if the trend will go the other way. We find it hard to believe that the network stores would stand up as independent retail outlets. To us they look more like a marketing exercise for the brand. After all, there is very little churn between the networks - around 1.5% per annum. For most people there is little to pick between them and the irritations associated with trying to switch are too great.”

UK: Rent-to-own retailers to be investigated by the FCA

BrightHouse and its competitors are to be investigated by the Financial Conduct Authority.

According to press reports, the FCA's director of consumer lending Linda Woodall, has said there are 'concerning statistics' from BrightHouse, PerfectHome and Buy As You View. Data gained from the inquiry shows that half of customers that bought products on rent-to-own contracts failed to pay in full and 22% ended up having to give up the products or have them repossessed.

The inquiry into the rent-to-own retailers began in September 2014, when Brighthouse's owner Vision Capital was considering a possible IPO which valued the company at £550m to £750m.

- At the time the inquiry was announced, Brighthouse said: 'Our customers choose to shop at BrightHouse because they value our range of top quality products for the home, our affordable weekly payments and the personal service we offer in nearly 300 communities across the UK.'

“Investigating business practices is not the same as accusing them of doing something wrong. But this is a sector that is definitely worth looking into. It's very obvious that retailers such as Brighthouse charge very high rates of interest. It makes no secret of the terms it offers. What it does is make it possible for people who would not be able to get credit elsewhere, to buy consumer durables on credit. It plays to the demand for immediate gratification. But then, of course, if the customer can't keep up the payments the goods are repossessed. It is, in effect, a rental agreement but with the bonus that at the end of the contract the customer actually owns the goods. But the people who take out such contracts are typically very poor credit risks and for rent to own retailers to make any positive return they have to charge high rates of interests. These people are typically also those who take out payday loans and the arguments for and against are analogous. But it will be interesting to see what line the FCA takes on them. It is definitively worth investigating.”

UK: Three owners in talks to buy O2

Hutchinson Whampoa has entered into negotiations over a £9.25bn deal for the mobile phone operator.

Hutchinson Whampoa, which is headed by Hong Kong businessman Li Ka-shing, has announced it is in exclusive talks to purchase O2 UK from Spanish owner Telefonica. Any potential deal would involve a cash payment of £9.25m and up to a further £1bn if the cash flows from the combined O2 and Three businesses reach a certain limit.

- Hutchinson Whampoa added that any deal is subject to the necessary due diligence, agreement of terms and obtaining the necessary UK regulatory approvals.

“On a purely retail based view this potential merger would create a chain of mobile phone stores with retail sales of around £1.2bn and a store portfolio of around 800 stores. Whilst Carphone Warehouse, now Dixons Carphone, will remain the largest mobile phone retailer in terms of turnover, £1.7bn in 2013/14, the new Three-O2 business would be the largest of the network operators with nearest rival E.E posting revenues of £748m in its last year end. We saw the power the networks hold when Phones 4U collapsed and this move would further cement this. We explore this more in our upcoming Electrical Goods Retailing – UK - February- 2015 report.”

Music and video goods retailing

UK: Game issues profit warning

The video games retailer said that increased promotional activity in the competitive Christmas period had hit margins.

Game Digital now expects EBITDA for its full year to 1 August 2015 to be in line with last year at around £51.3m. In the Christmas period, the 11 weeks to the 10 January, sales fell 6.7% or 5.4% on a consistent currency basis. In the first half of the year sales grew 0.4%.

Chief executive Martyn Gibbs said: ‘Our strategy is to grow customer lifetime value and over the Christmas trading period, starting with Black Friday, we invested margin in offering gamers competitive product propositions through the bundling of games with hardware and reduced pricing, to recruit as many new generation customers as quickly as possible.’

- Game said that it expects to grow sales once more in the second half by building on the growing install base of both of the new consoles.

