

April 2022



Consumer news

Consumer sentiment deteriorates

- Sentiment deteriorated in April compared with the last quarter as the consumer environment weakened, according to the Retail Economics Shopper Sentiment Survey.

Key findings:

- Over two-thirds (64%) of consumers expect the economy to weaken over the next three months, a sharp deterioration on the previous quarter (34%).
- Almost three-fifths (59%) of consumers expect their personal finances to weaken over the coming quarter, up from 39% in January.
- Over half (51%) of consumers expect to save less in the coming quarter, up from 42% in January. Just 11% expect to save more.
- Consumers were most concerned about rising inflation (56%) in April, as headline inflation reached its highest level in at least 30 years.
- Looking ahead, over half (57%) of consumers signalled they would spend less on non-essential items over the next quarter, the weakest figure since October 2017.



News on the outlook

Grocery spend adapting to rising costs

- Grocery spending habits are rapidly changing as pandemic behaviours unwind and inflation begins to bite.
- We're starting to see the switch from the pandemic being the dominant factor driving shopping behaviour towards the growing impact of inflation, as consumers and retailers grapple with steep price rises.
- Nearly 9 in 10 consumers (87%) reported that their cost of living had increased in March. Of those, 31% reported spending less on their food shop according to the Office for National Statistics.
- Amid inflationary pressures, Retail Economics research has found that consumers are resorting to more savvy shopping behaviours, including reducing basket sizes, trading down to own brands, and shopping more often at discounters.

- At the same time, people are now socialising and commuting more frequently than at any point since the pandemic began, which means fewer opportunities to consume food and drink at home.
- Kantar data shows households made 15.4 visits to the supermarket on average last month, compared with 15.6 trips a year earlier.

Typical family sees spare cash fall by £52 in March

- Soaring inflation is beginning to bite as household finances come under pressure.
- The inaugural [Retail Economics-HyperJar Cost of Living Tracker](#) shows that levels of discretionary income among the least affluent UK households is in decline, falling by 5.2% in March – the equivalent of £26 per month less cash available to spend on non-essential items - even before the latest hike in the energy cap takes effect.
- After paying for all essentials, the average household saw their spare cash fall by 4.9% compared with last year, leaving them with £52 less to spend on discretionary items in March.
- Given the least affluent households spend a disproportionate amount of their income on essentials, such as food and energy, they face the harsh reality of higher inflation than the average UK household. Our research shows that the least affluent households are seeing inflation rates of 7.1% across their spending, compared with 6.9% for the most affluent families.

Key updates from retailers

Food & Grocery

- Iceland is trialling a cut in its minimum order value for free delivery online from £40 to £35, as well as reducing its in store free home delivery service threshold from £25 to £20, as it looks to help shoppers "feeling the pinch" from living costs.
- Next month Marks & Spencer is expected to reveal that its joint venture with Ocado is hitting targets, which would trigger a £190m payment to Ocado at the end of next year. It comes as speculation mounts that M&S will be looking to up its stake in Ocado Retail above its current 50% holding.
- Morrisons' new owner Clayton Dubilier & Rice (CD&R) is looking to sell £500m of the grocer's portfolio of manufacturing and distribution centres in the UK. It comes as Morrisons warns over the impacts of Ukraine disruption and inflation, with shoppers cutting their spend as living costs rise.

