



Soothing a troubled market

Maternity specialists are facing turbulent times and online retailers and supermarkets are stealing their share. Gemma Goldfingle reports

The mother and baby sector has a bad case of colic. All three big maternity specialists – Mothercare, Mamas & Papas and Kiddicare – are experiencing serious problems, leading to a market in a state of disarray.

Market leader Mothercare is in the midst of a turnaround, with its UK losses hitting £21.5m this year, while Mamas & Papas is understood to be struggling following over-expansion. It has been loss-making for the past three years and last month founders the Scacchetti family sold a majority stake to private equity firm BlueGem.

Meanwhile, Kiddicare was last month sold by Morrisons to turnaround specialist Endless for just £2m, three years after the grocer paid £70m for it.

However, industry heavyweights – most recently ex-Aurora Fashions chair-

man Derek Lovelock, who was last week appointed interim boss of Mamas & Papas – are vying to bring stability to the turbulent market.

The specialists have faced increasing competition from both grocers and online players, which have undercut established players.

“Ten years ago, 90% of pregnant women walked into a Mothercare store. Where else would they go? But now the first place they go is online,” points out Peel Hunt analyst John Stevenson.

And when shoppers visit a website they often find keener prices and a broader offer. Both Amazon and eBay have made a play for the maternity market with designated baby shops.

However, former Shop Direct boss Mark Newton-Jones – another big-hitter to join the maternity market, at Mother-

care – believes neglectful parenting of the sector is to blame.

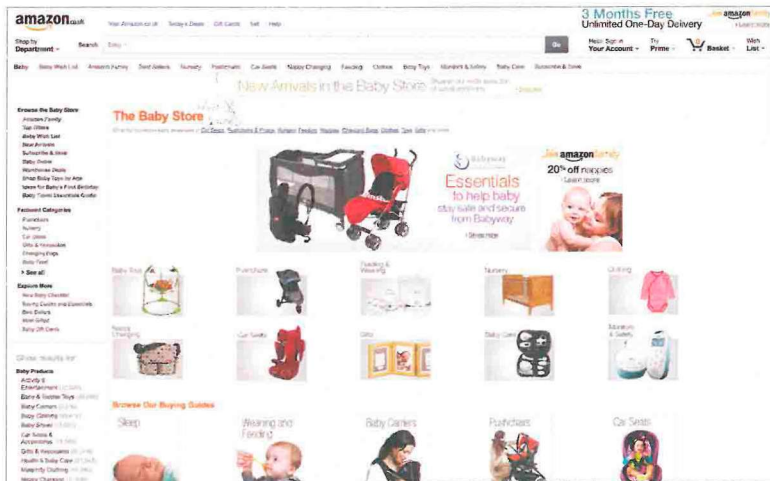
“The market has done this to itself. Everyone lost confidence and started discounting the hell out of the product,” he says.

Kiddicare led the charge to the bottom on prices in the baby market, according to Newton-Jones.

“It was successful in disrupting the market [on price],” agrees Stevenson.

Kiddicare, which was a predominantly online business when Morrisons bought it, could undercut its store-based rivals because it did not have the same rents and rates. But after Morrisons opened 10 big-box stores for the maternity business it is understood that losses began to spiral.