“These are a very disappointing set of Christmas results. Clearly Black Friday and the wide scale discounting of consoles, which were a hot ticket this year, has impacted the business. Game reported a 25.1% year-on-year increase in hardware sales in the period however 16% of all new console sales in H1 came between Black Friday and Cyber Monday and this will have impacted margins, an effect Game expects to continue into H2. However the strength of hardware sales indicates that the software side of the business is underperforming. The company’s problem on the software side is two-fold, firstly physical copy prices are being undercut online by pure-plays and non-specialists such as Amazon. Secondly there is a rising trend in digital distribution. We remarked in the autumn that the announcement of Game’s digital initiatives were a step in the right direction, and the company reported that digital sales had grown 40% year-on-year in the period but this is clearly from a low base. The new consoles are built for digital distribution directly from their manufacturers, games can be purchased directly from Microsoft, Sony and Nintendo and these companies can cut prices far lower and more frequently than Game. Today Game emphasised the importance of life-time value and clearly the company’s challenge is to now build on the large, but still growing, install base of the new consoles with improved software sales, and it must do this by being more competitive in the market. We explore more on Game in our upcoming Electrical Goods Retailing – February 2015 report.”

UK: HMV sales up 17.5%

Sales grew to £365.7m in the year to December 2014.

Sales were boosted in the period due to improvements in the sale of physical music, with CD like-for-like sales growing 1.5% and sales of vinyl records growing 170%. DVD and BluRay sales also witnessed 0.5% growth in the year. HMV said that in the run up to Christmas it sold one in three of all CDs and DVDs in the UK, overtaking rival Amazon.

The company said that its Black Friday performance had been ‘very strong’ but managed to maintain profitability over the shopping event. Chief executive Paul McGowan said ‘HMV has captured more and more market share in a year when major new movie releases have been scarce and there have been only a few major album successes.’

- The company said that it expects physical music sales to continue to grow in 2015 and expects an improved performance from DVD and BluRay sales.

“It's hard to judge these figures which compare with a period when the business was disrupted by the administration. Nor should one be too encouraged by the 170% leap in vinyl sales as that only accounts for around 2% of the recorded music market.”

Furniture and DIY retailing

UK: Carpetright like-for-like sales increase 7.5%

The carpet retailer has announced an update on trading for the 13 weeks to 24 January 2015.

Carpetright had a strong performance in the UK with total sales increasing 6.6% while like-for-like sales grew 7.5%. Two stores were closed during the period, leaving 461 trading locations.

The rest of Europe (Netherlands, Belgium and the Republic of Ireland) saw total sales decline 6.0% having been impacted by currency movements. Like-for-likes in these markets grew 1.7%.

- Wilf Walsh, Chief Executive, said: ‘In the UK our continued focus on effective promotional activity and the introduction of an interest free credit offer from Boxing Day has delivered a like-for-like performance slightly ahead of the level experienced in the first half.’

“These are remarkable figures and show that Phil Harris was very successful in restoring the momentum of the business before handing it on again. The ONS figures for the final quarter show that carpet retailers' sales were down almost 5%, so it looks as if the company has outperformed by more than 10%. It may have helped that Floors 2 Go went into administration last July, but that business is still trading.”

UK: DFS

...announces IPO

The furniture retailer has announced plans to list on the London Stock Exchange.

The company has not set a date for the IPO but is expecting to raise around £105m from the flotation. DFS, who is owned by Advent International, said the IPO will consist of new and existing shares.

CEO Ian Filby said ‘We have a track record of strong financial performance, including consistently strong cash generation, which has enabled us to deliver outstanding shareholder returns. We look forward to continuing to grow profitably in a new period of public ownership.’

- The company has also given an update on its first half performance with sales up 9% in the 26 weeks to 31 January.

...to target valuation of £1bn

Reports suggest DFS will unveil its stock flotation plans around 4 February 2015.

DFS hopes to raise over £100m from the initial public offering next month. A significant amount of shares will be on offer to retail investors, with plans due to be revealed around 4 February. DFS has been valued at between £600m and £1bn.

- DFS is owned by private equity group Advent International, who purchased the business in 2010.

“DFS' performance has been very impressive over the last few years. It has been helped by the recovery in the market from the recession, but it has also had to cope with a change in management at the top since Graham Kirkham handed over. There are not many companies that succeed in maintaining momentum after such a major change. We will have to wait for the prospectus for the latest numbers but in the year to July 2013 it reported sales of £670m and operating profits of £48m.”

UK: Ikea grows sales by 11.1%

Investments in bedrooms, bathrooms and kitchens led to the growth during the 16 weeks to 31 December 2014.

The 11.1% growth was achieved despite not opening any new stores during the year. Ikea also made a strong start to the January sales period, from 26 December 2014 to 6 January 2015, with sales up 5.5%. Online revenues for Ikea UK increased 13.5% during the sale period.