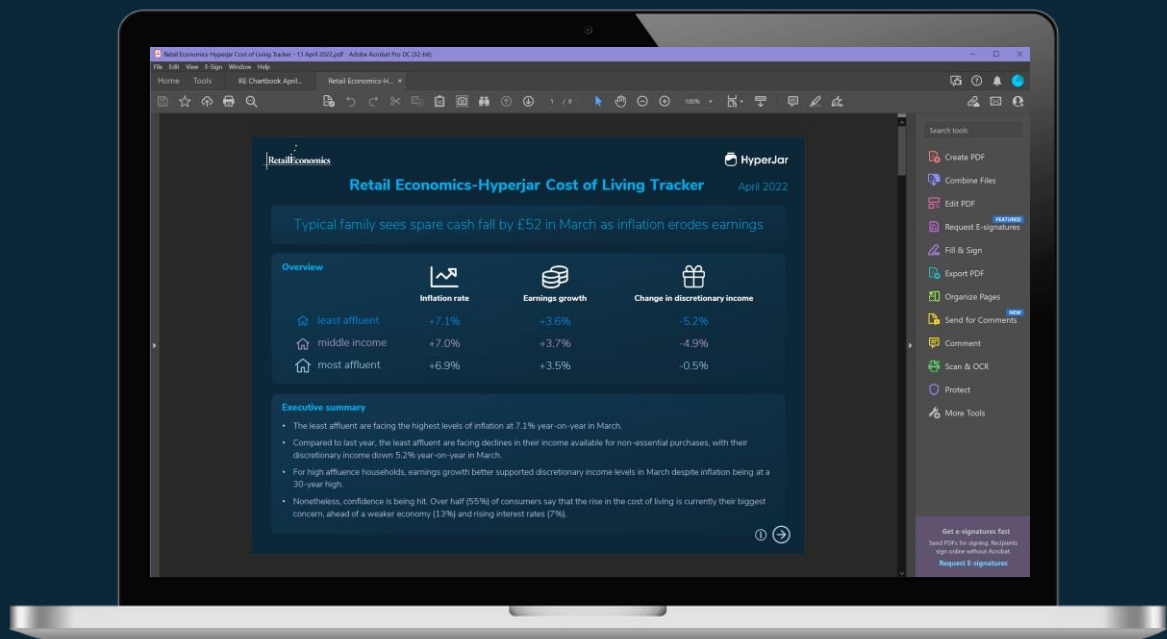
Trading update

- Tesco posted a 219.7% rise in pre-tax profit to £2bn in the year to 26 February 2022. Adjusted operating profit climbed 58% to £2.8bn during the financial year, and underlying group sales excluding VAT and fuel rose 2.5% to £54.7bn.
- The Co-op group reported a 2.7% drop in annual sales YoY to £11.2bn in the year to 1 January. Pre-tax profit came in at £57m – down £70m on last year and boosted by a one-off gain of £99m from the early settlement of a liability owed to the Co-operative Bank.

Retail Economics-Hyperjar Cost of Living Tracker

The Retail Economics-Hyperjar Cost of Living Tracker

This is a monthly report which measures the impact of earnings growth and inflation on discretionary income across the least affluent, middle income and most affluent households in the UK. Available to Retail Economics subscribers – Click [here](#) to find out more.





- Naked Wines reported a 5% YoY rise in full year sales and 77% rise against two years ago, boosted by repeat customers.

Online growth

- The Co-op has announced its aim to grow online sales this year by another 50% to £300m. The grocery retailer saw online sales reach £200m last year – compared with just £4m two years ago.

Petrol stations

- Following the Competition and Markets Authority raising concerns about private equity firm Clayton Dubilier & Rice acquisition of Morrisons, the grocery owner has offered to divest a number of the petrol stations to gain approval for the takeover.

Wages

- Tesco has revealed plans for a £200m investment in its workers, which will involve increasing hourly pay rates for store and warehouse staff by 5.8%. The base pay for store and customer fulfilment centre workers will increase from £9.55 an hour to £10.10 – effective from 24 July.
- Sainsbury's is increasing the pay for Sainsbury's and Argos store employees in outer London to the real and London living wage. Store workers in outer London will see their hourly pay increase from £10.50 to £11.05.

Cost of Living

- Marks & Spencer has reduced the price of 60 staple foods in its Remarkable Value range amid the rising cost of living.

Expansion

- Following a record 50% jump in sales in the year to March, Cake Box revealed plans to expand its kiosk deal with Asda, opening 10 new sites in the supermarket during the year.

Clothing & Footwear

- Ted Baker is formally putting itself up for sale, following unsolicited bids from private equity firm Sycamore Partners and an unnamed third party.
- Marks & Spencer has partnered with resale platform Dotte, allowing shoppers to buy and sell second-hand childrenswear. As well as money from the sale of unwanted childrenswear, M&S customers would receive a £5 voucher off their next £25 shop for using the service.
- Farfetch is investing a \$200m stake in US department store chain Neiman Marcus as part of a strategic partnership. The cash will be used to "further accelerate growth and innovation through investments in technology and digital capabilities".
- Gymshark's proposed expansion with more locally driven regional strategies could lead to 121 job losses and the creation of 100 new roles, as it looks to remove duplication and improve efficiency in the company's structure. If the proposal is implemented, the retail said the redundancies will occur before the end of July.
- Fast fashion giant Shein has been valued at over \$100bn following its latest fundraising round. This is above the market capitalisation of Inditex and H&M combined.
- Shein is opening a pop-up store in London's Covent Garden in partnership with payments provider Klarna on 8-10 April, offering fashion and beauty, as well as a manicure station, flower stall and coffee stand.
- Lululemon is opening its first Brighton store later this month.
- Primark has launched a new customer-facing website. The site enables customers to browse a wide range of Primark's products with the ability to filter by size and colour. It also includes a feature allowing customers to see the stock levels of each item in their nearest store, using a traffic-light system to indicate availability.