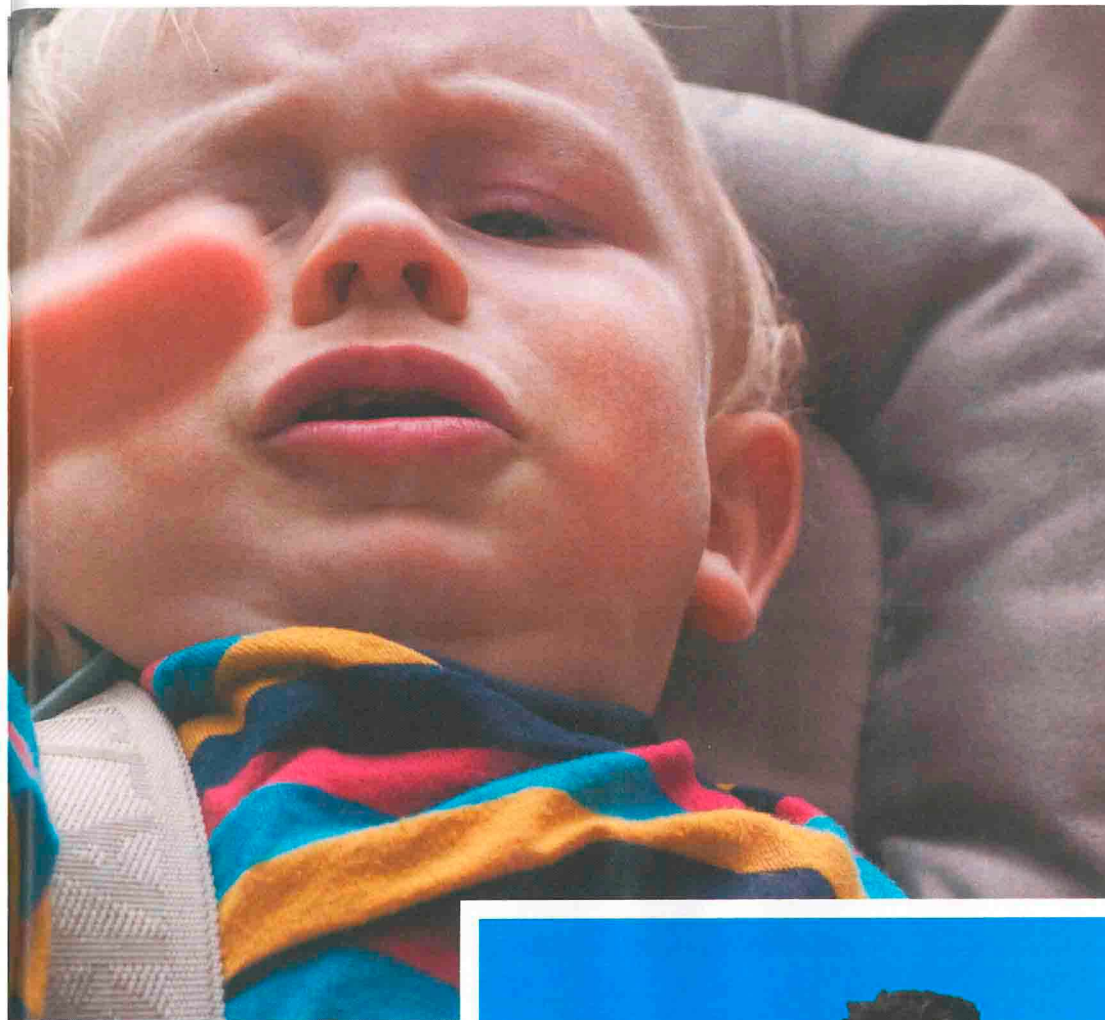
It is thought that Endless intends to shutter the Kiddicare stores and return it to its retail roots. Newton-Jones says that could bring some relief to Mothercare and Mamas & Papas.



Online retailers such as Amazon have disrupted the maternity sector

“NEW PARENTS WANT ADVICE, THEY DON'T GO TO A STORE JUST TO BUY”

Tamara Sender, Mintel



Newton-Jones says that the growth of Kiddicare impacted everyone in the sector because there is little growth in the market. "There are limited births every year. Last year there were 840,000 in the UK and that changes by 1% to 2% each year. There is only a limited amount the market can scale," he says.

The maternitywear market is expected to grow only £6m to be worth £147m in the next three years, according to Mintel. In kidswear, the specialists picked up just 3% of the estimated £6.5bn 2013 market, losing out to general retailers.

However, the nursery and baby equipment market, which Mothercare leads, is forecast to increase from £782m to £844m by 2018.

Keeping up with mums

It is not just Morrisons' aggressive expansion of Kiddicare that has hit Mothercare and Mamas & Papas.

Stevenson believes that all three are not giving shoppers what they want. "They have all lost sight of what people want. The price has to be right, but the offer and service need to be better.

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There needs to be a reason for the shopper to visit," he says.

In mass-market player Mothercare's case, competing on price was an important part of the jigsaw – it introduced a price-match guarantee that it has promoted for the past year – but service should be how it distinguishes itself from online players and generalists such as Tesco.

"Mothercare has staff expertise but hasn't used it enough," says Mintel analyst Tamara Sender. "It needs to focus on the customer service element. New parents want advice, they don't go to a

store just to buy, they want interaction."

Newton-Jones agrees. "First-time mums aren't just interested in price alone," he insists. "It's a complicated business. I remember myself from when my kids were young, you need specialist equipment for the car, for eating and you need to talk to people who can give you support about what to buy and when to buy it.

"We produce checklists and our shoppers snap them up."

Mamas & Papas has also been accused of losing sight of its positioning. The more premium brand, perhaps buoyed by the fact that market leader Mothercare was weakened, has expanded its retail arm aggressively recently. It has more than doubled store numbers in the past five years, including opening out-of-town sheds, which some observers say are at odds with its premium positioning.

A source close to the retailer said it had "lost some of its DNA" and had been concentrating on competing with Mothercare.

Investec analyst Kate Calvert says: "I love the shop myself and having one in yummy-mummy areas like Clapham would be perfect. But it grew too fast."

Calvert compares it to fellow upmarket specialist JoJo Maman Bébé: "It stayed small and focused and when you go in, the product is well-bought and it has got the stuff that mothers need."

Mothercare stores are also in the wrong location, argues Calvert. The retailer, which is in the process of closing 110 stores, will be left with a larger portion of out-of-town shops. Calvert says that maternity stores should be "at the heart of the community" and be places where mothers can socialise.

However, Stevenson believes that London shoppers do want out-of-town stores. "It's easy to park and you can provide things like coffee shops to create a social environment," he says.

He adds that maternity retailers need to "try much harder" to attract shoppers: "People used to come to stores, now you need to give them a reason to come, be it coffee shops or NCT classes."

Mothercare has already made moves in this direction. In its new format store it has introduced Costa coffee concessions and a 'mumspace' zone where parents and toddlers learn and play together.

