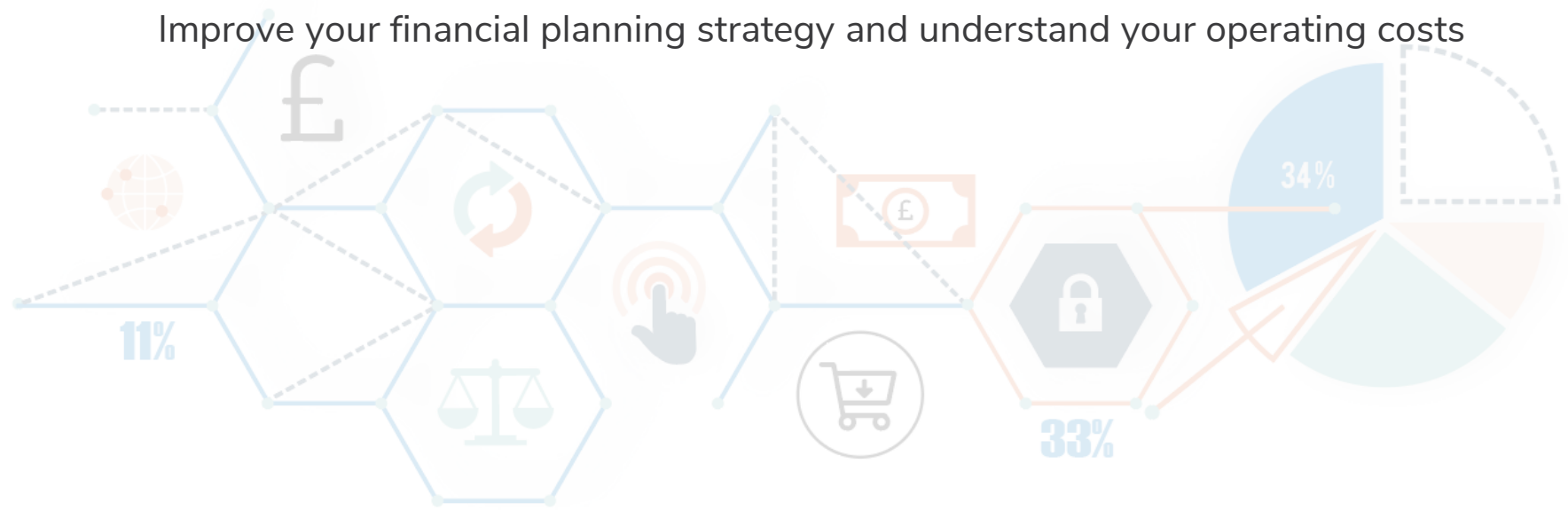




Retail Cost Base Index

Improve your financial planning strategy and understand your operating costs



Food Retailers

+1.8%

(Q1 2020 vs. Q1 2019)

Non-Food Retailers

+1.1%

(Q1 2020 vs. Q1 2019)



Labour Costs



Retail labour costs rose by **2.6%** in Q1 2020, year-on-year, up on the 1.1% rise in the previous quarter.



Rents



Rents fell by **3.4%** in Q1 2020 compared with a year earlier, accelerating on the previous quarter's decline of 2.9%.



Distribution



Distribution costs rose by **1.8%** in Q1 2020 compared with the same quarter last year.



Business Rates



Business rates rose **2.4%** in Q1 2020 compared with a year earlier.



Central Costs



Advertising and Central Costs were up **2.1%** year-on-year, up from the 1.8% rise in the previous quarter.



Utilities



Utility costs rose by **5.0%** in Q1 2020 on the previous year.