- TM Lewin's main lender PETRA Group has struck a deal to acquire the retailer after it fell into administration for the second time in less than two years. The apparel retailer has closed all 66 of its physical shops as part of the insolvency, resulting in the loss of hundreds of jobs.
- Womenswear label Blue Vanilla has signed a deal with home shopping channel Ideal World to sell its range across its TV, social and web platforms.
- George at Asda has partnered with Netflix to offer a range of fashion and lifestyle products based on the streaming service's original series.
- Marks and Spencer has made available a range of 40 womenswear lines on specialist platform Hirestreet in its latest tie-up with the rental platform. M&S items available include clothing from its Autograph and Per Una ranges, with prices starting from £10.
- Asos posted an 87% plunge in profits to £14.8m in its half year to 28 February, as it suffered reduced stock availability due to supply chain disruption. The fashion retailer made an operating loss of £4.4m compared to a £109m profit last year.
- Next teamed up with hedge fund Davidson Kempner to acquire mother-and-baby retailer JoJo Maman Bébé for an undisclosed sum. Each investor is said to have acquired 44% and 56% respectively. JoJo Maman Bébé has 87 retail outlets and 950 employees.
- American fashion brand U.S. Polo Assn is set to open its first UK store at the McArthurGlen designer outlet at Cheshire Oaks. The store was originally planned to open in 2020 but was delayed by the pandemic.
- Fashion retailer Mango has extended the repayment date of its main syndicated loan to 2028. The cost of the loan will reduce if it meets a number of sustainability targets.

Health & Beauty

- Boots has extended its Price Advantage discount scheme to more products and online for Advantage cardholders. Boots says customers can benefit from an average saving of £2.65 per product.
- A consortium involving private equity firms CVC and Bain withdrew from takeover talks of Boots in March, after suggesting that they would only pay a price tag of £4bn for the retailer according to The Telegraph. Parent Walgreens has placed a price tag of £7bn on the sale.
- Reliance Industries has emerged as another potential bidder for Boots, alongside TDR Capital and US investment firm Apollo

Marketplace launch

- Farfetch launched a beauty marketplace on its website following the acquisition of Violet Grey earlier this year. As part of the beauty launch, Farfetch created the Farfetch Beauty Global Collective, a group of brand founders and beauty experts that will focus on transforming the beauty industry.

Homewares

- Dunelm reported that sales were up 69% to £399m in the 13 weeks to 26 March. The proportion of online sales rose 12% year-on-year to 35% in the quarter. The retailer said it has been stocking higher inventory levels to help smooth supply chain issues.
- H&M and Ikea have partnered to create an "ideas factory" that aims to promote designers and small-scale manufacturers in London. The joint venture store called Atelier 100 is due to open in May. Applications to the scheme are open until 24 April. Successful applicants will receive £10,000 to scale their ideas into commercially viable products.



Department stores, marketplaces and specialists

Cyber attacks

- The Works temporarily shut five shops and suspended store deliveries following a cyber-attack last week, which brought "unauthorised access to computer systems".
- WH Smiths' online cards and gift retailer Funky Pigeon had to temporarily take its system offline following a cybersecurity attack.

Trading update

- In its latest trading update, Mothercare said its revenue rose by 7% to £385m in the year to 26 March. The retailer said adjusted EBITDA for the year is expected to be in the range of £11.5m and £12m.
- THG reported a 35% jump in revenues amid talk of "unacceptable" takeover offers for the company.

Investment

- Ebay has committed more than £1m to launch the eBay Business Roadshow, its first ever physical regional roadshow and investment programme in the UK, designed to help small online businesses navigate rising inflation and the impact of the pandemic.

Openings

- Decathlon has closed a 15-year lease on two floors of a six-storey building in Liverpool in preparation for the opening of its flagship store at the end of April.
- eBay has successfully launched its "imperfect" platform that enables shoppers to purchase clothes from leading retailers, that can't be sold at full price due to a defect or manufacturing errors.