- Sales of mattresses, bathrooms and sofa-beds were particularly strong.

“Great numbers - but then they ought to be. The homewares market has been strong this year and with the firm housing market and no increase in interest rates it should remain so.”

UK: Made.com opens digital showroom in Soho

Customers can browse full-size virtual projections of its furniture range at the new showroom.

The online furniture retailer Made.com has opened a new digitally-focused showroom in Soho, which the company says will act as an ‘engagement tool’ with customers rather than a place for a ‘hard-sell’.

The 800m² showroom has large curved screens which customers can use to browse virtual full-scale projections of the product range. The room set ups have iMac stations in place that customers can use to place online orders.

- Ning Li, co-founder and chief executive said: ‘Online, there are no square footage constraints – space is endless – so coming up with ways to showcase our full catalogue here was a challenge. We’ve achieved this by incorporating digital elements but only in ways we feel add value and are not in any way gimmicky.’

UK: Sofa.com sold for £50m

The online furniture retailer has been sold to private equity firm CBPE.

Reports have suggested that CBPE paid between £40m to £50m for the retailer. Sofa.com was founded by Rohan Blacker and the late Pat Reeves in 2006 and the company had hired Altium Capital in 2014 to explore options for the business. New owners CBPE have drafted in Justin Stead as chairman who was previously chief executive of Aurum Holdings.

- Current Sofa.com chief executive Gareth Williams will keep his role. Speaking about the acquisition Williams said ‘Above everything, Sofa.com is committed to providing customers with a fantastic shopping experience. CBPE really understands and supports this, also recognising the importance of nurturing the business’s culture and values as it grows.’

“Online is becoming increasingly important in furniture retailing both through purchasing and informing decisions. In Furniture Retailing – UK – December 2014 we found that some 61% of furniture buyers had purchased furniture online in the last three years, however just 4% had done so through a pure-play furniture specialist. Our research also showed that online is more popular to gather ideas and compare prices but stores are favoured for viewing items and comparing quality. So clearly stores remain an important part of the furniture buying process with multi-channel retailers favoured by the majority of furniture consumers. Sofa.com has so far been hugely successful, sales were up 23.4% to £21.8m in the year to February 2014, but it will be interesting to see if its new owners look to open more showrooms – the company currently has one in London – to give consumers the ability to view items in person. For more analysis please see Furniture Retailing – UK – December 2014.”

Home shopping

UK: AO World Q3 revenues increase 38%

Revenues from AO World’s website increased 38% during the three months to 31st December 2014.

Total sales, including third party retail and logistics, were up 26% for the online electrical retailer. These figures exclude Germany, where the business launched on 1 October 2014.

- John Roberts, Chief Executive Officer, said: ‘Our brand recognition continues to grow and over this key peak period, including the unprecedented demand seen on Black Friday, we continued to deliver for our customers.’

UK: Asos

...founder sells £20m worth of shares

Nick Robertson has sold 744,600 shares in the business leaving him with an 8.4% stake.

Reports have suggested the decision to sell the shares was due to a tax bill faced by Robertson and not due to any concerns over the business. Robertson continues to hold seven million shares in Asos which translates into an 8.4% stake in the business.

- The news follows a turbulent year for the online fashion retailer in which it experienced a fire at its warehouse in Barnsley and issued three profit warnings.

...reports positive Christmas growth

Sales at Asos grew 15% in the six weeks to 9 January 2015.

The UK was the strongest performing element of the business with sales growing 27% whilst international sales grew 5%. The poorer performance from the international arm means that it now makes up 51% of the business compared to 56% in the same period last year.

- CEO Nick Robertson said that the sales growth 'indicates an initial encouraging response to our planned price investments, also reflected in the retail gross margin performance which is in line with expectations for the period.'

UK: First beacon-enabled click-and-collect system launched

The system, developed by Collectec, can be built into retailer's mobile apps to improve the collection process.

Collectec, a retail solutions company, claims to have developed the first beacon-enabled order collection system for click-and-collect which 'adds a new layer of convenience' to the collection process.

When a click-and-collect customer comes in store, the store beacon triggers the app to display a message confirming their order is ready for collection. When the customer confirms they would like to collect their order the app then sends all the customer information such as name and order reference directly to store staff, who will bring the order to them based on their location in store.

- The system can be built into retailer's existing smartphone apps.

UK: International appetite for UK brands increases

Data from the British Retail Consortium's online retail monitor shows the global market opportunity for UK brands online.