At a glance

Component	Annual % Change	Summary	2-Year Sparkline
Labour Costs	+2.6%	<p>Labour costs rose by 2.6% in Q1 2020 compared with the previous year.</p> <p>Looking ahead to Q2, the labour market is going to see both push and pull factors as a result of the coronavirus pandemic. Indeed, despite upward pressure exerted by a rise in both the National Living Wage and National Minimum Wage, the government's furlough scheme has undoubtedly reduced labour costs for some retailers. However, in the food sector for instance, labour costs are likely to have risen from more staff being employed to cope with increased demand, particularly for online.</p> <p>On average, rental costs fell by 3.4% in Q1 2020 compared with the previous year.</p>	
Retail Rents	-3.4%	<p>The trend of declining prime rents continued in the first quarter of 2020 with retail warehouses (-3.4%), shopping centres (-1.5%) and high street shops (-1.0%) reporting deeper declines than the previous quarter. Retail rental expectations and investment enquiries continued to fall while the availability of retail space rose in Q1. We expect to see a further weakening in Q2, accelerated by the ongoing Covid-19 pandemic. Indeed, the inability to pay rents has been a feature of poor quarterly rent collections from landlords.</p> <p>Distribution costs rose by 1.8% in Q1 2020 compared with the previous year.</p>	
Distribution & Fuel	+1.8%	<p>Upward pressure was exerted by the fuel component driven by inflationary rises in the first two months of the year. That said, significant downward pressure from fuel is expected in Q2. Transport and storage costs also rose on levels seen in the final quarter of 2019.</p>	

Labour

+2.6%

Retail labour costs rose on the previous quarter in Q1 2020.

Rents

-3.4%

Rents remained negative in Q1 2020, with high street shops and shopping centres continuing to report declines.

The trend of declining prime rents continued in the first quarter of 2020 with retail warehouses (-3.4%), shopping centres (-1.5%) and high street shops (-1.0%) reporting deeper declines than the previous quarter.

At a glance

Component	Annual % Change	Summary	2-Year Sparkline
Business Rates	+2.4%	<p>Overall business rates contributions rose by 2.4% in Q1 2020.</p> <p>It's worth noting that pressure from business rates will fall away for the remainder of the year and into 2021, driven by the introduction of the business rates holiday by the chancellor (covering tax year 2020-2021) to support the retail sector from the coronavirus impact. To put the savings into context, leading grocery retailer Tesco reported they will save in the region of £532 million, while non-food retailer Next has estimated their saving will be £85 million.</p>	
Advertising and Central Costs	+2.1%	<p>Advertising and Central Costs rose by 2.1% in Q1 2020 compared with the same period last year – the sharpest rise in over nine years.</p> <p>The rise was driven by Professional and Information Services, Administrative and Information and Communication services which all accelerated in the first quarter of 2020.</p>	
Utilities	+5.0%	<p>The cost of Utilities accelerated in Q1 2020, rising to 5.0% on the previous year.</p> <p>Rising electricity prices was the main driver of the uplift in utility costs in the first quarter of 2020, outweighing a decline in gas prices which fell compared with the previous year. Water and sewerage costs also remained in negative territory for the sixth consecutive quarter.</p>	

Business Rates

+2.4%

Business rate bills rose by 2.4% in Q1 2020 compared with a year earlier.