Updates by channel

Demolition reconsidered

- Following a backlash, the Mayor of London will reconsider the decision to approve Marks & Spencer's planned demolition of its London Marble Arch store amid climate considerations.

Store concept

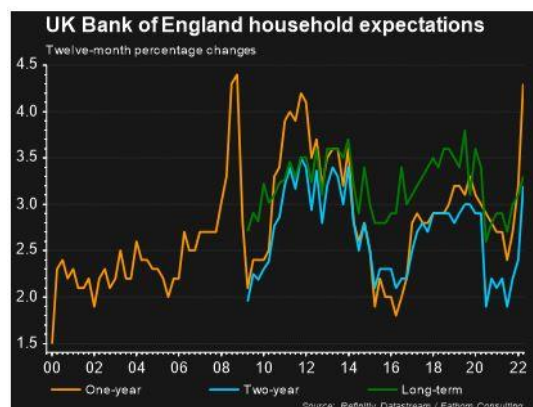
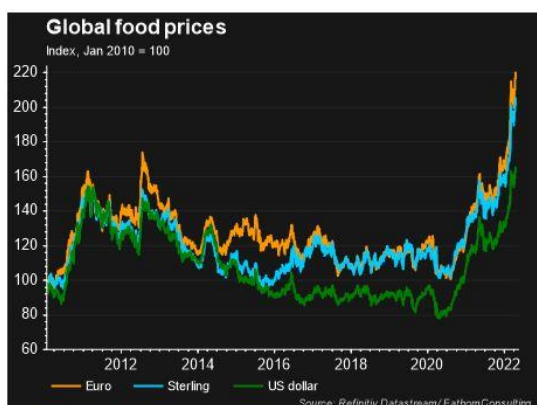
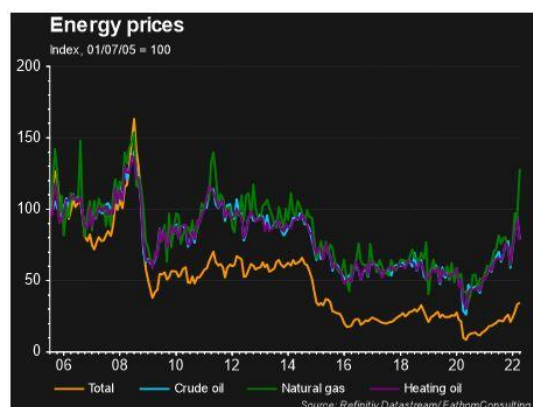
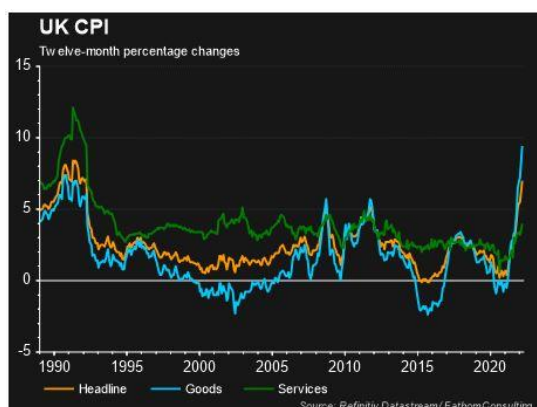
- Boxpark has announced it openings a 17,000sq ft BoxHall site by London's Liverpool Street next year, after agreeing a 15-year lease with the site's freehold owner TfL.

New leasing

- Lansec announced a new leasing strategy to meet retailers "rapidly evolving" needs. Shorter and more flexible lease lengths, lower fit-out costs and access to data from its centres are just some of the products on offer.

Latest economic indicators

Updated 21 April 2022



Key dates throughout the month

What?	When?
ONS GDP Monthly Estimate (February)	11 April
ONS Labour Market Survey (February)	12 April
ONS Consumer Price Index (March)	13 April
RICS Residential Market Survey (March)	14 April
ONS Retail Sales Index (March)	22 April
GfK Consumer Confidence Index (March)	22 April
Primark interims	26 April
WH Smith interims	27 April
Sainsburys finals and Howden trading update	28 April
Travis Perkins Q1 update	29 April

Any feedback?

Hi, I'm Amy. We would love to hear your views on the updates and reports you receive from Retail Economics, including what you find useful, what you would like to see in the future, and how we can better inform you during these times.

Send us your suggestions and other feedback to amy.yates@retaileconomics.co.uk

For further information, please get in touch and I'll put you in contact with one of our retail analysts. Thanks.

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