The number of consumers in Brazil searching for UK retailers on their mobile surged 717% in the fourth quarter of 2014. Searches by tablet increased 89%. In India, searches for UK retailers were up 108% (via mobile) and 9% (tablet), while Russian searches increased 67% (mobile) but were down 7% by tablet.

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- Helen Dickinson, Director General, British Retail Consortium, said: ‘It is absolutely clear from today’s statistics that there is an international market for UK retailers and there is strong international demand for their products. In order to take best advantage of this it is incumbent on governments and international regulators to ensure that they help, not hinder, UK retailers reach keen consumers around the globe.’

UK: Ocado

...Christmas trading up 14.8%

Retail sales increased 14.8% year-on-year in the 31 days of December 2014.

The company’s biggest day leading up to Christmas generated sales of almost £6m, an increase of 15% on the previous year. In the seven days to Christmas, Ocado processed nearly 40% more items for Ocado.com and Morrisons.com than over the same period last year.

- Tim Steiner, chief executive of Ocado, said: “Our focus remained on delivering the highest service levels at this very important time for customers, while offering the widest range at competitive prices.’

“Ocado began looking like it may lose out this Christmas, threatened by price wars and the migration of shoppers to discounters. However, in reality, we saw something of a return to the superstores at the last minute. But these are a solid set of results, albeit helped a little by income from operating the fledgling Morrisons service (though Ocado does not split out income from the agreement with Morrisons).”

...reports first annual pre-tax profit

The company reported a pre-tax profit of £7.2m in the year to 30 November 2014.

Gross retail sales grew by 15.3% in the period to £972.4m with revenue up 19.8% at £948.9m. EBITDA grew by 56.3% to £71.6m and the company posted its first annual pre-tax of £7.2m compared to a £12.5m loss last year. The company launched Sizzle, its dedicated kitchen and dining online shop, in 2014 which compliments its dedicated pet store Fetch.

Chief executive Tim Steiner said the company was equipped to ‘continue to lead the online grocery revolution’ both in the UK and abroad. He added: ‘Channel shift towards online grocery shopping continued during the period. While the broader grocery market was characterised by intense competition with minimal growth in the segment, declining supermarket store sales, competitive price activity and cautious consumer spending, we continued to grow ahead of the online grocery market and significantly ahead of the market overall.’

- In the year Ocado increased the number of SKUs it stocks from 34,000 to 43,000.

“It's good to see Ocado reporting a profit and the £35m received from Morrisons certainly helps. But it is worth stressing again just how different the Ocado model is from that used by other supermarkets (except for Morrisons). Asda, Tesco and Sainsbury's all pick orders from their stores, so any increased demand can be accommodated within the existing overhead (granted - there are now a few dark stores in busy areas). But for Ocado to cope with increased capacity it has to develop a new warehouse (Customer Fulfilment Centre - CFC). The second is now opened, the third is under construction and due to open towards the end of this year. The fourth has just been announced. These new CFCs are expensive to build and commission and while Ocado is in this development phase it would be unrealistic to expect much in the way of profits, though the impact of each new opening will be proportionately less. It is also true that the more experience Ocado has of developing these units the more efficiently it should be able to do so. Ocado has now demonstrated that its model works. But it is building a business for the longer term and it seems to have adequate cash resources for the time being. But sooner or later it will have to choose between raising new capital or pausing in its development for a while to generate sufficient profits to be able to continue its development.”

...teams up with Marie Claire for online beauty store

The new online beauty platform will make use of Ocado's logistics and ecommerce capabilities.

Women's magazine Marie Claire is to launch a new online beauty ecommerce site, in partnership with Ocado. John Lewis' current head of buying for beauty and accessories, Amanda Scott, is to lead the new site as managing director. She will work closely with Marie Claire publishing director Justine Southall.

Ocado said: 'We believe that the high quality of service delivered by our technology and logistics platform, combined with the awareness and relevance of the Marie Claire brand will make this an attractive shopping destination for customers.'

- Ocado is thought to be investing between £2m and £3m on the site in 2015.