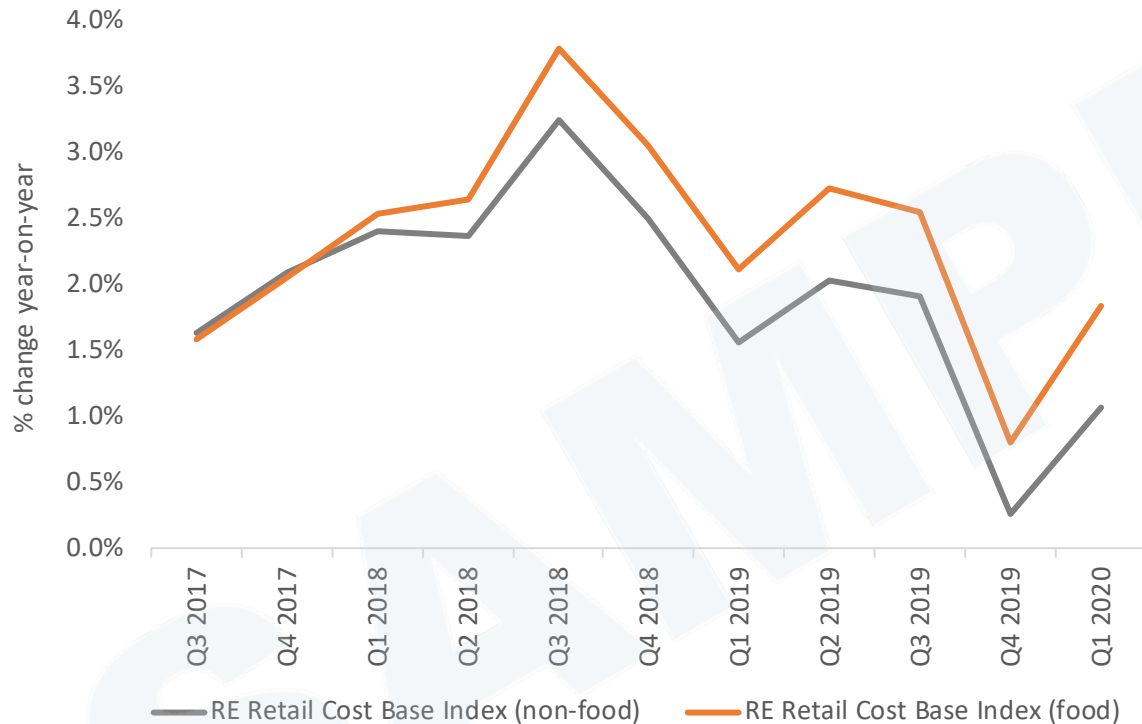
Utilities

+5.0%

Upward pressure from utility costs rose by 5.0% in Q1 2020.

Pressure from business rates will fall away for the remainder of the year and into 2021, driven by the introduction of the business rates holiday.

Operating costs facing Food and Non-Food retailers



Food

+1.8%

Operating costs facing food retailers rose by 1.8% in Q1 2020, accelerating on the previous quarter.

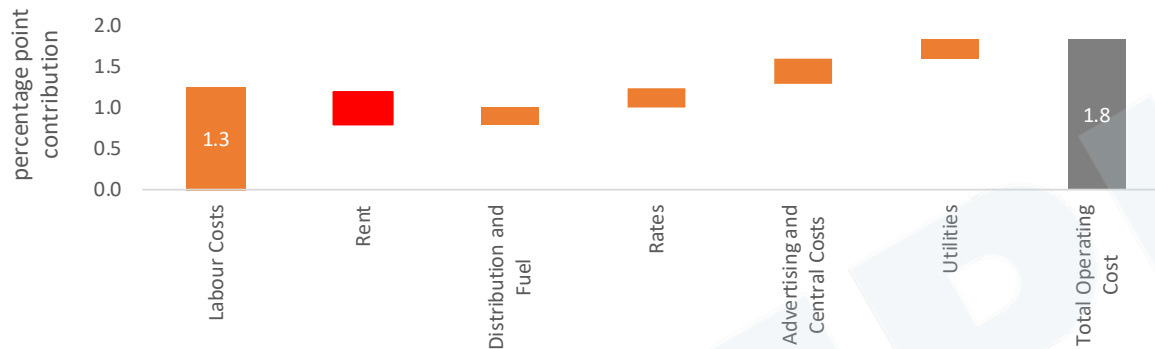
Non-Food

+1.1%

Operating costs facing non-food retailers rose by 1.1% in Q1 2020.

Operating costs for both food and non-food retailers accelerated in the first quarter of 2020.

Contribution to operating costs: Food



Labour

1.3 percentage points

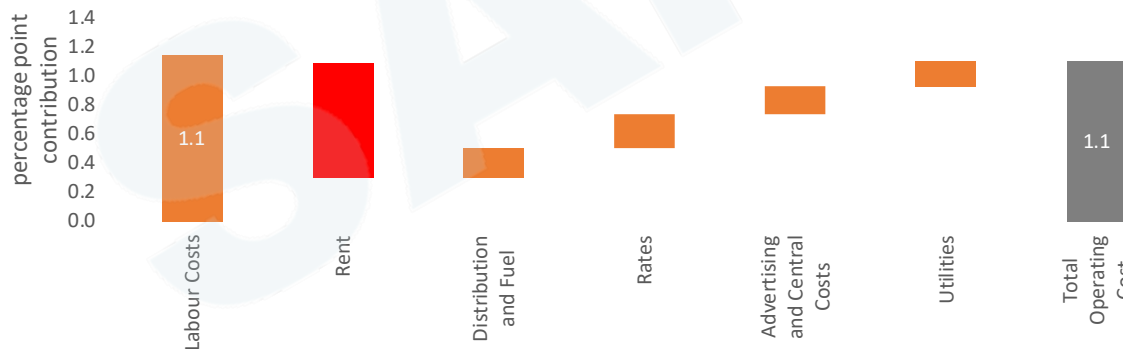
Labour costs were a significant proportion of food retailers operating costs in Q1 2020.