Perfecting product is critical

In Mamas & Papas' case, its unique product kept people shopping at its stores.

Mamas & Papas, which sells predominantly own-brand products, is a

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Mothercare has introduced 'mumspace' areas and Costa coffee concessions in some stores

manufacturer as well as a retailer. But in recent years it has come under pressure from new innovative manufacturers such as Dutch firm Bugaboo.

Stevenson says: "Ten years ago everyone had a Mamas & Papas pram. Now there are four or five premium brands in the market."

It is thought that Lovelock will focus on upping the level of product innovation to reclaim its position as a leader.

Product differentiation will also play a vital role in Mothercare's revival. Newton-Jones has vowed the retailer will start trading at full price, which means securing unique product that cannot be found cheaper online will be key.

Newton-Jones says there is support among the big maternity brands. "Every brand wants a full-price retailer in their sector, be it sportswear, prams, or computer consoles. If a PlayStation was always sold at a discount, you wouldn't consider it to be a premium product. The same applies to Silver Cross or Bugaboo," he says.

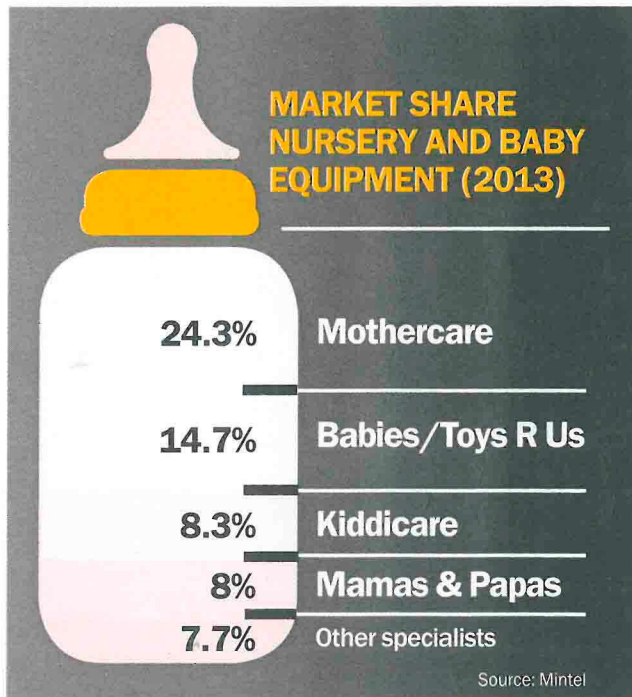
Stevenson agrees but says products must be "true exclusives", not just the same product that is on Amazon but in a different colour.

Unique product and exemplary service can help restore the specialists' role in the market, but first they have to win back the customers that they have lost over the years.

Mothercare's slow turnaround progress – it cut UK losses by just £100,000 to £21.5m over its year to March 29 – shows this is not child's play.

"Gaining the trust of mothers can take a long time," says Calvert.

Mothercare and Mamas & Papas will be hoping that by bringing in the big guns they can do just that.



OVERSEAS OUTLOOK

Despite the troubles they are experiencing in the UK, both Mothercare and Mamas & Papas are focused on expanding overseas.

Lovelock says accelerating international expansion at Mamas & Papas – which is already in 59 markets other than the UK – is a priority. Last year it inked a tie-up with franchise partner Zero to Seven, with which it will open 90 standalone stores in China, the first of which opened in Beijing last September.

Mothercare also has a booming international business with more than 1,200 overseas stores.

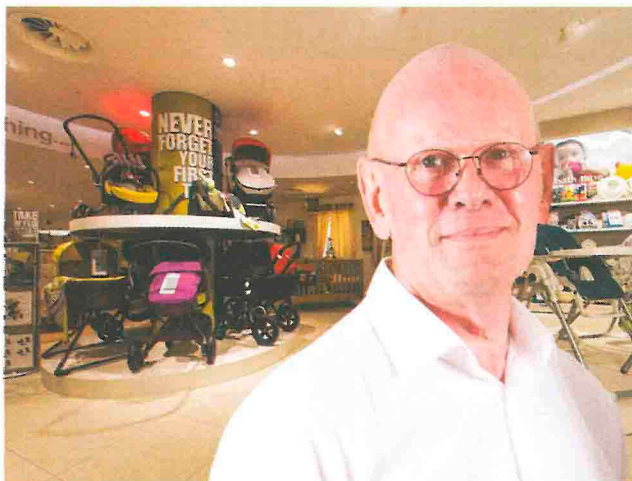
Newton-Jones says that international is the big prize. "There are only 840,000 births in the UK but there are 130 million around the world. We have 220 stores in the UK. We will open nearly that many this year alone overseas."

However, it is critical that maternity retailers' UK businesses, from which their international operations hang, remain strong.

Conlumino global research director Maureen Hinton says of Mamas & Papas: "It should have a very defined positioning that it can use to expand internationally. It has got a good brand but it needs to strengthen that and differentiate itself from the competition."



A Mothercare store in India



Derek Lovelock is Mamas & Papas' new interim chief executive