“Claire's move into retail is intriguing. On the one hand, it's a great way to diversify at a time when it's hard to generate profits from print and online publishing. On the other, retail is a risky business, particularly if physical stores with all their start-up and ongoing costs are part of the plan. Marie Claire is an established name in the UK but it remains to be seen if this is a strong enough identity to protect it in the incredibly competitive UK beauty scene. If it decides to go down the generalist route, it will bang heads with the likes of Boots, Debenhams, John Lewis and House of Fraser. If it decides that its future lies in speciality retail, then it will come up against SpaceNK, Selfridges etc. Whatever option it chooses, Marie Claire will have to come up with something special in terms of pricing, sampling, merchandising and loyalty schemes.”

UK: Shop Direct

...launches first mobile app

The first transactional app for Very has been launched, featuring image recognition technology.

Shop Direct has launched its first transactional app for Very. The image recognition technology means customers can take photos of clothes that they like and search for similar items from Very's product range. On the app customers can also track their orders, check their balance and make payments on-the-go.

Shop Direct ecommerce director Jonathan Wall said: ‘Our new Very.co.uk app will make our customers’ shopping experience smoother, slicker and speedier than ever before.’

- Mobile accounted for 58% of online sales at Very.co.uk over Christmas – the largest sales channel.

...growth driven by Very

The online fashion brand Very grew sales by 23% in the seven weeks to 26 December 2014.

Total sales at Shop Direct increased 4% year-on-year, having been pulled down by an 11% decline experienced at the Littlewoods.com and KandCo.com brands. Black Friday was ‘huge’ for Shop Direct, pushing demand up 134% at Very compared to 2013.

- Digital sales were driven by the click and collect option, as well as a 10pm cut-off for orders on 23 December which enabled over 160,000 items to be delivered on Christmas Eve.

“These are solid results which have been boosted by Black Friday and from a business that has had to reinvent itself for the online era and is now doing so successfully. It is running down the old catalogue business (Littlewoods and K&Co) while building up the online only businesses (Very and Isme) and it is working. These sales look likely to be ahead of market growth overall.”

Health and beauty retailing

UK: AS Watson

...posts strong Christmas trading

The owner of Superdrug, The Perfume Shop and Savers has reported sales for the eight weeks to 27 December 2014.

During the eight-week period, Superdrug’s sales rose 6.8%. Christmas Eve was the highest trading day of the year, up 15.7% on 2013 with sales of over 100,000 bottles of perfume. Meanwhile The Perfume Shop increased sales by 2% in the six weeks to 27 December boosted by online sales. Savers sales were up 11% during 2014.

- The AS Watson group had a record performance on Black Friday.

...to acquire Dirx Drugstores

All fifty of the Dutch drugstore’s outlets will be bought by the health and beauty retail giant.

AS Watson has agreed to purchase all fifty of Dirx Drugstore’s shops in the Netherlands, and to open a further five in the market. The stores will trade as one of AS Watson’s existing drugstore chains - either Kruidvat or Trekpleister - once the transaction is complete.

- The sum of the acquisition has not been disclosed.

UK: Bestway to rebrand Co-operative Pharmacies

The new owner of Co-operative Pharmacies is to rebrand all 780 branches.

Bestway Group purchased the pharmacy business from Co-op in a £620m deal in July 2014 and has now announced plans to rebrand all 780 stores under the name Well. Bestway plans to invest £200m into Well to grow the business, £40m of which will be spent annually in hiring new staff and refurbishing pharmacies.

- Well chief executive John Nuttall said: ‘Bestway Group’s major investment will not only create new jobs, it will also enable the business to develop the role of the pharmacy team to provide personalised healthcare and deliver an excellent patient experience, improving health and reducing health inequalities in local communities in the process.’

Book and stationery retailing

UK: Blackwell's returns to profit

The academic bookshop chain posted annual profits of £400,000 in 2014, up from a loss of £2.8m in 2013.

Blackwell made sales of £54m in 2014. During the year, the bookstore launched a new platform offering digital versions of its textbooks, and drove footfall in store through holding a number of book signing events with celebrities. It also ceased its library supply division, to focus solely on selling to students.

- Following the return to profit, Blackwell wants to launch a John-Lewis style employee ownership model within the next three years.

“Great news that at least one book retailer can survive and be profitable. But Blackwells is something of a special case because of its reputation as a specialist - it is the place for students and professionals to go. But there are also lessons for the mass market. It has a wide range website, making the most of what the internet can offer with CDs, DVDs, printed music and books as well as printed books. The great USP of online is the range that it can offer and Blackwells is taking full advantage of that.”