Advertising and Central costs

0.2 percentage points

Advertising and central costs contributed 0.2 percentage points to the overall increase in operating costs for non-food retailers.

Contribution to operating costs: Non-Food



Rents continued to make a negative contribution to both the Food and Non-Food sectors.

Our services



Subscription Service

Our subscription service is a completely tailored, holistic, retail intelligence package. We offer:

- Monthly economic reports
- Monthly retail sector reports
- Downloadable timeseries data
- Help desk assistance
- Quick response retail updates
- Shopper sentiment surveys
- COVID-19 Service content
- Retail cost base index
- Tailored reporting
- Face-to-face presentations
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Thought Leadership Research

Be a prominent thought leader and command authority within your field by publishing thought leadership research.

Publishing cutting edge research on ahead-of-the-curve issues and trends affecting the industry is a proven method to command authority and raise profile. We plan and implement research, analyse results, identify key findings and generate reports with complete flexibility of input. This is a complete end-to-end service from research planning to campaign launch.



CEO Presentations

Get the personal touch and interact face-to-face with the CEO Retail Economics (City AM Analyst of the Year 2019 nominee).

Secure an opportunity to hear our thought-provoking views and opinions at your conferences, seminars, company away-days or board meetings; both Richard Lim (CEO) and Stephen Robertson (Chairman) being in popular demand.



Media, PR & Comms

Maximise impact and media traction for your projects and campaigns using our extensive industry expertise and well-established networks.

Secure the attention your work deserves and achieve its intended impact. We assist and advise on: campaign creation and planning, media engagement, messaging, propositioning, events, trends, insight analysis, thought leadership and influencer targeting.



COVID-19 Service

Better assess the impact of the coronavirus crisis; essential to inform critical decisions, mitigate risk and to plan ahead in such challenging times.

Keep abreast of the latest developments affecting the industry. Gauge consumer sentiment by sector and channel with proprietary data. Identify opportunities from the myriad of challenges facing the industry.



Data & Benchmarking

Using industry standard methodology and best practices, we provide bespoke proprietary data and benchmarking services allowing you to accurately measure and monitor performance.

Avoid inaccurate estimates and 'second guessing' to assess your performance. Get the precise data and use robust economic models to accurately gauge your performance against tailored metrics.



Economic modelling

Better understand how your key industry variables affect your organisation: demography, socio-economic profiles, regional, sector, policy, industry and skills etc.

Our economic consultancy team use industry standard practices for: forecasting, scenario analysis, data analytics, socio-demographic projections and economic impact modelling. We also undertake highly bespoke modelling for forecasting.



Advisory & Business planning

Accelerate and grow your business with intelligent planning, forecasting and risk management using our business advisory service.

We work with multiple retailers, institutional investors and government departments using robust data and expert advice on: business plans, propositioning, funding, marketing and strategy. We can also conduct market research for more informed planning.



Brexit advisory service

Our Brexit advisory service arms you with critical insights needed to limit your risk and ensure Brexit readiness and beyond.

Brexit is affecting many industries above and beyond retail. Our specialist Brexit advisors can help you navigate the policy implications, bringing clarity to your planning strategies and ensure you are best placed going forward.

Get in touch

Retail Economics
4th Floor
86-90 Paul Street
London
EC2A 4NE

☎ +44 (0)20 3633 3698
🌐 www.retailconomics.co.uk
✉ amy.yates@retailconomics.co.uk
🐦 @retailconomics

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