UK: Card Factory

...eyes up Paperchase

Reports suggest the card retailer is considering place a bid for Paperchase.

Paperchase was put up for sales in October 2014 by owner Primary Capital, for £150m. Pricewaterhouse Coopers and Financo, who were appointed to sell the business, reportedly waited until after Paperchase’s Christmas trading results were released before approaching potential buyers.

- The business has reportedly gained interest from a number of buyers, including Card Factory, which operates at the more budget end of the card market.

...revenues up 8.1%

In the eleven months to 31 December 2014, the card retailer's sales increased 8.1%.

Like-for-like store sales increased 1.8% despite being up against strong comparable sales last year. The strong performance was partly attributed to investing in local pricing strategies in the final quarter of the year, as well as the 'established' vertically integrated model that the company has developed.

Richard Hayes, Card Factory's chief executive, said: 'With only a few days of our financial year remaining, it is pleasing to report that the Group continues to perform well, has had a solid Christmas trading period, and is on course to deliver sales growth at a similar level to the previous year.'

- During 2014, Card Factory opened a net 51 new stores, to total 764.

UK: Foyles appoint new CEO

Paul Currie will take the position in April 2015.

Currie is to replace outgoing CEO Sam Husain who will retire on his 68th birthday in April 2015. Husain has been credited with transforming Foyles into a modern business and oversaw an 8% rise in sales during December 2014. Currie is a former CEO of toy specialist Hamleys and since 2011 has held a senior role at Molton Brown.

Non-executive chairman Christopher Foyle said 'Sam has been invaluable to Foyles' continuing renaissance. His leadership has made the past eight years exceptional, culminating in a superb Christmas at our new flagship stores and across the business.'

- Foyles currently operates five stores, four in London and one in Bristol, with plans to open a new store in Birmingham in the coming year.

UK: Paperchase increases like-for-likes by 3.1%

The stationary retailer enjoyed strong trading in the five weeks to 27 December 2014.

Total sales grew 6.5% to £28.4m during the festive period as customers favoured Paperchase for their design-led stationary, cards, wrap and gifts. Online sales surged 26% over Christmas, helped by the newly-designed website and click and collect launch in 2014.

- According to press reports, following its successful Christmas trading, Paperchase is now poised to begin a formal sale of the business, of up to £100m.

UK: WH Smith sees high street sales fall 5%

On both a total basis and like-for-like basis, high street sales declined 5% in the 20 weeks to 17 January 2015.

Total group sales fell 1% at WH Smith with like-for-like sales down 2%. The travel division posted a stronger performance than the high street, with total sales up 7% and like-for-likes increasing 2%. Large airports saw a marked improvement.

Commenting on today's announcement, Stephen Clarke, Group Chief Executive said: 'Travel continues to benefit from the ongoing improvement in passenger numbers and the impact of our latest initiatives. In High Street, our strategy to create value through gross margin improvements and cost efficiencies continues to deliver profitable growth.'

- WH Smith said it remains 'highly cash generative'.

"The same old story - sales down, profits up. In fact it is a little more complex than that because the travel side actually had a good Christmas, but the high street stores saw a 5% like-for-like decline. Given the need to improve their store standards that is hardly surprising. Smiths seems to be treating them as a cash cow. The lack of investment in the high street stores is immediately obvious, but they have little competition in their core areas and that is hardly surprising because each of those core areas - news, books and stationery - is losing out to online competition. Even so, sooner or later Smiths must decide what to do about them."

Sports and Leisure Goods Retailing

UK: Evans Cycles draws interest from Mike Ashley

The Sports Direct owner is reportedly eyeing up a takeover bid for the cycling retailer.

Ashley is reportedly looking to enter the cycling market and is considering a £100m bid for Evans Cycles. Current owners Active Capital purchased the business for £35m in 2008 and have reportedly also seen Halfords and Wiggle express an interest in the business.

In December Evans Cycles' head of marketing James Backhouse said that the business had hired Canaccord Genuity to explore a sale of the business. He added 'It's not that [Active Capital] are unhappy it's just that now feels like a good time. They are as optimistic about the future of the business as we are.'

- Evans Cycles currently operates 56 stores across the UK.

UK: Halfords report bumper Christmas

Group sales grew 6.5% in 15 weeks to 9 January 2015.

Halfords reported strong sales growth of 6.5% at both its Retail and Autocentres operations. Retail like-for-like sales grew 6.8% in the period with cycling sales up 7.0% and car maintenance up 11.0% on a like-for-like basis. Halfords said online sales had grown 16.5% and now represent a record 12.9% of sales.

Chief executive Matt Davies said 'We are delighted to report strong Q3 sales, demonstrating our ability to continue to drive top-line growth. The standout performer this quarter was Car Maintenance, with our service-led wefit offer again achieving record levels of Parts fitting, along with an excellent Parts sales performance, particularly in car batteries. Cycling sales continue to be strong, with Children's Bikes sales up 13.8% highlighting that, with the right product and service offer, a bike remains a popular Christmas present.'

- This strong Q3 performance means that in the 41 weeks to 9 January group sales have grown 6.7% whilst retail like-for-like sales are up 6.9%.

UK: JD Sports like-for-likes jump 12%

Like-for-likes grew 12% in the five weeks to 3 January 2015.

The sports, fashion and outdoor retailer said that the performance was particularly pleasing given that it faced strong comparatives from last year. Year to date like-for-like sales in the 48 week period have also grown 12%. Due to this, the company now expects to exceed the top end of pre-tax profit expectations for the full year.

- JD Sports will reveal its preliminary results for the full year to 31 January 2015 on the 15 April 2015.

“Very impressive results but there is a lack of detail with the figures. 90% of the business is the core JD chain and that must have been the main driver. But it would be good to have some idea of what has been going on in the outdoor chains - Blacks and Millets. It's worth noting that the figures do not include the young fashion business, Bank, which was sold to Hilco in November and has since been closed down.”

UK: Sports Direct facing claim from zero-hour workers

The claim relates to the exclusion of zero-hour workers from a bonus scheme available to permanent workers.

Reports have suggested that around 300 employees are ready to make a potentially multimillion-pound claim against the sporting goods retailer. The 300 zero-hour employees were excluded from a scheme in which 2,000 permanent members of staff were paid £160m worth of shares in bonuses. Letters were sent by lawyers acting for the staff to Sports Direct outlining the claim.

- As yet Sports Direct has not responded to the reports.

Opticians

UK: Pets at Home has a ‘robust’ quarter

For the 12 weeks to 1 January 2015, the pet specialist achieved like-for-like growth of 4.1%.

Total revenues for Pets at Home grew 7.8% to £182.2m driven by the strength in Advanced Nutrition, Health & Hygiene, the Christmas range, VIP Club, Services and omni-channel. Like-for-like merchandise sales grew by 3.4% while services increased 15.6%.

During the third quarter, Pets at Home opened 7 new stores, 5 veterinary practises and 8 Green Rooms. The VIP club loyalty scheme gained 250,000 new members, the VIP card swipe rate at store tills representing 61% of revenues.

- The Group said it continues to trade in line with expectations for the full financial year.

Economy

UK: Crime costs the retail industry £603m

Figures from the British Retail Consortium show crime cost retailers a record-breaking £603m in 2013/14.

An estimated three million offences took place in the 2013/14 financial year, including shoplifting, cyber-crime and fraud. Consumer theft accounted for 81% of incidents. The average cost of goods, money or services stolen per incident rose to £241, highlighting an increase in criminal gangs that are increasingly targeting high-ticket items.

BRC director general Helen Dickinson said: ‘It is clear that retailers are facing an increasingly sophisticated criminal. Despite an average investment of £2m per business in crime and loss prevention, retailers need help and support to respond to the threat.’

- The previous record for the cost of crime to the industry was £600m in 2010/11. This year’s figure represented an 18% lift on the year before.

“Crime is obviously a serious problem for retailers and the idea that organised crime is moving in a more determined manner is as well. But it is worth putting it in perspective. £603m may sound a large figure, but it is only 0.18% of all retail sales.”

UK: December retail sales decline 0.4%

According to the British Retail Consortium, like-for-like sales fell 0.4% in the UK in December.

Sales increased 1.0% on a total basis during the month. Total food sales grew in December for the first time since April, as UK customers opted for more premium ranges for their festive food. Online non-food sales increased 7.0% year-on-year in December, on top of 19.2% growth in 2013.

- The three month weighted average showed like-for-like food sales fell 2.2% while non-food increased 2.1%.

“Undoubtedly disappointing figures. They clearly show the damage done to the retail sector by the Black Friday promotions in pulling business forward into November at lower margin and the BRC also mentions further promotional activity throughout December. Food retailers sales were down and growth in online remarkably low. Seen overall it looks as if spending has held up reasonably well over the final quarter, as we thought it would. The ONS figures, which give a more comprehensive view of sector performance, are due out on Jan 23rd. They have been consistently higher than the BRC over the last year and we expect them to be so for December. The message of these numbers is that Black Friday was seriously damaging to the sector and retailers need to find a way of pulling back from it this year.”

UK: Retail sales grow 2.5% in December

Figures from the ONS show year-on-year growth of 2.5% in the value of UK retail sales in December 2014.

Average store prices fell by 2.2% compared to December 2013, which was the largest fall since June 2002 according to the ONS. The value of internet sales decreased by 2.8% compared with the previous month (November 2014) however this marked a year-on-year increase of 8.0%.

- Clothing and footwear sales were up 2.1% in December while furniture and lighting grew by 9.2%. Electricals edged up just 0.1% in comparison to the 21.0% growth experienced in November 2014.

“We forecast 3% growth for all retail sales excluding fuel and the actual number is 2.5%. We're tempted to say that the difference is business pulled forward by Black Friday. That difference would equate to £200m which is a reasonable estimate of the impact of Black Friday, though probably a little on the low side. But taking that late November distortion into account our estimation of Christmas 2014 was about right. We said it would be OK - good, but not outstanding - and that is what it has proved to be. But there are surprises in the detail. Food retailers are actually down year on year, mainly because of deflation in food, but even in volume terms their sales are flat. That is a significant deterioration on November and is surprising because most of the majors seem to be reporting an self-improvement in trade in December. Mixed goods retailers (inc department stores) were up 1% in December, a good result after the 12%, Black Friday driven growth in November. Clothing retailers were up, but only just and the biggest growth came from the miscellaneous specialists - that group of smaller retailers which covers everything from jewellery to pets. Even non-store retailers - mostly the internet pure players - looked a little dull with growth of 7% after 12% in November. Overall, these are solid figures. They show that the underlying trend is still strong and that's a good basis to start 2015. There are many uncertainties ahead of the sector this year, but one positive factor is that with inflation threatening to fall into deflation there is little chance of an increase in interest rates before the Autumn.”

UK: Shop prices fell 1.3% in January

The fall in shop prices decelerated from the 1.7% decline experienced in December 2014.

Figures from the British Retail Consortium show food prices fell 0.5% year-on-year in January 2015, after reporting inflation of 0.1% in December. The 0.5% decline was the sharpest decline since records began in 2006. Non-food deflation slowed to 1.8% in January from 2.8% in December.

BRC Director General, Helen Dickinson, said: ‘There is some evidence that the heavy discounting in early December resulted in some retailers pulling their new season stock forward, which meant a significant amount of goods were sold at full price in January.’

- She added: ‘2015 is shaping up to be a win-win year for shoppers and retailers alike.’

UK: UK retail sales edge up 0.2% in January

Sales in the first month of the year were driven by online spend and extended price promotions.

Data posted by the British Retail Consortium shows total retail sales rose 1.6% compared with January 2014 and 0.2% on a like-for-like basis. Toys and baby equipment was the strong performing category in retail, while household appliances and clothing saw strong demand driven by discounts.

BRC director-general Helen Dickinson said: ‘Shoppers were in the mood to buy products aimed at helping them lead a healthier lifestyle – from fruit and veg to exercise equipment, all these kinds of products have been selling strongly. Given the time of year this is no surprise and retailers have capitalised by making sure they have the right stock, at the right price to help consumers achieve their New Year goals.’

- Food sales increased 0.2% over the past three months.

“A good result against a strong comparative figure. The weather was worse than last year, especially in the north and that cannot have helped, nor does the fact that retailers are having to cope with deflation. January was characterised by the normal promotional activity, however these numbers do suggest that there has been no underlying change in sales trends in the new year. UK consumers are becoming more willing to spend as wages should start to increase more quickly than inflation. This will increase real disposable incomes and, in turn, will feed through into increased consumer spending. Although consumers are beginning to feel more confident, the slowdown has had a major impact on their psyche. They are prepared to spend more but will continue to seek value and be savvy in terms of their shopping habits. Please refer to the soon to be published Consumers and the Economic Outlook, Quarterly Update - February 2015 report for further analysis.”